School of Accounting

Determinants of Voluntary Disclosure for Vietnamese Listed Firms

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DECLARATION

To the best of my knowledge and belief this thesis contains no material previously published by any other person except where due acknowledgment has been made.

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university.

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ABSTRACT

Using a positivist empirical approach, this thesis extends the existing literature by examining the Vietnamese accounting and financial reporting environment using contemporary data.

Regression analysis reveals some interesting characteristics of Vietnamese listed firms. Vietnamese listed firms have a moderately average proportion of independent directors on their corporate boards (53.89 per cent), a high level of state ownership (26.63 per cent), a moderate level of managerial ownership (12.77 per cent) and a relatively low level of foreign ownership (9.80 per cent).

Regression analysis results provide support for the juxtaposition of agency theory in explaining the variations of Vietnamese voluntary disclosure practices. In particular, the evidence reveals that a firm's voluntary disclosure practice is positively influenced by the strength of their corporate governance (the proportion of independent directors on corporate boards). High state ownership, which is a unique feature of Vietnamese listed firms, has a significant and negative association with the extent of voluntary disclosure. Whilst a higher proportion of managerial ownership reduces the extent of voluntary disclosure, foreign ownership has no impact on such practice. Firm size, profitability, type of industry, auditing firms, listing duration and stock exchange location are important attributes associated with voluntary disclosure in Vietnamese annual reports.

Evidence from this thesis suggests that corporate governance can serve as an effective monitoring mechanism to enhance the level of information disclosure in Vietnam. Such findings encourage Vietnamese policy makers to adopt stronger corporate governance mechanisms to improve the level of information transparency. The negative influence of state ownership on the extent of Vietnamese voluntary disclosure offers valuable insights into Vietnam's future privatization plans. Moreover, the negative relationship between managerial ownership and voluntary disclosure practices enhances the understanding of the entrenchment problem of managerial ownership, particularly in an emerging market.

Overall, the empirical results of this thesis not only contribute to the extant literature, but also provide helpful insights for policy makers in Vietnam as they strive to improve corporate information transparency.

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"If you can dream it, you can achieve it."—Walt Disney

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RELATED THESIS PUBLICATIONS

Journal articles

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Conference papers

Vu, K. A. 2009. The influence of corporate governance and ownership structure on corporate voluntary disclosure for Vietnamese listed firms. In *Curtin Business School Doctoral Students' Colloquium 2009 (1st–2nd October)*. Perth, Australia.

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Vu, K. A., G. Tower, and G. Scully. 2011. Concerns for low corporate social disclosure in an emerging market. In *The British Accounting and Finance Association (12th–14th April)*. Birmingham, UK.

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ABBREVIATIONS

Abbreviation	Explanation
AFC	Asian Financial Crisis
ANOVA	Analysis of Variance
ASEAN	The Association of Southeast Asian Nations
AUDIT	Auditing firm
BBT	Bach Tuyet Cotton company
CAPA	Confederation of Asian and Pacific Accountants
CG	The proportion of independent directors on corporate boards
CPV	Communist Party of Vietnam
DAP	Department of Accounting Practices (under the Ministry of Finance)
DTTI	Deloitte Touche Tohmatsu International
EY	Ernst & Young
FOREIGN	The proportion of foreign ownership
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GFC	Global Financial Crisis
Hanoi STC	Hanoi Securities Trading Centre
HNX	Hanoi Stock Exchange
HOSE	Ho Chi Minh Stock Exchange
HoSTC	Ho Chi Minh Securities Trading Centre
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IND	Industry
KMPG	Klynveld Peat Marwick Goerdeler
LEV	Leverage
LISTING	Listing status
LOC	Stock exchange location
MAN	The proportion of managerial ownership
MOF	Ministry of Finance
NCA	National Council for Accountancy
OLS	Ordinary Least Squares

PROFIT	Profitability
PWC	Pricewaterhouse Coopers
SIZE	Firm size
SOE	State Owned Enterprise
SSC	State Securities Commission
STATE	The proportion of state ownership
UK	The United Kingdom
US	The United States of America
USD	United States Dollars
VAA	Vietnamese Accounting Association
VACPA	Vietnam Association of Certified Public Accountants
VAS	Vietnamese Accounting Standards
VnCSI	Vietnamese Voluntary Corporate and Strategic Information Index
VnCSRI	Vietnamese Voluntary Corporate Social Reporting Disclosure Index
VND	Vietnam Dong
VnDI	Vietnamese Voluntary Disclosure Index
VnDSMI	Vietnamese Voluntary Directors and Senior Management Disclosure Index
VnFCMI	Vietnamese Voluntary Financial Capital Market Data Index
VnFLI	Vietnamese Voluntary Forward Looking Information Index

CHAPTER 1. INTRODUCTION

1.1 Introduction

This thesis investigates the issue of corporate transparency in the fast-growing economy of Vietnam, specifically in relation to voluntary disclosure practices. Vietnam's transformation from a centrally planned economy towards a market oriented economy is regarded as one of the most successful transitions in the world, with an average Gross Domestic Product (GDP) growth rate of seven per cent per year for the past two decades (World Bank 2012). It is estimated that by 2025, Vietnam will become the world's 17th largest economy with a GDP of $436 billion US dollars (USD) and per capita GDP of $4,357 USD (Wilson and Stupnytska 2007). Despite its success, the Vietnamese economy is still relatively under-researched, particularly in regard to its accounting field.

Using a positivist empirical approach, this thesis seeks to better understand the extent and determinants of key contemporary corporate disclosure practices pertinent to Vietnamese listed firms. Precisely and through the juxtaposition of agency theory, this thesis investigates the influence of corporate governance (the proportion of independent directors on corporate boards[1]), three common ownership identities of Vietnamese listed firms (state, managerial and foreign ownership) and firm-characteristics variables (firm size, profitability, leverage, industry, auditing firm, listing duration and stock exchange location) on the extent of voluntary disclosure made by 252 Vietnamese non-financial listed firms across the annual reporting year 2009. Regression analysis results reveal that the proportion of independent directors on corporate boards is an important aspect associated positively with voluntary disclosure while the proportion of state ownership and managerial ownership are the ownership identities that influence the extent of voluntary disclosure negatively. Firms-characteristics statistically

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[1] In Vietnam, the Board of Directors is called Board of Management. For the purpose of consistency with the existing accounting literature, the term 'Board of Management' will be hereafter referred as 'Board of Directors'. A discussion of a typical Vietnamese corporate governance structure is presented in Appendix A.

related to the extent of voluntary disclosure are firm size, profitability, industry, auditing firm, listing duration and stock exchange location. The results of this thesis offer valuable perspectives from both a theoretical and practical sense.

This chapter is structured as follows: the background and motivation for the research are advanced in Sections 1.2 and 1.3 respectively, followed by a discussion of the research questions in Section 1.4. In Section 1.5, the significance and contributions of this thesis are presented. Key assumptions and limitations are provided in Section 1.6 and finally, the outline of the thesis structure is presented in Section 1.7.

1.2 Background

From 1975 to the present day, Vietnam has undergone transformational changes reflecting its growing importance in the world economy. Prior to its reunification in 1975, Vietnam was a French colony for more than 90 years (1858–1954). The French brought to Vietnam its French accounting model. However, as the bookkeeping and accounting records were mainly handled by the French officers, they made little effort to train the Vietnamese employees. As such, the French influence on accounting in Vietnam was very minimal during this period (Bui, Yapa, and Cooper 2011). From 1954 to 1975, Vietnam was divided into two regions: each with its own government. Whilst the South operated under the capitalist free market economy (supported by the United States (US)), the centralized state-planned economy dominated in the North (ruled by Ho Chi Minh's communist government). These significantly different political and economic systems resulted in two official accounting systems (Nguyen and Pham 1997). In the North the Chinese and Soviet cost accounting models were adopted, while in the South the French accounting remained in practices (Bui, Yapa, and Cooper 2011; Chu 2004).

After reunification in 1975, there was a fundamental change in corporate ownership structures amongst Southern Vietnamese businesses as they were forced to become State Owned Enterprises (SOEs). The cost accounting system of Northern Vietnam subsequently dominated all businesses in the new unified economy of

Vietnam. However, constraints endemic to the centrally planned economy led to a dwindling of key resources that nearly culminated in the collapse of the Vietnamese economy by the early 1980s. In 1986, the Communist Party of Vietnam (CPV) launched an economic reform program aimed at changing the state controlled economy to a market oriented economy referred to as '*Doi Moi*[2]'. Following the implementation of economic reform in 1986, Vietnam is now remarkably successful in achieving economic growth. The key events that led to this success subsequent to '*Doi Moi*' are noted below and discussed in more detail in Chapter 2.

One of the highlights of '*Doi Moi*' is to reduce government intervention in the economy by reorganizing the management and ownership structure of State Owned Enterprises (SOEs). In Vietnam, the progress of transferring state ownership to private ownership (privatization) was carried out under the name of 'equitization'. Although it involved the process of transferring state ownership to private ownership, Vietnamese 'equitization' is unique in the sense that unlike most other Asian developing countries, the Vietnamese government still retains a substantial amount of ownership in many of the listed firms, especially those deemed to be large and strategically important to the nation. For the purposes of consistency with the existing privatisation literature, the unique Vietnamese term of 'equitization' will be referred to hereinafter as privatization.

The year 2000 marked a significant event for the Vietnamese privatization process with the creation of its first stock exchange, Ho Chi Minh City Securities Trading Center (HoSTC) located in Ho Chi Minh City, which is later renamed Ho Chi Minh Stock Exchange (HOSE) in August 2007. As of June 2012, this is the largest stock exchange in Vietnam. The second stock exchange, Hanoi Securities Trading Center (Hanoi STC) located in Hanoi, was subsequently established in 2005 with lower capital requirements in order to facilitate greater privatization of SOEs. Hanoi Securities Trading Center (Hanoi STC) was renamed the Hanoi Stock Exchange (HNX) in January 2009.

[2] '*Doi Moi*' means new and renovation in Vietnamese.

Since its establishment in the year 2000, the Vietnamese capital market has not only been the main vehicle for ownership restructuring of SOEs but also played an important role in its growing economy, facilitating the flows of capital into the nation. With 30 listed firms and a total market capitalization of less than six trillion Vietnam Dong (VND) (approximately $0.5 billion USD), the stock market only contributed 6.1 per cent of Vietnam's GPD in 2005 (State Securities Commission of Vietnam 2010a). The market started to grow dramatically from 2006 with 130 newly listed firms and by the end of 2006, market capitalization increased to approximately $219 billion VND (equivalent to $14 billion USD), representing approximately 22.7 per cent of GDP[3]. Since then, the number of listed firms and total market capitalization has continued to increase and by the end of 2009 (this thesis study period), there were over 400 listed firms with total market capitalization accumulated up to $620 trillion VND ($30.6 billion USD), equating to nearly 38 per cent of total GDP (State Securities Commission of Vietnam 2010a).

The rapid development of Vietnam's capital market not only created changes in its business structures but also generated important new issues for Vietnamese accounting and reporting practices. In fact, this development represents a fundamental conceptual shift in accounting practices from a cost-based accounting system towards a more external financial accounting focus. First, since listed firms were no longer able to obtain finance injections from the Vietnamese government, these firms needed to seek financial resources from external sources including financial institutions and outside investors. As a result of this new way of obtaining capital, corporate information previously used for the purpose of budgeting and the planning process shifted to providing information for external stakeholders in their economic decision making process. The new primary stakeholders for corporate information expanded to include amongst others: financial analysts, creditors, local

[3] The significant increment in the number of listed firms at the end of 2006 was a result of the abandonment of tax incentives for listed firms after 1st January 2007. According to *Document 11924 TC/CST* dated 20th October 2004 and *Document 5248/TC/CST* dated 29th April 2005 by the Ministry of Finance (MOF), listed firms are entitled to a reduction of tax by half within the first two years of listing. However, in September 2006, the MOF issued *Document 10997/BTC- CST* abolishing this tax incentive after 1st January 2007. Thus as a result of this tax incentive program, many firms rushed into listing at the end of 2006, causing a huge increase in the number of listed firms.

and foreign investors and environmentalists. A more diversified group of users in a new 'capital' economy with increased stakeholder expectation creates more incentives for managers of listed firms to improve their financial reporting. This represents a significant movement from Vietnam's cost accounting practices during their earlier non-capital market period.

The rapid development of its capital market requires Vietnamese regulators to implement substantial reform of its financial regulatory framework to cater the needs of a new accounting, reporting and corporate information disclosure. As a result, the period from 2001–2012 witnessed substantial reforms in Vietnamese accounting systems, accounting practices and accounting information disclosure. For instance, in 2003, Vietnam promulgated a new *Vietnamese Law on Accounting* and subsequently *Vietnamese Accounting Standards 2003* (*VAS 2003*), which were based mainly on the extant International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) with some modifications to accommodate the Vietnamese culture and environment. Chapter 2 discusses this convergence process in more detail. The *Securities Law 2006* was established in 2006 to improve the standards of corporate governance and reporting practices of all listed firms. A *Circular 38/2007/TT–BTC Guidance for Information Disclosure on Stock Exchange*[4] was issued in April 2007 with the aim of providing guidance to enhance the information disclosure of Vietnamese listed firms. The mixed progress and development of the current Vietnamese accounting reporting infrastructure framework are discussed in greater depth in Chapter 2.

With the continuous strong growth of its capital market, it is important to understand the Vietnamese capital market by examining the nature of its corporate information disclosure practices. Thus, the next section highlights the key motivations for this thesis.

4 As of 20th June, 2012, this *Circular* has been revised and updated two times: *Circular 09/2010/TT–BTC* in 2010 and *Circular 52/2012/TT–BTC* in 2012. However, for the 2009 annual reports, which is the sample for this thesis, *Circular 38/2007/TT–BTC* is the main regulation guiding the disclosure practices of listed firms. As such, this thesis focuses mainly on the regulation of this *Circular 38/2007/TT–BTC.*

1.3 Motivations for the Thesis

Despite numerous efforts to create a strong financial regulatory environment to improve the level of information transparency within the stock market, there are still concerns with regard to the level of information transparency among Vietnamese listed firms. For instance, in July 2008, a corporate scandal involving the Bach Tuyet Cotton company (BBT) raised major concerns about the need for improvements in the corporate transparency of Vietnamese listed firms. In particular, BBT had been making losses steadily in 2006 and 2007 whilst declaring to shareholders in its annual reports that it was making profits (Bach 2008). As BBT was one of the biggest former SOEs and the biggest medical cotton provider in Vietnam, BBT's erroneous financial reports raised major concerns not only for Vietnamese authorities but also for both local and foreign investors. In fact, from this viewpoint, market participants became more aware of problems with corporate disclosure issues by listed firms. In reaction, Vietnamese authorities started to improve their regulations concerning the level of information disclosure amongst listed firms.

Moreover, on 8th April 2009, at the Vietnamese Listed Companies Conference in Hanoi, the State Securities Commission of Vietnam (SSC) restated the view that Vietnamese financial reporting lacked transparency, by identifying major issues regarding the weakness of information disclosure among listed firms:

- the low level of quantity and quality of information disclosure among listed firms, and
- the high discrepancy between annual reports before and after being audited.

The low level of information disclosure of Vietnamese listed firms is not surprising; given that most of the Vietnamese listed firms originated from SOEs who in the past only provided information to the state and not to other stakeholders (Chapter 2 provides more detail of these traditions of Vietnam corporate information reporting under the centrally-planned economy).

The Asian Financial Crisis in 1997 and subsequent Enron collapse in 2000 renewed regional and global concerns that low levels of information transparency (weak corporate disclosure) can cause enormous damage not only to firms but can also negatively affect a nation's economy as a whole. Information disclosure is even more important to the development of an emerging market like Vietnam where the sustainability of its new market relies heavily on reducing the information gap between internal and external investors (Barako 2004; Healy and Palepu 2001; Armitage and Marston 2008). Bushman and Smith (2001) state that a high level of information transparency creates confidence in a market, which subsequently encourages better flow of foreign investment. The importance of effective corporate governance systems and corporate disclosure is encapsulated by the famous quote of Arthur Levitt (the former chairman of the US Securities and Exchange Commission):

> "If a country does not have a reputation for strong corporate governance practices, capital will flow elsewhere. If investors are not confident with the level of disclosure, capital will flow elsewhere. If a country opts for lax accounting and reporting standards, capital will flow elsewhere. All enterprises in that country—regardless of how steadfast a particular company's practices may be, suffer the consequences" *(*cited by Demaki 2011, 1*).*

Accordingly, corporate communication, especially voluntary disclosure reporting is an important practice for all listed firms in a young Vietnamese stock market. Previous literature provides evidence demonstrating that voluntary disclosure practices convey enormous benefits by reducing a firm's cost of capital and cost of debts, improving liquidity of the market and facilitating a firm's growth (Healy and Palepu 2001). Thus, in order to increase investor confidence and maintain continuous economic growth, Vietnamese regulators need to build a good corporate information disclosure system and listed firms should focus on enhancing the level of information disclosure, specifically voluntary disclosure practices.

In recent years, given that investor confidence around the globe has been severely shaken by the great 2007–2009 Global Financial Crisis (GFC)[5], the need to enhance disclosure transparency has become even more imperative, to underpin both local and foreign investors' participation in capital markets, especially in an emerging country such as Vietnam.

Given the importance of the stock market in supporting and accelerating economic growth, an understanding of disclosure practices among listed firms in Vietnam is necessary. This thesis provides an in-depth look at Vietnamese listed firms' communication practices, assisting various interested stakeholders in their decision making (Barako 2004; Healy and Palepu 2001). More specifically, the findings of this thesis will support Vietnamese policy makers by providing empirical evidence to underpin financial reporting regulation development.

To support a better understanding of variations in voluntary disclosure practices amongst Vietnamese listed firms, this thesis employs agency theory. Agency theory provides reasons as to "why accounting reports would be provided voluntarily to creditors and stockholders" (Jensen and Meckling 1976, 306). Agency theory has been used extensively in both mature capital markets (Cooke 1989, 1992; Bradbury 1992; Frost and Pownall 1994; Meek, Roberts, and Gray 1995; Camfferman and Cooke 2002) and emerging capital markets (Ho and Wong 2001; Xiao and Yuan 2007; Barako 2004; Haniffa and Cooke 2002; Hossain, Tan, and Adams 1994; Ho 2009) to provide explanations for information disclosure behaviours.

Many studies report that the disclosure choices of a firm are significantly influenced by the strength of its corporate governance system (Ho and Wong 2001; Barako 2004; Ho 2009). According to Ho and Wong (2001), in an intensive monitoring environment, it is difficult for managers to withhold any information or disclose any false information. Therefore, effective corporate governance mechanisms promote transparency and accountability regarding a firm's information, which subsequently

[5] The Global Financial Crisis was triggered in the United States (US) in mid-2007 and started spreading around the world between mid-2007 and 2009. This time span of 2007–2009 for the Global Financial Crisis is the time period generally agreed upon by most economists (Kenc and Dibooglu 2010; Mishkin 2011).

has a positive impact on the level of voluntary disclosure. Furthermore, the disclosure choice of what and how much to disclose is a function of different types or identities of ownership structures. Prowse (1995) suggests that different types or identities of ownership structure may have different monitoring skills, varying corporate objectives and thus diverse incentives towards corporate disclosure.

In the next section, the two research questions addressed in this thesis are presented.

1.4 Research Questions

Using a sample of 252 non-financial Vietnamese listed firms (a representative amount of 56.30 percent of the total listed firms' population in Vietnam) for the 2009 financial year ending 31st December, this thesis empirically investigates the information transparency issue, specifically the voluntary disclosure practices in Vietnam. More precisely, this thesis has two main aims: (1) to analyze 'what information' is voluntarily disclosed by Vietnamese listed firms, and (2) to understand 'what factors' drive the disclosure of certain information.

Accordingly, the main research questions of voluntary disclosure practices addressed in this thesis are as follows:

1 What is the extent of voluntary disclosure made by Vietnamese listed firms in their 2009 comprehensive annual reports?

2 What are the significant predictors influencing the extent of voluntary disclosure made by Vietnamese listed firms in their 2009 comprehensive annual reports?

The extent of a firm's voluntary disclosure is measured using an index from a composite measure of items that are carefully selected and screened tailoring the unique environment of Vietnam's corporate reporting practices (the composition of this Vietnamese Voluntary Disclosure Index (*VnDI*) is specified in Section 4.4.1). Using the unweighted measurement approach, this thesis finds that on average, the level of voluntary disclosure in Vietnam is relatively low at 20.31 per cent. More detailed findings about the Research Question 1 are provided in Chapter 5.

To answer the Research Question 2, this thesis employs agency theory. Based on agency theory, the previous literature and the unique environment of Vietnam, this thesis proposes that corporate governance (H_1) and foreign ownership (H_4) have positive influence on the extent of voluntary disclosure while state ownership (H_2) and managerial ownership (H_3) are negatively associated. Regression analysis results show support for H_1, H_2 and H_3 but not for H_4. The hypotheses are advanced in Chapter 3 while testing for these four hypotheses (Research Question 2) are outlined in more detailed in Chapter 6.

1.5 Significance of the Thesis

The dramatic occurrence of the 2007–2009 Global Financial Crisis and its effects on capital markets place a spotlight on the importance of corporate disclosure in facilitating investment decision making. Accordingly, this study of Vietnamese voluntary disclosure is necessary and timely. There are five major contributions of this thesis.

First, despite becoming an important fast-growing economy, the Vietnamese economy is still relatively under-researched, particularly with regard to its accounting and finance aspects. Sarikas, Vu and Djatej (2009) call for more studies of present-day Vietnamese accounting, particularly reporting practices and corporate governance of listed firms in the newly-established stock market. This thesis reflects an attempt to fill the gap in the literature by extending the understanding of corporate voluntary disclosure in the Vietnamese context.

Second, although voluntary disclosure is a topic that has received significant attention in accounting literature since the 1970s, many of the earlier studies focused on developed or Western countries (Cooke 1989, 1992; Malone, Fries, and Jones 1993; Meek, Roberts, and Gray 1995; Raffournier 1995; Patton and Zelenka 1997; Hossain, Perera, and Rahman 1995; Frost and Pownall 1994). In recent years, there have been more studies conducted in emerging or Asian markets (Ferguson, Lam, and Lee 2002; Chau and Gray 2002; Xiao, Yang, and Chow 2004; Barako 2004; Ghazali and Weetman 2006; Krishnamurti, Sevic, and Sevic 2005; Ho 2009; Chau and Gray 2010). However, there is no known study investigating this issue in Vietnam. With the unique transition from a tradition of 'secrecy' regarding disclosure in a centrally planned economy, towards more ‘transparent’ disclosure in a market oriented economy, a Vietnamese study provides a unique extension to the extant literature of voluntary disclosure.

Third, García-Meca and Sánchez-Ballesta (2010) recommend further examination into the area of ownership identity to provide greater insight into the relationship between ownership concentration and voluntary disclosure. A study of voluntary disclosure and its association with different ownership identities in Vietnam is of value, given its unique characteristic of high level of state ownership. Within studies of voluntary disclosure, very few of these investigate the issue of state ownership. Some examples are Chinese listed firms (Xiao and Yuan 2007; Yuen et al. 2009; Wang, Sewon, and Claiborne 2008), Singaporean listed firms (Eng and Mak 2003), Malaysian listed firms (Ghazali and Weetman 2006), Romanian listed firms (Bogdan, Popa, Pop and Farcane 2009), New Zealand listed firms (Jiang and Habib 2009) and Egyptian listed firms (Samaha and Dahawy 2011). Nevertheless, the past limited research does not provide a consensus view and accordingly, the empirical results of Vietnam’s state ownership aspects and its association with voluntary disclosure supplement the literature by adding another perspective to the existing debate of the relationship between state ownership and corporate communication.

Fourth, within the Vietnamese context, this study will assist policy makers by helping them to better understand corporate disclosure behaviour and strategies supporting the development of a coherent set of mandatory disclosure requirements that are suitable for their corporate environment (Hossain, Perera, and Rahman 1995). Understanding the factors influencing the level of information disclosure in Vietnam, particularly voluntary disclosure can facilitate Vietnamese regulators to determine the effectiveness of the corporate governance regime, evaluate the success of ownership reforms (privatization process) and possibly provide suggestions for the process of harmonising Vietnamese Accounting Standards with globally-based standards (such as International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)).

Finally, this research is a major contribution to all stakeholders of Vietnamese listed firms. Specifically, as this is one of the first known empirical studies of information disclosure practices in Vietnam, the results of this thesis will be of interest to both local and foreign investors who are considering investing in Vietnam. Furthermore, various broader stakeholders such as creditors, suppliers, unions, environmentalists and media groups will also be able to gain a better understanding of the overall comprehensive information disclosure levels among Vietnamese listed firms.

This thesis is incorporated based on several assumptions, which are outlined in the next section. The limitations in this thesis are also discussed.

1.6 Assumptions and Limitations

As with any research project, this thesis has a number of assumptions and limitations. Specifically, this thesis is underpinned by two major assumptions. First, based on agency problems, it primarily focuses on the sole economic perspective that assumes all individuals are driven by desires to maximize their own wealth. In particular, it assumes that managers have incentives to deviate from shareholders' best interests and make decisions that maximize their own wealth as opposed to shareholder wealth. Under such circumstances, managers have incentives to reduce agency costs by engaging in increased information disclosure. Second, in regard to the method of scoring the extent of voluntary disclosure, this thesis assumes each item in the disclosure index is of equal importance in the corporate information users' decision making process. Therefore, this thesis utilizes the unweighted approach. This approach is discussed and supported in more detailed in Chapter 4.

There are also several limitations inherent in this study. First, the focus of this thesis is only on voluntary disclosure of Vietnamese listed firms and thus restricts generalization of this research because it only uses one country as a reference point. However, the findings of this thesis can be useful to the process of reforming disclosure and governance regulations in other emerging or Asian countries where environments are more prone to secrecy (like Vietnam) rather than transparency.

Second, in 2009, among the population of 448 Vietnamese listed firms, more than one third (or 170 firms) did not provide comprehensive annual reports. The unavailability of these annual reports (non-response bias issue) may impact on the generalization of the results. Nevertheless, David, Stirling and Weldon (1998) argue that such an issue does not always lead to bias or measurement errors. Past studies indicate that the extent of the non-response problem can vary according to different types of research. For instance, Smith (2003) observes and concludes that a response rate of less than 25 per cent is common within accounting research (such as this thesis approach). Furthermore, this thesis undertakes extra analysis of these 170 non-reporters' data to minimize the potential bias in interpretation within the results of this thesis. Appendix E presents the analysis of this phenomenon.

Third, as this is a cross-sectional study that focuses solely on 2009 annual reports, the results generated from this study may be biased, as disclosure practices can change over time. However, in prior years, the Vietnamese stock market was not fully developed and thus, the sample size of earlier years is not sufficient for a longitudinal study.

Fourth, the findings of this thesis may be limited as it only focuses on voluntary disclosure provided in the firms' annual reports. There are various ways that firms can release information, such as press releases, conference meetings, letters to shareholders, through the two stock exchange websites in Ho Chi Minh City and Hanoi, the firms' websites or quarterly and semi-annual reports. Arguably, increasing the usage of the Internet in recent years provides another interesting avenue to examine the level of voluntary disclosure. In recent years, the extent of Internet disclosure has been a topic of interest to accounting scholars (Kelton and Yang 2008; Xiao, Yang, and Chow 2004; Hanifa, Rashid, and Hafiz-Majdi 2006; Khan

2006; Oyelere, Laswad, and Fisher 2003; Trabelsi, Labelle, and Dumontier 2008). Within the context of Vietnam, not all firms have a website or update the information on their website regularly[6] (Ministry of Finance 2009). Thus, the comprehensive annual report is still the primary vehicle in Vietnam to share information between firms and their stakeholders.

Nevertheless, these assumptions and limitations are normal and consistent with many other financial accounting studies. Furthermore, despite these above mentioned limitations, the results of this thesis provide a major contribution to the growing literature on financial reporting in emerging countries by generating important insights into a rapidly growing and important nation such as Vietnam.

1.7 Thesis Outline

The structure of this thesis is consistent with a positivist empirical approach. It contains seven chapters. Figure 1.1 illustrates the structure of this thesis.

The central emphasis of *Chapter 1* is to provide an overview of this thesis, including background, the motivation for the research, research questions and the important contributions of this thesis. Assumptions and limitations of this research are also outlined.

Chapter 2 summarizes the evolution of Vietnamese accounting reporting practices since reunification in 1975 to 2012. In particular, the development of Vietnamese accounting is divided into five distinct phases: Phase I (1975–1985): A socialist transformation period after reunification; Phase II (1986–1990): A period of economic renovation '*Doi Moi*'; Phase III (1991–2000): An acceleration of privatization of SOEs; Phase IV (2001–2005): An introduction of domestic stock exchange; and finally Phase V (2006–2012): The continuous expansion of the economy and its capital market. This chapter is crucial in explaining the financial

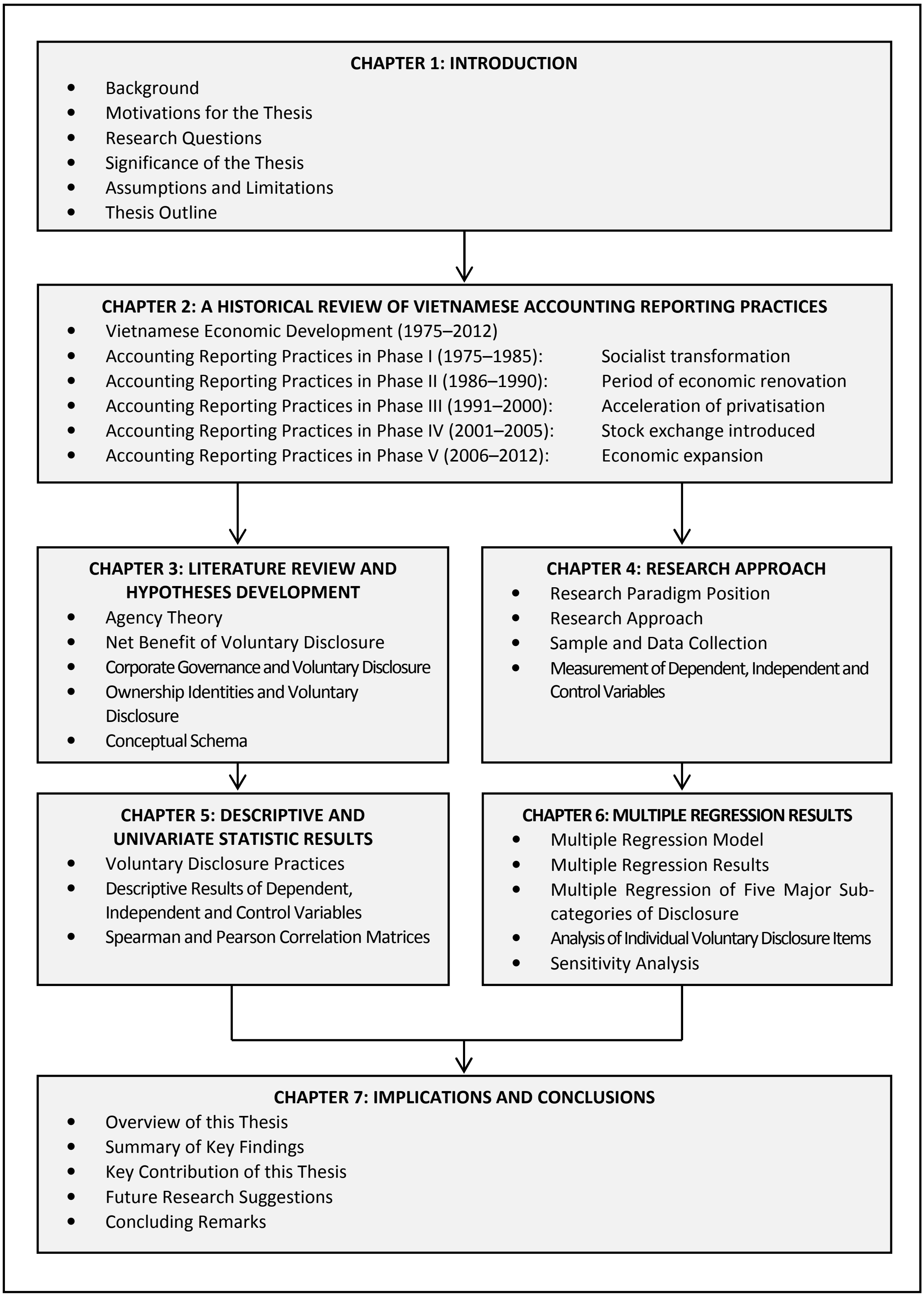
[6] This is despite the fact that *Section I*, *sub-section 4.1 (a)* of *Circular 38/2007/TT–BTC* issued by the Ministry of Finance states that all listed firms are required to have a website as a means to communicate the firm's information to investors.

regulatory framework that affects the changing status of Vietnamese listed firms' disclosure practices.

Chapter 3 provides a critical review of voluntary disclosure studies and hypothesis development. Specifically, this chapter employs agency theory framework to explain the variations of corporate disclosure practices by considering prior empirical studies examining the relationship between corporate governance, ownership identities and the level of voluntary disclosure. The discussion of agency theory and the relevant literature focuses mainly on Asian or emerging markets which have in common highly concentrated ownership. Based on previous literature, this chapter develops the conceptual schema and four hypotheses using agency theory tenets.

Chapter 4 discusses the methodology utilized in the research. In particular, a positivist research paradigm is presented to justify the research position undertaken in this thesis. This chapter further describes the sample selection process, as well as the development and construction of a Vietnamese Voluntary Disclosure Index (VnDI). Then detailed definitions, measurement and operationalization of independent variables (corporate governance and state, managerial and foreign ownership) and control variables (size, profitability, leverage, industry, auditing firm, listing duration and stock exchange location) are provided.

Figure 1.1 Thesis Structure



Chapter 5 reports the descriptive results to address Research Question 1 regarding the extent of voluntary disclosure. Using descriptive and independent t-tests, this chapter presents the mean, median and standard deviation results of the voluntary disclosure levels, as well as the characteristics of its four independent variables: corporate governance, state ownership, managerial ownership and foreign ownership. This is followed by control variable data of firm size, leverage, profitability, industry, auditing firm, listing duration and stock exchange location. Finally, correlation analyses of all variables are presented.

Chapter 6 reveals the results of the multiple regression analysis relating to Research Question 2. It reports on the predictive association between the independent predictors of corporate governance and ownership identities, other firm characteristic variables and the extent of voluntary disclosure. Analysis on certain individual disclosure items is also carried out to add depth to the thesis. Finally, sensitivity analyses for four independent variables are provided.

Chapter 7 provides the findings of this research aligned with the research questions. The significance of this thesis is once again emphasized with suggestions for future research directions. The chapter ends with concluding remarks.

1.8 Summary

This chapter offers an introductory overview of this thesis. The background of this doctoral research and the motivation for this research topic, which is voluntary disclosure in Vietnam, are described to provide insights into the two main research questions in this thesis. The significance of the thesis is also outlined, followed by the discussion of assumptions and limitations. The next chapter discusses a historical review of Vietnamese accounting reporting infrastructure in order to provide a better explanation of the current voluntary disclosure environment in Vietnam.

CHAPTER 2. A HISTORICAL REVIEW OF VIETNAMESE ACCOUNTING REPORTING INFRASTRUCTURE

2.1 Introduction

The purpose of this chapter is to present a historical review of the evolution of accounting reporting practices in Vietnam. Such a review provides important insights, enabling a better understanding and evaluation of the Vietnamese contemporary accounting environment. Extant accounting literature suggests that accounting is a function that operates within a socio-economic environment and that 'as business environment changes, the demand and use of financial information changes leading to the establishment and development of accounting' (HassabElnaby, Epps, and Said 2003, 273).

With its transition from a centrally planned economy to a more market oriented economy, Vietnam has implemented significant changes in its accounting system to adapt to the demands that have arisen as a result of dynamic socio-economic factors. HassabElnaby, Epps, and Said (2003) identify four major factors that explain the changes in a nation's accounting: the political environment, the economic environment, privatization of SOEs and the development of the stock market. This chapter provides an overview of the Vietnamese accounting environment over the last 37 years (1975–2012), categorized by the significant environmental factors mentioned by HassabElnaby, Epps, and Said (2003). Specifically, in the context of Vietnam, five distinctive phases of development are identified in this thesis.

- Phase I (1975–1985) is characterized as a socialist transformation (political environment);
- Phase II (1986–1990) is a period of economic renovation *'Doi Moi'* (economic environment);
- Phase III (1991–2000) is the era of rapid business reform by privatization of SOEs;

- Phase IV (2001–2005) begins with the introduction of their first domestic stock exchange[7]; and finally,
- Phase V (2006–2012) is a period with continuing expansion of the economy and its stock exchanges.

For the purpose of examining the accounting information infrastructure in Vietnam in each of these phases, Lee's (1987) structural schema is used throughout this chapter to provide further insights. According to Lee (1987, 79), there are "four basic elements that make up the accounting information infrastructure: 1) the information producer and final user; 2) the information intermediaries; 3) the laws and regulations that govern the production, transmission, and usage of information; and 4) the legal entity that monitors and implements the laws and regulations". Overall, the Vietnamese reporting infrastructure changes rapidly in response to Vietnam's changing socio-economic conditions. Yet, these changes have been sporadic in nature. These inconsistent changes in accounting regulations arguably provide motivation for the examination of contemporary disclosure in the Vietnamese accounting environment.

This chapter is organized as follows: Section 2.2 reviews Vietnams' socio-economic development from 1975 to 2012, through the country's series of Five-Year Economic Plans. The remaining sections, Section 2.3 to Section 2.7 then focus on reporting infrastructure changes as they align with the specific five phases of Vietnamese economic development: Section 2.3 (Phase I) describes the implementation of a uniform cost accounting system under a socialist transformation period (1975–1985). Section 2.4 (Phase II) reviews the development of a uniform cost accounting system during the period of economic renovation '*Doi Moi'* (1986–1990). In Section 2.5 (Phase III), the acceleration of SOEs privatization and the associated transformation of the uniform cost accounting system towards a more market oriented accounting system (1991–2000) are analyzed. Section 2.6

[7] Although the first stock market was established in Ho Chi Minh City in 2000, the market had only two listed firms and thus, it is felt that the period of 2001–2005 is a more 'established' and appropriate period of the capital market.

(Phase IV) provides a discussion of the establishment of the Vietnamese stock exchange and the rapid movement of its accounting towards IAS/IFRS (2001–2005), whilst Section 2.7 (Phase V) reviews other regulatory reforms and discusses the uncertain future of IAS/IFRS adoption in Vietnam in the expanding economy and its capital market (2006–2012). Finally, Section 2.8 provides a summary of the chapter.

2.2 Economic Development (1975–2012)

Haniffa and Cooke (2002) suggest that corporate disclosure does not develop in a vacuum; rather, the environment shapes the way firms practise their accounting methods. Previous literature indicates that accounting practices are affected by and may be explained by a number of environmental factors, including a country's stage of economic development, politics, legal system, corporate governance and the establishment of a capital market (Belkaoui 1983; Riahi-Belkaoui and Alnajjar 2006; Radebaugh and Grey 2002; Khanna, Palepu, and Srinivasan 2004; Salter 1998; Wallace and Naser 1995; HassabElnaby, Epps, and Said 2003). This section, which considers Vietnam's social and economic development from 1975 to 2012, is important as prior research concludes that understanding such developments is fundamental to enriching the understanding of Vietnam's contemporary accounting environment, specifically its external accounting reporting behaviours and voluntary disclosure practices. Since its reunification in 1975, Vietnam's economy has developed via a series of the Five-Year Economic Plan. Highlights of Vietnam's Five-Year Economic Plan (from 1975 to 2012), how they link with the five phases noted above, the key events and accounting reforms are outlined in Table 2.1.

Historically, Vietnam was under French colonial rule for more than 90 years (from 1858 to 1954). In 1954, at the Geneva Conference[8], it was decided to divide Vietnam into two regions: North and South Vietnam, a division that existed from 1954 to 1975. The economy of the South took the path of capitalism with well-

[8] The Geneva Conference (26th April –20th July, 1954) was a conference held by the US, the United Kingdom (UK), the Soviet Union and China in Geneva, Switzerland. One of the main purposes of this conference was to end the First Indochina War and restore peace in Vietnam by dividing the country into two separate regions.

developed infrastructure aided by the United States (US) army. On the other hand, under the leadership of the Communist Party of Vietnam (CPV), the Northern economy had characteristics of a command/war economic system supported by the Soviet Union (Chu 2004). In April 1975, the North conquered the South and formally reunited the country.

As shown in Table 2.1, the immediate post-reunification period was supported by the Second Five-Year Plan (1975–1980)[9], which was based on a Soviet central planning model used in the North since 1954 (Pham and Carlin 2008; Harvie and Tran 1997; Fforde and Vylder 1996; Phan, Harvie, and Tran 2006). Under this regime, private ownership was not recognized or was discriminated against *vis-à-vis* state or collective ownerships. Most businesses were owned and therefore controlled and managed by the state (government); they are known as State Owned Enterprises (SOEs). South Vietnamese businesses that had been operating under the capitalist models prior to reunification in 1975 were forced to transform into SOEs[10].

The distinctive features of SOEs led to a number of corporate governance issues for Vietnamese firms. First, there were weak or non-existent controls over the managers of these firms. According to Djankov and Murrell (2002), the owners of SOEs (the state) often were unable to discipline their managers adequately since most decisions made in SOEs were based on consensus and the appointment of managers was often decided upon by political status. In particular, managers of SOEs had to at least be members of the Communist Party of Vietnam and there was no explicit contract covering managers' actions or performance, but rather the positions were granted based on negotiations with the state (Sjoholm 2006).

[9] The First Five-Year Plan was only implemented in North Vietnam, which is before the country's reunification (1961–1965) and by the Communist Party of Vietnam and as such, this First Five-Year Plan is not discussed in this thesis.

[10] According to Phan (2008), almost all households in the North and about 36 per cent of those in the South were forced to join agricultural collectives by the 1980s, while in non-agricultural sectors, SOEs accounted for approximately 88 per cent of the nation's assets.

Table 2.1 Summary of Vietnam Reporting Infrastructure (1975–2012)

Phase	Vietnamese government Five-Year Economic Plans	Average GDP growth rate	Characteristics of the economy	Significant accounting events	Objectives of accounting reporting system	Accounting reporting infrastructure
Phase I (1975–1985) *Socialist centrally planned economy*	Second FYP[11] (1975–1980) Third FYP (1981–1985)	1.49 per cent 6.72 per cent	• State ownership of production means. • Lack of business autonomy. • Absence of market mechanisms.	No significant event. Cost accounting focus.	*Uniform Accounting System 1970* primarily serves the purpose of assisting centralized state budgeting and planning tasks.	Information producers: The state, chief accountant Information user: The state Main regulators: Ministry of Finance, Department of Accounting Practices Implementation bodies: Department of Accounting Practices **Note: no influential non-governmental implementation bodies during this period.*
Phase II (1986–1990) *Economic renovation*	Fourth FYP (1986–1990)	4.38 per cent	• Economic renovation '*Doi Moi*'. • Reduction of state intervention in the economy. • Greater autonomy given to managers of SOEs.	1988: Promulgation of *Ordinance on Accounting and Statistics 1988*. 1989: Formation of Chief Accountant Club.	*Ordinance on Accounting and Statistics 1988* is designed to assist state planning and tax purposes.	Information producers: SOEs (managers and chief accountant). Information users: SOEs' managers and the state. Main regulators: Ministry of Finance, Department of Accounting Practices Implementation bodies: Department of Accounting Practices. **Note: no influential non-governmental implementation bodies during this period.*

[11] The First Five-Year Plan was only implemented in North Vietnam, before the country's reunification (1961–1965) by the CPV. Although the reunification was in 1975, it took a year before the CPV was organized enough to implement the Second Five-Year Plan in 1976.

Phase	Vietnamese government Five-Year Economic Plans	Average GDP growth rate	Characteristics of the economy	Significant accounting events	Objectives of accounting reporting system	Accounting reporting infrastructure
Phase III (1991–2000) *Privatization and economic growth*	Fifth FYP (1991–1995)	8.20 per cent	● Greater encouragement for direct foreign investment. ● Promotion of external financial inflows to the economy. ● Accelerating privatization of SOEs. ● Economic growth.	1995: Issuance of *Enterprise Accounting System 1995.* 1996: Formation of State Securities Commission. 1998: Participation in the European Union Technical Assistance Program. 1999: Establishment of National Council for Accountancy. 2000: Establishment of first stock exchange – Ho Chi Minh Securities Trading Center.	*Enterprise Accounting System 1995* is designed to assist users with decision making process.	Information producers*:* Firms (managers' discretion) Information users*:* Owners of firms (domestic and foreign), managers, investors and potential investors, creditors (domestic and foreign) and the state. Main regulators*:* Ministry of Finance, National Council for Accountancy. Implementation bodies*:* Vietnamese Accounting Association.
	Sixth FYP (1996–2000)	6.98 per cent	● Promotion of foreign investment. ● Acceleration of privatization of SOEs (12,000 reduced to 6,000). ● Minimal effects of Asian Financial Crisis in 1997. ● Establishment of first stock exchange in Ho Chi Minh City in 2000 with only two listed firms.			

Phase	Vietnamese government Five-Year Economic Plans	Average GDP growth rate	Characteristics of the economy	Significant accounting events	Objectives of accounting reporting system	Accounting reporting infrastructure
Phase IV (2001–2005) *Capitalism – beginning of stock market*	Seventh FYP (2001–2005)	7.42 per cent	● Promotion of foreign investment. ● Expansion of Ho Chi Minh Stock Exchange. ● Establishment of Hanoi Stock Exchange.	2003: *Vietnamese Law on Accounting 2003*. *Vietnamese Accounting Standards 2003.*	*Vietnamese Accounting System 2003*: main objectives were to provide users with useful information for decision making process.	Information producers*:* Firms (managers' discretion) Information users*:* shareholders (foreign and domestic), investors, potential investors, financial analysts, creditors, the state and the public in general. Main regulators*:* Ministry of Finance, State Securities Commission Implementation bodies*:* Vietnam Association of Certified Public Accountants, which is the first private or non-government professional body.
Phase V (2006–2012) *Capitalism – rapid expansion of stock market*	Eighth FYP (2006–2012)	7.02 per cent[12]	● Improving economic growth, speeding up industrialisation. ● Promotion of foreign and private sector investment ● Rapid expansion of stock market. ● Negative impact of 2007–2009 Global Financial Crisis.	2006: *Securities Law* *Circular 38/2007/TT-BTC Guidance for Information Disclosure on Stock Exchange.*	*Vietnamese Accounting System 2003*: main objectives were to provide users with useful information for decision making process.	Information producers*:* Firms (managers' discretion) Information users*:* shareholders (foreign and domestic), investors, potential investors, financial analysts, creditors, the state and the public in general. Main regulators*:* Ministry of Finance, State Securities Commission Implementation bodies*:* Vietnam Association of Certified Public Accountants, which is the first private or non-government professional body.

Various sources: (Vo 1990; Harvie and Tran 1997; Martin, Rajapatirana, and Athokorala 1997; Nguyen and Pham 1997; Tran et al. 2000; Xuan 2000; Yang and Nguyen 2003; New Agriculturist 2008; World Bank 2008; Asian Development Bank 2010; State Securities Commission of Vietnam 2010a; World Bank 2012).

[12] The average growth rate of Vietnam GDP during the Eighth FYP does not include the GDP growth for year 2011. As of 20th June 2012, the GDP growth rate for year 2011 was not yet available.

Second, within SOEs themselves, the firms' objectives were not always clear. For instance, the state's main goal was to maintain employment and to enhance social welfare, rather than maximize profits (Sjoholm 2006). Thus, without a clear purpose of profit making, SOEs often incurred significant losses. Instead of disciplining the managers for losses, the state usually subsidized these firms, which perpetuated the problems, increased inefficiencies and eventually drained the national budget (Harvie and Tran 1997). Third, managers of SOEs typically had weaker incentives to increase a firm's performance than non-SOEs managers. Since most of these managers were appointed for their political status, rather than professional competence, they often focused on social objectives and their own reputations, rather than the firm's actual performance. Fourth, being owned by the state, SOEs generally faced virtually no competition in the market, with little threat of hostile takeover (Djankov and Murrell 2002). Taken together, unclear objectives, weak incentives for enhancing performance, disregard for profit maximization and limited competition meant that SOEs were inefficient.

Exacerbating the inefficiencies of the SOEs was the weak infrastructure inherited after the war, due to a lack of human resources, insufficient professional expertise, low foreign investment, high foreign debt and weak economic management (Harvie and Tran 1997; Pham, Trinh, and Nguyen 2007). As a result, there was a shortage of food and other necessities, large budget deficits and extremely high inflation (Pham and Carlin 2008; Harvie and Tran 1997; Fforde and Vylder 1996; Phan, Harvie, and Tran 2006). By the early 1980s, lacklustre production led Vietnam to the edge of economic collapse.

The Third Five-Year Plan (1981–1985) was regarded as the pre-renovation period where many reforms were carried out to prepare for an economic transition from a centrally planned towards a more market oriented system (Vo 1990; Phan, Harvie, and Tran 2006; Bui, Yapa, and Cooper 2011). For instance, two key market reforms were implemented for the two main sectors: agricultural reform was undertaken via an 'end-product contract' system in which households were given a set of production targets; any excess could be consumed or sold on the free market (Phan 2003; Fforde and Vylder 1996); and the industrial sector was reformed via a 'three plan system' (Fforde and Vylder 1996)[13]. These reforms allowed managers of SOEs more autonomy in their decision making process, enhancing greatly the market oriented behaviours within SOEs. Thus, these are considered important SOEs reforms (Van-Arkadie and Mallon 2003). As a result of these reforms, the Vietnamese economy started to experience growth with a much improved rate of GDP at 6.72 per cent (Harvie and Tran 1997; Van-Arkadie and Mallon 2003).

In 1986, Vietnam committed itself to an economic renovation by embracing a major change from the state-controlled centrally planned economy, called '*Doi Moi*'. The process of '*Doi Moi'* involved partially abandoning the existing centrally planned economy and a movement towards a more market oriented economy. It included the process of reducing the size of the state sector in the economy by diversifying the ownership of state owned assets and increasing the private sector. It also incorporated trade liberalisation for direct foreign investment and provided incentives to attract more foreign investment (Griffin 1998; Harvie and Tran 1997; Vo 1990; Morley and Nishihara 1997). In summary, during this period the state reduced its intervention in the affairs of SOEs significantly and the economic role of the Vietnamese government changed from planner and manager of the economy at the micro and macro levels to the macro level only. As a result of major SOEs restructuring and promotion of foreign investment, the Fourth Five-Year Plan period (1986–1990) witnessed increased foreign investment (Tran et al. 2000) and economic growth, as well as a rapid increase in exports (Pham, Trinh, and Nguyen 2007; Pham and Vuong 2009; Phan 2003).

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[13] Under the industrial 'three-plan system', an SOE was given three choices for its production plan: 1) firms were obliged to comply with the state regulations, purchasing inputs at subsidized prices and in return, supplying the output to the state at low prices; any profit must be transferred to the state budget; 2) firms were not able to purchase inputs at subsidised prices, but were allowed to produce beyond the budget requirements: the excess outputs could be traded and revenue acquired could be used to purchase additional inputs. However, these additional inputs had to be within the authorized product lines; and 3) no restriction on inputs and outputs for certain 'minor' products and firms were given the freedom to diversify their production lines. These firms' new products could be sold without having any state intervention (Fforde and Vylder 1996; Griffin 1998; Truong 2006).

The 1990s (including the Fifth and Sixth Five-Year Plan) were characterized by declining state intervention, encouraging involvement of the private sector and strengthening international competitiveness. As mentioned in Section 2.1, the key milestone of this period (1991–2000) was an accelerated privatization process. Specifically, the rapid privatization reform was implemented in mid-1992 and by 1997, the number of SOEs reduced significantly from around 12,000 firms to some 6,000 firms in 1997 (Phan 2003). As a result of significant economic reforms, Vietnam started to experience improved economic growth with remarkably high GDP growth rates above eight per cent during the Fifth Five-Year Plan (1991–1995) (Van-Arkadie and Mallon 2003) as shown in Table 2.1. With its significant economic reforms, Vietnam's economy continued to grow until it was partially impacted by the Asian Financial Crisis (AFC) that started in 1997. During this period, it is argued that Vietnam was protected from the full effect of the crisis by its lack of an established capital market. Since most of the private financial flows were foreign direct investment, there was little investment flow into the banking system. Hence, the effect of the Asian Financial Crisis on Vietnam's economy was not as great as with other Asian countries that had more developed capital markets (Van-Arkadie and Mallon 2003; Pham and Vuong 2009). Specifically, compared to other East Asian countries with established capital markets such as Malaysia, Singapore, Indonesia and Thailand, Vietnam's GDP growth rates were still relatively higher than these countries during, before and after the Asian Financial Crisis. Table 2.2 illustrates the comparative growth rates in South-East Asian countries before and after the Asian Financial Crisis period (1995–2003).

Table 2.2 Growth Rates of South-East Asian Countries Pre and Post AFC (1995–2002)

Year/Country	Vietnam (%)	Indonesia (%)	Malaysia (%)	Singapore (%)	Thailand (%)
1995	9.5	8.4	9.8	7.3	9.2
1996	9.3	7.6	10.0	7.7	5.9
1997	8.2	4.7	7.3	8.6	-1.4
1998	5.8	-13.1	-7.4	-2.1	-10.5
1999	4.8	0.8	6.1	6.2	4.4
2000	6.8	4.9	8.9	9.1	4.8
2001	6.9	3.6	0.5	-1.2	2.2
2002	7.1	4.5	5.4	4.2	5.3

Source: World Bank (2012).
Legend: GDP growth rates above are expressed in percentages.

Table 2.2 shows that prior to the Asian Financial Crisis outburst (1995–1996), Vietnam's economic growth rates were the second highest, compared to neighbouring countries. As the AFC started in Thailand, during the crisis year 1997, Thailand suffered the lowest economic growth rate among the listed countries in the region (-1.4 per cent), whilst Vietnam remained the second fastest growing economy (8.2 per cent), after Singapore's growth rate of 8.6 per cent. In 1998, Vietnam was the fastest growing South-East Asian economy with an average GDP of 5.8 per cent. Although it was lower than earlier periods, the rate in 1998 was significantly higher than those of other countries within the region, as Indonesia, Malaysia, Singapore and Thailand all suffered negative growth rates.

In 2000, Vietnam established its first stock exchange, the Ho Chi Minh Securities Trading Center (HoSTC) (later renamed the Ho Chi Minh Stock Exchange (HOSE)) in August 2007. During the Seventh Five-Year Plan (2001–2005), Vietnam continued to focus on the expansion of its capital market, maintaining economic growth, improving the standard of living, education, science and technology and encouraging foreign investment via the stock market (Socialist Republic of Vietnam 2010). To assist more privatization of SOEs, the Hanoi Securities Trading Centre (Hanoi STC) was promulgated in 2005 and became the Hanoi Stock Exchange (HNX) in January 2009. At the commencement of trading, the Vietnamese stock market was regarded as one of the fastest-growing emerging capital markets in the world, with a growth rate of approximately 19 per cent (Chandler 2006).

The Eighth Five-Year Plan (2006–2010) period experienced improving economic growth, a speeding up of industrialization and a promotion of greater foreign investment, through Vietnam becoming a member of the World Trade Organization in 2007; and through private sector investment (Socialist Republic of Vietnam 2011). However, "being a small, open, foreign direct investment-reliant and export-dependent economy", Vietnam's economic growth was not spared the heavily negative impact of the 2007–2009 Global Financial Crisis (Nguyen, Nguyen, and Nguyen 2010, 769). This Global Financial Crisis hit Vietnam in two ways. First, exports were reduced significantly due to the decreased demand from trading partners. Second, foreign direct and indirect investment decreased as foreign investors were reluctant to make further investments. Production levels, trade, service, exports, and foreign investment flows all fell. From an average GDP growth rate of more than eight per cent during 2005–2008, the GDP growth rate during 2009–2010 was less than seven per cent (World Bank 2012).

The events described above helped to shape accounting development in Vietnam. Four significant events, which are the reunification in 1975 with an economy moving away from a centrally planned system; the economic renovation '*Doi Moi*' in 1986; privatization of SOEs; and the establishment of a stock exchange—underpinned the development of Vietnam's accounting reporting infrastructure within five distinct phases: Phase I (1975–1985); Phase II (1986–1990); Phase III (1991–2000); Phase IV (2001–2005) and finally Phase V (2006–2012).

The next section discusses in more detail the five key accounting developments as outlined in Table 2.1. This enhances the understanding of the status of contemporary Vietnamese corporate reporting practices.

2.3 Reporting Infrastructure in Phase I (1975–1985)

Before 1954[14], the accounting system in Vietnam was very simple, with the main objectives being to record the expenditures and revenue of state budgets (Chu 2004). Earlier studies (Chu 2004; Bui, Yapa, and Cooper 2011) suggest that accounting practices during this period were influenced by both Chinese and French accounting. Chu (2004) states that the Chinese accounting system impacted on Vietnam accounting practices through the resources and economic aids that Vietnam received from China[15]. However, Chu (2004, 147) argues that "Vietnamese accounting in this period was a patched-up and fragmented system until the Soviet accounting experts came to help in 1970". Bui, Yapa and Cooper (2011) note that the French influence on Vietnamese accounting was very minimal. With its main focus on exploitation of resources to provide materials for French industries, most of the bookkeeping and accounting records were mainly handled by the French officers and as such they made little effort to train the Vietnamese to work as accountants (Chu 2004; Bui, Yapa, and Cooper 2011).

During the period of 1954–1975, Vietnam was divided into two regions: each with its own government. Whilst the South operated under a capitalist free market economy, a state centrally planned economy dominated in the North. These significantly different political and economic systems resulted in two official accounting systems (Nguyen and Pham 1997). In the North, a series of SOEs were set up in various aspects of the economy with the Soviet cost accounting models playing an influential role. According to Chu (2004), in the early 1970s, the Soviet accounting experts provided assistance and training to help Vietnam set up its Soviet cost accounting system, which was believed to be the most scientific and suitable accounting system for the socialist centrally planned economy of the North during this time (1970–1974). On the other hand, in the South, French accounting

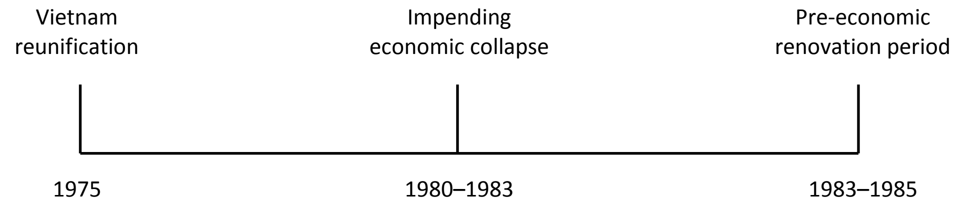
14 Vietnam was a colony of the French from 1858 to 1954.

15 In the war years of 1946–1954, Northern Vietnam was influenced by China's 'Mao's theory' and the Marxism–Leninism of the Soviet Union. The Chinese influenced North Vietnam through providing military, political and economic assistance (including an accounting system) and human-resource support to Vietnam (Chu 2004).

remained in the key role (Bui, Yapa, and Cooper 2011; Chu 2004). Chu (2004) states that in 1972, under the leadership of the United States (US) army, the US accounting experts tried to introduce their accounting system in Vietnam. However, because of the political reunification of the North and the South in 1975, this project did not take hold.

After reunification in 1975, and since the Communist Party of Vietnam (the political leader of the North) was the main political power, Vietnam continued to apply a cost accounting system modelled after the Soviet cost control accounting system (Ministry of Finance 2003; Sarikas, Vu, and Djatej 2009). This paralleled its adoption of a Soviet Union communist economic structure that had been used in North Vietnam since 1970. As the two regions had totally different economic systems and accounting practices, the South 'market economy' was transformed to the centrally planned economy of the North and its cost accounting system. Bui (2003) notes that to achieve uniformity of accounting practices across two regions, accounting experts in the North were sent to provide training courses in the South. Figure 2.1 highlights the key characteristics of the Vietnamese accounting system in Phase I (1975–1985). The accounting system under a centrally planned economy was very different from that of a market economy. In particular, as the budgeting system was the main focus of the state, the accounting system served the purpose of facilitating the centralisation of economic planning and the control of all SOEs operations (Nguyen and Pham 1997). Nhu (2012) notes that under this centrally planned accounting system, the most important information is the firm's production costs, and profit is just a reference for comparative analysis. Whilst Figure 2.1 highlights the key economic and accounting events, Table 2.3 provides further detail of the accounting reporting infrastructure during the post reunification period (1975–1985).

Figure 2.1 Key Economic and Accounting Events in Phase I (1975–1985)



KEY POINTS

1. Centrally planned economy
2. Soviet model of cost accounting
3. Internal audit with no independent audit
4. No practice of external reporting

Legend: Figure 2.1 illustrates the key milestone development of accounting in Phase I (1975–1985).

During this period, the Soviet Union not only provided political guidance for Vietnam, but also appeared to be the key influencing factor in the development of accounting in Vietnam. The Soviet cost accounting system under this centrally planned economy was considered a more efficient system, where all inputs and outputs were centrally planned (Chu 2004). Between 1975 and 1986, as Vietnam focused mainly on the recovery of its infrastructure after the war, reform of the Vietnamese accounting system was not a priority. There was little regulation of accounting practices. In fact, the unified Vietnam continued to adopt the old accounting system, which is the *Uniform Accounting System 1970* that had operated throughout the Northern regions prior to 1975 (see Table 2.3 for the main characteristics of *Uniform Accounting System 1970*). Since the state was the main decision making body in deciding what, how and for whom to produce, accounting reports were prepared exactly to its specific requirements. Firms were not required to disseminate accounting information to the public as the deemed user of such information was limited solely to the state (Bui, Yapa, and Cooper 2011).

Since maintaining assets and meeting budget requirements were the key concerns of a centralized planning cost accounting system, internal auditing played an important role in ensuring the accuracy of physical assets. Furthermore, unlike in a market economy, the need for independent auditing services in the centrally planned economy was almost non-existent (Bui, Yapa, and Cooper 2011).

Sarikas, Vu and Djatej (2009) state that the cost accounting system applied under the centrally planned economy in Vietnam post reunification resulted in an inefficient use of resources. Specifically, this system of cost accounting arguably brought many inconsistencies and complexities. For instance, it was very difficult for the government to provide accurate targets for firms, because accounting reports could be manipulated and thus might not have reflected the true state of the firm (Doan 1999). Specifically, in order to get grants or subsidies from the state, most SOEs often manipulated the results to the desired state's budget requirements (Chu 2004). As the people preparing budgets were not involved in the daily activities of the firms, they did not have proper knowledge of a firm's real situation, and thus the planning process was flawed. Consequently, budgets that were prepared based on these inaccurate records could be biased towards the desired state outcomes (Doan 1999; Chu 2004).

Whereas the market economy regulations of accounting are based on accounting standards issued by professional bodies of accountants, the cost accounting system under a centrally planned economy focuses mainly on defining the quality and accuracy of physical assets and strict compliance with the state centralized budgets. This left no room for professional accounting to regulate the accounting system in Vietnam during this post reunification period of 1975–1985 (Bui, Yapa, and Cooper 2011). Table 2.3 lists the tasks and responsibilities of the Ministry of Finance and its Department of Accounting Practices in regulating Vietnamese accounting practices during this period.

Table 2.3 Vietnamese Reporting Infrastructure (1975–1985)

Information producer and final user	Information intermediaries	Laws and regulations	Legal entities and implementation bodies
The Vietnamese government served as both main information producer and sole final user of accounting reports during this period (1975–1985). In each reporting period, the central government (the state) prepared a planned budget of cost prices, production inputs, prices for outputs and output production at the beginning of a period. Firms were required to comply with the specific purposes prescribed in the budget (Harvie and Tran 1997). At the end of the period, the firms then prepared their accounting reports according to the state's targets and format requirements and subsequently sent the reports to the state. The state utilized the firm's reports to provide estimates and planning for the firm's production activities in the next period. Even though this accounting information was used by firm managers, its use was almost non-existent as they were not allowed to make any decision for the firm, other than those pre-determined by the state. Other producers of information during this period were the chief accountants[16] of the firms, who were trained and appointed by the Vietnamese state to protect the assets of SOEs. According to Nguyen and Pham (1997), there was no formal education or training requirement for eligibility to practice accounting or auditing (internal) during this period. Instead, positions were obtained through an arrangement of the Ministry of Finance. Within this Soviet-style cost accounting system, the chief accountant's role was to safeguard state assets, rather than preparing the firm's financial statements to assist a variety of users with their decision making (Campbell 1958).	During the period of 1975–1985, when Vietnamese accounting practices were limited to cost accounting, the chief accountant and the internal auditor were arguably the most influential parties in facilitating the provision of a firm's information to the government. According to Campbell (1958), a Soviet-style cost accounting system shares similar characteristics with 'internal auditing' in Anglo-American economies. This was the auditing approach used by the Vietnamese SOEs during this period (1975–1985).	***Uniform Accounting System 1970***[17] Main characteristics: cost accounting system with emphasis on budgeting tasks. Main objectives: to systematically, comprehensively and continuously provide accounting information for the purpose of controlling and planning national economic plans. A typical accounting report includes: ● Capital structure reports; ● Production costs and production price reports; ● Products consumption loss/profit reports; and ● A statement presenting the operational status of the firm.	**Ministry of Finance** Before and after the reunification (1975), the Ministry of Finance remained the dominant regulatory body responsible for the Vietnamese financial regulatory system, and specifically for accounting reporting practices. **Department of Accounting Practices (DAP)** The Ministry of Finance delegates to the Department of Accounting Practices all the administrative responsibilities such as providing training and assisting with the implementation of *Uniform Accounting System 1970* to accountants across the country, with emphasis on the Southern region.

[16] According to Chu (2004), chief accountants play a dual role in a socialist economic system: accountant for the firm as well as government financial controller. The chief accountant is not responsible for the profitability of a firm but rather safeguarding the firm's assets and ensuring the firm's compliance with approved budgets and plans provided by the state.

[17] *Decision No. 425 TC/CDKT* dated 14th December 1970.

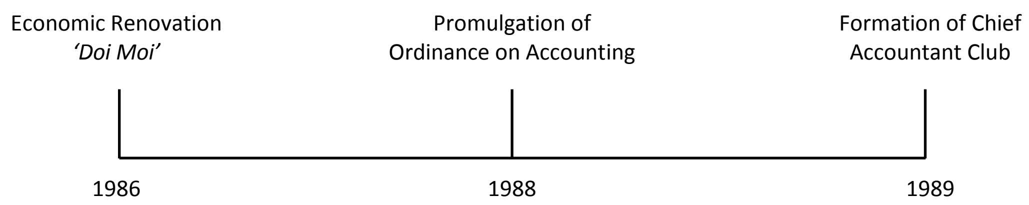
Furthermore, as the only overt use of accounting reports during this period (1975–1985) was limited to state's needs, for statistical and centralized budget planning purposes, there was thought to be little demand for additional information disclosure. Thus, it seems reasonable to argue that under the centrally planned economy, SOEs had little or no incentive to engage in voluntary disclosure practices.

Overall, the cost accounting system during this period (1975–1985) was characterized by what is commonly known as 'internal auditing' in Western economies with its main focus on fraud, theft or inappropriate use of resources, rather than the accuracy of methods or formats of transactions. According to Doan (1999), such a system was considered unnecessarily complicated, as it was viewed as being lengthy, with excessive details that required significant time to monitor daily activities in order to protect the firms' physical assets. In a struggling economy with limited resources after reunification, the internal auditing personnel in the nation were only able to carry out their auditing tasks for a small numbers of SOEs. As a result, many SOEs were not audited for years, and subsequently fraud often occurred (Doan 1999). Needless to say, the cost accounting system under the centrally planned economy revealed many weaknesses, resulting in an inefficient use of resources. In response, an economic renovation '*Doi Moi*' was subsequently implemented, moving Vietnam towards a more market oriented economy. This created the impetus for changes in the old uniform accounting system to support the next stage of economic development. This set of changes is discussed in the next section.

2.4 Reporting Infrastructure in Phase II (1986–1990)

The start of Phase II (1986–1990) relates directly to the economic renovation '*Doi Moi'* during which the Vietnamese economy moved towards a more market oriented system. One of the key objectives of '*Doi Moi'* was restructuring the corporate ownership from a state dominated structure towards increased private ownership (privatization). The key events and characteristics of Phase II (1986–1990) are illustrated in Figure 2.2.

Figure 2.2 Key Economic and Accounting Events in Phase II (1986–1990)



KEY POINTS

1. Transitioning economy from centrally planned towards market oriented economy.
2. Cost accounting system with tax purposes.
3. Accounting reports for bank loan purposes.
4. No practice of independent auditing and external financial reporting.
5. No intention of adopting IAS/IFRS.

Legend: Figure 2.2 illustrates the key milestone development of accounting in Phase II (1986–1990). IAS = International Accounting Standards. IFRS = International Financial Reporting Standards.

There was still virtually no regulation of accounting reporting disclosure during this period, with the main regulation being the *Ordinance on Accounting and Statistics 1988.* Although there were some improvements, accounting regulation (*Ordinance on Accounting and Statistics 1988*) during this period (1986–1990) still emphasized statistical reporting and budget planning information for the state. Thus, at the time, financial accounting remained virtually non-existent. Table 2.4 presents further detail of the accounting reporting infrastructure during this period (1986–1990).

Table 2.4 Vietnamese Reporting Infrastructure (1986–1990)

Information producer and final user	Information intermediaries	Laws and regulations	Legal entities and implementation bodies
Information producers: Within the firm, the chief accountant had a significant role in producing accounting reports for state statistical and controlling purposes[18]. Furthermore, since managers were given more autonomy in planning their business activities, managers of the firms were also important producers of information. Information users: Whilst the state still remains the main user, there exist two new users: the managers of SOEs and the banks (which are mainly state owned during this period).	Information intermediaries remained largely the same, with non-public accountants and state auditors (internal auditors) still considered to be the main information intermediaries.	**The *Ordinance on Accounting and Statistics 1988*** Main characteristics: cost accounting system assisting state statistical and planning activities as well as taxation purposes (Yang and Nguyen 2003; Aly and Nguyen 2010). Main objectives: this *Ordinance on Accounting and Statistics 1988* differs from the earlier *Uniform Accounting System 1970* as the accounting reports are also prepared to suit taxation requirements, instead of just meeting planning needs (Narayan and Godden 2000) The system involves the following components: ● A primary records system; ● An accounts and book-keeping system; ● A system of forms and reports; ● A system and method of calculating economic and financial targets; ● A classification of national economic sectors, economic forms and schedules of classifications, codifications and contents of the state budget; ● Units of weights and measures; and ● The accounting and statistics year (Narayan and Godden 2000).	**The Ministry of Finance** and its **Department of Accounting Practices** remained as the main body overseeing accounting practices. Their key responsibilities were the management of training programs and ensuring that the *Ordinance on Accounting and Statistics 1988* was implemented appropriately in all business sectors. On 1st June 1989, the Department of Accounting Practices established the **Chief Accounting Club of State Owned Enterprises (CAC)**—which later became the Vietnamese Accounting Association VAA. CAC consists of senior accountants across the country. The main function of this association was to provide a forum where accountants and researchers could exchange views and information on the nation's accounting practices through seminars and workshops (Narayan and Godden 2000).

18 *Decree No.26/HDBT* issued by the Ministry of Finance on 18th March 1989 defines the role of chief accountant as the main person liable for safeguarding the firm's assets and states that he/she is responsible for conformity with state budget requirements, rather than the profit of the firm.

The transitioning of the Vietnamese centrally planned economy towards a market oriented economy brought many changes to the structures and operations of SOEs. Instead of transferring all the profits to the state, SOEs were now allowed to retain their profits and were required to pay tax on those profits, similar to legal entities under a market economy system. The new era of a more market oriented economy led to the introduction of new types of accounting information producers and new users. For instance, the roles of chief accountant and manager changed to incorporate the preparation of accounting reports and thus, the role of the state in the context of accounting information producers reduced significantly during this time (1986–1990).

Whilst Vietnamese information intermediaries (which were still the chief accountants and the internal auditor) remained largely the same, an important change during this period (1986–1990) was that the demand for information had expanded to more users and was no longer just for the state's centralized planning activities.

Given that firms were now able to obtain external finance from different sources other than the state, the old *Uniform Accounting System 1970* was no longer appropriate. Accordingly, the *Ordinance on Accounting and Statistics 1988* was promulgated to regulate accounting reporting practices in a transitioning economy (see Table 2.4 for the summary of reports needed under this *Ordinance on Accounting and Statistics 1988*). Being heavily influenced by state management of the centrally planned economy, this *Ordinance on Accounting and Statistics 1988* still placed strong emphasis on standard forms and disclosure requirements for state statistical and planning purposes (Yang and Nguyen 2003; Aly and Nguyen 2010). Table 2.4 outlines further detail of the *Ordinance on Accounting and Statistics 1988.* Despite these changes in regulation, the *Ordinance on Accounting and Statistics 1988* still suffered many shortcomings. For instance, it was designed with more focus on SOEs and completely ignored other sectors of the economy. Many private and foreign-invested firms did not even utilize this *Ordinance,* resulting in inconsistent reporting practices across Vietnam (Chu 2004). Moreover, the rapidly transitioning economy created a demand for accounting reports to change continuously, making this *Ordinance* less relevant (Nguyen 2008). All these limitations highlighted the need to modify or promulgate a new accounting system, which is discussed later in Section 2.5.

As the involvement of both foreign and private sectors in the economy was still relatively limited, compared to the Vietnamese state sector (Chu 2004), there was no incentive for the private sector to establish self-regulating accounting bodies. Similar to the earlier period, the main accounting regulators during this period (1986–1990) remained the Ministry of Finance, represented by the Department of Accounting Practices (see Table 2.4 for the tasks and responsibilities of the Ministry of Finance). Nevertheless, a beginning stepping-stone for the accounting profession in Vietnam during this period (1986–1990) was the formation of the SOEs Chief Accountant Club (by the Ministry of Finance) on 1st June 1989 which later became the Vietnamese Accounting Association – VAA (see Table 2.4 for the formation and functions of this Chief Accountant Club). Although this club did not have any overt influence over the accounting regulatory process, Te (2010) states that it was a major step in Vietnamese accounting practices, as the establishment of this club first signified the importance of accountants and accounting practices in the transitioning economy.

Overall, this period (1986–1990) witnessed a major change in Vietnam's economic structure. Since the economic renovation was still in its infancy, the accounting regulations still did not have the characteristics of a market oriented accounting system. There was only a slight change in accounting systems, so that accounting reports were no longer designed solely for statistical and central planning purposes. Instead, they were also designed for taxation and finance purposes. With the absence of a capital market, the need for externally disclosed information, specifically, voluntary disclosure practices and the adoption of IAS/IFRS were still not considered to be relevant at this stage[19]. The following section reviews accounting development in the next period (1991–2000).

2.5 Reporting Infrastructure in Phase III (1991–2000)

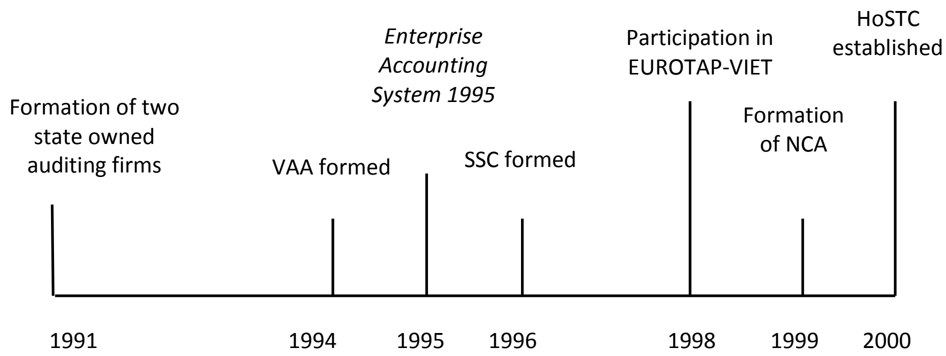
A key development in the Vietnamese economy during the period of 1991–2000 was the accelerated privatization progress of Vietnamese SOEs. In particular, managers of privatized SOEs were now given greater autonomy in planning, controlling and directing the firm's operational activities. Like firms operating in a market economy, the government was no longer obliged to subsidize the firms' losses and if these privatized SOEs were unable to pay their debts, they would face the possibility of bankruptcy. The new structures of privatized SOEs created the need for these firms to obtain external finance, which is similar to a typical firm in a market economy setting. In response to these changes, the *Enterprise Accounting System 1995*[20] was established to satisfy the demands of a transitioning economy moving towards a market oriented economy. Under the new system, there was now a real distinction between the historical national cost accounting and the developing but more externally focused financial accounting, which did not exist under the earlier fully centrally planned economy. Along with accounting reform and existence of two new state owned auditing firms, this period (1991–2000) also witnessed the emergence of foreign independent auditing firms in Vietnam. Figure 2.3 highlights the key milestones of accounting development in Vietnam during this period (1991–2000), whilst Table 2.5 provides an overview of the overall developments in Vietnam reporting infrastructure during the same period.

[19] Hope, Jin and Kang (2006) state that a country's commitment to opening up its capital market is one of the important reasons for explaining the later partial adoption of IAS/IFRS.

[20] *Decision 1141TC/QD/CDCT* adopted on 1st November 1995, effective 1st January 1996.

Figure 2.3 Key Economic and Accounting Events in Phase III (1991–2000)

ENTERPRISE ACCOUNTING SYSTEM 1995: COST CONTROL ACCOUNTING



KEY POINTS

1. Establishment of state owned auditing firms
2. Received foreign accounting training assistance
3. Some characteristics of external reporting
4. Presence of foreign 'Big Five' auditing firms
5. Moving towards but not adopting IAS/IFRS

Legend: Figure 2.3 illustrates the key milestone development of accounting in Phase III (1991–2000). The two original state owned auditing firms are the Vietnam Auditing Company (VACO) and Accounting and Auditing Services Company (VAAC). VAA=Vietnamese Accounting Association (a state regulated body). SSC = State Securities Commission of Vietnam. EUROTAP-VIET = European Union Technical Assistance Program – Vietnam. NCA = National Council for Accountancy (a state regulated body). HoSTC = Ho Chi Minh Stock Securities Trading Center. IAS = International Accounting Standards. IFRS = International Financial Reporting Standards.

During this period (1991–2000), a reformed accounting system under the transitioning economy introduced various accounting information users and producers. In particular, as there were more diversified ownership structures, the role of the accountant and accounting reports in the transitioning Vietnamese economy extended beyond the scope of merely fulfilling the state's budget requirements. Specifically, the new objectives set out in *Enterprise Accounting System 1995* are to provide useful economic and financial information for evaluating and predicting the financial performance and position of the enterprise. Under this new system, the deemed users of accounting information were expanded to include the owners, managers, investors (domestic and foreign) and creditors (Nguyen and Richard 2011).

Table 2.5 Vietnamese Reporting Infrastructure (1991–2000)

Information producer and final user	Information intermediaries	Laws and regulations	Legal entities and implementation bodies
Information producers: Accountants are now recognized as one of the main producers of information for accounting reports to assist the decision making process of various stakeholders. Information users: the users of financial reports are expanded to include the owners of business, managers, small number of investors (domestic and foreign), creditors (domestic and foreign) as well as the state.	Establishment of external (independent) auditing firms by the Ministry of Finance: Vietnam Auditing Company (VACO) and Accounting and Auditing Services Company (AASC) in 1991. Presence of international auditing firms in Vietnam: the 'Big Five' and an increasing number of non-state owned auditing firms.	***Enterprise Accounting System 1995 (EAS)*** *EAS 1995* is primarily designed to support the introduction of taxation and is more applicable to the government sector. The accounting system includes: ● A Balance Sheet; ● An Income Statement; ● Notes to Financial Statements; ● A Table declaring "Obligations to the Government"; and ● The Cash Flow Statement (optional). Unlike the IAS/IFRS, the *Enterprise Accounting System 1995* resembles a bookkeeping manual more than a collection of concepts and principles (Yang and Nguyen 2003). The World Bank (2001) criticizes this system, arguing that it does not highlight the basic principles, such as going concern, but rather all the financial statements have to be presented in a specific format required by the MOF.	**Ministry of Finance (MOF)** MOF is represented by DAP and is the regulatory body responsible for developing and issuing accounting standards. **Vietnamese Accounting Association (VAA)** VAA was established in April 1994, as a subsidiary unit of the MOF. Its main functions include administrative responsibility for the registration of practice accountants, monitoring and improving the standards of the accounting profession and overseeing the quality of independent auditing firms (Narayan and Godden 2000). The VAA is government regulated, rather than a self-regulated independent professional body (World Bank 2001).The VAA became a member of the International Federation of Accounting Committee and Accounting Federation of ASEAN in 1998. **National Council for Accountancy (NCA)** On 16th August 1999, the MOF established the NCA[21] as the key regulatory body for accounting and auditing practice in Vietnam. According to Narayan and Godden (*2000*), its functions were similar to those of Accounting Regulatory Boards in other countries.

[21] *Decision No.92/1999 QD–BTC.*

In response to the rapidly transitioning economy and to create a more attractive business environment for foreign investors, Vietnam began to pay more attention to constructing and developing its accounting system. In 1995, Vietnam promulgated a new accounting system called the *Enterprise Accounting System 1995.* Table 2.1 and Table 2.5 provide more detail of this system. Given the historical influence of the socialist cost accounting system, it was not surprising that aspects of state control were still present in the new *Enterprise Accounting System 1995*. For example, firms still had to follow certain standards and complete forms for their accounting reports in a way that could enable the Vietnamese government to easily control and supervise the firms. The Ministry of Finance still issued specific instructions on methods of calculation for certain types of transactions within certain industries such as banking, insurance services, electricity and aviation. Yang and Nguyen (2003) point out that during this period, there were many instances where firms had to wait for decisions from the authorities to determine an accounting treatment. Chu (2004) states that although this new accounting system looks like those of a market accounting system with a Balance Sheet, an Income Statement, a Statement of Cash Flow (optional) and Notes to Financial Statement, in practice, this system is complicated and seems to have a biased focus towards the state sector. Thus, although it was improved, the accounting system during this period was still heavily influenced by the cost accounting tradition, where accounts and firm accounting reports were prepared to a very rigid format.

Consequently, although its intention was to unify accounting practices among all firms across Vietnam, in practice, there remained many inconsistencies in methods both within and between various sectors, resulting in great variance between accounting reports across the country (Sarikas, Vu, and Djatej 2009). As observed by the World Bank (2001), there seemed to be inconsistent levels of disclosure, financial reporting regulatory discipline and independent auditing across the nation, as the SOEs were subjected to different treatments compared to private and foreign owned businesses. Given the discrepancies and complexities of these reports, their users needed to have significant knowledge or expertise in accounting to be able to interpret the information disclosure by firms (unlike the more understandable financial reports in a market economy). Even the Ministry of Finance acknowledged that the accountants preparing these reports could not fully understand them (Department of Accountancy - Vietnam 1999) and so the information needed to facilitate decision making was not easily and readily extracted as was intended per the stated objectives of the financial reports. Micheline and Nguyen (2007) support this point of view and state that although the *Enterprise Accounting System 1995* generated an improvement in accommodating the needs of internal and external users, the accounting reports were still not very practical and thus the usefulness of financial statements within this system remained limited.

With the accounting reports moving towards a more external focus disclosure, a need for external or independent auditing services to verify accounting reports arose. Accordingly, the Ministry of Finance established two state owned and controlled auditing firms in 1991: Vietnam Auditing Company (VACO) and Accounting and Auditing Services Company (AASC). However, in a developing market oriented economy with increasing foreign trade and a heavy legacy of cost accounting history, these two auditing firms were soon unable to meet the growing demand for a more diversified and expanding Vietnamese economy. As a result, in 1992 Vietnam allowed foreign auditing firms to establish their practices to accommodate the demands of a new economy. It was important to note that not only did Vietnam now welcome more foreign auditing firms but the local auditing firms and accountants also received training by one of the 'Big Five'[22] auditing firms at that time. In Vietnam, the traditional view of auditing under the cost accounting system simply involved safeguarding and protecting the state's physical assets. Up until this point, independent auditing was a totally alien idea in Vietnam. With more externally focused accounting reports in this period, Price Waterhouse's training courses concentrated on the concept of random and judgemental sampling to better ensure that the financial statements presented a 'true and fair' view (Murray 1997). This was a major milestone for Vietnamese accountants in developing more

[22] The 'Big Five' accounting firms during this period were Deloitte Touche Tohmatsu International (DTTI), Price Waterhouse (PWH), Arthur Anderson (AA), KPMG and Ernst and Young (EY).

globally accepted accounting practices to support the accounting and reporting needs of a market oriented economy.

By early 1994, not only were all of the ‘Big Five’ accounting firms operating in Vietnam but the number of local auditing firms was also increasing. The presence of the ‘Big Five’ auditing firms as well as foreign-invested firms had a positive impact on the economy. For instance, foreign-invested firms played a passive but important role in the process of Vietnamese accounting development through their suggestions and demands for revision or changes in the accounting regulations, and through their interactions with the Vietnamese accounting system. According to Chu (2004, 233), foreign-invested firms “were often asked for the removal of this or that account or for different methods of accounting. By this means, policy makers gradually have gained comprehensive and thorough understanding of accounting in the market economy and have realized that many of their proposals were reasonable”. This subsequently created pressure for Vietnamese accounting regulations to change. Overall, the experiences brought by the ‘Big Five’ auditing firms were quite positive. Not only have these ‘Big Five’ auditing firms helped to improve the transparency and quality of Vietnamese accounting reports by conducting training for the accounting profession (as mentioned above), but Narayan and Godden (2000) state that the presence of the ‘Big Five’ auditing firms arguably helped to increase the confidence of potential foreign investors in the Vietnam economy.

During the period of 1991–2000, whilst there was some help from foreign auditing firms and foreign-invested firms, accounting practices in Vietnam remained mainly under state control with the Ministry of Finance continuing to issue all of the regulations. As shown in Table 2.5, the Vietnamese Accounting Association and National Council for Accountancy were the two government regulating bodies overseeing Vietnamese accounting reporting practices during this time (1991–2000).

Overall, the promotion of foreign investment and the increasing openness of the Vietnamese economy had a positive impact on the reform of its accounting standards. In particular, this period witnessed an increasing number of players in the process of Vietnamese accounting reforms as a response to preparation for the introduction of a stock market. Unlike Phase I (1975–1985) and Phase II (1986–1990), accounting practices in Phase III (1999–2000) received more foreign input to improve the Vietnamese accounting system. Besides receiving training from Price Waterhouse in 1992, the Department of Accounting Practices (DAP) also obtained assistance in improving the Vietnamese accounting system. For instance, after the promulgation of the *Enterprise Accounting System 1995*, the DAP participated in the European Union Technical Assistance Program–Vietnam (EUROTAP–VIET) training project (Sarikas, Vu, and Djatej 2009). The project focused on accounting and financial regulatory reform such as the legal system, banking system, small and medium enterprises development and accounting and auditing reform. Specifically, to improve the conformity of Vietnamese accounting practices and move towards a more market oriented system, EUROTAP-VIET programs conducted several training sessions for the Vietnamese accounting profession. For example, short master's degree programs in accounting were offered to Ministry of Finance officials and local auditors working in SOEs (Sarikas, Vu, and Djatej 2009; Chu 2004). Special efforts made by the European Union clearly indicated an aggressive attempt to influence Vietnamese accounting towards the adoption of International Accounting Standards (IAS). Although the Ministry of Finance still remained the main authority issuing accounting standards, the involvement of foreign auditing firms in the economy and foreign assistance aimed at improving the Vietnamese accounting system marked a radical milestone in the development of the Vietnamese financial reporting framework.

Despite the fact that accounting disclosure was now needed by an increasing group of users, such as owners of businesses, managers, banks, a small but growing number of investors (domestic and foreign), and creditors (domestic and foreign)—the absence of a capital market meant that there was still no clear demand for voluntary disclosure of information. The next section extends the discussion of

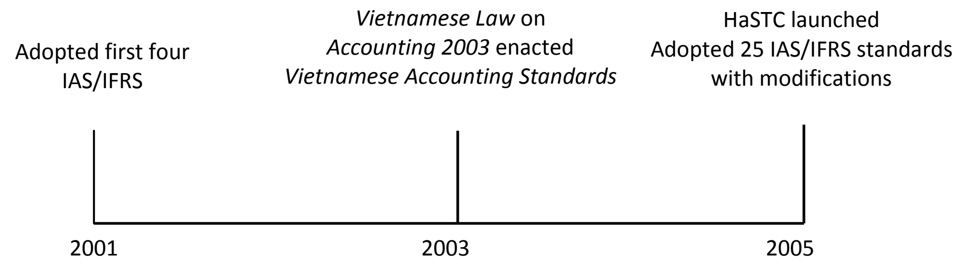
Vietnam’s accounting journey towards a more externally focused financial reporting system.

2.6 Reporting Infrastructure in Phase IV (2001–2005)

Following the creation of the Ho Chi Minh stock exchange in 2000, a second stock market, which is the Hanoi stock exchange (HNX), was subsequently established in 2005 to facilitate increased privatization of SOEs. Since 2000, the Vietnamese stock exchange was not only the main vehicle for ownership restructuring of SOEs but also played an important role in Vietnam economic growth by facilitating the flow of capital into its nation economy. With the fast changing environment and the recent establishment of an official capital market, the Vietnamese legal infrastructure was considered inadequate to sustain the needs of a complex market economy (World Bank 2006b). The rapid expansion of the stock exchange was a fundamental conceptual shift in Vietnamese accounting reporting practices since a capital market needs to rely on more understandable financial communication between firms and financial report users. Specifically, in this new capital market environment, accounting became more important as a tool for income distribution, resource allocation and property protection in Vietnam. Accordingly, in response to these rapid changes, Vietnamese regulators began to reconstruct their accounting system in order to meet the demands of the new economy (see Table 2.6 for the changes in reporting infrastructure during this period of 2001–2005). Figure 2.4 outlines the key events of Phase IV (2001–2005).

The development of a Vietnamese capital market generated new accounting issues in regard to its reporting practices. Specifically, the existence of these two stock exchanges created an increased and more explicit focus on external financial statements. Accounting information was increasingly used to assist external users in economic decision making, rather than merely assisting the state with budget and planning processes. Overall, the demand by various stakeholders in the Vietnamese economy for a firm’s information increased. Table 2.6 presents more detail of accounting information producers and users for the period of 2001–2005.

Figure 2.4 Key Economic and Accounting Events in Phase IV (2001–2005)



KEY POINTS

1. Moving towards an external focus accounting system
2. Adoption of IFRS with modifications
3. Establishment of private professional body
4. Two stock markets launched

Legend: Figure 2.4 illustrates the key milestone development of accounting in Phase IV (2001–2005). HaSTC = Hanoi Securities Trading Center.

During the 2001–2005 period, the accounting profession also expanded to include other international and local auditing firms, besides the two state owned and the (now) 'Big Four' auditing firms[23]. However one of the accounting practice problems still facing Vietnam was the lack of experts and experienced professionals amongst Vietnamese local auditing firms (Aly and Nguyen 2010; World Bank 2006b). Despite the obvious need at this stage, Vietnam still did not have a clear plan to issue independent auditing practice standards in the near future (World Bank 2006b).

Being a socialist country with both market economy mechanisms and the legacy of a centrally planned economy, auditing practices during this Phase IV (2001–2005) continued to be controlled by the Ministry of Finance. For instance, the Ministry of Finance influenced the appointment of auditors for some SOEs, listed firms and financial institutions by providing them with a list of recommended auditing firms on an annual basis. Using the list provided, managers of firms then selected external independent auditors. The World Bank Report's (2006a) criticism was that this process of appointing auditors during this period did not enhance the independence

[23] Because of the Enron scandal, Arthur Andersen ceased operation after 2002. Thus, the 'now' Big Four auditing firms are Ernst and Young, PricewaterhouseCoopers (PWC), Deloitte Touche Tohmatsu and Klynveld Peat Marwick Goerdeler (KPMG).

of auditors and illustrated the weakness of Vietnam's accounting regulatory framework.

The changes in Vietnam's economy created momentum for innovation in its infrastructure, especially the financial and legal framework surrounding its accounting reporting practices. The creation of *Vietnamese Law on Accounting 2003* was a result of both local and international pressure for more conformity of accounting systems across the nation. The *Vietnamese Law on Accounting 2003* was formulated through the involvement and participation of many accounting professionals from across the country. This promulgation of a new accounting law was considered one of the most important achievements in their accounting regulation reforms as it legalizes the work of the accounting profession across the country.

While the *Vietnamese Law on Accounting 2003* regulated the practices of the accounting profession, the *Vietnamese Accounting Standards 2003* provided guidance regarding accounting principles, assisting accountants with the preparation of financial reports, auditors in giving their opinions and users to better understand the external financial information provided[24]. Refer to Table 2.1 and Table 2.6 for more detail. Under the *Vietnamese Accounting Standards 2003*, a completed financial statement consists of a Balance Sheet, an Income Statement, a Cash Flow Statement and Notes to its Financial Statements. This set of financial reports illustrates the commitment of Vietnamese accounting regulations towards a financial reporting system that better supports a transitioning economy (see Table 2.6 for a complete list of accounting reports required during this period of 2001–2005). The main difference between the *Enterprise Accounting System 1995* and *Vietnamese Accounting Standards 2003* was that the latter is a more comprehensive set of concepts and principles providing a regulatory framework for financial reporting, whereas the *Enterprise Accounting System 1995* does not define any specific concepts or accounting principles.

[24] *Decision No 165/2002/QD-BTC* dated 31st December 2002.

Table 2.6 Vietnamese Reporting Infrastructure (2001–2005)

Information producer and final user	Information intermediaries	Laws and regulations	Legal entities and implementation bodies
Information producers: accounting profession working in local and international firms, in both local and international auditing firms as well as in public administration. Information users: These stakeholders are investors (domestic and foreign), potential investors, financial analysts, creditors, government agencies and the public in general (Micheline and Nguyen 2007).	Auditing profession in both local and international auditing firms as well as public administration (Micheline and Nguyen 2007).	***Vietnamese Law on Accounting 2003*** This law regulates accounting and reporting practices for all public and private sector firms in Vietnam. It also outlines the process for appointing accountants in a firm and provides disciplinary regulations should accountants breach their duties. ***Vietnamese Accounting Standards 2003 (VAS)*** Importantly, under the *Enterprise Accounting System 1995*, transactions are recorded on a cash basis while *VAS* 2003 adopts an accrual basis, in conformity with international standards. *VAS* 2003 is based mainly but not entirely on the IFRS issued up until 2003. There are no comparable Vietnamese standards for many IFRS, particularly those concerned with fair value of financial instruments (World Bank 2006b; Aly and Nguyen 2010). In this new system, an accounting report has more characteristics of classic external financial reporting purposes as it includes: ● A Balance Sheet; ● An Income Statement; ● A Cash Flow Statement; and ● Notes to Financial Statements. *Note: In addition to typical financial statements, firms listed on the stock market are required to produce comprehensive annual reports.	**State Securities Commission (SSC)** To regulate the activities of the Vietnamese stock exchange, the State Securities Commission was established in 1996. However, prior to 2000, the monitoring functions of SSC on securities trading were minimal—most of their tasks focused on drafting legal documents and preparation for the building and development of the stock market, rather than enforcement issues. **The Vietnamese Association of Certified Public Accountants (VACPA)** The main objectives of VACPA includes the development of the accountancy profession, improving the quality of accounting, auditing and financial advisory services in Vietnam through training, technical update courses, professional ethics and service, quality control and information exchange for its members.

With the assistance of the European Union in the early period (see Section 2.5 for the discussion of EUROTAP-VIET project), the Vietnamese accounting system was finally moving towards international standards through promulgation of accounting standards based on IAS/IFRS. At the end of 2001, Vietnam adopted the first four Vietnamese Accounting Standards (VAS) based on the IAS/IFRS version. This was an important milestone in the development of Vietnamese accounting as it signified the first step regarding Vietnam's intention of harmonizing its accounting with global convergence. In this period (2001–2005), Vietnam continued its adoption of IAS/IFRS. By 2005, VASs issued 25 standards that were based on IAS/IFRS issued up to March 2004 with some modifications made to reflect local accounting regulations and environment (International Accounting Standards Plus 2009). Nguyen and Richard (2011) argue that the adoption of IAS/IFRS in the early 2000s was due to international pressure imposed by trading partners upon Vietnam when it became a member of the World Trade Organization in 2007. Table 2.7 presents the adoption of Vietnamese Accounting Standards (VAS) to the equivalents of IASs during the internationally expansive period of 2001–2005.

Table 2.7 Issuance/Amendment Dates of VAS and its Equivalent IAS/IFRS

Standards	VAS adoption dates	IAS issuance dates	Time lag[25] (months)
Inventory	Dec-01	Dec-00	12
Property, Plant and Equipment	Dec-01	Apr-00	20
Revenue	Dec-01	May-99	31
Intangible Assets	Dec-01	Sep-98	39
Statement of Cash Flows	Dec-02	Dec-92	120
Construction Contract	Dec-02	Dec-93	108
Leases	Dec-02	Jan-01	23
The Effects of Changes in Foreign Exchange Rates	Dec-02	Dec-93	108

[25] These time lag figures are correct as of 31st December 2009 (which is the sample data period of this thesis). The actual time lags are now much greater as none of these standards have been updated as of June 2012.

Standards	VAS adoption dates	IAS issuance dates	Time lag[25] (months)
Disclosures in the Financial Statements of Banks and Similar Financial Institutions	Dec-02	Dec-93	108
Presentation of Financial Statements	Dec-03	May-99	55
Related Party Disclosure	Dec-03	Dec-94	108
Consolidated and Separate Financial Statements	Dec-03	Dec-98	60
Investments in Associates	Dec-03	Oct-00	38
Interests in Joint Ventures	Dec-03	Oct-00	38
Investment Property	Dec-03	Jan-01	35
Accounting Policies, Changes in Accounting Estimates and Errors	Feb-05	Dec-03	14
Events after the Reporting Period	Feb-05	Dec-03	14
Income Tax	Feb-05	Oct-00	52
Segment Reporting / Operating Segment	Feb-05	Aug-97	90
Interim Financial Reporting	Feb-05	Jun-98	80
Disclosures in the Financial Statements of Banks and Similar Financial Institutions	Feb-05	Dec-98	74
Earnings per Share	Dec-05	Dec-03	24
Provisions, Contingent Liabilities and Contingent Assets	Dec-05	Sep-98	87
Business Combinations	Dec-05	Mar-04	21
Insurance Contract	Dec-05	Mar-04	21

Sources: Adapted from Pham, Tower and Scully (2011) and International Accounting Standards Plus (2009).
Legend: VAS is the acronym for Vietnamese Accounting Standards and IAS is the acronym for International Accounting Standards.

It is important to note that although IAS/IFRS was updated regularly after 2005, VAS was not. In fact, as seen in Table 2.7, VAS was based on the IAS that were issued before April 2004. Pham, Tower and Scully (2011) report an average time lag of 55 months[26] between the adoption of VAS and the issued or updated IAS. Pham, Tower and Scully (2011) also argue that despite the adoption or convergence to IAS/IFRS, VAS still place more emphasis on rigid rules and formats and are less flexible than IAS/IFRS. For instance, whilst IAS/IFRS allows four different measurement methods (historical costs, current costs, net realizable value and present value), VAS only permits historical costs[27].

Another significant development was the establishment of the Vietnamese accounting profession during this period of 2001–2005. The Vietnam Association of Certified Public Accountants (VACPA) was established in 2005. The accounting profession in Vietnam was now under the supervision of its own professional body. It is believed that the reason for the establishment of this non-state professional body was because of external pressure from foreign investors. Prior to the establishment of VACPA, the Ministry of Finance was the only authority issuing regulations and monitoring accounting practices.

Overall, the accounting reporting infrastructure had undergone rapid development during this period of 2001–2005 by moving its accounting reporting towards more international financial standards. This was probably one of the busiest periods for Vietnamese accounting regulators with many accounting regulations being reviewed to better ensure they would meet the requirements of a more market oriented economy with external focus accounting reports. In regard to its accounting standards, although not adopted fully, the progress of Vietnamese accounting towards IFRSs marked a significant milestone in Vietnam’s accounting development. The next section continues the discussion of Vietnam's sporadic movement towards strengthening its financial reporting regulatory framework.

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[26] These time lag figures are correct as of 31st December 2009 (which is the sample data period for this thesis).

[27] See Pham, Tower and Scully (2011) for more discussion of the process of harmonization of VAS to IAS/IFRS.

2.7 Reporting Infrastructure in Phase V (2006–2012)

Phase V (2006–2012) witnessed a rapid expansion of the Vietnamese stock market. With just over 40 listed firms and total market capitalization of less than ten trillion VND (approximately $0.5 billion USD), the stock market contributed only 1.21 per cent of Vietnam's GDP in 2005 (Duc 2010). However, in 2006, there were 130 new listings and by the end of 2006, market capitalization increased to approximately $219 trillion VND (roughly $14 billion USD), representing approximately 22.7 per cent of GDP). Since then, the number of listed firms and total market capitalization increased significantly and by the end of 2009 (the sample data period for this thesis), there were over 400 listed firms with total market capitalization of $620 trillion VND (equivalent to $30.6 billion USD), nearly 38 per cent of total GDP (State Securities Commission of Vietnam 2010b). Table 2.8 summarizes the Vietnamese reporting infrastructure during this period of 2006–2012.

Like any other capital market with an external reporting focus, the users of financial statements during this period (2006–2012) were varied (Table 2.8). Accounting was no longer limited to providing the data for statistical and planning purposes, but rather for varying purposes and users. Accordingly, financial statements needed to be prepared in such a way that the demands for corporate information of different user groups were satisfied. Greater stakeholder expectation created more incentives for managers of listed firms to improve their external reporting. Given that most Vietnamese listed firms originated from SOEs, which under a centrally planned economy did not have an external reporting focus, the need to provide information to reduce the information asymmetry gap was extremely important.

Table 2.8 Vietnamese Reporting Infrastructure (2006–2012)

Information producer and final user	Information intermediaries	Laws and regulations	Legal entities and implementation bodies
Information producers: Accountants are now recognized as one of the main information producers of financial reports to assist the decision making processes of not only the owners but also other stakeholders. Information users: User groups range from shareholders/owners of the firms, potential investors, corporate boards and management, creditors, suppliers, financial analysts, researchers and regulatory bodies.	The main information intermediaries are accountants and auditing firms that are members of VACPA—an accounting professional body established in 2005.	***Securities Law 2006*** The *Securities Law* issued in 2006 governs the activities of public offerings of securities, listings, dealing, trading and investment as well as the establishment and regulation of securities companies, public funds and member funds. It also sets out objectives to improve the standard of disclosure of all listed companies. In particular, *Article 16* requires that a completed financial report of a listed firm consists of a Balance Sheet, an Income Statement, a Cash Flow Statement and Notes to Financial Reports. Annual financial reports have to be audited by a MOF-approved auditor[28]. The *Securities Law 2006* also stipulates ongoing information disclosure in order to enhance information transparency in the market. For instance, all listed firms are obliged to submit quarterly, half yearly and annual reports to the security regulatory bodies and the stock exchange within prescribed times. The publication of these financial statements has to be arranged and signed off by the CEO or senior managers (*Article 101*). Furthermore, the law sets out various penalties for companies that fail to disclose, or that disclose false or misleading statements (*Article 128*). ***Circular 38/2007/TT-BTC Guidance for Information Disclosure on Stock Exchange.*** This *Circular* sets out the mandatory requirements for Vietnamese listed firms with specific formats and contents of information disclosure in the annual reports of listed firms.	**Vietnam Association of Certified Public Accountants (VACPA)** VACPA 2005 continued as the professional body responsible for monitoring and regulating accounting practices. In May 2010, VACPA was admitted as a member of the Confederation of Asian and Pacific Accountants (CAPA)—an Asian professional body of accounting. The Vietnamese accounting profession now had international recognition. **State Securities Comission of Vietnam (SSC)** As the capital market is more developed, SSC is now responsible for monitoring, regulating and supervising the daily trading of the two Vietnamese stock exchange markets (HOSE and HNX)

28 The list of approved auditors is sent annually to all firms, including listed and unlisted firms, by the MOF.

Compared to the accounting reforms of the earlier period (1991–2005), the accounting regulatory reform during this period (2006–2012) seemed to focus mainly on the reporting and disclosure of listed firms, rather than the development of the accounting system or issuing of new standards like those in previous years. Specifically, two disclosure related regulations were promulgated during this period. First, the *Securities Law 2006* was issued with the aim to ensure the fair, efficient and transparent trading of shares in the market. *Article 128* states that if a listed firm did not provide sufficient information or false information, it would be subject to monetary fines. This *Securities Law 2006*, however, did not specify or provide any guidelines for sufficient disclosure and hence this law was not considered a particularly strong means of enforcing compliance.

The Ministry of Finance issued its first disclosure regulation *Circular 38/2007/TT-BTC Guidance for Information Disclosure on Stock Exchange*[29] on 18th April 2007. This *Circular* specifically addresses the issue of externally based financial reporting of listed firms, which marks the beginning of specific disclosure rules and regulations by the Vietnamese authority to improve the level of information transparency of Vietnamese listed firms. Specifically, according to *Circular 38/2007/TT-BTC*, all listed firms in Vietnam are required to provide a comprehensive annual report that includes a set of financial statements consisting of a Balance Sheet, an Income Statement, a Statement of Cash Flows and Notes to Financial Statements. Specifically, under *Circular 38/2007/TT-BTC* an annual report should include: background and strategic information of the firm; a chairman's report; a management report; human resources and employee information; the ownership structure and corporate board of directors information; and a set of financial statements. Within the Vietnamese reporting environment, a comprehensive annual report can vary from 20 pages to more than 200 pages. A comprehensive annual report not only has fundamental financial data in the Balance Sheet, Income Statement and Cash Flow Statements, but also contains

[29] Although labelled as 'Guidance', disclosure requirements under this *Circular* are mandatory and listed firms are obliged to follow all these requirements in preparing of their annual reports.

additional analysis and discussion to support stakeholders' decisions. It is important to note that this *Circular* had been frequently revised and upgraded since its first promulgation in 2007 to further enhance the level of information disclosure of listed firms in the Vietnamese stock market.

Despite the disclosure reforms implemented, it seemed that these reporting and disclosure regulation reforms in Vietnam during this Phase V (2006–2012) were mostly mere 'form over substance'. As a result, implementing and complying with current regulations remained a major challenge for Vietnamese listed firms (World Bank 2006b). In July 2008, the corporate scandal involving the Bach Tuyet Cotton firm (BBT) highlighted the need for improvement in corporate disclosure amongst Vietnamese listed firms. BBT incurred losses for the period of 2005–2006, during which time it announced profits. BBT perpetrated many frauds in its accounting records and supplied false reports to its shareholders. BBT was consequently sanctioned and prevented from being listed on the Ho Chi Minh Stock Exchange (HOSE). The auditing firm responsible for BBT's audited financial reports was fined and the two auditors in charge were prohibited from practising for two years.

Furthermore, despite the fact that *Circular 38/2007/TT-BTC* requires all listed firms in Vietnam to provide a comprehensive annual report that includes a set of financial statements (including a Balance Sheet, an Income Statement, a Statement of Cash Flows, and Notes to Financial Statements), in reality, most of the firms did not comply with the requirements of issuing comprehensive annual reports. For instance, in 2009, nearly 40 per cent of Vietnamese listed firms did not issue comprehensive annual reports (these firms only provided a basic set of financial statements consisting of a Balance Sheet, an Income Statement, a Statement of Cash Flows and Notes to Financial Statements). Table 4.2 outlines the sample selection of this thesis while Appendix E discusses in greater detail the issue of firms not providing comprehensive annual reports in the year 2009.

It is clear that Vietnam's emerging capital market is faced with several problems including low information transparency, inaccurate financial reports and weak shareholder protection (World Bank 2006b). The World Bank's Corporate Governance Report on the Observance of Standards and Codes (ROSC) reports that Vietnamese firms had relatively low levels of disclosure and transparency compared to other countries within the Asian region. Table 2.9 presents the extract of ROSC results in relation to disclosure and transparency of Vietnam (see shaded area).

Table 2.9 Extract Summary of ROSC of Four Asian Countries

Disclosure and transparency					
Principles		**Vietnam**	**Malaysia**	**Thailand**	**Indonesia**
A	Disclosure standards	25	75	75	50
B	Accounting standards	50	100	50	50
C	Independent audit	50	75	75	50
D	External auditors should be accountable to the shareholders	25	75	75	n.a
E	Fair and timely dissemination	50	75	75	50
F	Research conflict of interests	25	75	75	n.a.

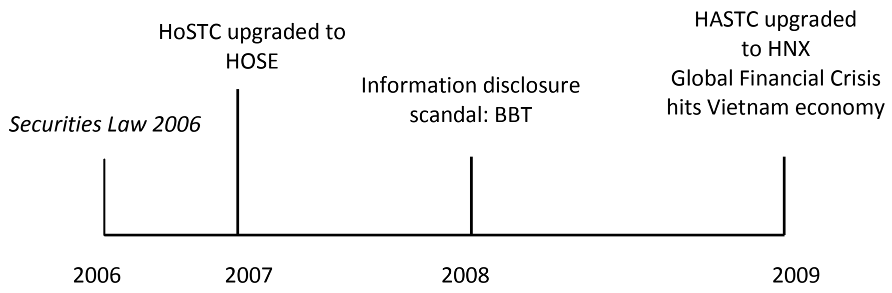
Sources: various sources (*World Bank 2005a*, *2005b*, *2004*, *2006b*).
Legend: The extract showing summary of ROSC corporate governance principle of disclosure and transparency. The numerical ratings correspond to: 100 = Observed, 75 = Largely Observed, 50 = Partially Observed, 25 = Materially Not Observed, 0 = Not Observed, and n.a. = not available.

As seen in Table 2.9 above, when compared to three other Asian countries (Malaysia, Thailand and Indonesia), Vietnam was considered to have a relatively low level of disclosure. Additionally, in a study of social reporting in emerging Asian countries by Krechowicz and Fernando (2009), Vietnam is found to have the lowest corporate environmental and social reporting disclosure compared to Indonesia, Malaysia, Philippines and Thailand. Vu (2011) offers the criticism that despite a concentrated effort to improve information transparency through issuance of mandatory requirements, accounting reporting compliance in Vietnam was not very well monitored and disciplined. For instance, when firms did not provide annual reports and/or were late in providing such information, the State Securities Commission simply sent out memos reminding listed firms to provide more information for investors (Ministry of Finance 2009). Furthermore, the penalties for violating information disclosure regulations are relatively weak. In *Decree No. 36/2007/ND–CP dated 8th March 2007, Section 9, Article 1* of *Remedies for violations of stock market information disclosure, it* states that a fine of five to ten million VND (equivalent of \$250 to \$500 USD) shall be issued should listed firms provide insufficient information. At this stage of its accounting infrastructure development, Vietnam still did not have any criminal law regarding the violation of accounting and auditing practices, so all penalties for the violation of accounting standards were either small monetary fines or weak sanctions. These minimal fines and sanctions were arguably not sufficient to act as an incentive to improve a firm's level of information disclosure.

Taken together, these problems clearly demonstrate that although there were aggressive reporting regulatory reforms aimed at improving the level of information disclosure, their enforcement was weak. The most recent assessment of corporate governance in Vietnam by the World Bank (2006b, 24) reports that "there is not enough assurance that information prepared and disclosed by enterprises adheres to VAS/IFRS because the lack of an effective mechanism to monitor the quality of information, or more fundamentally, to monitor that information is prepared and disclosed at all". Arguably, all these concerns still remain in 2012. This might be due to the fact that the regulatory reforms were carried out too rapidly while the legal system was not developed quickly enough to accommodate the changes within the accounting financial regulatory framework. Extant literature suggests that a weak legal system and low transparency within a market can negatively impact liquidity of the market as investors are reluctant to invest in an environment with high uncertainty (Ho and Wong 2001). Thus, Vietnamese listed firms need to improve the quality of their information disclosure in order to develop a sustainable capital market.

With the recent 2007–2009 Global Financial Crisis and aftermath, economic uncertainty exists around the world and investors are more reluctant to invest; thus, the incentive to improve information transparency is paramount. It is well documented in the extant literature that full adoption of IAS/IFRS is one of the solutions as IAS/IFRS has the ability to reduce information asymmetry, as well as increase transparency, comparability, credibility and the understandable nature of financial statements (Bushman and Smith 2001; Tarca 2004; Horton, Serafeim, and Serafeim 2010). Nevertheless, as mentioned above, there was complete silence by the Vietnamese government on the intention to fully adopt IAS/IFRS during this period (2006–2012). Aly and Nguyen (2010) argue that the discontinuance of IFRS adoption after 2003 may be due to resource constraints. Additionally, interviewees in Aly and Nguyen’s (2010) study also point out that reluctance to ‘further’ change could be the reason why Vietnam had not fully adopted IAS/IFRS. For instance, most of the managers of SOEs and Small–Medium Enterprises in Vietnam feel that IAS/IFRS is less relevant to them when compared to larger private or listed firms, so adopting IAS/IFRS is felt to be a major problem for these firms. However, the majority of the interviewees in Aly and Nguyen's (2010) study indicated (or at least expressed their hope) that by 2020 Vietnam will fully adopt IAS/IFRS, but did not provide a specific road map for such an adoption plan. Figure 2.5 outlines the key events of accounting development while Table 2.9 provides a summary of Vietnamese reporting infrastructure during Phase V (2006–2012).

Figure 2.5 Key Economic and Accounting Events in Phase V (2006–2012)



KEY POINTS

1. Rapid expansion of stock exchange.
2. More awareness of the disclosure of accounting information.
3. Strengthening corporate governance and disclosure regulations.
4. Effect of Global Financial Crisis.
5. Silent on full adoption of IAS/IFRS.

Legend: Figure 2.5 outlines the significant events affecting accounting development in Phase V (2006–2010). HoSTC = Ho Chi Minh Stock Securities Trading Center. HOSE = Ho Chi Minh Stock Exchange. HaSTC = Hanoi Securities Trading Center. HNX = Hanoi Stock Exchange. IASs = International Accounting Standards. IFRSs = International Financial Reporting Standards.

Overall, whilst the earlier periods (1991–2005) involved a rapid development of the Vietnamese accounting system, this period (2006–2012) witnessed complete silence on its accounting standards development, although efforts were made to improve the level of information disclosure amongst listed firms. There was no continuing effort to converge the Vietnamese Accounting System and IAS/IFRS during this period. Resistance to change from small or medium enterprises and a lack of financial resources supporting the changes may be the main reasons for not further adopting IAS/IFRS. Despite improved policies to strengthen the level of information transparency in its emerging market, the information disclosure practices still face many problems in this period (2006–2012) due to the relatively weak and ineffective mechanisms regulating information disclosure activities. The 2007–2009 Global Financial Crisis has reduced investors' confidence in capital markets, especially where they lack information transparency. If Vietnam wants to maintain the growth of its young capital market and attract more foreign capital investment, it is suggested that it should consider enhancing the level of information transparency of listed firms through engaging in voluntary disclosure practices, or complete convergence with IAS/IFRS in the very near future, as these are important ways to help improve its information transparency.

2.8 Summary

This chapter provides a historical review of accounting reporting practices throughout the period of 1975–2012. It scrutinizes the overall economic development of Vietnam during this time, through a discussion of the country's series of Five-Year Economic Plans. The understanding of the relationship between political change and economic development, including a move towards privatization and the establishment of a stock market is important, as it offers explanations for the current status of contemporary accounting practices, and provides historical and contemporary understanding of the level of voluntary disclosure practices among Vietnamese listed firms. Phase I (1975–1985) describes the implementation of Vietnam's uniform cost accounting system under a centrally planned economy. Phase II (1986–1990) outlines the development of a uniform cost accounting system during the transition from a centrally planned economy towards a market oriented economy. Phase III (1991–2000) discusses the transformation of the uniform cost accounting system into a more market oriented accounting system. Phase IV (2001–2005) witnessed a rapid reform of the accounting system and its international influence to a more externally focussed financial accounting system; and finally, Phase V (2006–2012) notes some changes in the financial regulatory framework towards enhancing information disclosure in the capital market, but a complete silence on accounting development.

In particular, this chapter notes that under a centrally planned economy, accounting practices in Vietnam had the characteristics of cost accounting with accounting and financial reports merely being used by the state for centralized planning and budgeting tasks. On the other hand, under the market oriented economy, financial information is no longer solely a tool assisting the state in centralized budget planning. Instead, accounting information and financial reports are increasingly used as key components in the decision making of a broader group of stakeholders. It is argued that given the 2007–2009 Global Financial Crisis and corporate scandals within the Vietnamese market, in order to maintain strong growth, regulators as well as managers of listed firms need to pay more attention to information disclosure. The transformation of its economy and accounting environment from a cost accounting system towards an externally focused financial accounting system is believed to have an impact on firms' disclosure choices. In particular, firms now need to prepare financial reports to address the information needs of various stakeholders who have interests in the firm, instead of just solely being prepared for the state's centralized planning and budgeting purposes.

Overall, what emerges from the above historical review is that the phenomenon of one dominating state ownership is very common in Vietnam as most of Vietnamese listed firms originated from SOEs. With no history or tradition of voluntary disclosure under the centrally-planned economy and the 'insider control' mentality, firms with dominating state shareholder may have little incentive to engage in voluntary disclosure practices. Using the agency theory framework, Chapter 3 discusses in more detail the existence of this 'insider control' system within the agency relationship and how it links to the firm's information disclosure. From the review of the relevant literature on voluntary disclosure through an agency theory perspective, the next chapter also postulates the four hypotheses of this thesis.

CHAPTER 3. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

3.1 Introduction

This chapter presents a review of literature on agency theory and corporate disclosure practices, focusing on voluntary disclosure. Section 3.2 presents the discussion of the theoretical framework of agency theory and information asymmetry arising from the separation of ownership and control. In Section 3.3, the motivations for firms to voluntarily disclose information and the benefits associated with voluntary disclosure are highlighted. According to existing literature, corporate governance and ownership structure are seen as effective mechanisms to minimize the agency problem. In Section 3.4 the interaction between agency theory, corporate governance and voluntary disclosure is reviewed. Section 3.4 also provides a discussion of prior studies that support the relationship between corporate governance and the level of voluntary disclosure, which in turn supports the hypothesis development. This is followed by Section 3.5 which examines the impact of different ownership identities on the agency problem. Empirical evidence from prior studies on the relationship between the identity of ownership structures, such as state, managerial and foreign ownership and the level of voluntary disclosure are further discussed in this section in order to generate the hypotheses relating to these three variables. The conceptual schema underlying the hypotheses is presented in Section 3.6 and finally, Section 3.7 concludes the chapter.

3.2 Agency Theory

There are many reasons why firms voluntarily supply additional information beyond mandated requirements. However, “no single theory can explain the phenomena completely” (Leventis and Weetman 2004, 7). Previous literature employs various theories to explain the incentives for voluntary disclosure such as: agency theory, legitimacy theory, stakeholder theory, political economy theory, signaling theory and information cost theory.

Agency theory concerns with the principals-agent(s) relationship existing in the separation of ownership and management or in separation of risk bearing, decision making and management functions (Jensen and Meckling 1976; An, Davey, and Eggleton 2011). Under agency theory tenets, the agents (managers) with superior access to information have incentives to provide voluntary disclosure in order to mitigate the information asymmetry exists between the principals (shareholders) and their agents (managers) (Hossain, Perera, and Rahman 1995).

Legitimacy theory explains how firms may try to legitimize their activities by engaging in information reporting, specifically corporate social responsibility reporting in order to get approval from society (Deegan and Rankin 1996; Deegan and Gordon 1996; An, Davey, and Eggleton 2011).

Stakeholder theory examines the relationships of a firm with variety of stakeholders in society. Under stakeholder theory tenets, firms disclose information to manage their relationship with influential stakeholder groups (An, Davey, and Eggleton 2011).

Political economy theory "emphasizes the fundamental interrelationship between political and economic forces in society" (Miller 1994, 16). Van der Lann (2009) notes that within the political theory framework, information disclosure serves as a tool for constructing sustaining and legitimizing economic and political arrangement. In other words, political economy theory explains how firms engage in voluntary disclosure practices from both legitimacy and stakeholder theory perpectives.

Signaling theory (information problem theory) proposes a problem of information asymmetry or 'lemon' problem rising in the market in any social setting (Akerlof 1970; Healy and Palepu 2001; An, Davey, and Eggleton 2011). Signaling theory suggests that the managers of firms (usually 'good firms') may voluntarily signal their information to the public (investors and other stakeholders) to avoid themselves being undervalued by the market (Akerlof 1970; An, Davey, and Eggleton 2011).

Information cost theory strictly views information disclosure as a result of cost and benefits assessments by the management. Under information cost theory, managers of firms have incentives to engage in voluntary disclosure practices if the benefits of such disclosure exceed its costs.

Among these above theories, agency theory has been used extensively in voluntary disclosure research in both mature capital markets (Cooke 1989, 1992; Bradbury 1992; Hossain, Perera, and Rahman 1995; Frost and Pownall 1994; Meek, Roberts, and Gray 1995; Camfferman and Cooke 2002) and developing or emerging capital markets (Ho and Wong 2001; Xiao and Yuan 2007; Barako 2004; Ho 2009; Hossain and Hammami 2009).

Agency theory provides reasons as to "why accounting reports would be provided voluntarily to creditors and stockholders" (Jensen and Meckling 1976, 306). Agency theory proposes a problem of interests and goals conflicts due to the separation of ownership and control. In developed or Western economies, the information asymmetry issue often arises from agency problem existing between shareholders (principals) and the firm's manager/s (agent/s), whilst in developing or emerging economies, including Asian economies, the information asymmetry problem more likely occurs between dominant majority shareholders and minority shareholders. Adopting agency theory tenets, Healy and Palepu (2001) and Botosan and Plumlee (2002) argue that increasing the extent of corporate disclosure beyond that mandated can mitigate the problems of information asymmetry. Incorporating monitoring tasks such as strengthening corporate governance mechanisms within the firm or enhancing the extent of corporate disclosure helps to alleviate the problems of information asymmetry. It helps to reduce agency costs by better aligning the interests between managers and shareholders in the Western economies context (Shleifer and Vishny 1986) or between dominant majority shareholders and minority shareholders in a developing or emerging economies setting. This is because additional information provides the principals with the necessary knowledge to better monitor and evaluate the managers' actions, as well as the performance of the firms in which they are investing. Consequently, information asymmetry, monitoring and bonding costs (agency costs) can be reduced. As such, voluntary disclosure represents a perfect opportunity to investigate the problem of information asymmetry arising from agency problems.

Furthermore, the choice to disclose may well depend on different identities of ownership structures. In an Asian environment the ownership structure is significantly different from that of a Western context, given that Asian ownership structures tend to be more concentrated. Section 3.5 discusses in greater detail the concentrated ownership structures that exist in Asia.

Empirically, some studies find that the disclosure choice of a firm is significantly influenced by the strength of its corporate governance systems and identity of its ownership (Eng and Mak 2003; Xiao and Yuan 2007; Ho, Tower, and Taylor 2008). Agency theory is therefore appropriate for providing a framework linking voluntary disclosure behaviours to corporate governance mechanisms and different ownership identities. A review of agency theory and its role in the voluntary disclosure debate is provided in the next section.

3.2.1 Overview

The problems arising from the separation of ownership and control are initially identified by Berle and Means (1967) who acknowledge that within a modern corporation, the separation of ownership from control may lead to a situation where the interests of the owners and of the ultimate manager may, and often do, diverge. This issue is developed further by Jensen and Meckling (1976) and subsequently became known as ‘agency theory’. Agency theory postulates a relationship between the principals and the firm’s agent/s. According to Jensen and Meckling (1976, 308), an agency relationship is “a contract under which one or more persons (the principal/s) engage another person (the agent/s) to perform some service on their behalf which involves delegating some decision making authority to the agent”. Executive managers and corporate boards of directors are examples of the agents in an agency relationship, while the principals are the firm’s shareholders.

The agency relationship identified by Jensen and Meckling (1976) may be more relevant to those of developed Western economies than in developing or emerging environments. According to López-de-Foronda, López-Iturriaga and Santamaría-Mariscal (2007), the conflicts between managers and shareholders is common in Anglo-Saxon countries while in countries with civil law, such as Asian countries, conflicts of interests often occur between majority and minority shareholders.

The Western setting of diversified ownership means that it is less likely for an individual principal to get involved in the daily operating activities of the firm and therefore, monitoring of the agent's actions is difficult. According to Grossman and Hart (1980), the reason for the lack of monitoring incentives by the individual shareholder is because of the 'free-rider' problem. Under such conditions as uncertainty and lack of information, the principals cannot determine if the agent behaves appropriately (Eisenhardt 1989). One aspect of the relationship between managers (who serve as shareholders' agents) and shareholders is explained by Shleifer and Vishny (1989, 7) as:

> *"Like the rest of us, corporate managers have many personal goals and ambitions, only one of which is to get rich. The way they try to run their companies reflect these personal goals. Shareholders, in contrast, deprived of the pleasures of running the company, only care about getting rich from the stock they own. Hence, when the managers ignore profits to keep up traditional lines of business, conflicts are bound to rise."*

A central issue of a firm is therefore the information asymmetry[30] between the shareholders and their managers. This is especially true in more developed Western economies for manager and shareholder relationships. Managers have information advantages over the shareholders as they are the main decision makers of the firm. The 'free-rider' problem makes it harder for shareholders to accurately verify and evaluate the manager's decisions. This information asymmetry creates a possible

[30] Information asymmetry is explained in greater detail in Section 3.2.2.

avenue for the managers to act opportunistically, pursuing their own interests, and thus the wealth of the shareholders may not be maximized (Shleifer and Vishny 1989). According to Watts and Zimmerman (1990), since managers have access to the firm's information, such as present and future performance, he or she may decide to disclose or not disclose important information. Wright, Mukherji and Kroll (2001) state that under the circumstances of information asymmetry, managers may opportunistically capitalize on this information gap to pursue selfish goals and risk reducing strategies that are advantageous for them, yet may be harmful to the interests of the principals and thus, the wealth of shareholders is not enhanced. Arnold and de Lange (2004) argue that the Enron corporation failure represents one of the most egregious examples of this information asymmetry problem arising from separation of ownership and control and the escalation of opportunism by managers from that information asymmetry.

The problems of information asymmetry from agency relationships in Western countries can be somewhat different to the context of developing and emerging or Asian countries because of its high ownership concentration characteristics. Claessens, Djankov and Lang's (2000) study of 2,980 firms in nine East Asian countries (namely Hong Kong, Indonesia, Japan, South Korea, Malaysia, Philippines, Singapore, Taiwan and Thailand), finds that a single dominant shareholder exists in two thirds of the sample firms and that separation of management from ownership control is not common amongst firms in these nine countries. Fan and Wong (2002) argue that at higher levels of ownership the agency problem, including information asymmetry, shifts from the agent/s (manager/s) – principals (shareholders) relationship to conflicts between dominant majority shareholders and minority shareholders. This is because when ownership is highly concentrated, majority ownership is vested in an individual or a group of dominant majority shareholders who have sufficient power to influence management decision making. These dominant majority shareholders' interests may differ from those of minority shareholders, and they may have influence over the managers of the firm to pursue their interests. These actions may benefit themselves at the expense of minority shareholders (Shleifer and Vishny 1997). Thus, in Asian settings where highly concentrated ownership is relatively common, the problem of information asymmetry likely exists between the dominant majority shareholders and minority shareholders.

Within the agency relationship, ‘agency costs’ are incurred. Jensen and Meckling (1976) classify agency costs into three categories: monitoring costs , bonding costs and residual losses. Agency theorists argue that as a result of information asymmetry arising from separation of ownership and control, shareholders and managers are motivated to enter into monitoring and bonding contracts to ensure their utilities are maximized (Jensen and Meckling 1976).

Specifically, monitoring contracts are the expenses incurred by shareholders to ensure that managers’ action are more in accordance with the shareholders' objective of wealth maximization (Denis 2001). Monitoring is not just limited to measuring or observing managers’ actions. It includes other efforts by the shareholders including: questioning appropriate incentives, setting budget restrictions, compensation policies and establishing operating rules for managers (Jensen and Meckling 1976) .

On the other hand, Jensen and Meckling (1976) state that bonding contracts are entered into to ensure that managers do not take action that could go against the welfare of the shareholders. Actions taken by managers under bonding contracts can vary from the appointment of independent directors, organising the presence of an audit committee and evaluating the expertise of audit committee members and/or engaging in voluntary disclosure of information to assist shareholders with their monitoring activities (Healy and Palepu 2001). The costs of such actions taken by the manager are known as ‘bonding costs’.

However, even after incurring ‘bonding costs’ and ‘monitoring costs’, the principals can still suffer losses as the managers’ optimal decisions may still be different from those decisions that would maximize the principals’ welfare. These are known as ‘residual losses’ (Jensen and Meckling 1976).

The above section provides an overview of agency theory. The next section discusses agency conflicts and information asymmetry problems arising from the agency relationship in greater detail.

3.2.2 Agency Conflicts and Information Asymmetry

As mentioned above, the asymmetric information problem is more likely to occur between dominant majority shareholders and minority shareholders in economies with highly concentrated ownership, than between managers and shareholders in more dispersed ownership economies. La Porta et al. (2000) argue that where ownership is vested in dominant majority shareholders, they may exercise their power to influence managers to benefit themselves at the expense of minority shareholders, including the firm's decision to disclose information. In a similar vein, Fan and Wong (2002) document that highly concentrated ownership firms in East Asia tend to produce accounting information supporting the dominant majority shareholders' self-interests, thereby creating an information asymmetry problem between the informed shareholders (dominant majority shareholders) and the uninformed shareholders (minority shareholders).

Since dominant majority shareholders are able to utilize their influence to obtain additional information, managers of firms with a highly concentrated ownership structure may be reluctant to provide additional information. The relationship between high ownership concentration and information transparency (including voluntary disclosure practices) is well documented in the extant literature. For instance, Akhtaruddin and Haron (2010) and Rouf (2010) find that ownership concentration is negatively associated with voluntary disclosure practices in Malaysia and Bangladesh respectively.

The above discussion suggests the link between agency theory and information asymmetry and their links with voluntary disclosure practices in a highly concentrated ownership structure environment. The next section outlines the net benefits associated with voluntary disclosure practices.

3.3 Net Benefits of Voluntary Disclosure

It has been suggested in the extant literature that an improvement in information disclosure generates many economic benefits to a firm in particular and the capital market in general. Accordingly, this section explores the definition of voluntary disclosure and the net benefits associated with a firm's decision to voluntarily disclose information beyond what is mandated.

3.3.1 Definition of Voluntary Disclosure

Within the accounting literature, disclosure of information is seen as a communication channel between the firm and the public (Agca and Onder 2007). The additional information provided beyond mandatory regulation required in financial reports is known as voluntary disclosure. Meek, Roberts and Gray (1995, 555) define voluntary disclosure as "disclosure in excess of requirements presenting the free choices on the part of company management to provide accounting and other information deemed relevant to decision needs of users of their annual reports". Wallace and Naser (1995) provide a definition for voluntary disclosure as any intentional release of financial and non-financial information to various stakeholders by the management. This thesis defines voluntary disclosure as any information disclosed in excess of the Vietnamese mandatory reporting and disclosure regulations.

Voluntary disclosure is an issue that has captured significant attention in accounting literature for a long period of time. In recent years, given widespread financial crises such as the 1997 Asian Financial Crisis, the 2007–2009 Global Financial Crisis and various dramatic corporate collapses, the importance of voluntary disclosure has been emphasized even more in both developed and developing or emerging capital markets. For instance, Ho and Wong (2001) state that a lack of transparency and accountability in South-East Asian countries might have contributed to the depth of the financial crisis in 1997. Gul and Leung (2004) also note that insufficient accounting information disclosure could be one of the main causes of the Asian Financial Crisis. In developed countries, Arnold and de Lange (2004) assert that the collapse of Enron is a clear example of insufficient financial disclosure and the opportunism of managers. In the next section, benefits of voluntary disclosure are discussed in greater detail.

3.3.2 Net Benefits of Voluntary Disclosure

Verrecchia (1983) argues that a manager's decision to disclose or withhold information depends on the trade-off between the costs and benefits of providing such additional information. In particular, managers disclose information if the benefits of informing shareholders or potential shareholders are greater than the costs of making such communication.

The extant literature identifies a number of costs associated with voluntary disclosure, including the cost of collecting, possessing, auditing and disseminating information costs and competitive disadvantage costs (Edwards and Smith 1996). Depoers (2000) notes that competitive disadvantages costs come from information such as strategies and technological or managerial innovation about a firm's operations. For instance, disclosure of information with regard to a firm's future product development plan represents a potential competitive risk to the firm, as its competitors may use the firm's disclosed information to develop a similar product or counter-product, which results in competitive disadvantages to the firm. According to Beyer, Cohen, Lys and Walther (2010), disclosure costs can also include the consequential costs resulting from the disclosure of proprietary nature of information such as competitors in the market, labour unions or regulators. The disclosure of such information is costly because it is informative. However, Beyer et al. (2010) argue that non-disclosure is also informative. As such, the costs of disclosing and withholding information depend on the reactions of other stakeholders towards disclosure and non-disclosure.

Nevertheless, there are a number of benefits, which may explain the incentives for firms to engage in voluntary disclosure practices. These benefits include a reduced cost of capital and cost of debt, improvement in market liquidity, enhancement of a firm's value and overall assistance of economic growth.

Prior studies indicate that increasing voluntary disclosure can improve capital market liquidity by reducing transaction costs and thereby increasing demand for a firm's shares. Higher demand for shares leads to higher share prices, which results in a lower cost of capital (Diamond and Verrecchia 1991). Zhang and Ding's (2006) investigation of Chinese listed firms shows a consistent negative association between information disclosure and the cost of capital between 2001 and 2004. In a study of voluntary disclosure and market liquidity in Jordan's emerging market, Haddad, Alshattarat and Nobanee (2009) find that enhancing voluntary disclosure helps to reduce the spread between bids–ask of share trading activities, which lowers the cost of capital and thereby improves the market's liquidity.

The effect of voluntary disclosure on reducing the cost of debt is also examined in previous studies. Empirical evidence from Sengupta's (1998) study suggests that lower interest rates are associated with higher levels of disclosure, as higher disclosure reduces the perceived default risk resulting in lower borrowing costs. This is because when problems of asymmetric information exist, debt holders may assume that firms are withholding information because they are not truthful. Consequently, this may lead to an increase in borrowing costs as debt holders have to protect themselves from insufficient information received from the firms. On the other hand, when a firm discloses additional information voluntarily, it helps to save debt holders from information search costs, which subsequently reduces borrowing costs (Mazumdar and Sengupta 2005).

Moreover, high levels of voluntary disclosure can reduce the uncertainty surrounding a particular firm that allows investors or potential investors to obtain more accurate earnings forecasts and therefore, shares are subjected to less volatility as their values are measured more accurately (Healy and Palepu 2001). Schuster and O'Connell (2006, 7) state that "improved disclosure is likely to lead to improvements in shareholders' capital allocation decisions as well as their assessment of risk-adjusted return. Hence, from a macroeconomics perspective, increased disclosure should lead to improvements in the market's role as a capital allocation mechanism".

Voluntary disclosure is also found to have a positive impact on a firm's stock return. Barako (2004) notes that voluntary disclosure of non-financial information can enhance a firm's share value as well as social reputation. Mitton's (2002) study of 398 firms in Indonesia, Korea, Malaysia, the Philippines, and Thailand in the post-1997 Asian Financial Crisis period, find that firms with a higher disclosure quality and a higher outside ownership concentration have a significantly better share performance during the crisis.

Overall, enhanced voluntary disclosure allows firms to raise external capital through a reduced cost of capital and a reduced cost of debts, while also enhancing a firm's value and improving market liquidity, which can contribute to the overall growth of a nation's economy. Barako (2004) suggests that in an emerging economy like Kenya, enhancing information disclosure is necessary to assist with the country's economic growth, since voluntary disclosure is positively related to market liquidity and market liquidity is associated with economic growth. This is important in a new and emerging capital market like Vietnam. The 1997 Asian Financial Crisis clearly demonstrates that low levels of transparency lead to investors avoiding emerging capital markets. In addition, since the 2007–2009 Global Financial Crisis, information transparency of listed firms has received even more attention by investors. In order to raise additional funds to facilitate the process of privatization, listed firms in Vietnam should be encouraged to engage in voluntary disclosure practices.

Although a great deal of empirical research has been carried out to examine the managerial incentives to improve corporate information transparency (specifically voluntary disclosure), many of the studies have focused on the impact of firm-specific characteristics in developed or Western countries (Cooke 1989, 1992; Malone, Fries, and Jones 1993; Meek, Roberts, and Gray 1995; Raffournier 1995; Patton and Zelenka 1997; Hossain, Perera, and Rahman 1995; Frost and Pownall 1994). In recent years, there have been more studies investigating the association between the extent of voluntary disclosure and institutional mechanism (such as corporate governance and ownership structure) in emerging or Asian markets (Xiao, Yang, and Chow 2004; Ghazali and Weetman 2006; Barako 2007; Xiao and Yuan 2007; Akhtaruddin et al. 2009; Chau and Gray 2010; Rouf 2011). However, there is little study investigating this issue in Vietnam. With a unique institutional environment of Vietnam where high state ownership and control are common among Vietnamese listed firms, investigating the relationship between institutional mechanism and voluntary disclosure practice adds a significant contribution to the existing research field.

The following sections evolve specific hypotheses relating to corporate governance and ownership structure to voluntary disclosure practices in Vietnam. Particularly, section 3.4 discusses the possible interaction between corporate governance and voluntary disclosure practices leading to the evaluation of Hypothesis 1. Section 3.5 then advances Hypothesis 2, 3 and 4 on various aspects of ownership.

3.4 Corporate Governance and Voluntary Disclosure

Agency theory predicts that good corporate governance mechanisms can strengthen the monitoring and control of managers and thereby reduce opportunistic behaviours, which may lower the problem of information asymmetry (Fama and Jensen 1983). The Asian Financial Crisis in 1997 and the previous corporate collapses of Enron, Anderson, WorldCom (in the US), and Ansett and OneTel (in Australia), support the importance of effective corporate governance systems and the linkage to corporate transparency around the world. According to Ho and Wong (2001), in such an intensive monitoring environment, it is difficult for managers to withhold any information or disclose any false information. Therefore, having good corporate governance mechanisms promotes the transparency and accountability of a firm’s information, which subsequently impacts positively on the level of voluntary disclosure. The next section discusses the important role of corporate governance mechanisms in providing internal monitoring for shareholders, which subsequently affects firms’ decisions to engage in voluntary disclosure practices.

3.4.1 Overview of Corporate Governance

There is no one perfect definition of corporate governance. Shleifer and Vishny (1997) define corporate governance as an institutional arrangement by the finance providers of the firm (shareholders) in order to ensure the proper return of their investment. In simpler terms, corporate governance is employed to align, as closely as possible, the economic interests and goals between individuals so that resources can be used efficiently. Denis and McConnell (2003) summarize corporate governance as a set of mechanisms employed to reduce agency conflicts arising from agency relationships of managers and shareholders. Effective corporate governance not only reduces agency conflicts by monitoring managers' actions and reducing agency costs, but also enables firms to uphold their image and reputations to the public (Akhtaruddin et al. 2009). In Vietnam, the *Code of Corporate Governance for Listed Companies in the Stock Exchange and Securities Trading Centers*[31] defines the term 'corporate governance' as the systemic principles implemented to ensure a listed firm is managed in a way that shareholders and other stakeholders' rights are protected (diagram of a typical governance structure in a Vietnamese listed firm is illustrated via Appendix A). Appendix A notes that the corporate governance mechanisms in Vietnam are problematic (World Bank 2006a). For instance, unlike other developed countries, the role of the Control Board or the Supervisory Board is unclear and they have fewer responsibilities than those Audit Committees in developed countries.

Previous literature suggests that agency theory provides a framework linking disclosure behaviour of a firm to its corporate governance mechanisms (Jensen and Meckling 1976; Shleifer and Vishny 1997; Ho and Wong 2001; Barako 2004; Ho 2009). Mitton (2002) asserts that a corporate governance system is implemented by shareholders in order to safeguard their assets and protect them from expropriation by managers. Specifically, shareholders implement corporate governance as a method to monitor managers' opportunistic behaviours and in order to better protect themselves from managerial fraud or diversion of assets.

[31] This Code was issued by the Ministry of Finance in March 2007.

The more effective a corporate governance system is, the more intensive the monitoring system is. Under such intensive monitoring mechanisms, it is difficult for managers to withhold any information or to pursue opportunistic acts that could expropriate shareholders' wealth. Qu (2011) states that corporate disclosure can be used as a powerful tool to monitor managers' behaviours as it provides shareholders with information regarding the managers' activities and firms' performance. Overall, strong and effective corporate governance mechanisms provide shareholders with better information about the firm, which can lower asymmetric information problem and subsequently result in a higher firm value.

Shleifer and Vishny (1997) argue that an internal corporate governance mechanism is the main vehicle in reducing agency costs. It not only mitigates the conflicts between managers and shareholders (in a Western country scenario) but also between dominant majority shareholders and minority shareholders (in an Asian country scenario).

Healy and Palepu (2001) contend that the agency problem can be mitigated by having an effective corporate board of directors with a high number of independent directors. A higher number of independent directors on corporate boards assists the monitoring of activities and provides more discipline for management on behalf of external shareholders. Fama and Jensen (1983) and Kaplan and Reishus (1990) find corporate governance mechanisms, such as the high proportion of independent directors on corporate boards, to be an effective monitoring tool for managers' actions. This is because independent directors are charged with the responsibility of supervising company operations. Due to the fear of loss of reputation and markets for their services, as well as lawsuits, these independent directors have incentives for motivating the corporate boards of directors to make decisions appropriately and more in accordance with shareholders' wealth maximization goals. Karamazov and Vafeas (2005) find that firms with more effective corporate governance mechanism is associated with less information asymmetry and higher financial disclosure quality. Hsiang-Tsai and Li-Jen (2010) emphasize the importance of corporate governance mechanisms (proxied by the proportion of independent directors on corporate boards) in improving a firm's level of information transparency. In particular, they find that in Taiwan, greater board independence encourages corporate boards of directors to better act in the best interests of shareholders.

The above discussion supports the viewpoint that there is growing importance of corporate governance as a mechanism (particularly the proportion of independent directors on corporate boards) that mitigates the problem of information asymmetry. The next section provides more specific empirical evidence on the relationship between voluntary disclosure and the proportion of independent directors on corporate boards in other countries, in order to develop the first hypothesis for voluntary disclosures of Vietnamese listed firms.

3.4.2 Empirical Evidence and Hypothesis Development

Corporate governance is not only an important mechanism supporting improved information transparency in developed or Western capital markets, but also in the context of emerging, developing or Asian capital markets. La Porta et al. (1997) state that agency costs in emerging markets are high due to weak legal enforcement. In such conditions dominant majority shareholders are entrenched to expropriate the rights of minority shareholders. Implementing a strong system of corporate governance is extremely important in an emerging capital market like Vietnam. In particular, good corporate governance mechanisms help to protect the vulnerability of emerging capital markets, to better avoid financial crises, to reinforce property rights, to reduce the transaction costs and cost of capital. These factors overall lead to stronger capital market development (World Bank 2006b).

Within the corporate governance literature, corporate boards of directors, especially with their composition of independent directors, are often regarded as one of the most important mechanisms to represent and protect shareholders' interests. An effective corporate governance mechanism should comprise more independent than non-independent directors. According to Armstrong, Guay and Weber (2010), independent directors are typically experienced professionals that can offer the firms their expertise in areas such as business strategy, finance, marketing, operations and organizational structure. Furthermore, it is documented that a higher number of independent directors on corporate boards helps to monitor the performance and behaviours of the firms' managers, which serves to reduce the agency problem. Prior studies in both developed/Western and emerging/Asian capital markets find that an effective corporate governance mechanism (a higher proportion of independent directors on corporate boards) is associated with increased information disclosure, particularly voluntary disclosure. Table 3.1 provides a summary list of studies investigating the relationship between the proportion of independent directors on corporate boards and the extent of information disclosure.

In developed capital market settings, Baek, Johnson and Kim (2009) report significant positive association between the proportion of independent directors on corporate boards and the extent of information disclosure among US listed firms. In a study of Australian voluntary disclosure practices, Lim, Matolcsy and Chow (2007) also find a significant positive relationship between higher proportions of independent directors on corporate boards and the extent of voluntary disclosure in regard to the overall, strategic and forward looking information.

Table 3.1 Past Studies on Disclosure and Corporate Governance Mechanisms

Year	Study	Sample descriptions	Hypotheses	Findings
1993	Malone, Fries and Jones	125 US listed oil and gas firms	Negative association between the proportion of outside (independent) directors on boards and the extent of financial disclosure.	No significant association between the proportion of outside directors on boards and the extent of financial disclosure.
2000	Chen and Jaggi	174 Hong Kong listed firm-year	Positive association between the proportion of independent directors on boards and the extent of financial disclosure.	Significant positive association between the proportion of independent directors on boards and the extent of financial disclosure.
2001	Ho and Wong	98 Hong Kong listed firms	Positive association between the proportion of independent directors on boards and the extent of VD.	No significant association between the proportion of independent directors on boards and the extent of VD.
2002	Haniffa and Cooke	167 Malaysian listed firms	Positive association between the proportion of non-executive directors on boards and the extent of VD.	No significant association between the proportion of non-executive directors on boards and the extent of VD.
2003	Eng and Mak	158 Singaporean listed firms	Positive association between the proportion of independent directors on boards and the extent of VD.	Significant negative association between the proportion of independent directors on boards and the extent of VD.
2004	Gul and Leung	385 Hong Kong listed firms	Positive association between the proportion of independent directors on boards and the extent of VD.	Significant negative association between proportion of independent directors on boards and the extent of VD.

Year	Study	Sample descriptions	Hypotheses	Findings
2004	Leung and Horwitz	376 Hong Kong listed firms	Negative association between proportion of independent directors on boards and voluntary segment disclosure.	High managerial ownership: no significant association between the proportion of outside directors on boards and the extent of voluntary segment disclosure. Low managerial ownership: significant positive association between the proportion of outside directors on boards and the extent of voluntary segment disclosure.
2004	Xiao, Yang and Chow	300 Chinese listed firms	Positive association between the proportion of independent directors on boards and the extent of Internet based disclosure.	Significant positive association between the proportion of independent directors on boards and the extent of Internet based disclosure.
2006	Cheng and Courtenay	104 Singaporean listed firms	Positive association between the proportion of independent directors on boards and the extent of VD.	Significant positive association between the proportion of independent directors on boards and the level of VD.
2006	Ghazali and Weetman	87 Malaysian listed firms	Positive association between the proportion of independent directors on boards and the extent of VD.	No significant association between proportion of independent directors on boards and the extent of VD.

Year	Study	Sample descriptions	Hypotheses	Findings
2007	Barako	86 Kenyan firm-year	Positive association between the proportion of non-executive directors on boards and the extent of VD.	Significant negative association between the proportion of non-executive directors on boards and the extent of VD (general and strategic and financial information).
2007	Guan, Sheu and Chu	45 Taiwanese integrated circuit design firms	Positive association between the proportion of independent directors on boards and the extent of information disclosure.	Significant positive association between the proportion of independent directors on boards and the extent of information disclosure.
2007	Lim, Matolcsy and Chow	181 Australian listed firms	Positive association between the proportion of independent directors on boards and the extent of VD.	Significant positive relationship between the proportion of independent directors on boards and overall VD (overall, strategic and forward looking information).
2007	Xiao and Yuan	559 Chinese listed firms	Positive association between the proportion of independent directors on boards and the extent of VD.	Significant positive association between the proportion of independent directors on boards and the extent of VD.
2009	Akhtaruddin, Hossain, Hossain, and Yao	105 Malaysian listed firms	Positive association between higher independent directors on boards and the extent of VD.	Significant positive association between higher independent directors on boards and the extent of VD.

Year	Study	Sample descriptions	Hypotheses	Findings
2009	Baek, Johnson and Kim	374 US listed firms	Positive association between the proportion of outside directors on boards and the extent of disclosure.	Significant positive association between the proportion of outside directors on boards and the extent of disclosure (overall and board, management structure and process).
2009	Yuen, Liu, Zhang, and Lu	200 Chinese listed firms	Positive association between the proportion of independent directors on boards and the extent of VD.	Significant positive association between the proportion of independent directors on boards and the extent of VD.
2010	Al-Shammari and Al-Sultan	170 Kuwait listed firms	Positive association between the proportion of independent directors on boards and the extent of VD.	No significant association between the proportion of independent directors on boards and the extent of VD.
2010	Chau and Gray	273 Hong Kong listed firms	Positive association between the proportion of independent directors on boards and the extent of VD.	Significant positive association between the proportion of independent directors on boards and the extent of VD (but is mitigated by the influence of the appointment of an independent chairman).
2010	Samaha	30 Egyptian listed firms	Positive association between the proportion of independent directors on boards and the extent of corporate governance information disclosure.	Significant positive association between the proportion of independent directors on boards and the extent of corporate governance information disclosure.

Year	Study	Sample descriptions	Hypotheses	Findings
2011	Aripin, Tower and Taylor	300 Australian listed firms	Positive association between corporate governance structure (measured by 13 items) and the extent of financial ratio disclosure.	No significant association between stronger corporate governance structure and the extent of financial ratio disclosure.
2011	Rouf	120 Bangladesh listed firms	Positive association between the proportion of independent directors on boards and the extent of VD.	No significant association between the proportion of independent directors on boards and the extent of VD.
2011	Vu, Tower and Scully	45 Vietnamese listed firms	Positive association between the proportion of independent directors on boards and the extent of VD.	No significant association between the proportion of independent directors on boards and the extent of VD.

Legend: VD is the acronym of voluntary disclosure.

Within the Asian but more developed capital market context, Chen and Jaggi's (2000) finding suggests that the proportion of independent non-executive directors on corporate boards is positively associated with the comprehensiveness of financial disclosure among Hong Kong listed firms. Chen and Jaggi (2000) provide two main reasons for this result. First, the existence of independent directors on corporate boards assists the firm with its economic and financial strategy decision making and thereby improves economic and financial performance. Second, inclusion of more independent directors on corporate boards allows for better monitoring of management actions. Within such a monitoring environment, managers are less likely to abuse their power. More recently, Chau and Gray (2010) examine the voluntary disclosure practices in Hong Kong listed firms. The results in Chau and Gray's (2010) study indicate that the proportion of independent directors on corporate boards positively influences firms' voluntary disclosure of strategic and non-financial information. Using a sample of listed firms from the Stock Exchange of Singapore in 2000, Cheng and Courtenay (2006) empirically investigate the association between corporate board monitoring and the level of voluntary disclosure and find a significant positive association between the proportion of independent directors on corporate boards and the level of voluntary disclosure.

In other emerging capital markets, Xiao and Yuan (2007) provide evidence suggesting that a better corporate governance system results in a lower level of information asymmetry among Chinese listed firms. Yuen et al. (2009) also find that having firms with a higher proportion of independent directors on corporate boards is related to increased voluntary disclosure. They argue that the high proportion of these independent directors reduces the possibility of withholding information. Xiao, Yang and Chow (2004) examine the extent of Internet voluntary disclosure in China and find that the proportion of independent directors on corporate boards positively influences the level of such disclosure. Akhtaruddin et al.'s (2009) study provides evidence supporting a significant positive relationship between an effective corporate governance mechanism (measured by corporate board size and the proportion of independent directors) and voluntary disclosure practices of Malaysian listed firms in 2002. Guan, Sheu and Chu (2007) investigate the issue of information disclosure in Taiwanese firms and find that a higher proportion of independent directors on corporate boards encourages firms to engage in more information disclosure. In Egypt, Samaha (2010) report a significant positive relationship between the proportion of independent directors on corporate boards and the extent of voluntary disclosure. The above studies suggest that the proportion of independent directors on corporate boards plays a complementary monitoring role to disclosure. Nevertheless, there are a few studies that report a substitute monitoring role (negative associations) or no role (no significant association) of corporate governance mechanisms on the extent of information disclosure (Table 3.1).

Despite the mixed findings, the majority of evidence in earlier studies concludes that having good corporate governance mechanisms (a high proportion of independent directors on corporate boards) promotes transparency and accountability of a firm's information. In the light of agency theory and the majority of evidence from earlier studies, this thesis develops the following hypothesis:

> **H_1**: *There is a positive association between a higher proportion of independent directors on corporate boards and the level of voluntary disclosure in the annual reports of Vietnamese listed firms.*

Previous studies also indicate that ownership structure can potentially be an important determinant of voluntary disclosure practices. Accordingly, the next section highlights the hypothesized links between ownership structure and voluntary disclosure.

3.5 Ownership Identities and Voluntary Disclosure

Agency theorists suggest that ownership structure plays an important role in shaping a firm's agency problems because of the inevitable conflicts of interests between managers and shareholders, as well as between dominant majority shareholders and minority shareholders. Consistent with themes already discussed in this chapter, López-de-Foronda, López-Iturriaga and Santamaría-Mariscal (2007) state that conflicts between managers and shareholders are common in Anglo-Saxon countries while in countries with civil law, such as Asian countries, conflicts of interests relate to ownership concentration between the dominant majority and minority shareholders. This section discusses the general overview of ownership structures in both Western and Asian countries, with the latter conflict emphasized in this thesis.

3.5.1 Overview of Ownership Structure

Franks and Mayer (1997) identify two types of ownership and control structures: 'outsider' and 'insider' systems. An 'outsider' system exists where the ownership is widely held (common with firms in the US and UK). Outside shareholders are the owners of the firms who delegate control to managers. Individual shareholders, due to the 'free-rider' problem, do not have enough incentive or power to monitor management actions. This creates an opportunity for managers to behave against shareholders' wealth. In such situations, a conflict between managers and shareholders can arise.

On the other hand, an 'insider system' exists when ownership is highly concentrated and the majority of ownership is vested in an individual or a group of dominant shareholders who play an important role in influencing management decision making. Shleifer and Vishny (1997) argue that dominant majority shareholders may not always have the same interests as minority shareholders and thus, agency conflicts shift to dominant majority shareholders and minority shareholders. Fan and Wong (2002), in a study of ownership structure in seven East Asian economies (Hong Kong, Indonesia, Malaysia, Singapore, South Korea, Taiwan and Thailand), also conclude that ownership structure is highly concentrated in East Asian economies. Such high concentration of ownership gives rise to an 'entrenchment effect', that is similar to the managerial entrenchment effect[32] (Morck, Shleifer, and Vishny 1988; Leung and Horwitz 2004). Shleifer and Vishny (1997, 759) describe the relationship between minority shareholders and dominant majority shareholders:

> "As ownership gets beyond a certain point, the large owners gain nearly full control and are wealthy enough to prefer to use firms to generate private benefits of control that are not shared by minority shareholders. Thus there are costs associated with high ownership and entrenchment, as well as with exceptionally dispersed ownership."

Concentrated ownership thus increases the problem of agency conflicts. Fan and Wong (2002) report that the presence of large, dominant majority shareholders weakens the informativeness of reported earnings in East Asian countries. In particular, "when an owner effectively controls a firm, he or she also controls the production of the firm's accounting information and reporting policies" (Fan and Wong 2002, 408). Fan and Wong (2002) argue that minority shareholders often believe that the dominant majority shareholders report accounting information in such a way as to avoid detection of their expropriation activities. Dominant majority shareholders, on the other hand, have incentives to conceal information due to proprietary costs. Evidence from previous studies suggests that the impact of high ownership concentration on a firm's agency conflicts can vary. A certain high level of ownership concentration leads to potential entrenchment problems that can intensify the conflicts between dominant majority and minority shareholders (Fan and Wong 2002). These shareholders can use their influence over corporate boards to pursue their own goals, possibly at the expense of minority shareholders, which increases agency conflicts (Shleifer and Vishny 1997).

In contrast, when high ownership concentration exceeds a certain level, additional ownership can provide these dominant majority shareholders with incentives to behave like minority shareholders, to align as closely as possible the conflicts of

[32] See Morck, Shleifer and Vishny (1988) for a more detailed discussion of the managerial entrenchment effect.

interests between these two shareholder groups. In such circumstances, the presence of dominant majority shareholders serves as a monitoring mechanism to mitigate agency problems between shareholders and managers. Although there are conflicting findings, the majority of studies reach similar conclusions that ownership structure is an important corporate governance aspect that can influence a firm's decision relating to information transparency, including voluntary disclosure.

Despite the mixed evidence reported, it is clear that a firm's identities or types of ownership structure can have a major impact on agency problems of information asymmetry, which subsequently influence the firm's disclosure practices. Accordingly, the next section discusses the importance of different identities or types of ownership structure on alleviating agency conflicts and then develops three hypotheses according to different identities of ownership, specifically state, managerial and foreign ownership.

Thomsen and Pedersen (2000) note that the identities of ownership structure potentially determines the nature of agency problems. Agency theory suggests that potential conflicts are higher in firms that are widely held as it is harder for shareholders to monitor management behaviours (Fama and Jensen 1983). When firms are listed on the stock exchange, ownership becomes more numerous and dispersed; thus individual shareholders' incentive and ability to access company financial information becomes weaker. The problems of information asymmetry can become greater. Accordingly, managers of these firms have greater motives to disclose more information in order to reduce information asymmetry (Chau and Gray 2002). In contrast, firms with highly concentrated shareholdings are more likely to disclose less information than firms with widely held shareholdings because the information asymmetry problem is reduced.

Agency theorists argue that the provision of adequate information to shareholders through the annual report is one element of bonding activities (Jensen and Meckling 1976). For instance, Haniffa and Cooke (2002) report that the extent of voluntary disclosure for Malaysian listed firms is higher for firms with lower ownership concentration[33] and foreign shareholders. Similarly, Chau and Gray (2002) find a positive association between outsiders' ownership and the extent of voluntary disclosure for firms listed in Hong Kong and Singapore. The evidence from the above studies demonstrates the significant role of a firm's ownership structure in influencing the firm's decision relating to voluntary disclosure practices.

The different impacts of ownership structure on voluntary disclosure could be due to various identities or types of ownership structures. Eng and Mak (2003, 326) assert that the choice of disclosure depends on different identities or types of ownership structures, noting that "the structure of ownership determines the level of monitoring and thereby the level of disclosure". Prowse (1995) suggests that different identities of ownership structure may have different monitoring skills, varying corporate objectives and thus diverse incentives towards corporate disclosure. As such, this thesis investigates the influence of different identities of ownership structure on voluntary disclosure practices among Vietnamese listed firms, specifically state, managerial and foreign ownership.

3.5.2 Empirical Evidence and Hypotheses Development

Given the limited number of studies on concentrated ownership, the uniquely high ownership concentration structure in an emerging capital market such as Vietnam provides a perfect opportunity to empirically examine the influence of different identities of ownership structure on voluntary disclosure practices. As explained in Chapter 2, one of the distinguishing features of the Vietnamese capital market is that most Vietnamese listed firms originated as SOEs. Privatization of these SOEs allows managers and employees of a firm to obtain a significant proportion of shares prior to listing. Thus, high concentrations of state and managerial ownership are relatively common in Vietnam. Truong's (2006) study of Vietnamese privatized firms at the end of 2004 reports that on average, the state still retains 38.1 per cent of total shareholding, while insiders (employees and managers) hold 46.5 per cent and only 15.4 per cent of total shares are held by outside investors. Vu, Tower and Scully

[33] Their proxy for ownership structure is ownership diffusion based on the proportion of shares held by the top 10 largest shareholders.

(2011) report an average of 30.58 per cent state ownership, 5.40 per cent managerial ownership and 14.36 per cent foreign ownership among 45 random Vietnamese listed firms in 2008.

Besides state and managerial ownership, foreign ownership plays a crucial role in the development of many emerging capital markets. Previous studies indicate that foreign shareholders promote development of emerging capital markets by strengthening the supply of capital (Ramaswamy and Li 2001; Mangena and Tauringana 2007). Ho, Tower and Taylor (2008) state that the high proportion of foreign investors enhances corporate governance practices, which impacts significantly on the level of information transparency and in the long run, can stimulate the growth of a firm, capital markets and a country as a whole. Accordingly, this thesis examines the three important ownership identities of Vietnam's emerging capital market, namely: state, managerial and foreign ownership. The following sections discuss the empirical evidence of these ownership identities and generate three ownership based hypotheses.

3.5.2.1 *State Ownership*

As part of the '*Doi Moi*' economic renovation in 1986, the Vietnamese government attempted to reduce the level of state intervention in the economy by reducing state ownership in SOE firms (privatization). Following the 1986 reform, the Vietnamese stock market was established in 2000 to facilitate the privatization process of SOEs, reducing state ownership and raising additional capital for Vietnamese firms. Since state ownership remains an important and unique attribute of Vietnamese listed firms, an investigation of the association between the extent of Vietnamese state ownership among listed firms and the level of voluntary disclosure makes a significant contribution to the literature of voluntary disclosure. Table 3.2 provides a summary of findings on the relationship between voluntary disclosure and state ownership in limited prior studies. Within studies of voluntary disclosure practices and state ownership, there are four reasons supporting the argument that the extent of state ownership in a firm weakens incentives to disclose information.

First, unlike other highly concentrated ownership environments, the agency problem under a highly concentrated state ownership scenario is somewhat different. In a practical sense, there is no 'real owner' of these state shares because in its communist tenets, the state is represented by the people of Vietnam and so the state shares belong to the Vietnamese people, who do not have direct control of or interests in these assets. Thus, there is no 'real owner' of these state shares. According to Qu (2011), the lack of real ownership among state owned firms often leads to corruption and poor corporate governance among listed firms. This is because where there is no 'real owner' there is lack of an effective mechanism to monitor managerial behaviours, leading to exploitation by managers for personal benefits instead of acting in the interests of the shareholders. Furthermore, being the dominant majority shareholder, the state can also control firms through their influential legal power. Thus, firms with higher state ownership face less information asymmetry problems. It is argued that the state generally has better access to a firm's internal information (Naser, Al-Khatib, and Karbhari 2002; Xiao and Yuan 2007) thus, there might be less dependence on information disclosure for decision making for firms with a higher level of state ownership. Being the state, these shareholders are powerful enough to obtain information about the firm through different avenues. For example, the state can access a firm's taxation details, which are not available to other shareholders.

Second, significant state ownership usually represents a lack of personal interest in company profits (Xiao, Yang, and Chow 2004). Xiao and Yuan (2007) contend that the state focuses mainly on wealth distribution and social order and thus, enhancing shareholders' wealth may not be the primary objective for these state owned firms. Jiang and Habib (2009) also contend that state owned firms have less incentive to maximize profits because of guaranteed returns by the state and since firms can easily obtain additional funds, regardless of information disclosure, firms with higher state ownership will have fewer incentives to disclose more information.

Third, Jiang and Habib (2009) argue that state owned firms have less need to raise funds since they readily have access to state funding. Even if the state does not provide direct funds, these firms are able to obtain funds easily from other sources by virtue of being state owned firms. For instance, it may be much easier for state owned firms to obtain bank loans than other non-state firms, due to the political influence of the state.

Fourth, firms with high state ownership may disclose less because of political constraints. Ghazali and Weetman (2006) argue that in a country like Malaysia, where there is a strong political connection, firms with high state ownership are discouraged from providing more information in order to protect political linkages or interests of the owners.

Empirically, Luo, Courtenay and Hossain (2006) provide evidence supporting this point of view by reporting that a high proportion of state shares in a firm consistently weakens voluntary disclosure of future performance information among Singaporean firms for the years from 1994 to 2000. Xiao, Yang and Chow (2004) find that a high state ownership concentration of Chinese firms is associated with low Internet voluntary disclosure. Xiao, Yang and Chow (2004) explain that privileged access to information may contribute to low voluntary disclosure practices. Nevertheless, there are numerous studies that generally find positive associations or no association between the extent of voluntary disclosure and the proportion of state ownership. These studies are summarized in Table 3.2.

Within the Vietnamese context, under a centrally planned economy, financial reports of Vietnamese SOEs were prepared mainly for the purpose of state centralized resources planning and not for the purpose of obtaining external capital (Chapter 2). According to Nguyen's (2002) study of 261 privatized firms in Southern Vietnam in 2002, there was no change in management of corporate boards, during and after privatization of more than 80 per cent of the SOEs. Before being privatized, the influence of a manager on the operations of the firm was limited and therefore, profit maximization and enhancing shareholders' value were not traditionally the primary objectives of these firms. Thus, after privatization and with the same management board, managers of firms with high state ownership may not have incentives to provide additional information beyond those mandated.

Based on the distinctive environment of Vietnamese state ownership and in light of the above agency based arguments, this thesis argues that the extent of state ownership in a firm is likely to reduce the level of its voluntary disclosure. Thus, the following hypothesis is posited:

> ***H*$_2$*: There is a negative association between the extent of state ownership and the level of voluntary disclosure in the annual reports of Vietnamese listed firms.***

Table 3.2 Past Studies on Disclosure and State Ownership

Year	Study	Sample descriptions	Hypotheses	Findings
2002	Naser, Al-Khatib and Karbhari	84 Jordanian listed firms	Positive association between high spread ownership and the extent of information disclosure.	No significant association between the proportion of state ownership and the extent of information disclosure.
2003	Eng and Mak	158 Singaporean listed firms	Positive association between state ownership and the extent of VD.	Significant positive association between state ownership and the extent of VD.
2004	Xiao, Yang and Chow	300 Chinese listed firms	Negative association between the proportion of state shares held by government agencies and the extent of Internet based disclosure. Positive association between the proportion of state shares held by state owned corporations and the extent of Internet based disclosure.	Significant negative association between the proportion of state shares held by government agencies and the extent of Internet based disclosure (overall, content and China Securities Regulatory Commission disclosure items). Significant negative association between the proportion of state shares held by state owned corporations and the extent of Internet based disclosure.
2006	Ghazali and Weetman	87 Malaysian listed firms	Negative association between the proportion of state ownership firms and the extent of VD.	No significant association between the proportion of state ownership firms and the extent of VD.

Year	Study	Sample descriptions	Hypotheses	Findings
2007	Xiao and Yuan	559 Chinese listed firms	Negative association between the proportion of state ownership firms and the extent of VD.	No significant association between the proportion of state ownership firms and the extent of VD.
2008	Wang, Sewon, and Claiborne	109 Chinese listed firms	Association between the proportion of state ownership and the extent of VD.	Significant positive association between the proportion of state ownership firms and the extent of VD (overall and strategic information).
2009	Bogdan, Popa, Pop, and Farcane	15 Romanian listed firms	Positive association between high proportion of state ownership and the extent of VD.	No significant association between the proportion of state ownership firms and the extent of VD.
2009	Jiang and Habib	467 New Zealand firm-year	Positive association between high proportion of state ownership and the extent of VD. Negative or insignificant association between low proportion of state ownership and the extent of VD.	Significant positive association between high level of state ownership and the extent of VD.
2009	Yuen, Liu, Zhang, and Lu	200 Chinese listed firms	Positive association between the proportion of state ownership and the extent of VD.	No significant association between the proportion of state ownership and the extent of VD.
2011	Samaha and Dahawy	30 largest Egyptian listed firms	Negative association between the proportion of state ownership firms and the extent of VD.	No significant association between the proportion of state ownership firms and the extent of VD.

Legend: VD is the acronym of voluntary disclosure.

3.5.2.2 *Managerial Ownership*

According to Jensen and Meckling's (1976) agency theory tenets, managerial ownership alleviates agency costs by causing managers to bear more of the firm's economic consequences, thereby reducing the need for information disclosure. Li and Qi (2008) note that stock options give management ownership status that can link the benefits of a firm and its managers. The participation of managers in the firm's capital ownership may cause these managers to be more concerned about the economic consequences of their actions because their wealth is at least partially dependent on the firm value. Since higher levels of managerial ownership help to align the interests of managers and shareholders, there is a reduced need for monitoring and subsequently, disclosure practices. Luo, Courtenay and Hossain (2006) argue that when managers own a substantial amount of shares in a firm, the effective control and concentrated ownership will potentially lead to an 'entrenchment effect'. Fan and Wong (2002) note that in such situations, the relationship is no longer between managers and shareholders, but rather between dominant majority shareholders and minority shareholders. Like any dominant majority shareholders in a highly concentrated firm combined with a weak shareholder protection environment, managers with shares may have incentives to expropriate minority shareholders' wealth, as well as to manipulate information to their own advantage.

On the other hand, low managerial ownership increases agency problems because managers have greater incentives to consume benefits, which can work against wealth maximization of shareholders (Eng and Mak 2003). In response to increased agency problems, shareholders increase monitoring mechanisms (Ghazali and Weetman 2006). As monitoring is costly, managers of firms have incentives to disclose additional information in order to minimize monitoring costs. Eng and Mak (2003) assert that voluntary disclosure is a substitution for monitoring costs. The need for more monitoring and more transparent disclosure decreases with a higher proportion of managerial ownership and vice versa. Empirically, some prior studies support this view. Leung and Horwitz (2004) observe the relationship of managerial ownership and voluntary disclosure of Hong Kong listed firms in 1996. Their results reveal that when there is a low level of managerial ownership, information disclosure appears to be high. However, high levels of managerial ownership are associated with lower information disclosure. Luo, Courtenay and Hossain (2006) also find a negative association between managerial ownership and earning informativeness. In Singapore, Eng and Mak (2003) report a negative association between managerial ownership and the extent of voluntary disclosure, as do Ghazali and Weetman (2006) and Akhtaruddin and Haron (2010) in Malaysia. Samaha and Dahawy (2011) investigate the extent of voluntary disclosure among Egyptian listed firms and find that managerial ownership is associated with lower voluntary disclosure. Table 3.3 reviews the results of earlier studies on the relationship between information disclosure and managerial ownership.

Table 3.3 reports mixed results of the relationship between managerial ownership and the extent of voluntary disclosure. Studies that report a negative association between managerial ownership and the extent of voluntary disclosure argue that in the context of Asian or emerging economies, where high ownership concentration is common, concentrated managerial ownership structure may discourage managers from providing information (Eng and Mak 2003; Leung and Horwitz 2004; Akhtaruddin and Haron 2010). On the other hand, in firms with lower levels of managerial ownership, investors may feel a stronger need to increase the monitoring of managers and therefore may demand more information from firms. In such circumstances, managers have incentives to provide more extensive disclosure (Eng and Mak 2003).

In view of agency theory and on the basis that Vietnam is a developing Asian country with a highly concentrated ownership structure and with weak minority shareholder protection (as mentioned in Chapter 2), high managerial ownership may lead to managerial entrenchment that may subsequently reduce information disclosure. In contrast, due to their political status appointments, low managerial ownership creates high incentives for these managers to consume bonuses to protect their political positions and low incentives for job performance. Subsequently, agency costs arise and these managers are likely to engage in more voluntary disclosure to reduce agency costs. Based on the evidence of prior studies, this thesis proposes that:

> ***H_3**: There is a negative association between the extent of managerial ownership and the level of voluntary disclosure in the annual reports of Vietnamese listed firms.*

Table 3.3 Past Studies on Disclosure and Managerial Ownership

Year	Study	Sample firms	Hypotheses	Findings
2000	Gelb	3,219 US firm-year	Negative association between the proportion of managerial ownership and the extent of information disclosure (measured by analysts' ratings).	Significant negative association between the proportion of managerial ownership and the extent of information disclosure (measured by analysts' ratings).
2003	Eng and Mak	158 Singaporean listed firms	Negative association between the proportion of managerial ownership and the extent of VD.	Significant negative association between the proportion of managerial ownership and the extent of VD.
2004	Gul and Leung	385 Hong Kong listed firms	Negative association between the proportion of managerial ownership and the level of VD.	No significant association between the proportion of managerial ownership and the level of VD.
2004	Leung and Horwitz	376 Hong Kong listed firms	When managerial ownership is low (< 25 per cent): positive association between managerial ownership and voluntary disclosure of segment information. When managerial ownership is high (> 25 per cent): negative association between managerial ownership and voluntary disclosure of segment information.	When managerial ownership is low (< 25 per cent): significant positive association between managerial ownership and voluntary disclosure of segment information. When managerial ownership is high (> 25 per cent): significant negative association between managerial ownership and voluntary disclosure of segment information.
2006	Ghazali and Weetman	87 Malaysian listed firms	Negative association between the proportion of managerial ownership firms and the extent of VD.	Significant negative association between the proportion of managerial ownership firms and the extent of VD (overall, financial, strategic and corporate social responsibility information VD).

Year	Study	Sample firms	Hypotheses	Findings
2007	Guan, Sheu and Chu	45 Taiwanese integrated circuit design firms	Negative association between managerial ownership and the extent of information disclosure.	No significant association between managerial ownership and the extent of information disclosure.
2007	Xiao and Yuan	559 Chinese listed firms	Positive association between the proportion of managerial ownership firms and the extent of VD.	No significant association between the proportion of managerial ownership firms and the extent of VD.
2008	Li and Qi	300 Chinese listed firm year	Positive association between board ownership and the level of VD.	Significant positive association between board ownership and the level of VD.
2009	Baek, Johnson and Kim	374 US listed firms	Non-negative association between the proportion of managerial ownership firms and the extent of disclosure. Negative association between the proportion of managerial ownership firms and the extent of disclosure.	Significant negative association between the proportion of managerial ownership firms and the extent of board, management structure and process disclosure. Firms with 5 per cent or higher managerial ownership in the industries with frequent takeover activities: significant positive association between managerial ownership and the level of ownership structure and investors relation disclosure
2009	Jiang and Habib	467 New Zealand firm-year	Positive association between high proportion of managerial ownership and the extent of VD. Negative or insignificant association between low proportion of managerial ownership and the extent of VD.	Significant positive association between high level of managerial ownership and the extent of VD.

Year	Study	Sample firms	Hypotheses	Findings
2010	Akhtaruddin and Haron	124 Malaysian listed firms	Negative association between board ownership and the level of VD.	Significant negative association between board ownership and the level of VD.
2011	Samaha and Dahawy	30 largest Egyptian listed firms	Negative association between the proportion of managerial ownership and the level of VD.	Significant negative association between the proportion of managerial ownership firms and the extent of VD.

Legend: VD is the acronym of voluntary disclosure.

3.5.2.3 *Foreign Ownership*

Previous research asserts that foreign shareholders face significantly higher risks than local shareholders. La Porta et al. (2000) identify the potential risks associated with foreign share trading as: political risk, information asymmetry and inadequate legal protection.

Bradbury (1992) argues that there is a greater need for disclosure as a means of monitoring the actions of the management in foreign based firms. This is because, due to separation of ownership and control geographically, foreign shareholders face considerably higher information asymmetry than local shareholders. In foreign held firms it is more difficult for foreign shareholders to control managerial behaviour, not only because of the geographical differences, but also because of the barriers of language and culture (Bradbury 1992; Xiao and Yuan 2007; Craswell and Taylor 1992). Xiao and Yuan (2007) further state that in emerging capital markets such as China, the information asymmetry problem is even higher because of difficulties in accessing hard copy annual reports.

If investors make investment decisions on the basis of expected gains and costs, then high information costs would potentially discourage foreign shareholdings (Mangena and Tauringana 2007). Shareholders and potential shareholders, due to information asymmetry problems, are likely to make greater misjudgements of share values that eventually will lead them to discount share prices. In such foreign ownership cases, firms have incentives to reduce asymmetric information problems by providing additional information in order to prevent firms from undervaluing shares.

Ferguson, Lam and Lee (2002) report that firms listed on several stock exchanges disclose more information than firms listed solely on the local market only, as information asymmetry is higher in foreign markets. Haniffa and Cooke (2002) find a significant positive association between foreign shareholders and the extent of voluntary disclosure, among non-financial firms listed on the Kuala Lumpur Stock

Exchange in 1995. They suggest that higher information transparency in firms with foreign ownership is due to the high information asymmetry resulting from geographic differences (Haniffa and Cooke 2002). Wang, Sewon and Claiborne (2008) argue that Chinese listed firms have incentives to provide more information, and increase transparency when a proportion of their shares is owned by foreign investors. Consistent with the above studies, Barako (2004) provides evidence suggesting that foreign ownership is a key variable explaining the disclosure variance between listed firms in Kenya from 1992 to 2001. Barako's (2004) study reports a consistent positive association between foreign ownership and levels of voluntary disclosure, particularly regarding general strategic information, financial information, forward looking information and social and board member information. Xiao, Yang and Chow (2004) examine the Internet voluntary disclosure of Chinese listed firms and find that higher foreign ownership does not only encourage greater information disclosure but also these firms are more motivated to create English version websites. According to Ho, Tower and Taylor (2008), the proportion of foreign ownership in a firm also influences the prospects of greater information disclosure. The results of Ho and Tower's (2011) study note consistent positive associations between foreign ownership and voluntary disclosure practices made by Malaysian listed firms over the economically diverse years of 1996, 2000 and 2006. This positive association supports the argument that in order to obtain foreign funds and to enhance the monitoring of managerial actions there is a greater need to disclose more information. Table 3.4 lists a summary of findings of the relationship between information disclosure and foreign ownership.

Table 3.4 Past Studies on Disclosure and Foreign Ownership

Year	Study	Sample firms	Hypotheses	Findings
2002	Haniffa and Cooke	167 Malaysian listed firms	Significant positive association between the proportion of foreign ownership and the extent of VD.	Significant positive association between the proportion of foreign ownership and the extent of VD.
2002	Naser, Al-Khatib and Karbhari	84 Jordan listed firms	Significant positive association between high spread ownership and the extent of information disclosure.	No significant association between the proportion of foreign ownership and the extent of information disclosure.
2004	Xiao, Yang and Chow	300 Chinese listed firms	Significant positive association between the proportion of foreign ownership and the extent of Internet based disclosure.	Positive association between the proportion of foreign ownership and the non-required China Securities Regulatory Commission disclosure items in Internet based disclosure (and the disclosure of an English website).
2007	Barako	86 Kenyan listed firm-year	Significant positive association between the proportion of foreign ownership and the extent of VD.	Positive association between the proportion of foreign ownership firms and the extent of VD.
2007	Guan, Sheu and Chu	45 Taiwanese integrated circuit design firms	Significant positive association between qualified foreign institutional investors and the extent of information disclosure.	Significant positive association between qualified foreign institutional investors and the extent of information disclosure.
2007	Mangena and Tauringana	118 Zimbabwean listed firm-year	Significant positive association between the proportion of foreign ownership and the extent of VD.	Significant and consistent positive association between the proportion of foreign ownership and the extent of VD.

2007	Xiao and Yuan	559 Chinese listed firms	Significant positive association between the proportion of foreign ownership and the extent of VD.	Positive association between the proportion of foreign ownership firms and the extent of strategic information VD.
2008	Wang, Sewon and Claiborne	109 Chinese listed firms	Significant positive association between the proportion of foreign ownership and the extent of VD.	Significant positive association between the proportion of foreign ownership and the extent of VD. Positive association between the proportion of foreign ownership and the extent of strategic information VD.
2009	Bogdan, Popa, Pop, and Farcane.	15 Romanian listed firms	Significant positive association between the proportion of foreign ownership and the extent of VD.	No significant association between the proportion of foreign ownership firms and the extent of strategic information VD.
2011	Ho and Tower	150 Malaysian listed firm-year	Significant positive association between the proportion of foreign ownership and the extent of VD.	Significant and consistent positive association between the proportion of foreign ownership and the extent of VD.

Legend: VD is the acronym of voluntary disclosure.

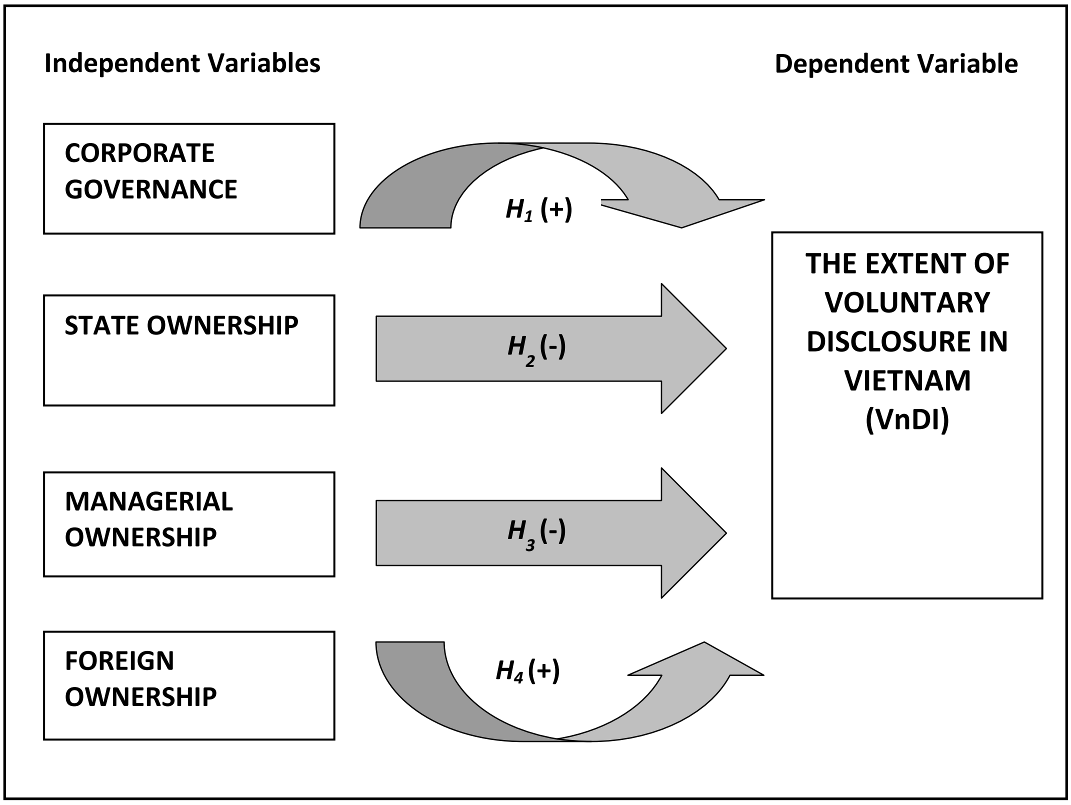
Over the years, the Vietnamese government has taken various steps to increase foreign ownership by reducing restrictions on foreign investment. The foreign ownership maximum has increased from 20 per cent in 2000 to 30 per cent in 2003 and finally to 49 per cent in 2005 for non-bank listed firms. Listed banks remain subject to a lower foreign ownership ceiling of 30 per cent (Thai and Biallas 2007). Within the Vietnamese context, the majority of foreign owners are from developed countries that have stronger financial regulatory systems. These foreign investors are most likely more aware of the importance of financial reporting in investment decision making than local investors. Therefore, they may pressure firms to increase the extent of information disclosure in order to raise and retain foreign investment. Based on the majority of previous studies and agency theory tenets, the hypothesis to be tested is:

> ***H_4****: There is a positive association between the extent of foreign ownership and the level of voluntary disclosure in the annual reports of Vietnamese listed firms.*

3.6 Conceptual Schema

A summary conceptual schema for this thesis is shown in Figure 3.1 below. This figure highlights the main hypothesis of this research: the level of voluntary disclosure among listed firms in Vietnam and the association between the proportion of independent directors on corporate boards and the three ownership structure identities (state, managerial and foreign ownership).

Figure 3.1 Conceptual Schema of This Thesis



*Legend: Figure 3.1 presents the conceptual schema of this thesis. The conceptual schema shows the four principal hypotheses designed to test the association between the proportion of independent directors on corporate boards (**H_1**), the proportion of state ownership (**H_2**), the proportion of managerial ownership (**H_3**), the proportion of foreign ownership (**H_4**) and the extent of Vietnamese voluntary disclosure (VnDI). The sign (+) represents an expected positive direction and (-) indicates an expected negative direction.*

3.7 Summary

This chapter presents a review of the relevant literature on voluntary disclosure practices, which is the main theme of this thesis. In particular, it justifies the relevance of agency theory in providing the theoretical framework explaining corporate voluntary disclosure decisions. Agency theory is concerned with the conflict of interests between managers and shareholders arising due to separation of ownership and control. In a developing, emerging or Asian economies context where weak legal enforcement and high levels of concentrated ownership are relatively common, the agency conflict often exists between the dominant majority shareholders and minority shareholders (La Porta et al. 1997). The agency conflicts of goals and interests give rise to the problem of information asymmetry.

The chapter then provides a discussion on the motivations and net benefits associated with increased voluntary disclosure, whilst more focus is placed on developing, emerging or Asian capital markets. It is argued that enhanced voluntary disclosure is extremely important in emerging markets, particularly Vietnam. In order to sustain the growth of its economy, Vietnam's capital market needs to strengthen the level of information transparency.

The chapter also focuses on the interaction between corporate governance mechanisms, information asymmetry and voluntary disclosure. Based on agency theory tenets and the majority of past evidence indicating that corporate governance (the proportion of independent directors) positively impacts on firms' voluntary disclosure, a positive hypothesis between a higher proportion of independent directors on corporate boards and the extent of voluntary disclosure among Vietnamese listed firms is postulated.

This is followed by a multi-layered discussion on the issues concerning ownership structure and how different ownership identities might impact differently on a firm's level of voluntary disclosure. Three ownership identities that have been described as relevant in the Vietnamese context, namely state, managerial and foreign ownership are reviewed based on past empirical evidence. Then three hypotheses are developed in regard to these three ownership identities. These are: a negative association between the extent of state ownership or managerial ownership and voluntary disclosure practices, and a positive association between foreign ownership and voluntary disclosure practices.

Chapter 4 outlines the research approach taken to conduct this thesis research investigating the issue of voluntary disclosure practices in Vietnam.

CHAPTER 4. RESEARCH APPROACH

4.1 Introduction

This chapter focuses on the research approach utilized in this thesis. It identifies the overarching paradigm, ontology and epistemology of the thesis and explains the choice of research methodology and more specific research methods. As outlined in this chapter, this thesis applies an objectivist–positivist empirical research approach to explain what the level of voluntary disclosure is among Vietnamese listed firms and what variables can be used to assist in predicting the level of Vietnamese voluntary disclosure (VnDI).

Section 4.2 describes the key components of the research paradigm such as: the epistemology, ontology, research methodology and research methods and the research approach utilized in this thesis. Section 4.3 outlines the data sample and data collection for the empirical analysis in this thesis. Furthermore, a description of the sample data and a defence of the use of annual reports as the main data source are included. Section 4.4 details the measurement of the dependent variable, which is the Vietnamese Voluntary Disclosure Index (VnDI). In particular, it explains the development of the index as an approximate proxy to measure the level of voluntary disclosure among Vietnamese listed firms. Consistent with previous studies, it includes the screening of disclosure items and specific measurement (weighting and scoring) to derive the final disclosure index for Vietnamese listed firms. Although the methods used to develop the index are consistent with those in the literature, the index is different in that an extra step is added. The index is screened and reviewed by Vietnamese accounting experts to specifically address the voluntary disclosure practices of Vietnamese listed firms. In order to explain the level of voluntary disclosure, four explanatory (independent) variables such as corporate governance and three different ownership identities, namely state, managerial and foreign ownership are included. The operationalization of these variables is provided in Section 4.5. This is followed in Section 4.6 with the measurement techniques used for the seven control variables namely: firm size, profitability, leverage, industry, auditing firms, listing duration and stock exchange location. Sections 4.7 and 4.8 provide an overview of the referential statistical tests and sensitivity tests of the thesis respectively. Finally, Section 4.9 presents a summary of the chapter.

4.2 Research Process

4.2.1 Research Paradigm

The research paradigm provides the overall framework for a research project, as it identifies the researcher's role in determining the course of any research project and distinguishing other perspectives. According to Guba and Lincoln (1994, 106), a paradigm is defined as "the basic belief system on world view that guides the investigator, not only in choices of method but in ontologically and epistemologically fundamental ways". Various research paradigms present different perspectives of the world, and the choice of paradigm represents the researcher's worldview based on ontological and epistemological assumptions (Blaikie 2007; Babbie 2010). As such, understanding the different types of paradigms is essential, as they provide the guidance and clarity about the most appropriate approach for conducting research.

Guba and Lincoln (1994) state that the choice of a paradigm for research depends on three fundamental questions:

1. The ontological question: Ontology governs the choice of research methodology that the researcher employs as it represents the researcher's perspective of the world. A research paradigm is "the philosophical stance informing the methodology and thus provides a context for the process and grounding its logic and criteria" (Crotty 1998, 3). Guba and Lincoln (1994) state that ontology concerns the nature and the form of reality. It asks what 'reality' is and what can be known about 'reality'. For instance, reality can be 'real' or it can be a form of imagination or interpretation based on observation and experience.

2. The epistemological question: Trochim (2006) defines epistemology as a philosophical grounding for knowledge, or how the knowledge can be known. It regards the relationship of the enquirer (researcher) to the knowledge. In particular, it is concerned about the nature of knowledge and how it is constructed. Specifically, it asks 'how can the reality be known?' (Blaikie 2007). The matter of how knowledge can be obtained depends on the behaviour of the researcher in acquiring it. For instance, Blaikie (2007) explains that knowledge can either have an independent existence or it can purely represent an idea that has to be observed and constructed by the researcher to form a meaning.
3. The methodological question: Blaikie (2007) notes that answering the ontological and epistemological questions allows a researcher to adopt an appropriate research methodology in order to produce reliable knowledge. In particular, methodological questions are concerned with the appropriate techniques for determining what can be known about the knowledge (Guba and Lincoln 1994). For instance, Guba and Lincoln (1994) propose that if the ontological position is that the world is 'real', then the epistemological view is objective; knowledge is obtained through experimentation and observation as the researcher will take a quantitative approach using experimental or manipulative methods.

Differences in assumptions regarding the ontology, epistemology and methods leads the researcher to adopt and conduct research shaped on different constructions of research paradigms. According to Guba and Lincoln (1994), there are four basic paradigms available in research: positivism, post-positivism, critical theory and constructivism; these paradigms are summarized in Table 4.1. The shaded areas in Table 4.1 present the research position of this thesis.

Table 4.1 Basic Beliefs (metaphysics) of Alternative Paradigms

Paradigm / Features	Positivism	Post-positivism	Critical theory	Constructivism
Goals of paradigm	Discover the truth through quantitative evidence on relationships between variables. Findings are absolute and true.	Uncover reality of an economic system in which members act independently. Findings are tentatively true.	Discover reality through participating and encouraging a specific informed population in order to gain insights. Findings are mediated by values.	Transform meaning and enhance understanding of particular events or situations. Findings are created through researcher's interpretation.
Ontology *The concept of reality*	Naïve realism: there is only one reality and it is assumed to be deterministic and governed by natural laws.	Critical realism: there is an independent external reality but it is imperfect and probabilistically apprehendable.	Historical realism: virtual reality shaped by social, political, cultural, economic, ethnic and gender values. Over time this reality is taken to be 'real'.	Relativism: reality is intangible. It can be constructed by experiences of the world. Reality is dependent on individual and can be changed with new information.
Epistemology *The theory of reality (how may the reality be known)*	Dualist/Objectivist: Researcher and research object are independent. Knowledge is true only if it can be verified and tested through observations and evidence.	Modified dualist/objectivist: Independence of researcher and research object is not always possible. Knowledge is probably true and is subject to falsification of trial and error tests.	Transactional/subjectivist: Researcher and research object are interactively linked. Researcher influences findings through enquiries. Knowledge arises through action and is grounded in self-conscious action.	Relativist: Broader transactional/subjectivist. Researcher and research object are interactively linked with narrow focus on individuals to enhance understanding of meaning. Knowledge is obtained from interpretative results.
Methodology *Strategy, plan of action to determine reality*	Controlled experiment to prevent bias. Verification of hypotheses.	Modified experimental/ manipulative. Critical multiplism. Falsification of hypotheses may include qualitative methods.	Dialogic. Dialectical methodology to transform misconceptions into an informed understanding of the research subject.	Hermeneutical. Dialectical. Questions of meaning, interpretation and understanding between researcher and respondent to produce an informed consensual construct.
Research methods	Experiments, questionnaires. Quantitative methods: t-tests, regression, Likert scales.	Case studies, interviews.	Action research, focus groups, historical analysis.	Participants' observations, in-depth interviews, case studies.

Various sources:(Guba and Lincoln 1994; Guba 1990; Perry, Riege, and Brown 1999; Blaikie 2007).

Legend: Shaded column represents positivism paradigm, which is the paradigm approach adopted in this thesis.

There are several key points about each paradigm. First, the positivist paradigm asserts a single external reality, and that reality is considered to be driven by natural laws and mechanisms (Blaikie 2007). According to Guba and Lincoln (1994), the positivist paradigm adopts a perspective of independence and objectivity between the researcher and the research objects. It views the world as an external entity in which things have intrinsic meanings inside them, and the role of the researcher is to observe and discover the meanings that already reside in these research objects (Blaikie 2007). The dualist/objectivist stance within positivism requires a manipulative methodology in which a hypothesis has to be put to the test and verified.

The positivist paradigm assumes that the knowledge it produces is absolute, and anything that cannot be verified is considered as meaningless (Blaikie 2007). Guba and Lincoln (1994) state that data in the positivist paradigm is quantitative and is collected in a structured manner to better ensure that findings are value-free and that the researcher cannot manipulate the final results, as the researcher only observes through a 'one way mirror'. The mode of research inquiry is theory-testing, where questions and/or hypotheses are tested by empirical means. The analysis or observation of data occurs within a controlled experimental environment to prevent bias (Guba and Lincoln 1994).

Second, the post-positivism paradigm assumes that there is "an independent external reality" (Blaikie 2007, 15), but it is imperfect because it is impossible for humans to perceive accurately, given unsatisfactory human intelligence and the fundamentally intractable nature of phenomena (Guba and Lincoln 1994). Blaikie (2007, 113) notes that the post-positivist paradigm "incorporates the cautious realist ontology and the epistemology of falsificationism". According to Healy and Perry (2000), as opposed to the positivism belief that there is a single reality, post-positivism recognizes that there may be multiple perceptions about that single but mind-dependent reality. Perry, Riege and Brown (1999) state that this type of research seeks an understanding of the common reality of a system in which members may act independently. Findings obtained through post-positivist research are usually considered real but fallible. Within the post-positivist paradigm, emphasis is placed on several methodologies, such as interactive participatory, action research or other approaches determined by the subject of research in order to discover the observable or un-observable structures and mechanisms underlying a particular event or experience. For instance, in order to reveal knowledge, the researcher must go through a process of trial and error, incorporating their observations to reject false theories, rather than verifying hypotheses as in positivism (Blaikie 2007). Thus, knowledge obtained forming this view is known as 'tentative', where knowledge is discovered through a "mixture of theoretical reasoning and experimentation" (Outhwaite 1983, 332). Data collected can be both quantitative and qualitative, although qualitative frequently dominates (Guba and Lincoln 1994).

Third, the critical theory paradigm assumes that reality is apprehendable. Critical theory takes the view of realist ontology and transactional/subjectivist epistemology. According to Perry, Riege and Brown (1999), in critical theory researchers aim at critiquing and transforming social, political, cultural, economic, gender and ethical values. Under this type of research, the relationship between the researcher and the researched object is assumed to be interactive, where the researcher can influence the researched subject through the mode of enquiry (Guba and Lincoln 1994). Research data often involves long-term ethnographic and historical studies of organisational processes and structures (Perry, Riege, and Brown 1999). Critical theory assumes that social and cultural values are pre-determined by the participants that shape a symbolic meaning system within the society; and that the role of the researcher is to transform these values into knowledge. In order to obtain such knowledge, the researcher has to engage or interact with the participants through communication. The results are interpreted from clarification of the dialogue between the participants of the research object and the researcher (Guba and Lincoln 1994). However, Blaikie (2007) asserts that in this type of research, the researcher seeks to take conscious steps to minimize his or her influence on the research object. Thus, the findings are considered value mediated. Data under the critical theory paradigm is usually qualitative and is obtained by observation of interaction and communication between participants and the researchers (Guba and Lincoln 1994).

Last, the fourth paradigm is constructivism. According to Guba and Lincoln (1994, 110), constructivism adopts a relativist ontology in which realities are assumed to be "apprehendable in the form of multiple, intangible mental construction, social and experientially based, local and specific in nature (although elements are often shared among many individuals and even across cultures)". In other words, it views the world as external and reality as a product of human minds. Reality is only regarded as 'real' if is it perceived as 'real' or it is an idea that is perceived from the impression of being real (Blaikie 2007). From the constructivist's point of view, meaning has more value than measurement, and perception is the most important reality (Perry, Riege, and Brown 1999). Meaning is not inherent within a research object, rather it has to be constructed; and the role of the researcher is assumed to be interactively linked with the research object to create findings as the investigation proceeds (Guba and Lincoln 1994). Guba and Lincoln (1994) state that data collected under constructivism type of research is purely qualitative, and derived from participant observations, text analyses, and unstructured interviews.

Given the above explanations of each paradigm (in Table 4.1), it is argued that the most appropriate paradigm for this thesis is the positivism paradigm. This thesis is a study that better enables the researcher to determine 'how things really are' and 'how things really work', as it aims to explain the possible determinants of voluntary disclosure practices of Vietnamese listed firms. This thesis, therefore, best fits under the positivist research paradigm as it will explicate real-world phenomena.

The following section explains how the positivist research process is applied in this thesis.

4.2.2 Research Approach

Belkaoui-Riahi (2001) views accounting as a social science, and notes that different research practices in accounting have been based on different perspectives. This thesis adopts the positivist paradigm, and thus an objectivist-positivist research process is adopted in this thesis. This research approach is outlined in Figure 4.1.

Figure 4.1 Thesis' Research Process

Ontology *The concept of reality*	Positivism.
Epistemology *The theory of reality (how may the reality be known)*	Objectivism.
Research Methodology *Strategy, plan of action to determine reality*	Empirical quantitative large data set analysis of Vietnamese listed firms' annual reports.
Research Methods *Techniques or procedures to be carried out in order to obtain the reality*	Descriptive and statistical analyses (t-tests, correlations, multiple regression and binary logistic regression).

Source: Adapted from Crotty (1998) and Tan (2005).
Legend: Shaded areas represent the research process of this thesis.

The positivist paradigm has a naive realist approach, in which relationships are determined, predictable and reductionist (Guba and Lincoln 1994). This thesis investigates the level of voluntary disclosure among Vietnamese listed firms and identifies possible key determinants to predict the level of voluntary disclosure.

Epistemology is the study of knowledge and the origin of that knowledge (Dawson 2002). This thesis adopts an objectivist epistemology that suggests that reality exists independent of human perception. Tan (2005) notes that a distinguishing feature of objectivism is that the main focus of the research is on the facts, and then the researcher looks for causality, formulates hypotheses and finally tests them to discover the knowledge. Since the extent of voluntary disclosure among Vietnamese listed firms is studied through the information disclosed in annual reports, the researcher is considered independent of the research object. In this thesis, the researcher first develops the hypotheses based on agency theory and evidence reported from prior studies. The researcher incorporates them in the unique environment of Vietnam, then subsequently integrates the data found in annual reports and tests them using inferential statistical tools.

According to Bryman (2004), the choice of a specific methodology in research depends on the research question and what the researcher aims to achieve. The research methodology involves particular research methods employed to attain the required knowledge. In order to answer the two research questions of this thesis (advanced in Section 1.4), the use of secondary data which is an analysis of Vietnamese listed firms' annual reports, is utilized in a positivist empirical quantitative fashion to explain the phenomena. In particular, the information disclosed in annual reports such as voluntary disclosure information, corporate governance systems, ownership identities (state, managerial and foreign ownership) and a set of firm-characteristics are tested against the hypotheses to discover possible relationships.

The research method describes the specific set of techniques employed to obtain the final results. Positivist research often relies on the use of quantitative, systematic and precise data such as: the use of secondary data, statistics and objective measures for testing hypotheses (Neuman 2000). This thesis analyzes the possible determinants of firms' voluntary disclosure via inferential statistical tests using the descriptive statistics, t-tests, correlations (Chapter 5) and multiple regression (Ordinary Least Square OLS) and binary logistic regression techniques (Chapter 6).

It is important to mention that although this thesis is primarily a positivist study, given the exploratory nature of this research (being one of the first studies of voluntary disclosure practices in Vietnam), it initially adopts a small qualitative approach to enhance the understanding of the issues surrounding the corporate reporting environment in Vietnam.

The next section presents the detail of the sample and data collection, the measurement of variables and various specific statistical techniques employed in this thesis.

4.3 Sample and Data

4.3.1 Sample Selection and Data Collection

This thesis research design is based on a sample of one year cross-sectional analysis that includes all possible listed firms in the stock exchange population of Vietnam (Ho Chi Minh and Hanoi stock exchange) in the financial year ending 31st December, 2009.

As the focus is on voluntary disclosure practices in annual reports, firms with no externally published annual reports are excluded from the sample. Details of the exclusion procedure of the data set are as follows:

1. Banks, financial and insurance listed firms (as they are subjected to different reporting regimes).
2. Firms for which annual reports were unavailable.
3. Firms with missing independent variables (corporate governance and ownership identities information).
4. Firms with anything other than a 12-month financial year period.

The data needed for this thesis includes data from annual reports for the financial year ending 31st December 2009, especially their voluntarily disclosed information, corporate governance details, ownership structure such as state, managerial and foreign ownership details and firm-characteristics such as firm size, profitability, leverage, industry, auditing firm, listing duration and the stock exchange location. The financial statements and annual reports are obtained from various sources, including: the two stock exchange websites www.hsx.vn (HOSE) and www.hnx.vn (HNX); each firm's website; and Vietstock (a leading financial analyst's database in Vietnam). Table 4.2 presents the final sample selected for this thesis.

Table 4.2 Final Sample Set for this Thesis

Description		Number of listed firms in 2009
Total firms listed on Vietnamese stock exchange in 2009 population		*448*
HOSE listed firms		199
HNX listed firms		249
Excluded firms	*21*	
HOSE financial listed firms	12	
HNX financial listed firms	9	
Excluded firms:	*170*[34]	
HOSE listed firms with no annual reports in 2009	4	
HNX listed firms with no annual reports in 2009	166	
Total available firms with annual reports		**257**
HOSE listed firms		183
HNX listed firms		74
Excluded firms:	*5*	
HOSE listed firms missing ownership data	4	
HNX listed firms missing ownership data	1	
Final sample firms available for voluntary disclosure analysis		**252**
HOSE listed firms in 2009		179
HNX listed firms in 2009		73
Percentage of sample firms from population		***56.30***

Legend: The table above presents the exclusion procedure for selecting the final sample of this thesis.

[34] See discussion of non-response bias of these 170 firms in Appendix E.

The total population consists of 448 listed firms[35] which includes 199 listed firms in Ho Chi Minh stock exchange (HOSE) and 249 listed firms in Hanoi stock exchange (HNX) in 2009. Among these 448 firms, there are 21 banks, financial firms and insurance firms, which are excluded in the sample. There are also 170 listed firms that did not issue comprehensive annual reports (see Section 7.3.1 and Appendix E for a discussion of this phenomenon). Thus, these firms are excluded from the sample. From the sample of 257 firms with comprehensive annual reports, five firms did not provide ownership structure data, and thus, these firms are also not included in the sample. The final sample for voluntary disclosure analysis consists of 252 Vietnamese listed firms including 179 HOSE and 73 HNX listed firms**,** signifying a representative 56.30 per cent of the whole listed firms' population in Vietnam (Table 4.2).

The next section provides the justification for the use of annual reports as the primary source of data for investigating the level of voluntary disclosure amongst Vietnamese listed firms.

4.3.2 Importance of Firms' Annual Reports

It has been well documented in previous studies that the corporate annual report is the most representative vehicle to analyze corporate disclosure, not only for investors and analysts but also for other stakeholders (Vergoossen 1993; Epstein and Freedman 1994). According to Stanton, Stanton and Pires (2004), the annual report of a firm acts as both a traditional and a statutory formal communication channel between a listed firm and its stakeholders. Botosan (1997) states that although the annual report is not the only means of corporate communication, it serves as a good proxy for the level of voluntary disclosure provided by a firm across all disclosure avenues.

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[35] This thesis defines all firms listed in 2009 as firms that are listed on the stock exchange and have commenced their share trading in 2009. In total, there are 461 firms listed in the two stock exchanges. Among these, there are 13 firms that had just been approved for listing at the end of 2009 but did not begin any trading activity until 2010. Thus, these 13 firms are not considered as firms listed in 2009.

The significance of the annual report has also been well argued in prior studies in emerging capital markets. Hassan and Christopher (1999) report that investment analysts in Malaysia regard the annual report as the most important source of information for investment decision making. Consistent with this finding, Ho and Wong (2004) find that investment analysts in Hong Kong consider annual reports as the most essential source of corporate information while it is considered a vital document as ranked by bank loan officers in emerging countries such as Kenya (Barako 2004).

Consequently, the annual report is viewed as the main source for voluntary disclosure of information in both developed capital markets (Cooke 1989, 1992; McKinnon and Dalimunthe 1993; Frost and Pownall 1994; Meek, Roberts, and Gray 1995) and emerging capital markets (Ho 2009; Barako 2004; Xiao and Yuan 2007; Wang, Sewon, and Claiborne 2008; Ferguson, Lam, and Lee 2002; Samaha and Dahawy 2011). Accordingly, the focus on annual reports in this thesis is appropriate, as it is consistent with previous voluntary disclosure literature in both mature and emerging capital markets.

Whilst the annual report is an important source of information for corporate disclosure, there are many other means by which a firm can disclose information, such as a press release, or through the Internet. Because of the growth of the Internet, recent studies have examined the disclosure level of a firm via the Internet (Oyelere, Laswad, and Fisher 2003; Matherly and Burton 2005; Khan 2006; Hanifa, Rashid, and Hafiz-Majdi 2006; Xiao, Yang, and Chow 2004). Yet, according to the Ministry of Finance on their investigation of listed firms' website availability, not all listed firms in Vietnam have a website and even if they do, they do not update it regularly (Ministry of Finance 2009). Due to the limited usage of these websites by Vietnamese listed firms, this form of disclosure is not analyzed in this study. Thus, the annual report remains the primary vehicle for Vietnamese listed firms to disseminate information to its shareholders.

The following section details the development and measurement of the dependent variable in this thesis: the Vietnamese Voluntary Disclosure Index (VnDI).

4.4 Dependent Variable

The extent of a firm's voluntary disclosure in this thesis is measured using an index from a composite measure of items that are carefully selected and screened and are tailored to the unique environment of Vietnam's corporate reporting practices.

The construction process for this Vietnamese Voluntary Disclosure Index (VnDI) is described in the next sub-sections.

4.4.1 Development of Vietnamese Voluntary Disclosure Index

A scientific approach to implementing a disclosure index is to gauge the level of disclosure. This approach was first introduced by Cerf (1961) in his study of 527 US listed firms during 1956 and 1957. Since then, many accounting studies have applied similar methods to measure both the quantity and quality of disclosure.

Whilst many studies utilize disclosure indices, there has not been a uniform method of selecting and measuring the disclosure items for each index. Cooke and Wallace (1989, 51) state that "financial disclosure is an abstract concept that cannot be measured directly". However, they argue that a disclosure index can be used to capture the intensiveness of corporate information communicated by the firms. According to Marston and Shrives (1991), there is no general rule to offer guidance on the selection of items to measure voluntary disclosure. As a result, researchers can adopt or adapt an existing index (with some modifications) or even create a new index tailored to the needs of their specific research environment.

Some researchers adopt an externally developed index to measure the level of disclosure. For instance, Rajan and Zingales (1998) and Hope (2003) adapt the Centre for International Financial Analysis Research (CIFAR) index whilst Khanna, Palepu and Srinivasan (2004) use the Standard and Poor's Transparency and Disclosure Index (S&P). Despite being objective and comprehensive, these indices possess some disadvantages. In particular, they are constructed based on the financial analysts' perception of useful information for both mandatory and voluntary disclosure and therefore, they are not direct measures of voluntary disclosure practices. Moreover, an externally developed index is often designed by and for the organisation that develops it, and therefore offers low construct validity[36] because it is not designed to answer the specific research question of a researcher (Bushee 2004; Webb, Cahan, and Sun 2008).

Alternatively, researchers can take a researcher-developed approach and create a new index to capture disclosure practices in a particular environment. For example, Cooke (1989) evolves a selection of voluntary disclosure items based on the disclosure recommendations of the Swedish Institute of Authorized Public Accountants and the International Standards Committee. In Cooke's (1989) study, a list of 146 items is compiled to examine the level of voluntary disclosure of Swedish firms. Such self-developed disclosure indices allow researchers to focus solely on a particular theme, and offer more validity than an externally developed index.

Another researcher-developed approach is one in which the researcher firstly adopts an existing index and then makes modifications to produce an index that is reliable and appropriate to gauge the disclosure level of their specific research environment. This approach has been employed extensively in the voluntary disclosure literature of both developed and emerging capital markets. Specifically, Hossain, Perera and Rahman (1995) develop a New Zealand disclosure index based on earlier studies in other countries such as the US and the UK (Gray, Meek, and Roberts 1992), Sweden (Cooke 1989) and Mexico (Chow and Wong-Boren 1987), as well as on prior studies of New Zealand (McNally, Eng, and Hassaeldine 1982). Their index firstly examines New Zealand's mandatory regulations and is critically revised by three accountants with expertise in New Zealand's reporting regulations. Their final result is a list of 95 items from an initial list of 110. Meek, Roberts and Gray (1995, 561) compile a disclosure index based on "an analysis of international trends

[36] The validity of a measuring instrument is the property of a measure that allows the researcher to measure the object that it is supposed to measure (Babbie 2010).

and observations of standard reporting practices”. Their checklist begins with 128 items and after screening against various mandatory requirements in the US, the UK and Europe, a final index of 85 items is developed. Ferguson, Lam and Lee (2002) initially produce a list of 102 items with reference to earlier studies in the US and UK (Gray, Meek, and Roberts 1992) and New Zealand (Hossain, Perera, and Rahman 1995). Their list is then compared with mandatory disclosure requirements in Hong Kong to eliminate mandated items, resulting in a final list containing 93 items. Wang, Sewon and Claiborne (2008) develop a Chinese voluntary disclosure index based on earlier studies in Sweden (Cooke 1989), Hong Kong (Ferguson, Lam, and Lee 2002), the US, UK and Europe (Meek, Roberts, and Gray 1995) and their final disclosure index consists of 79 items. Ho (2009) develops a unique voluntary disclosure index for Malaysian listed firms by adapting several prior studies of voluntary disclosure, including those of Hossain, Tan, and Adams (1994) Hossain, Perera, and Rahman (1995), Meek, Roberts and Gray (1995), Gray, Meek, and Roberts (1992), Botosan (1997), Gul and Leung (2004), Haniffa and Cooke (2002; 2005), Barako, Hancock, and Izan (2006), Ghazali and Weetman (2006) and screening these lists using independent experts with specific knowledge of Malaysian accounting practices. Of their initial list consisting of 151 original items, 85 are included in the final index to capture the level of voluntary disclosure in Malaysian listed firms for 1996, 2000 and 2006 (Ho 2009).

The above review supports the use of a disclosure index as a proxy to examine the level of voluntary disclosure. Accordingly, this thesis utilizes an index of disclosure to measure the level of voluntary disclosure by Vietnamese listed firms. Since there has been no known prior research on voluntary disclosure indices undertaken in Vietnam, as a starting point, this thesis adapts several well-known studies that have been utilized widely in the literature of voluntary disclosure. These studies include Meek, Roberts and Gray (1995), Ferguson, Lam and Lee (2002), Xiao and Yuan (2007), Ho (2009), Akhtaruddin et al. (2009) and Wang, Sewon and Claiborne (2008). Meek, Roberts and Gray (1995) is chosen as the primary source for this thesis on the basis that their extensive checklist is not only a result of “an analysis of international trends and observations of standard reporting practice, taking into account the relevant research studies as well as other comprehensive international surveys of accounting and reporting" (Meek, Roberts, and Gray 1995, 561), but also is referred to frequently in later literature of voluntary disclosure. The remaining studies above are taken into consideration because they are conducted in emerging countries, which are more likely to share similar characteristics to Vietnam's emerging capital markets.

Several steps are involved in the construction of the Vietnamese Voluntary Disclosure Index (VnDI) as explained in the following sub-sections.

4.4.1.1 *Selection of Items for Vietnamese Voluntary Disclosure Index*

The composition of the initial VnDI consists of two steps.

First, an extensive review of previous studies on voluntary disclosure is undertaken to identify commonalities and consistency between these disclosure indices. To be included in the disclosure index, an item needs to have been mentioned in more than one of the key prior studies of Meek, Roberts and Gray (1995), Ferguson, Lam and Lee (2002), Hannifa and Cooke (2002), Xiao and Yuan (2007), Ho (2009), Akhtaruddin, Hossain, Hossain and Yao (2009) and Wang, Sewon and Claiborne (2008). This method of items selection is consistent with previous studies (e.g., Hossain, Tan, and Adams 1994; Hossain, Perera, and Rahman 1995; Barako 2004; Alsaeed 2005; Xiao and Yuan 2007; Wang, Sewon, and Claiborne 2008; Ho 2009). The initial disclosure index contains 119 individual items (Table B.1 in Appendix B).

Second, the items selected in the index are then categorized into five key sub-categories, according to the users' need for information. These five sub-categories are identified as relevant to investigate the level of voluntary disclosure in emerging markets (Ho 2009; Barako 2004):

1. *Corporate and Strategic Information Disclosure*: consists of general firm information and strategic activities such as acquisition and disposal, research and developments (Meek, Roberts, and Gray 1995). This

information has been documented in previous literature as important for both financial analysts and shareholders (Meek, Roberts, and Gray 1995; Barako 2004; Ho 2009).

2. *Financial and Capital Market Data Disclosure*: is any monetary information disclosed by the firms. According to Meek, Roberts and Gray (1995), this information includes segment information, foreign currency transactions, financial review information and updates and news on the stock prices of the firms. This information has been reported as crucial for shareholders in their investment decision making (Meek, Roberts, and Gray 1995; Ferguson, Lam, and Lee 2002).

3. *Directors and Senior Management Information Disclosure*: relates to any information about the management of the firms. For instance, directors' remuneration, directors' ages and their experience (Ho 2009; Ferguson, Lam, and Lee 2002; Meek, Roberts, and Gray 1995; Barako 2004). Such information is useful as shareholders or suppliers need to know the experience and potential of management in order to determine the sustainability of the firm.

4. *Forward Looking Information Disclosure*: information that enables investors to make predictions about the future. It includes assessments of opportunities and risks, activities, plans, forecasted earnings, forecasted performance of firms (Clarkson, Kao, and Richardson 1994; Celik, Ecer, and Karabacak 2006). Disclosures such as these may provide useful information for investors in making their investment decisions.

5. *Corporate Social Reporting Information Disclosure*: represents any information that concerns the moral obligations or ethical activities that firms have engaged in to minimize any harm towards the community, environment, employees, and consumers (Belal 2001; Cahaya, Porter, and Brown 2006; Dobers and Halme 2009; Said, Zainuddin, and Haron 2009). Given that increasing attention has been paid towards global warming and ethical issues in recent years, this information is valuable not only to

shareholders but also to other stakeholders such as environmentalists, policy makers and society as a whole.

The final screening of these items and the compilation of the final unique Vietnamese Voluntary Disclosure Index (VnDI) are detailed in the next section.

4.4.1.2 *Screening of Items for VnDI*

As this is one of the first known voluntary disclosure studies of Vietnam, extra steps were carried out during the screening process. These steps were taken in order to better validate the index and to specifically capture the level of voluntary disclosure among listed firms in Vietnam.

First, an interview was carried out with a senior staff member of the State Securities Commission of Vietnam (SSC). As mentioned in Chapter 2, the SSC is the body responsible for issuing regulations and monitoring the activities of all listed firms in the stock market. This particular senior staff member had been involved with the development of many of the Vietnamese regulations in the financial regulatory framework for listed firms and thus was very knowledgeable, with expertise in corporate reporting regulations. The questions during this interview[37] focused on the regulatory framework surrounding mandatory disclosure among listed firms. Following on from the knowledge gained from this first interview, a series of document searches was carried out. As a result, several mandatory regulations for corporate disclosure of listed firms in Vietnam are identified. These are:

- *Vietnamese Accounting Standards 2003* (including *Decision 15/2006/QD–BTC,* which provides reporting guidelines for annual reports of all firms in Vietnam).
- *Vietnamese Law on Accounting 2003.*
- *Securities Law 2006.*

[37] The interview was carried out in accordance with Curtin University of Technology's Ethical Requirements for Research with Low Risk, and this study has been approved by the Curtin University Human Research Ethics Committee (Approval Number ACC-04-10).

- *Circular 38/2007/TT-BTC Guidance for Information Disclosure on Stock Exchange* (under *Securities Law 2006*). Although it is named as 'Guidance', this document acts as a mandatory regulation governing the level of corporate disclosure among all Vietnamese listed firms. In particular, *section II, sub-section 1.1.4* states that all listed firms are obliged to prepare their annual reports according to the *Format 2–CBTT–02* provided in the *Circular*.

Second, the original list of 119 items (Section B.1 of Appendix B) is critically reviewed by experts with specific knowledge and practical experience of Vietnamese corporate financial reporting[38]. The purpose of verification by these experts is to incorporate their opinions about the relevance of each disclosure item in the context of Vietnamese financial reporting environment. The experts include:

- The managing partner of one of the 'Big Four' auditing firms (KPMG, EY, Deloitte, and PWC), with more than five years of Vietnamese auditing experience.
- Several senior auditors in former state auditing firms and several local and non-state auditing firms, in both Ho Chi Minh City and Hanoi. These individuals each have at least ten years of auditing experience in Vietnam.

As the focus of this thesis is on voluntary disclosure practices of listed firms, the preliminary lists of 119 items are sent with the request that they are screened against the mandatory regulations. Previous studies in emerging capital markets (Ferguson, Lam, and Lee 2002; Barako 2004; Xiao and Yuan 2007; Ho 2009) also employ this approach to construct a disclosure index that uniquely captures the disclosure practice in their research environment.

[38] These surveys are conducted according to Curtin University of Technology's Ethical Requirements for Research with Low Risk.

Of the 20 surveys sent to the experts[39], 12 are returned (representing a 60 per cent response rate)[40]. However, only eight responded with thorough and comprehensive replies and thus, a final useable response rate 40 per cent is achieved. According to Smith (2003), a response rate of less than 25 per cent is common in accounting research. As a result of these responses, 25 items are removed as they are found to be mandatory under various regulations. Of these 25 items, 24 items are from the *Circular 38/2007/TT-BTC* requirement and one item (off balance sheet financing information) is mandated to be disclosed in the financial reports of all firms (listed and unlisted) under *Decision 15/2006/QD-BTC* of *Vietnamese Accounting Standards 2003* (Section B.2 of Appendix B).

Third, to further strengthen the validity[41] of the VnDI, follow-up interviews are held with three individual Vietnamese experts[42] in order to more fully understand the concerns and reasons surrounding the items recommended for exclusion from the index. From these interviews, a further ten items are recommended for exclusion as they are deemed to have little or no relevance to the reporting environment of Vietnam. The reasons for excluding these 35 items are provided in greater detail in Section B.2 of Appendix B.

Given the exploratory nature of this research in the Vietnamese context, the above steps are necessary to obtain a unique index specifically tailored to capture the level of corporate voluntary disclosure in Vietnam. Based on the response from the

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39 The surveys are delivered in person to the offices of these individuals.

40 Among 12 of the 20 surveys returned, nine are returned within the first three weeks of distributing the survey. The author then conducted follow-up phone calls and emails to request the return of the remaining surveys. As the result, three are collected by the author at the offices of the participants. The remaining eight surveys did not respond to the follow-ups.

41 Babbie (2010, 146) defines validity as "the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration". For instance, this study measures the level of voluntary disclosure of information and thus the index should only contain items that are voluntary disclosure. Steps have been taken to eliminate items mandated for disclosure by various regulations; including items not relevant to the precise measurement of the level of voluntary disclosure (see Appendix B).

42 Upon completing the survey, experts are asked whether or not they are interested in engaging in a follow-up interview to discuss their answers. Three participants agreed, and interviews are subsequently carried out with them.

survey and its follow-up interviews, a final list of 84 items for the VnDI is compiled. This list is detailed in Section B.3 of Appendix B.

4.4.2 Measuring Vietnamese Voluntary Disclosure Index

According to the extant literature, there are four distinct types of measurement for a disclosure index. Table 4.3 provides a summary of these approaches.

Table 4.3 Classifications of Disclosure Measurement

Types	Scoring	Measurement
1	Dichotomous	Equal weightings of all items (unweighted approach).
2	Dichotomous	Differential weightings of all items (weighted approach).
3	Qualitative (Range of scores e.g. 0-3)	Equal weightings of all items (unweighted approach).
4	Qualitative (Range of scores e.g. 0-3)	Differential weightings of all items (weighted approach).

Sources: various (Coy, Tower, and Dixon 1993; Suhardjanto 2008).
Legend: Shaded row represents the measurement for disclosure index utilized in this thesis.

1. In the first type of disclosure index, each item is equally weighted and expressed in a dichotomous form, whereby a firm is given one (1) for a disclosed item and zero (0) otherwise. This approach assumes that all items are equally important, and thus reduces subjectivity in determining weights for each item (Ahmed and Curtis 1999). This is by far the most common approach used in the extant literature of voluntary disclosure (e.g., Meek, Roberts, and Gray 1995; Hossain, Perera, and Rahman 1995; Ho and Wong 2001; Ferguson, Lam, and Lee 2002; Naser, Al-Khatib, and Karbhari 2002; Haniffa and Cooke 2002; Cheng and Courtenay 2006; Xiao and Yuan 2007; Ho 2009).

2. An alternative form of the dichotomous system is when all items are measured according to the deemed importance of each item to the specific research environment. The weighting of each item may be determined by

the researcher or by specific groups of respondents. For instance, in Robbins and Austin (1986), 20 out of 27 items in their disclosure index are assigned a score of 100 for disclosure of an item and zero (0) otherwise. These items are then weighted by bond analysts, based on their perceptions of the importance of each item in evaluating the financial condition of a city issuing general obligation debt. Similarly, Barako (2004) measures the extent of voluntary disclosure in Kenya based on the opinions of bank loan officers on the importance of each term.

3. The third type of disclosure is different from the above two indices in a way that all items are ranked individually, according to the quality of information each contains and all items are weighted equally. In particular, in Coy, Tower and Dixon (1993), a three-point quality scale of disclosure items is implemented with (1) one awarded for items with poor criteria; (2) two for items with satisfactory criteria and; (3) three for items with excellent criteria.

4. Finally, the fourth type of disclosure index is a qualitative range of scores for each item, and all items are awarded with different weights according to the interested parties' perceptions of relevance or importance. In Robbins and Austin (1986), four out of 27 items in the disclosure index are awarded a score using a four-point percentage scale (0 to 100 per cent)[43]. These items are then weighted by bond analysts according to their importance in evaluating the financial condition of a city issuing general obligation debt (Robbins and Austin 1986).

The second, third and fourth disclosure index approach may be more discriminating in certain cases. However, the level of subjectivity in measurement is considered far higher and thus, these approaches are not adopted in this thesis. This thesis therefore adopts the first approach.

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[43] In their study, an item is given (1) zero if there is no disclosure; (2) 25 per cent if disclosure ranges between 1–10 words; (3) 50 per cent if disclosure is 11–30 words; (4) 75 per cent if disclosure is 31–60 words and (5) 100 per cent if disclosure exceeds 60 words (Robbins and Austin 1986).

4.4.2.1 *Weighting the Items of Vietnamese Voluntary Disclosure Index*

Previous studies that apply a weighted approach (Botosan 1997; Eng and Teo 1999) do so on the basis that not all items in annual reports are of equal importance. However, this approach has been criticized in the extant literature as being subjective (Cooke 1989). It is difficult to quantify a user's preference for a particular disclosure item. For instance, an item ranked five for importance or relevance is not necessarily five times more important or more relevant than an item with a ranking of one. Furthermore, the weighting of items is generated by different user groups, and may reflect the bias of these specific groups of users (Marston and Shrives 1991) and reflects their perception rather than the actual information needs (Chow and Wong-Boren 1987).

On the other hand, an unweighted approach offers lower subjectivity as it assumes that each item of disclosure is equally important for all users in decision making processes (Cooke 1989; Meek, Roberts, and Gray 1995). Cooke (1989, 15) argues that "an approach which tried to encapsulate the subjective weights of a multitude of users groups would be unwieldy, and probable futile". Thus, if the focus of a study is on all users and not a specific group, then an unweighted approach is most appropriate. Furthermore, many prior studies on voluntary disclosure in emerging capital markets that employ both weighted and unweighted approaches find no significant difference between the two approaches (Chow and Wong-Boren 1987; Barako 2004). Table 4.4 presents a summary of previous studies and their various weighting approaches of disclosure items.

As the focus of this thesis is on general voluntary disclosure to all users, it is considered most appropriate to adopt an unweighted disclosure index because this has been documented as being less subjective and judgemental. Furthermore, it can be seen from Table 4.4 that the vast majority of studies on voluntary disclosure practices in both developed and emerging economies adopt the less subjective unweighted approach. Therefore, the decision of adopting the unweighted approach for Vietnamese voluntary disclosure scores is considered appropriate.

Table 4.4 Past Studies of Weighting Disclosure Items

Year of study	Weighted scoring approach	Year of study	Unweighted scoring approach
1993	New Zealand (Coy, Tower and Dixon)	1989	Sweden (Cooke)
2000	Hong Kong (Chen and Jaggi)	1992	Japan (Cooke)
2001	Hong Kong (Ho and Wong)	1995	New Zealand (Hossain, Perera, and Rahman)
2009	New Zealand (Jiang and Habib)	1995	Switzerland (Raffournier)
		1995	US, UK and European (Meek, Roberts, and Gray)
		1997	Spain (Inchausti)
		1998	New Zealand (Adams and Hossain)
		1998	Zimbabwe (Owusu-Ansah)
		2002	Hong Kong (Ferguson, Lam, and Lee)
		2002	Jordan (Naser, Al-Khatib, and Karbhari)
		2002	Malaysia (Haniffa and Cooke)
		2003	Singapore (Eng and Mak)
		2004	Greece (Leventis and Weetman)
		2005	Australia (Collett and Hrashky)
		2005	Australia (Lim, Matolcsy, and Chow)
		2006	Malaysia (Ghazali and Weetman)
		2006	Singapore (Luo, Courtenay, and Hossain)
		2007	China (Xiao and Yuan)
		2007	Ghana (Tsamenyi, Enninful-Adu, and Onumah)
		2007	Turkey (Agca and Onder)
		2007	Zimbabwe (Mangena and Tauringana)
		2008	China (Wang, Sewon, and Claiborne)
		2008	Ireland (Donnelly and Mulcahy)
		2009	Malaysia (Akhtaruddin et al.)
		2009	Qatar (Hossain and Hammami)
		2010	Malaysia (Akhtaruddin and Haron)
		2011	Malaysia (Ho and Tower)
1987	Mexico (Chow and Wong-Boren): utilize both weighted and unweighted approach		
2004	Kenya (Barako): utilizes both weighted and unweighted approach		

Legend: The table above highlights previous studies of voluntary disclosure and their disclosure item weighting approach. Studies that utilize both weighted and unweighted approaches usually find no significant difference between the two.

The following section further explains the procedure of scoring each item to produce a final disclosure score.

4.4.2.2 *Scoring the Items of the Vietnamese Voluntary Disclosure Index*

One problem with scoring a voluntary disclosure index is that it is difficult to justify whether or not an item is considered relevant to any specific criterion. For example, an inventory item is likely to be irrelevant to financial or service firms. To minimize the subjectivity surrounding this issue, the following procedures are taken.

First, each annual report of the firms is read twice. The first reading allows the researcher to gain familiarity with the operating environment of the firm. This provides the researcher with the necessary knowledge of the scope and activities of the firm in order to justify whether or not certain items are applicable to that specific firm. The second reading is then taken to award the score for that firm. This multi-layered approach is commonly used in the study of voluntary disclosure of emerging markets, as in Haniffa and Cooke (2002), Barako (2004) and Ho (2009).

Second, the scoring sheet is piloted in 45 firms to ensure the scoring method applied in this thesis is reliable (Vu, Tower, and Scully 2011). Furthermore, according to Marston and Shrives (1991), a disclosure score is considered reliable if the result obtained by an independent researcher is a close replication of the original result. Therefore, in order to better ensure the reliability[44] of the disclosure scores for Vietnamese listed firms, another researcher (who is an accounting academic and is also doing a Ph.D in accounting) is involved in the scoring of the 84 disclosure items. A sample of 20 annual reports in the year 2009 (representing 8.1 per cent of total sample) is randomly selected for this reliability check. To ensure the scoring method is correctly applied, detailed, clear instructions for scoring each item within the voluntary disclosure index are discussed between the author and the independent researcher. This method is introduced by Buzby (1975) and then followed by many researchers in their studies of voluntary disclosure (Ho 2009). The results between the two researchers reveal no significant differences (the results of these scores are displayed in Appendix C). Based on the results, the potential subjectivity problem arising from the scoring procedure against the disclosure

[44] Reliability refers to the ability to achieve similar results by using an instrument several times (Bernard 2000).

instrument is not deemed an issue in this thesis. Therefore, the scores of the Vietnamese Voluntary Disclosure Index in this thesis are considered reliable.

Finally, the disclosure score from each firm is recorded in a scoring sheet and firms are scored against the voluntary disclosure index. The scoring procedures are:

1. Each firm is given a point of one (1) for a disclosure item within the check list and zero (0) otherwise.
2. The scoring of each item is added to compute the total disclosure score achieved by a particular firm.
3. The total disclosure score is divided by the total maximum possible voluntary disclosure score.

The final Vietnamese Voluntary Disclosure Index (VnDI) calculated for each firm is as follows:

$$VnDI_i = \frac{\sum_{t=1} X_i}{n_i}$$

Where:

$VnDI_i$ = Voluntary disclosure index for i^{th} firm;
n_i = voluntary disclosure item applicable to i^{th} firm ($n \le 84$ items);
X_i = Dummy variable to the value of one (1) for disclosed item and dummy variable to the value of zero (0) for otherwise; so that:
$0 = VnDI_i \le 1$

The use of the above relative style index is employed in several studies such as Buzby (1975), Meek, Roberts and Gray (1995), Owusu-Ansah (1998), Wang, Sewon and Claiborne (2008) and Ho (2009). This technique of dividing the actual score by the maximum score possible for a firm is applied to prevent firms being penalized for non-disclosure of irrelevant items. For instance, for firms in the services industry, items such as: 'Picture of major products'; 'Discussion of Research and Development activities'; 'Breakdown and analysis of operating expenses'; 'Breakdown and analysis of operating expenses into fixed/variables'; 'Discussion of raw materials'; and 'Index of selling prices/quantity sales/raw materials prices' are deemed to be less relevant. And as such, instead of the maximum score of 84, these firms' scores are divided by 76.

There is no unequal weighting attached to the scoring of the final VnDI (as discussed in Section 4.3.2.1). Marston and Shrives (1991) assert that an index is valid if it represents the intention of the researcher. Since the focus of this thesis is on voluntary disclosure to all groups of users (as mentioned earlier), an unweighted scoring approach is appropriate.

In the next section, the operationalization of independent variables (the proportion of independent directors on corporate boards, the proportion of state ownership, managerial ownership and foreign ownership) are discussed.

4.5 Independent Variables

Previous studies indicate that corporate governance mechanisms, particularly the proportion of independent directors on corporate boards, are an important determinant of a firm's information disclosure levels (Eng and Mak 2003; Xiao and Yuan 2007; Ho, Tower, and Taylor 2008). The selection of ownership structure variables is based on the assumption that depth of information disclosure varies between firms, as different firms have different types of agency relationships (Naser, Al-Khatib, and Karbhari 2002). Accordingly, the key independent variables examined in this research include: the proportion of independent directors on corporate boards and the three ownership identity variables of state, managerial and foreign ownership. Table 4.5 presents the measurement of these four independent variables.

Table 4.5 Measurements of Independent Variables

Independent variables	Measurements of independent variables	Type of variable
Corporate governance (*CG*)	Number of independent directors stated in the 2009 annual report of firm *i*, divided by the total number of all directors (both independent and non-independent) in the 2009 annual report of firm *i.*	Continuous
State ownership (*STATE*)	Number of ordinary outstanding shares held by the Vietnamese government in firm *i* at the cut-off date specified in the 2009 annual report of firm *i*, divided by the total number of ordinary outstanding shares of firm *i* at the cut-off date specified in the 2009 annual report of firm *i*.	Continuous
Managerial ownership (*MAN*)	Number of ordinary outstanding shares held by senior managers on corporate boards in firm *i* at the cut-off date specified in the 2009 annual report of firm *i*, divided by the total number of ordinary outstanding shares of firm *i* at the cut-off date specified in the 2009 annual report of firm *i*.	Continuous
Foreign ownership (*FOREIGN*)	Number of ordinary outstanding shares held by foreign owners in firm *i* at the cut-off date specified in the 2009 annual report of firm *i*, divided by the total number of ordinary outstanding shares of firm *i* at the cut-off date specified in the 2009 annual report of firm *i*.	Continuous

Legend: The above table describes the measurements for the independent variables of this thesis.

The measurement technique used for each of the independent variables is described below.

4.5.1 Corporate Governance Proxy

Previous literature suggests that agency theory provides a framework linking the disclosure behaviour of a firm to its corporate governance (Jensen and Meckling 1976; Shleifer and Vishny 1986; Ho and Wong 2001; Eng and Mak 2003; Barako 2004; Ho 2009). Corporate governance mechanisms are implemented to improve the monitoring of managers' behaviour so that shareholders can protect themselves from fraud or diversion of assets by managers. Past studies of voluntary disclosure examine corporate governance aspects in many ways, but the proportion of independent directors on corporate boards has been by far the most common measurement for corporate governance (Forker 1992; Eng and Mak 2003; Gul and Leung 2004; Barako, Hancock, and Izan 2006; Lim, Matolcsy, and Chow 2007; Malone, Fries, and Jones 1993; Ajinkya, Bhojraj, and Sengupta 2005; Lakhal 2005; Chen and Jaggi 2000; Cheng and Courtenay 2006; Akhtaruddin et al. 2009).

Therefore, consistent with the majority of literature, the proportion of independent directors divided by the total number of directors on firm corporate boards is used as a proxy to measure corporate governance (Table 4.5).

4.5.2 State Ownership

As in previous studies (Naser, Al-Khatib, and Karbhari 2002; Eng and Mak 2003; Xiao and Yuan 2007; Xiao, Yang, and Chow 2004; Wang, Sewon, and Claiborne 2008), state ownership is determined in this thesis by the percentage of shareholding owned by the state over the total issued shares of the company (Table 4.5).

4.5.3 Managerial Ownership

Similar to state ownership, managerial ownership is measured using a ratio. It is calculated by the percentage of shares held by senior managers on corporate boards[45] over the total issued shares of the company (Eng and Mak 2003; Leung and Horwitz 2004; Xiao and Yuan 2007) (Table 4.5).

[45] *Circular 38/2007/TT-BTC Guidance for Information Disclosure on Stock Exchange* (under *Securities Law 2006*) requires all Vietnamese listed firms to disclose the proportion of shares held by managers on the firm's corporate board. And thus, with little else disclosed about managers, this thesis defines managerial ownership as the proportion of shares held by senior managers on corporate boards.

4.5.4 Foreign Ownership

Over the years, the Vietnamese government has taken various steps to increase foreign ownership by reducing restrictions. As of 31st December 2009, the ownership ceiling for foreign investors in listed firms is 49 per cent. Consistent with the majority of previous studies in emerging capital markets (Haniffa and Cooke 2002; Barako, Hancock, and Izan 2006; Wang, Sewon, and Claiborne 2008), in this thesis, foreign ownership is measured by the percentage of shareholding by foreign investors over the total issued shares of the company (Table 4.5).

4.6 Control Variables

To test the main hypotheses, this thesis includes a number of firm-characteristics control variables (firm size, profitability, leverage, industry, auditing firm, listing duration and stock exchange location in order to minimize cross-sectional variations. These control variables are included, as they are reported in the literature to be associated with voluntary disclosure.

4.6.1 Firm Size

Firm size has often been reported as a significant explanatory variable in previous studies of voluntary disclosure practices. Considerable research notes a significant and positive relationship between firm size and information disclosure (Chow and Wong-Boren 1987; Cooke 1989; Camfferman and Cooke 2002; Cooke 1992; Raffournier 1995; Leung and Horwitz 2004; Wang, Sewon, and Claiborne 2008; Xiao, Yang, and Chow 2004; Xiao and Yuan 2007; Jiang and Habib 2009; Ghazali and Weetman 2006). According to Hossain, Perera and Rahman (1995), agency costs increase with the firm size. Thus, it is expected that larger firms will have more incentives to provide information in order to reduce agency costs. On the other hand, in smaller firms, managers may have less incentive to provide information due to fear of disclosing information that may give their competitors valuable information (Raffournier 1995). Furthermore, Singhvi and Desai (1971) offer a number of reasons why a firm's size may affect its level of corporate disclosure.

First, information costs in bigger firms are fewer than in smaller firms. Second, it has also been posited in the literature that larger firms are more sensitive to political costs, thus, these firms disclose more information in order to alleviate public criticism or government intervention in their affairs. Third, larger firms are likely to have a wider variety of investors and so, the demand for information disclosure in these firms is higher than in smaller firms. As such, bigger firms are more likely than smaller firms to disclose more information to satisfy such demands.

4.6.2 Profitability

Empirically, prior studies find a significant positive relationship between the extent of voluntary disclosure and firm profitability (Haniffa and Cooke 2002; Ghazali and Weetman 2006; Mangena and Tauringana 2007). Moreover, a commonly held view is that more profitable firms usually disclose more information than less profitable firms, as the former have incentives to distinguish themselves from the latter. Agency theory suggests that managers of more profitable firms use external financial reporting information as a tool to enhance their personal advantages, such as: remuneration, promotions or bonuses (Singhvi and Desai 1971; Wallace and Naser 1995; Inchausti 1997) and to improve shareholders' value as a way to attract additional capital (Grossman and Hart 1980). Moreover, Ng and Koh (1994) posit that there is more public scrutiny for more profitable firms and thus, these firms are likely to engage in self-regulation mechanisms, such as enhancing corporate disclosure to avoid future external regulation.

4.6.3 Leverage

Agency theory indicates that firms face higher agency costs with higher leverage because higher leverage may result in higher monitoring costs (Jensen and Meckling 1976). Consequently, in order to reduce agency costs and improve information asymmetry, managers of firms with higher leverage may disclose more information to provide creditors, suppliers and investors with more assurance that the firm can meet its financial obligations. Some past studies of corporate disclosure find a significant association between leverage and corporate disclosure (Xiao, Yang, and

Chow 2004; Hossain, Tan, and Adams 1994; Barako, Hancock, and Izan 2006). On the other hand, there are few studies reporting that leverage lacks significant influence on the level of corporate disclosure (Ho and Tower 2011; Alsaeed 2005).

4.6.4 Industry

Verrecchia (1983) argues that the sector of operations influences the disclosure policy of corporations and therefore an industry variable should be included. Previous studies find that the type of industry can be an explanatory key for some of the variations in firms' disclosure (Haniffa and Cooke 2002; Barako 2004; Ho 2009). Wallace and Naser (1995) argue that firms from different industries may be subject to different mandatory disclosure practices and hence, they may implement different voluntary disclosure practices. Furthermore, Owusu-Ansah (1998) and Ng and Koh (1994) posit that highly regulated industries may be subject to more rigorous controls, which may affect the disclosure practices of the company in this industry. Cooke (1992) reports that Japanese manufacturing firms provide more information than Japanese non-manufacturing firms while Haniffa and Cooke (2002) find that industry type is related to voluntary disclosure practices in Malaysia. Consistent with Hackston and Milne's (1996) study, this thesis classifies industries categorically as high-profile and low-profile, with one (1) allocated for firms listed in high-profile industries and zero (0) for low-profile industries. High-profile industries are those in: agricultural and associated sectors, chemicals, energy and fuel, engineering, forestry, liquor and tobacco, media and communications, mining, transport and tourism. Low-profile industries are industries such as: building construction, electrical, finance and banks, food, investment, medical supplies, meat and by-products, miscellaneous services, property, retailers, and textiles and apparel.

4.6.5 Auditing Firm

Additionally, extant literature indicates that variations of corporate disclosure may be caused by differences in the types of auditing firms (Singhvi and Desai 1971). This is because it is assumed that big auditing firms are more concerned with their reputations and thus, they are more likely to associate with firms that provide adequate information, or they encourage clients to disclose more. Agency theory suggests that firms exercise their choice of auditor as a mechanism to reduce conflicts of interests between shareholders and managers, as auditing facilitates shareholders in the monitoring process (Watts and Zimmerman 1990; Jensen and Meckling 1976). In particular, Wallace and Naser (1995) note that quality auditing firms, such as the 'Big Four' auditing firms, try to improve their perceived audit quality by encouraging their clients to participate in disclosing more information.

4.6.6 Listing Duration

Previous research suggests that the extent of voluntary disclosure of a firm is positively associated with firm age. Owusu-Ansah (1998) argues that the extent of the information disclosure of a firm depends on its listing duration, as it is a proxy for the firm’s stage of development and growth. Owusu-Ansah (1998) further advances a few reasons why in general, older listed firms are expected to disclose more information than newly listed firms. First, younger firms may face competitive disadvantages of information if they disclose certain items. Second, the cost of gathering, processing and disseminating information is more costly in younger firms and also, younger firms may lack information history records, which may lead to lower information disclosure. Third, Alsaeed (2005) posits that older firms tend to engage in a higher level of disclosure because these firms may enhance their financial reporting practices over time. As the Vietnamese capital market is increasing more rapidly every year, the numbers of newly listed firms play a significant role in the capital market population. Thus, an age-based listing duration variable of older versus newly listed firms is included in this thesis.

4.6.7 Stock Exchange Location

Given that Ho Chi Minh City was controlled by its colonial ‘master’ the French (1858–1954) and later came under the management of the US (1954–1975), Ho Chi Minh City arguably displays more of a Western influence whereas Hanoi, the Northern capital, is more closed up in its historical ‘communist’ way (as discussed in

Chapter 2). Although the country reunited in 1975 and its economy has opened up for more than 20 years since '*Doi Moi'*, culturally Ho Chi Minh City still appears to be more 'open' than its capital Hanoi. In addition to this difference, there is a five-year gap between the opening of the Ho Chi Minh stock exchange (HOSE was opened in 2000) and the newer Hanoi stock exchange (HNX was established in 2005). Therefore, there may be a difference between the information disclosure environments of firms listed on these two stock exchanges. Within Vietnam, it is often perceived that HOSE listed firms are a better investment than HNX listed firms. For instance, according to a report of credit ratings analysis from the Credit Ratings Information Centre of Vietnam (2010), in general, HOSE listed firms perform better than HNX listed firms. Thus, managers of HOSE listed firms may provide more information in order to enhance this perception and to further distinguish them from HNX listed firms. Table 4.6 presents the measurements of the seven control variables.

Table 4.6 Measurements of Control Variables

Control variables	Measurements of independent variables	Type of variable
Firm size (*SIZE*)	Natural logarithm total assets of firm *i* as reported in the 2009 annual report.	Continuous
Profitability (*PROFIT*)	Ratio of net profit to total assets of firm *i* as reported in the 2009 annual report.	Continuous
Leverage (*LEV*)	Ratio of total liabilities to total assets of firm *i* as reported in the 2009 annual report.	Continuous
Industry (*IND*)	The value of one (1) is given if the firm *i* is in the high-profile industries category and zero (0) for otherwise.	Categorical
Auditing firm (*AUDIT*)	The value of one (1) is given if the audit firm *i* is audited by the 'Big Four' auditing firms and zero (0) for otherwise.	Categorical
Listing duration (*LISTING*)	The value of one (1) is given if the firm *i* is newly listed in year 2009 and zero (0) for firms listed in earlier years.	Categorical
Stock exchange location (*LOC*)	The value of one (1) is given if the firm *i* is listed on Ho Chi Minh stock exchange and zero (0) for firms listed on Hanoi stock exchange.	Categorical

Legend: The above table describes the measurements for control variables of this thesis.

4.7 Statistical Analysis

Descriptive figures and related statistics (descriptive and t-tests) are employed to determine the means, medians and standard deviation of each variable. The results of these tests are provided in Chapter 5. To minimize the problem of multicollinearity between variables, two correlation matrices are presented via statistical tools such as Pearson (parametric test) and Spearman (non-parametric test) variants (Chapter 5). The multiple regression model (Ordinary Least Squares—OLS) is the primary method used to test the associations between the dependent variable of voluntary disclosure and the predictor variables (Chapter 6). To add depth to the thesis, binary logistic regression is also conducted to further investigate the impact of predictor variables on certain key voluntary disclosure items. The next sub-sections overview each of these statistical tests.

4.7.1 Descriptive Statistics

Descriptive statistics are used to provide descriptions or inferences about a data set (Tabachnick and Fidell 2007). According to Cooper and Schindler (2008), descriptive statistics help to explain the centre, spread and shape of data distributions. In this thesis, descriptive statistics are used to calculate the means, medians, range and variance of dependent variables of the Vietnamese Voluntary Disclosure Index (VnDI) and its five sub-categories, the four independent variables of independent directors on corporate boards, state ownership, managerial ownership, foreign ownership and the seven control variables of: firm size, leverage, profitability, industry, auditing firms, listing duration and stock exchange location (Chapter 5). For the continuous variables, histograms are also plotted (Appendix D). For categorical variables, percentages and number-per-case are presented.

4.7.2 T-tests

T-tests are used to detect any significant difference between the means of two independent groups (Field 2009). This thesis utilizes t-tests to examine the independent variables of state ownership, managerial ownership, foreign ownership and the categorical control variables of industry, auditing firms, listing duration and stock exchange location. For instance, a series of t-tests are conducted as a beginning investigation of the relationships between the continuous dependent variables (VnDI and its five sub-categories) and for the categorical control variables (Chapter 5).

4.7.3 Correlations

"Correlation coefficients measure the strength of associations or relationships between two variables" (Field 2009, 783). The strength of association ranges from minus one to plus one. This thesis utilizes Pearson and Spearman correlations to not only detect the strength of the relationships between variables, but also to detect the issue of multicollinearity between variables. Multicollinearity exists when two or more independent variables can explain the dependent variable well, but they may be highly correlated. If multicollinearity exists in an equation, it could be difficult to distinguish the individual effects of the independent variables on the dependent variable (Cooper and Schindler 2008). Inclusion of such variables in the equation can weaken the analysis by inflating the size of error terms (Tabachnick and Fidell 2007). According to Cooper and Schindler (2008), the two variables are considered highly correlated at 0.8 or a greater level[46].

4.7.4 Multiple Regression

Multiple regression analysis is a statistical tool that is often employed to linearly test the relationships between a single dependent variable and a set of predictor variables (Cooper and Schindler 2008). In this thesis, the main statistical method utilized to test the association between the dependent variable of Vietnamese Voluntary Disclosure Index (VnDI) and the independent variables of independent directors on corporate boards and three ownership identities (state, managerial and foreign ownership) is the Ordinary Least Square (OLS) regression. These are Hypotheses H_1, H_2, H_3, and H_4 (Chapter 3). A number of control variables are also included in the regression model in order to minimize cross sectional variations. The control variables (firm size, profitability, leverage, industry, auditing firms and listing duration) are commonly used in previous studies of voluntary disclosure practices in emerging countries, while the stock exchange location variable is added based on the distinctive economic and reporting behaviour of Vietnam.

The regression model of this thesis is as follows:

$$VnDI_i = \lambda_i + \beta_1 CG_i + \beta_2 STATE + \beta_3 MAN_i + \beta_4 FOREIGN_i + \gamma_1 SIZE_i + \gamma_2 PROFIT_i + \gamma_3 LEV_i + \sum_{i=1} \delta_j IND_i + \sum_{k=1} \delta_k AUDIT_i + \sum_{m=1} \delta_m LISTING_i + \sum_{n=1} \delta_n LOC_i + \epsilon \qquad \text{[Model 1]}$$

46 To better test the multicollineariy issue, the Variance Inflation Factors (VIF) score is calculated. VIF is a widely used method for detecting and measuring the multicollinearity problem for variables. Highly correlated predictor variables are removed from the regression analysis (Appendix G).

Where:

$VnDI_i$ = Ratio of Vietnamese Voluntary Disclosure items reported by firm i in the 2009 annual report;

CG_i = Number of independent directors stated in the 2009 annual report of firm i, divided by the total number of all directors on corporate boards (both independent and non-independent) in the 2009 annual report of firm i;

$STATE_i$ = Number of ordinary outstanding shares held by the government in firm i as at the cut-off date specified in the 2009 annual report of firm i, divided by the total number of ordinary outstanding shares of firm i as at the cut-off date specified in the 2009 annual report of firm i;

MAN_i = Number of ordinary outstanding shares held by senior managers on the corporate boards in firm i as at the cut-off date specified in the 2009 annual report of firm i, divided by the total number of ordinary outstanding shares of firm i as at the cut-off date specified in the 2009 annual report of firm i;

$FOREIGN_i$ = Number of ordinary outstanding shares held by foreign investors in firm i as at the cut-off date specified in the 2009 annual report of firm i, divided by the total number of ordinary outstanding shares of firm i as at the cut-off date specified in the 2009 annual report of firm i;

$SIZE_i$ = Natural logarithm total assets of firm i as reported in the 2009 annual report;

$PROFIT_i$ = Ratio of net earnings to total assets of firm i as reported in the 2009 annual report;

LEV_i = Ratio of total debt to total assets of firm i as reported in the 2009 annual report;

IND_i = Categorical variable to control for industry differences with industry firm i is given a dummy variable in the value of one (1) if the firm is in High-profile industries; otherwise zero (0);

$AUDIT_i$ = Categorical variable to control for auditor differences with the auditing firm of the 2009 annual report of firm i is given a dummy variable in the value of one (1) if the auditing firm is one of the 'Big Four', otherwise zero (0);

$LISTING_i$ = Categorical variable to control for listing duration differences with firm i is given a dummy variable in the value of one (1) if it is newly listed in the year 2009, otherwise zero (0);

LOC_i = Categorical variable to control for listing location differences with firm i listed on the Ho Chi Minh stock exchange in the year 2009 is given a dummy variable in the value of one (1), otherwise zero (0);

λ_i = Regression constant.

$\beta_{1,2...n}, \gamma_{1,2...n}$ = Coefficients to independent and control variables.

$_i$ = Firm specific.

ϵ = Error of prediction.

The multiple regression model and statistical results are presented in Chapter 6. The next section outlines additional analyses carried out to test the robustness of the results.

4.8 Sensitivity Analysis

A number of sensitivity tests are undertaken to further the analysis (see Section 6.3, Section 6.4 and Appendix H). Different proxies are used for the key variables to ensure that different methods of measuring the constructs do not completely drive the overall results and conclusions. Table 4.7 presents the alternate measurements of the dependent variable and independent variables for the sensitivity analysis.

- Sub-analysis tests of the five major sub-categories of the VnDI are conducted. These sub-categories are: (i) Vietnamese Voluntary Corporate and Strategic Information Index (VnCSI), (ii) Vietnamese Voluntary Financial Capital Market Data Index (VnFCMI), (iii) Vietnamese Voluntary Directors and Senior Management Disclosure Index (VnDSMI), (iv) Vietnamese Voluntary Forward Looking Information Index (VnFLI), and (v) Vietnamese Voluntary Corporate Social Reporting Disclosure Index (VnCSRI) (Barako 2004; Ho 2009). The purpose of these tests is to enrich the understanding of voluntary disclosure of information. Particularly, these tests examine the impact of predictor variables on different types and sub-categories of information disclosure.
- To generate further insights on individual disclosure items and related explanatory factors, 16 key items[47] within the index of 84 voluntary disclosure items are specifically selected for unique regression analysis against the predictor variables. These tests are conducted via a logistic regression statistical tool. The main objective of conducting extra analyses on these individual items is to explore the potential predictors for disclosure of certain key individual voluntary disclosure items.
- On the basis that Vietnamese regulation requires at least one third of independent directors on corporate boards, extra analysis is carried out between two groups of firms: those that comply with this requirement and those that do not. The purpose of this extra test is to investigate whether it

[47] The selection of these 16 items is based on the top three most disclosed items of each sub-category. For the Vietnamese Voluntary Corporate Social Reporting Disclosure sub-category, there are two items that have the same scores and thus, the sensitivity tests are carried out for the four items within this sub-category.

makes any difference about the voluntary disclosure practices between firms that comply with the corporate governance and firms that do not. Additionally, corporate governance mechanisms are measured by the dominant role of a chairperson who is also a Chief Executive Officer (CEO) of the firm. A dummy variable of one (1) is given if the firm has a chairperson who is also a CEO and zero (0) for otherwise (Al-shammari and Al-sultan 2010; Barako 2007; Chau and Gray 2010; Cheng and Courtenay 2006; Gul and Leung 2004). Furthermore, extra analysis is also carried out to test the impact of corporate board size (the number of members within corporate boards) on the extent of Vietnamese voluntary disclosure. The purpose of these tests is to provide support for a more comprehensive understanding of the role of corporate governance mechanisms within Vietnamese listed firms.

- State, managerial and foreign ownership[48] are alternatively measured using dummy variables, such as: one (1) for the presence of state, managerial, and foreign ownership respectively, and zero (0) otherwise (Ho and Wong 2001; Ho 2009; Gelb 2000; Xiao and Yuan 2007). Additionally, state, managerial and foreign ownership are then re-examined in low and high ownership concentration categories (above and below the 20 per cent level). Many studies on the ownership concentration in Asian economies utilize this 20 per cent cut-off level (La Porta et al. 2000; Fan and Wong 2002; Claessens, Djankov, and Lang 2000). The objectives of these tests are to provide further support for the main findings of this thesis and are conducted as ways to mitigate the problems of endogeneity that can bias the interpretation of the results of the main thesis. These additional results are presented in Appendix H, while a discussion of the endogeneity issue is provided in Appendix I.

[48] Prior empirical studies indicate that ownership structure and corporate disclosure can be simultaneously determined (Makhija and Patton 2004). Endogeneity is considered an important limitation in empirical studies (Healy and Palepu 2001). It has been argued that endogeneity caused by firms' unobservable specific factors, and omitted variables such as operational characteristics between firms, may produce bias in the Ordinary Least Square regression (Nikolaev and Van Lent 2005). The endogeneity issue is discussed in greater detail in Appendix I.

Table 4.7 Measurements of Variables for Sensitivity Analyses

Primary analysis	Sensitivity analysis	Measurement
Dependent variable		
VnDI (a total disclosure index that includes 5 major sub-categories)	Vietnamese Voluntary Corporate and Strategic Disclosure Index (*VnCSI*). Vietnamese Voluntary Financial and Capital Market Data Disclosure Index (*VnFCMI*). Vietnamese Voluntary Directors and Senior Management Disclosure Index (*VnDSMI*). Vietnamese Voluntary Forward Looking Information Disclosure Index (*VnFLI*). Vietnamese Voluntary Corporate Social Reporting Disclosure Index (*VnCSRI*).	Continuous
Independent variables		
Corporate governance	Dummy variable is given the value of one (1) if the firm meets the requirement of at least one third of independent directors on corporate boards and zero (0) for otherwise. Dummy variable is given the value of one (1) if the firm has a CEO who is also a chairperson and zero (0) for otherwise.	Categorical
	Corporate board size is measured by the number of members on corporate boards of management.	Continuous
State ownership	Dummy variable is given the value of one (1) if the firm has state ownership and zero (0) for otherwise. Dummy variable is given the value of one (1) if the firm has a proportion of state ownership greater than 20 per cent and zero (0) for otherwise.	Categorical
Managerial ownership	Dummy variable is given the value of one (1) if the firm has any managerial ownership and zero (0) for otherwise. Dummy variable is given the value of one (1) if the firm has a proportion of managerial ownership greater than 20 per cent and zero (0) for otherwise.	Categorical
Foreign ownership	Dummy variable is given the value of one (1) if the firm has any foreign ownership and zero (0) for otherwise. Dummy variable is given the value of one (1) if the firm has a proportion of foreign ownership greater than 20 per cent and zero (0) for otherwise.	Categorical

Legend: The table above describes the measurements for sensitivity analyses of this thesis.

4.9 Summary

This chapter provides a general description of the research approach applied to this thesis, and in particular the objectivist-positivist research process. To investigate the issue of voluntary disclosure practices, a one year cross-sectional sample that includes 252 listed firms (accounting for 56.30 per cent of the available population) in the Vietnamese stock exchange population for the financial year ending 31st December, 2009 is analyzed. The annual report is the focus of this thesis because of its primary role in communication between firms and stakeholders in Vietnam.

In order to specifically capture the voluntary disclosure practices of Vietnamese listed firms, a unique Vietnamese voluntary disclosure index is constructed. From the original list of 119 items gathered from the existing literature, the final index for the VnDI is developed and reduced to 84 items. These items are selected with their relevance as verified by Vietnamese accounting experts.

The measurements of the independent variables such as corporate governance, state ownership, managerial ownership and foreign ownership, as well as control variables including firm size, profitability, leverage, industry, auditing firm, listing duration and stock exchange location are provided. Statistical analyses employed in this thesis are outlined. A number of sensitivity tests undertaken to further the analysis of this thesis are also noted. Different proxies are used for the key variables to ensure that different ways of measuring the various constructs do not, in themselves, drive the overall results and conclusions.

The next chapter provides descriptive statistics for the dependent variable, independent variables and control variables.

CHAPTER 5. DESCRIPTIVE STATISTICS RESULTS

5.1 Introduction

Chapters 1 to 4 provide an overview of this thesis, the background of Vietnamese reporting infrastructure, the literature review and hypotheses development, and the research approach utilized in this thesis. This chapter presents the findings related to Research Question 1: '*What is the extent of voluntary disclosure made by Vietnamese listed firms in the 2009 comprehensive annual reports*?' To answer this question, details of the descriptive statistics information for the: dependent variable Vietnamese Voluntary Disclosure Index (VnDI); independent variables, namely the percentage of independent directors on corporate boards, the percentage of three ownership identities (state, managerial, and foreign ownership); and control variables of firm-characteristics, such as firm size, leverage, profitability, industry, auditing firm, listing duration and stock exchange location—are presented by highlighting the mean, median and standard deviations. Univariate statistics are also presented to offer preliminary insights into the inter-relationships between variables.

The chapter is organized as follows. Section 5.2 provides an overview of the overall VnDI, its five key sub-categories of disclosure and the descriptive statistics of certain key items within the disclosure index. The statistical results for the corporate governance variable (percentage of independent directors on corporate boards) and three ownership identity variables (state, managerial and foreign ownership) are presented in Section 5.3. In Section 5.4, results of the descriptive statistics for the control variables are presented. Section 5.5 highlights the univariate analysis findings for the categorical control variables. Section 5.6 summarizes the results for Pearson/Spearman product-moment correlations of the research variables and considers the possible presence of multicollinearity. Finally, Section 5.7 provides a summary of the findings.

5.2 Vietnamese Voluntary Disclosure Index (VnDI)

This section presents the descriptive statistics for the Vietnamese Voluntary Disclosure Index (VnDI), its key sub-categories and the 84 individual items within the index. The VnDI consists of 84 items that are then categorized into five sub-categories of voluntary information disclosure, namely: (i) Corporate and Strategic Information; (ii) Financial and Capital Market Data; (iii) Directors and Senior Management Information; (iv) Forward Looking Information; and (v) Corporate Social Reporting Information.

5.2.1 Overall VnDI and its Five Major Sub-Categories

Table 5.1 presents the descriptive statistics for VnDI and each of the five key sub-categories of information. The data is derived from 252 annual reports for Vietnamese listed firms in the year 2009 (see discussion of the sample in Chapter 4). The shaded area represents the overall VnDI which is at 20.31 per cent[49] (ranging from 3.75 per cent to 50.00 per cent). The median is lower at 19.05 per cent, and the standard deviation is 9.07 per cent.

[49] As mentioned in Section 1.6 and Section 4.3.1, one of the limitations of this study is that there are 170 listed firms (representing nearly 40 per cent of the Vietnamese listed firms' population) that did not provide annual reports for the year 2009 (Table 4.2). The unavailability of these annual reports may impact on the generalization of the thesis results. Appendix E presents extra analyses on this non-response bias phenomenon. As seen in Appendix E, there are significant differences between firm-characteristics of firms in the respondent group (firms with comprehensive annual reports) and non-respondent groups (firms without comprehensive annual reports). In particular, firms providing annual reports are found to have the following characteristics: i) bigger firm size, ii) higher profitability, iii) lower leverage, iv) in high-profile industries, v) audited by the 'Big Four' auditing firms, vi) older listing firms and/or vii) firms listed on the Ho Chi Minh Stock Exchange (HOSE). As bigger firms, firms with higher profit, firms in high-profile industries, firms audited by the non-'Big Four' auditing firms, older listing firms and firms listed on HOSE are found to be significantly associated with increased voluntary disclosure (Table 6.1), this thesis argues that if these 170 non-respondent firms were to be included in the thesis analysis, the level of Vietnamese voluntary disclosure would likely be even lower than this 20.31 per cent figure (Table 5.1).

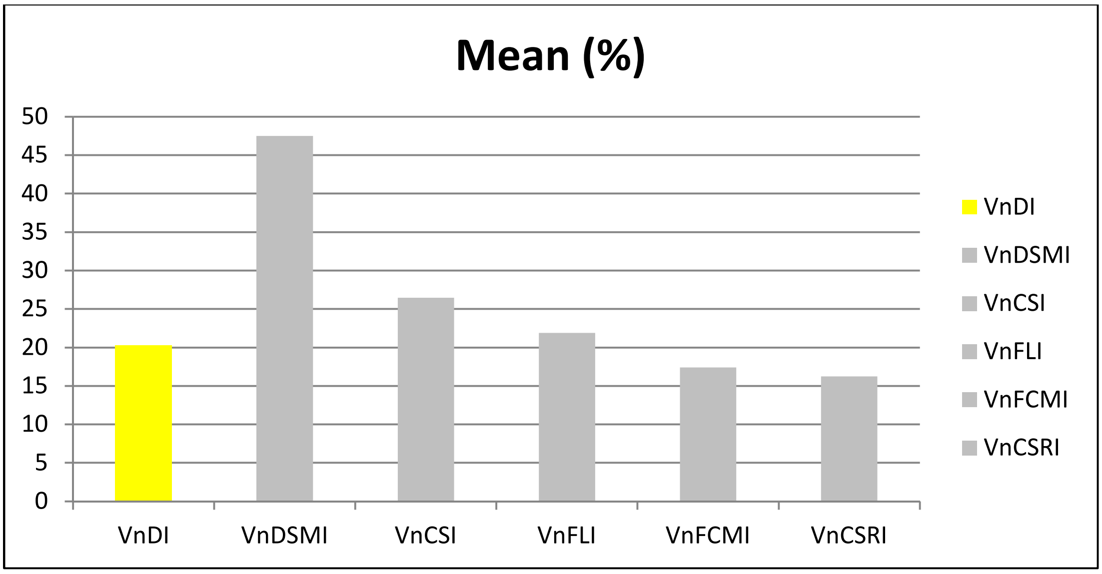
Table 5.1 Descriptive Results of VnDI and Five Sub-Categories

	VnDI	*VnDSMI*	*VnCSI*	*VnFLI*	*VnFCMI*	*VnCSRI*
Mean (%)	20.31	47.49	26.48	21.88	17.39	16.22
Median (%)	19.05	33.33	25.00	21.43	16.00	12.50
SD (%)	9.07	29.12	16.80	16.53	8.98	13.16
Minimum (%)	3.75	0.00	0.00	0.00	0.00	0.00
Maximum (%)	50.00	100.00	81.82	78.57	48.15	62.50

Legend: VnDI is the acronym for Vietnamese Voluntary Disclosure Index (shaded) with its five sub-categories are Vietnamese Voluntary Directors and Senior Management Disclosure Index (VnDSMI), Vietnamese Voluntary Corporate and Strategic Information Index (VnCSI), Vietnamese Voluntary Forward Looking Information Index (VnFLI), Vietnamese Voluntary Financial Capital Market Data Index (VnFCMI) and Vietnamese Voluntary Corporate Social Reporting Disclosure Index (VnCSRI). SD = standard deviation and number of firms = 252.

As shown in Table 5.1 above, the sub-category of Directors and Senior Management Information has by far the highest level of communication (a mean of 47.49 per cent) while Corporate Social Reporting Information has the lowest disclosure at 16.22 per cent. Falling in the middle at 26.48 per cent is the disclosure of Corporate and Strategic Information. The final two sub-categories, Forward Looking Information and Financial Capital Market Data rates are somewhat lower at 21.88 per cent and 17.39 per cent respectively. Figure 5.1 presents the mean of the Vietnamese Voluntary Disclosure Index score and its five sub-categories.

Figure 5.1 VnDI and Five Sub-Categories of Information



Legend: Figure 5.1 presents graphically the mean of Vietnamese Voluntary Disclosure Index score and its five sub-categories. VnDI is the acronym for Vietnamese Voluntary Disclosure Index (shaded) with its five sub-categories are Vietnamese Directors and Senior Management Disclosure Index (VnDSMI), Vietnamese Corporate and Strategic Information Index (VnCSI), Vietnamese Forward looking Information Index (VnFLI), Vietnamese Financial Capital Market Data Index (VnFCMI) and Vietnamese Corporate Social Reporting Disclosure Index (VnCSRI). Number of firms = 252.

5.2.2 Individual 84 Items of VnDI

This section details the mean disclosure score of each individual item within the 84-item Vietnamese Voluntary Disclosure Index. Table 5.2 below shows the levels of voluntary disclosure across the sample firms per category of specific individual items in descending order.

Table 5.2 Descriptive Results of Individual Items of VnDI (84 items)

Items of Vietnamese Voluntary Disclosure Index (84 items)	Mean (%)
Directors and Senior Management Information (3 items)	**47.49**
Identification of senior management and their functions	83.33
Other directorships held by directors	37.30
Picture of senior management team	21.83
Corporate and Strategic Information (14 items)	**26.48**
Statement of strategy and objectives – financial	53.57
Statements of strategy, implementation measures improve business	49.60
General discussion of industry trends (past)	38.89
Discussion of competitive environment	29.37
Discussion of Research and Development activities	28.97
Descriptive information of marketing network (foreign)	25.79
Statement of strategy and objectives – social	25.00
Physical output and capacity utilization	24.60
Picture of major products	24.21
Discussion of future products developments	22.62
Descriptive information of marketing network (domestic)	19.05
Rate of return on expected projects	3.57
Discussion on the impact of strategy on future results	0.40
Discussion on the impact of strategy on current results	0.00
Forward Looking Information (14 items)	**21.88**
Forecast of sales – quantitative	60.71
Forecast of profits – quantitative	60.32
Assumptions underlying forecast	40.87
Discussion of external factors affecting the firm's future (economics, politics and technology)	38.89
General discussion of future industry trend	30.16
Forecast of sales – qualitative	18.25
Forecast of profits – qualitative	17.06
Discussion on future expenditure	12.70
Discussion on the effects of foreign currency on future operating activities	8.33
Discussion on the effects of inflation on future operating activities	7.14
Discussion on the effects of interest rates on future operating activities	5.95
Index (selling prices/quantity sales/raw materials prices)	4.76
Forecast of cash flows – quantitative	0.79

Items of Vietnamese Voluntary Disclosure Index (84 items)	Mean (%)
Forecast of cash flows – qualitative	0.40
Financial and Capital Market Information (29 items)	**17.39**
Name of stock exchange firm is listed on	89.68
Profitability ratio	76.59
Volume of shares traded (year end)	60.16
Gearing ratios	56.35
Breakdown and analysis of sales and revenues	38.89
Discussion of raw material	25.40
Discussion of advertising, marketing activities - qualitative	18.25
Discussion on the effects of interest rates on current results	14.68
Discussion on the effects of foreign currency on current results	13.49
Share prices information (year end)	12.70
Other ratios that are not mandatory	10.71
Share price information (trend)	10.32
Major exchange rates used in the accounts	7.94
Discussion on the effects of inflation rates on current results	7.94
Breakdown and analysis of operating expenses	7.57
Discussion of foreign currency exposure to firms' activities by managers	6.75
Volume of shares traded (trend)	6.35
Competitors analysis	5.16
Market capitalization at year end	4.76
Market share analysis	4.76
Return on capital employed ratio	3.97
Market capitalization trend	2.38
Discussion of advertising, marketing activities - quantitative	1.59
Breakdown and analysis of administrative expenses	1.59
Cash flow ratio	1.19
Aging of debtors	0.40
Disclosure of intangible valuations (except goodwill and brands)	0.00
Breakdown and analysis of operating expenses into fixed/variables	0.00
Order book or backlog information	0.00
Corporate Social Reporting Information (24 items)	**16.21**
Employee appreciation	52.38
Company awards	47.41
Discussion on the safety of the products	27.78
Community programs (health and education) implemented	27.78
Discussion of workplace safety (costs and measurement)	26.59

Items of Vietnamese Voluntary Disclosure Index (84 items)	Mean (%)
Nature of training	25.00
Statements concerned with wealth created (value added statement)	23.02
General philanthropy	22.22
Breakdown of line-of-business distribution of employees	19.05
Discussion on the effects of Employment Contract Act	18.65
Participation in government social campaigns	15.08
Charitable donations (specific names/amounts)	13.49
Statement of firm's environmental policies	11.90
Categories of employees by gender	11.51
General retrenchment or redundancy information	9.13
Environmental protection programs (qualitative)	7.54
Number of employees trained	6.75
Reasons for changes in employees numbers or categories	5.56
Amount spent on training	4.37
Geographical distribution of employees	3.97
Equal opportunity policy statement	2.78
Data on accidents	2.38
Picture of employee's welfare	1.59
Environmental protection programs (quantitative)	0.79
Overall VnDI	**20.31**

Legend: All 84 items are calculated as the average mean of 252 sample firms based on their 2009 annual reports. The mean averages of the five key sub-categories are also measured.

In the category *Directors and Senior Management Information*, communication of various items ranged from 21.83 to 83.33 per cent, with the highest disclosure being 'identification of senior management team and their functions' and the lowest being 'picture of senior management team'.

In terms of *Corporate and Strategic Information*, whilst more than half (53.57 per cent) of the sample firms outline their 'strategy and financial objectives', only a quarter of them (25.00 per cent) disclose 'strategy and social objectives'. In addition, whilst many firms discuss their 'strategy, implementation measures to improve their business' (49.60 per cent), none of them (0 per cent) disclose 'its impact on current results' and only a small number of firms (0.40 per cent) provide 'a statement discussing the impact of its strategy on future results'. Information related to 'rate of return on expected projects' also has a very low disclosure level at 3.57 per cent.

From an accountability and stewardship perspective, future prospect information is important to enable investors to make better economic decisions. For *Forward Looking Information*, more than half of the sample firms provide 'forecasted information for their sales and profit in quantitative terms' (60.71 and 60.32 per cent respectively). Yet, very few of them discuss their 'forecasted issues for their cash flow' (0.79 per cent for quantitative and 0.40 per cent for qualitative information). 'Discussion of external factors affecting the firm’s future' and 'general discussion of industry trend in the future' are disclosed at 38.89 and 30.16 per cent respectively.

Within the category of *Financial and Capital Market Data,* there are four items that have greater than 50 per cent communication, namely: 'name of stock exchange firm is listed on' (89.68 per cent), 'profitability ratio' (76.59 per cent), 'information on the volume of shares traded by the end of year' (60.16 per cent) and 'gearing ratios' (56.35 per cent). However, there are 14 other items that have a below ten per cent level of disclosure: 'major exchange rates used in the firm’s accounts', 'discussion on inflation rates on current results', 'breakdown and analysis of operating expenses', 'administrative expenses', 'discussion of foreign currency exposure by management', 'the trend of volume of share trades during the year', 'analysis of the firm’s competitors', 'market capitalization information at year end as well as its trend', 'market share analysis', 'return on capital employed ratio', 'discussion of advertising and marketing activities', 'cash flow ratio' and information regarding 'aging of the firm’s debtors'. Moreover, within these 14 items, there are three items that are not mentioned at all among the sample of Vietnamese listed firms; these are the disclosures of: 'intangible valuations', 'breakdown and analysis of operating expenses into fixed/variables' and 'order book or backlog information'.

Corporate Social Reporting Information has the lowest rate of disclosure among the sample of Vietnamese listed firms (16.21 per cent). Among those, 'employee appreciation' information is the most transparent, with more than half of the firms disclosing this information in their annual reports (52.38 per cent). Other than 'employee appreciation' information, Vietnamese listed firms seem to focus very little on information regarding employee training. For instance, 'nature of training' is disclosed at 25 per cent, 'number of employees trained' is communicated at 6.75 per cent, while information on 'amount on training' is disclosed at only 4.37 per cent. Interestingly, while some firms disclose their firm’s participation in 'philanthropic activities' (22.22 per cent), the 'specific amounts or specific names' of their donations are disclosed at a low rate of 13.49 per cent. Overall, there are ten items that have a less than ten per cent rate of disclosure (Table 5.2).

In conclusion, among the 84 voluntary disclosure items within the list of VnDI, disclosure levels vary widely. Vietnamese sample firms disclose most about the 'location of the stock exchange they are listed on' (89.68 per cent). This is followed by 'profitability ratios' (76.59 per cent) and 'quantitative information regarding the forecast of sales and profits' (60.71 per cent and 60.32 per cent respectively). A major finding is that 76 of the 84 items in the entire index have a less than 50 per cent rate of disclosure, with 36 of these items having disclosure levels of under ten per cent.

Further analyses of key individual items in the VnDI conducted via logistic regression are presented in Chapter 6. The objective of these tests is to explore the potential predictors for disclosure of certain noteworthy individual items.

The section above provides descriptive results for the dependent variable and its five key sub-categories of information. The next section presents descriptive results for the four independent variables, namely: the proportion of independent directors on corporate boards, and the proportions of state, managerial and foreign ownership.

5.3 Independent variables

This section documents the descriptive statistics for the four independent variables. In particular, the following sub-sections provide the results for: the corporate governance proxy variable (Section 5.3.1), state ownership (Section 5.3.2), managerial ownership (Section 5.3.3) and foreign ownership (Section 5.3.4). These results reveal some very interesting facts regarding the characteristics of Vietnamese firms.

5.3.1 Corporate Governance Proxy

The descriptive results for the proportion of independent directors on corporate boards (CG) variable are presented in Table 5.3.

Table 5.3 Descriptive Results of Corporate Governance Proxy

Panel A – Proportion of independent directors on corporate boards					
Number of firms	Mean (%)	Median (%)	SD (%)	Minimum (%)	Maximum (%)
252	53.89	57.14	20.86	0.00	100.00
Panel B – T-tests of two groups of independent directors on corporate boards					
	N	**Mean (%)**	**MD (%)**	**t-stats**	**Sig.**
ID(≤1/3)	30	16.73	4.06	2.325	0.021**
ID(>1/3)	222	20.80			

*Legend: Shaded areas denote statistically significant difference. Sig. = significant level. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). SD = standard deviation. MD = mean difference. The proportion of independent directors on corporate boards is measured by the total independent directors on corporate boards divided by the total members of corporate boards. ID (≤1/3) = firms that fail to meet the required 1/3 of independent directors on corporate boards and ID (>1/3) for otherwise. Number of firms = 252.*

Overall, across the 252 Vietnamese listed firms, the number of members on corporate boards of directors ranges from four to 11. The results in Table 5.3 indicate that the percentage of independent directors on listed firms' corporate boards is a moderate 53.89 per cent figure. This exceeds the minimum requirement of corporate governance for Vietnamese listed firms of at least one third of independent directors on corporate boards. Yet, there are 30 firms that fail to meet this minimum requirement (with less than one third of independent directors on their corporate boards).

Panel B of Table 5.3 reveals that the groups of firms that meet the required one third of independent directors on corporate boards disclose significantly more VnDI information (p-value = 0.021) than the group of firms that fails to have more than one third of independent directors on corporate boards (20.80 per cent versus 6.73 per cent). Thus, it can be concluded that the proportion of independent directors on corporate boards has a positive impact on the voluntary disclosure practices of Vietnamese listed firms. This finding is consistent with H_1.

5.3.2 State Ownership

Table 5.4 shows the descriptive statistics of state ownership for the sample of 252 Vietnamese listed firms. Despite substantial efforts to privatize, the average proportion of state ownership in the Vietnamese sample is 26.93 per cent, with the highest proportion at a substantial 79.92 per cent (Panel A of Table 5.4).

Panel B of Table 5.4 provides t-tests to examine the differences of disclosure levels between groups of firms with state ownership. Panel B reveals that among 252 listed firms, there are 181 firms that are at least partially owned by the state, representing 71.83 per cent of the full data set. On the other hand, only 71 firms have no state ownership (28.17 per cent). Panel B also reports that firms with the presence of state ownership engage in voluntary disclosure at a level of 19.67 per cent, while firms without any presence of state ownership score a higher rate of voluntary disclosure at 21.94 per cent. The difference in voluntary disclosure scores for the two groups of firms is moderately significant (p-value = 0.083).

Additionally, Panel C of Table 5.4 shows that there are 130 firms (51.20 per cent of the total sample firms) that have the state as an influencing shareholder (state ownership >20 per cent) and there are 123 firms (48.80 per cent of the total sample firms) with equal to or less than 20 per cent state ownership. The results also report that the voluntary disclosure score for influencing state ownership firms (>20 per cent) is significantly lower (*p*-value = 0.013) than for the group of non-state influencing ownership (≤20 per cent). Overall, t-tests show that the proportion of state ownership in a firm is negatively and strongly associated with the extent of voluntary disclosure within Vietnamese listed firms. These findings provide initial support for H_2.

Table 5.4 Descriptive Statistics and T-tests Results of State Ownership

Panel A – Proportion of state ownership					
Number of firms	**Mean (%)**	**Median (%)**	**SD (%)**	**Minimum (%)**	**Maximum (%)**
252	26.93	20.62	24.14	0.00	79.92
Panel B – T-tests VnDI and the presence of state ownership					
	N	**Mean (%)**	**MD (%)**	**t-stats**	**Sig.**
State	181	19.67	-2.27	-1.746	0.083***
No State	71	21.94			
Panel C – T-tests VnDI and the influencing state shareholders					
	N	**Mean (%)**	**MD (%)**	**t-stats**	**Sig.**
State (>20%)	129	18.80	-2.817	-2.506	0.013**
State (≤20%)	123	21.61			

*Legend: Shaded areas denote statistically significant difference. Sig. = significant level. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). SD = standard deviation. MD = mean difference. State ownership (STATE) is measured by the number of ordinary outstanding shares held by the government divided by the total number of ordinary outstanding shares. Number of firms = 252.*

5.3.3 Managerial Ownership

As shown in Table 5.5, managerial ownership within the sample of 252 Vietnamese listed firms averages 12.77 per cent[50]. The highest managerial ownership in a firm is at 95.48 per cent.

Table 5.5 Descriptive Statistics and T-tests Results of Managerial Ownership

Panel A – Descriptive statistics of the proportion of managerial ownership					
Number of firms	**Mean (%)**	**Median (%)**	**SD (%)**	**Minimum (%)**	**Maximum (%)**
252	12.77	4.94	17.59	0.00	9.55
Panel B – T-test VnDI and the presence of managerial ownership					
	N	**Mean (%)**	**MD (%)**	**t-stats**	**Sig.**
Managerial	245	20.34	0.961	0.276	0.783
No Managerial	7	19.38			
Panel C – T-test VnDI and the influencing managerial shareholders					
	N	**Mean (%)**	**MD (%)**	**t-stats**	**Sig.**
Managerial (>20%)	60	21.53	1.593	1.189	0.236
Managerial (≤20%)	192	19.93			

*Legend: There is no statistically significant difference in Table 5.5. Sig. = significant level. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). MD = mean difference. Managerial ownership (MAN) is defined by the number of ordinary outstanding shares held by senior managers on the board divided by the total number of ordinary outstanding shares. Number of firms = 252.*

Panel B of Table 5.5 reports that there are 245 firms (representing 97.22 per cent of total sample firms) that have at least some managerial ownership and only 7 firms (2.78 per cent of total sample firms) that do not have any managerial ownership.

[50] As mentioned in Section 4.4, this study measures managerial ownership as the proportion of shares disclosed by senior managers on the corporate boards. Therefore, the proportion of managerial ownership could be higher if the data for other senior managers who are not on the corporate boards were available.

The difference between voluntary disclosure scores for the two groups of firms is not significant.

Panel C of Table 5.5 also reveals that there are 60 firms that have an influencing level of managerial shareholders (managerial ownership >20 per cent), while there are 192 firms with managerial ownership of equal to or less than 20 per cent. Initial findings from the t-tests analyses indicate that managerial ownership is not a significant predictor in explaining the variations of Vietnamese voluntary disclosure and thus, H_3 is not supported.

5.3.4 Foreign Ownership

Results reported in Table 5.6 indicate that the proportion of foreign ownership for Vietnamese listed firms has a mean of 9.80 per cent. The proportion of foreign ownership among the sample of Vietnamese listed firms ranges from zero to the legal ceiling of 49 per cent. There are no firms that breach the maximum ceiling of 49.00 per cent foreign ownership. Across the sample of 252 listed firms, there is no foreign ownership in 19 firms. There are 46 firms with influential foreign shareholders (foreign ownership >20 per cent). The results of t-tests analyses in Panel B of Table 5.6 illustrate that affiliated foreign firms have higher means for the voluntary disclosure index (20.61 per cent) than is the case for non-foreign owned firms (16.68 per cent). The difference between the disclosure scores for these two groups is moderately significant (*p*-value = 0.069).

Panel C of Table 5.6 further presents that where firms have influential foreign shareholders, these firms tend to engage in more voluntary disclosure practices (23.19 per cent) than other firms with no influential foreign ownership (19.67 per cent). The difference of disclosure scores for the two groups is significant (*p*-value = 0.017). These initial results provide support for H_4.

Table 5.6 Descriptive Statistics and T-tests Results of Foreign Ownership

Panel A – Proportion of foreign ownership					
Number of firms	**Mean (%)**	**Median (%)**	**SD (%)**	**Minimum (%)**	**Maximum (%)**
252	9.80	4.19	12.03	0.00	49.00

Panel B – T-test VnDI and the presence of foreign ownership					
	N	**Mean (%)**	**MD (%)**	**t-stats**	**Sig.**
Foreign	233	20.61	3.9310	1.826	0.069***
No Foreign	19	16.68			

Panel C – T-test VnDI and the influencing foreign shareholders					
	N	**Mean (%)**	**MD (%)**	**t-stats**	**Sig.**
Foreign (>20%)	46	23.19	3.520	2.404	0.017**
Foreign (≤20%)	206	19.67			

*Legend: Shaded areas denote statistically significant difference. Sig. = significant level. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). SD = standard deviation. MD = mean difference. Foreign ownership (FOREIGN) is measured as ordinary outstanding shares held by foreign investors divided by the total number of ordinary outstanding shares of the firm. Number of firms= 252.*

Appendix D presents the histograms for the three independent variables (state, managerial and foreign ownership) as well the continuous control variables (firm size, leverage and profitability). The histograms of the three ownership identities variables in Appendix D (Figure D.2 to Figure D.4) reveal that these variables are not normally distributed. Specifically, the histograms for these three ownership identities show that there are many firms with zero state, managerial or foreign ownership (refer to Tables 5.4, 5.5 and 5.6). Therefore, to minimize the bias of data, alternative measurements of these three ownership variables are considered in this thesis. Section 6.5 reveals the results of additional analyses carried out for alternative measurements of these three ownership identity variables.

5.3.5 Section Brief

Overall, the descriptive statistics provide evidence indicating that 53.89 per cent of directors on corporate boards of 252 Vietnamese listed firms are independent directors. This average figure exceeds the minimum legal requirements for Vietnamese listed firms (at least 33 per cent of directors on corporate boards being independent). Yet, there are 30 firms that fail to meet this minimum. The average percentage of state ownership in this study is 26.93 per cent (with a range of zero to 79.92 per cent). Further, t-tests report that firms with state ownership engage in significantly less voluntary disclosure practices than firms without any involvement of state ownership. The proportion of managerial ownership is 12.77 per cent (ranging from a high figure of 95.48 per cent to 0.00 per cent). No significant difference is detected between voluntary disclosure scores for firms with and without managerial ownership. Additionally, the proportion of foreign ownership among the sample 252 Vietnamese listed firms is relatively low at an average 9.80 per cent. The t-tests results show that firms with foreign ownership provide more voluntary disclosure of information than other firms. Furthermore, it is found that the three ownership identity variables each have a noticeable number of zero per cent of state or managerial or foreign ownership. Therefore, extra analysis is conducted in Section 6.5 to further explore this phenomenon. The next section presents descriptive results for the control variables.

5.4 Control Variables

This section presents descriptive statistics for the continuous control variables, namely: firm size – SIZE (measured by the natural log of total assets), leverage – LEV (calculated as the ratio of total liabilities to total assets) and profitability of firms – PROFIT (calculated as the ratio of net profit to total assets). Then descriptive statistics and various t-tests for categorical control variables such as: industry type – IND (categorized as high-profile and low-profile industries), auditing firm – AUDIT (measured as a 'Big Four' auditing firm versus a non-'Big Four' auditing firm), listing duration – LISTING (classified as newly listed firms versus older listed firms) and stock exchange location – LOC (as Ho Chi Minh stock exchange and Hanoi stock exchange) are presented.

5.4.1 Descriptive Statistics

5.4.1.1 *Continuous Variables*

As shown in Table 5.7, with regard to control variables, the total asset of sample firms has a mean of 1,310,501 million VND[51] (with a standard deviation of 532,148 million[52] VND). The large difference between the mean and its median suggests the total assets variable is highly skewed (Figure D.5 in Appendix D). To minimize this problem, firm size is recomputed as the natural log of total assets (Hossain, Perera, and Rahman 1995), ranging between 9.97 and 17.12 with an average of 13.24 (Figure D.5 in Appendix D).

Table 5.7 Descriptive Results of Control Variables

	TOTAL ASSETS (million VND)	SIZE	LEV (%)	PROFIT (%)
Mean	1,310,501	13.24	49.06	9.48
Median	532,148	13.18	51.09	7.28
SD	2,630,459	1.24	21.60	10.52
Minimum	21,422	9.97	8.02	-32.92
Maximum	27,238,665	17.12	98.23	87.84

Legend: SD = standard deviation. Total assets are expressed in millions of Vietnam Dong (VND). Firm size (SIZE) is proxied by logarithm total assets of a firm to eliminate the skewness in the data. Leverage (LEV) is measured as the ratio of total liabilities to total assets of a firm. Profitability (PROFIT) is calculated as net profit divided by the total assets of a firm. Number of firms = 252.

[51] As of June 2012, this amount is approximately equal to 63 million USD.

[52] As of June 2012, this amount is approximately equal to 25 million USD.

On average, the sample firms have a return on assets of 9.48 per cent, ranging between -32.92 per cent and 87.84 per cent[53]. The sample also has an average leverage ratio of 49.06 per cent, ranging from 8.02 per cent to 98.2 per cent. Appendix D illustrates the histograms of these continuous control variables.

5.4.1.2 *Categorical Variables*

As shown in Table 5.8, there are more firms within low-profile industries (61.10 per cent or 154 firms) than firms within high-profile industries (38.89 per cent or 98 firms). Table 5.9 highlights that non-'Big Four' auditing firms provide auditing services for a majority of the Vietnamese listed firms (82.54 per cent or 208 firms). Also, as noted in Section 4.5, the Vietnamese capital market is increasing rapidly every year, with a considerable number of newly listed firms. Table 5.10 illustrates that among the 252 listed firms in the thesis sample, there are 69 newly listed firms in the year 2009 (representing 27.38 per cent of the sample). For the stock exchange location category, Table 5.11 reveals that there are more firms listed on the Ho Chi Minh Stock Exchange (71.03 per cent or 179 firms) than on the Hanoi Stock Exchange (28.97 per cent or 73 firms).

5.4.2 Univariate Statistics

T-tests are carried out on the dependent variable VnDI, including its five key sub-categories and the categorical predictor variables, namely industry (IND), auditing firm (AUDIT), listing duration (LISTING) and stock exchange location (LOC).

5.4.2.1 *Voluntary Disclosure and Industry*

Table 5.8 reports that on average, there is no significant difference between the overall level of voluntary disclosure, as well as the five sub-categories, made by firms within high-profile industries and firms within low-profile industries. Thus,

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[53] Besides having all data entry cross-checked many times, an additional checking process has been competently carried out for the top 30 and lowest 30 sets of numbers for all continuous control variables to ensure the accuracy of the data.

initial results for the univariate statistics indicate that industry type does not have any impact on the level of Vietnamese voluntary disclosure.

Table 5.8 Descriptive and T-tests Results of Industry Category

	N	Mean (%)	Mean Difference (%)	t-stats	Sig.
Panel A – T-tests VnDI and industry category					
Vietnamese Voluntary Disclosure Index (VnDI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
High-profile industries	98	20.84	1.10	1.150	0.251
Low-profile industries	154	19.84			
Panel B – T-tests VnDI sub-categories and industry category					
Vietnamese Voluntary Corporate and Strategic Information Index (VnCSI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
High-profile industries	98	27.89	2.29	1.056	0.292
Low-profile industries	154	25.59			
Vietnamese Voluntary Financial Capital Market Data Index (VnFCMI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
High-profile industries	98	48.98	0.77	0.662	0.509
Low-profile industries	154	46.54			
Vietnamese Voluntary Directors and Senior Management Disclosure Index (VnDSMI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
High-profile industries	98	47.34	2.44	0.648	0.517
Low-profile industries	154	47.62			
Vietnamese Voluntary Forward Looking Information Index (VnFLI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
High-profile industries	98	23.40	2.48	1.161	0.247
Low-profile industries	154	20.92			
Vietnamese Voluntary Corporate Social Reporting Disclosure Index (VnCSI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
High-profile industries	98	16.73	0.84	0.493	0.623
Low-profile industries	154	15.89			

Legend: There is no statistically significant difference in Table 5.8. IND = industry categories of high and low-profile; VnDI is the acronym for Vietnamese Voluntary Disclosure Index (shaded), with its five sub-categories, namely: Vietnamese Directors and Senior Management Disclosure Index (VnDSMI), Vietnamese Corporate and Strategic Information Index (VnCSI), Vietnamese Forward Looking Information Index (VnFLI), Vietnamese Financial Capital Market Data Index (VnFCMI) and Vietnamese Corporate Social Reporting Disclosure Index (VnCSRI). Number of firms= 252.

5.4.2.2 *Voluntary Disclosure and a Firm's Auditing Firm*

As shown in Table 5.9, the overall level of voluntary disclosure for firms audited by the 'Big Four' auditing firms is not significantly different from firms audited by non-'Big Four' auditing firms.

Table 5.9 Descriptive and T-tests Results of Auditing Firm Category

	N	Mean (%)	Mean Difference (%)	t-stats	Sig.
Panel A – T-tests VnDI and firm's auditing firm category					
Vietnamese Voluntary Disclosure Index (VnDI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
'Big Four'	44	22.13	0.024	1.468	0.143
Non-'Big Four'	208	19.93			
Panel B – T-tests VnDI sub-categories and auditing firm category					
Vietnamese Voluntary Corporate and Strategic Information Index (VnCSI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
'Big Four'	44	30.51	0.49	1.757	0.080***
Non-'Big Four'	208	25.63			
Vietnamese Voluntary Financial Capital Market Data Index (VnFCMI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
'Big Four'	44	18.92	0.02	1.249	0.213
Non-'Big Four'	208	17.06			
Vietnamese Voluntary Directors and Senior Management Disclosure Index (VnDSMI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
'Big Four'	44	50.76	0.04	0.820	0.413
Non-'Big Four'	208	46.79			
Vietnamese Voluntary Forward Looking Information Index (VnFLI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
'Big Four'	44	22.56	0.01	0.301	0.764
Non-'Big Four'	208	21.73			
Vietnamese Voluntary Corporate Social Reporting Disclosure Index (VnCSI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
'Big Four'	44	17.63	0.02	0.782	0.435
Non-'Big Four'	208	15.92			

*Legend: Shaded area denotes statistically significant difference. Sig. = significant level. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). AUDIT = auditing firm. 'Big Four' auditing firms are KPMG, Ernst and Young, Deloitte Touche Tohmatsu International and PriceWaterhouse Coopers. The non-'Big Four' auditing firms category includes all other auditing firms. VnDI is the acronym for Vietnamese Voluntary Disclosure Index (shaded) with its five sub-categories, namely: Vietnamese Directors and Senior Management Disclosure Index (VnDSMI), Vietnamese Corporate and Strategic Information Index (VnCSI), Vietnamese Forward looking Information Index (VnFLI), Vietnamese Financial Capital Market Data Index (VnFCMI) and Vietnamese Corporate Social Reporting Disclosure Index (VnCSRI).Number of firms= 252.*

Within the five sub-categories of information, firms that are audited by the 'Big Four' auditing firms tend to provide moderately to significantly more information in regard to the firm’s general and strategic information (*p*-value = 0.080). The results for the other four sub-categories are consistent with the result of overall voluntary disclosure with no significant difference for the two groups of firms. There seems to be no add-on effect of 'Big Four' auditing firms for most of the Vietnamese reporting information.

5.4.2.3 *Voluntary Disclosure and Firms' Listing Duration Category*

Table 5.10 shows that there are 69 newly listed firms, which is nearly one third of the total sample. On average, newly listed firms (firms listed in 2009) at a highly significant level (p-value = 0.001) provide less voluntary disclosure of information than firms that have been listed on the stock exchange for more than a year (17.39 per cent versus 21.41 per cent). Further univariate statistics on the five sub-categories confirm significant differences for the disclosure of these two groups of firms (p-values < 0.100). Thus, it can be argued that listing duration is a predictor for explaining the variations in VnDI.

Table 5.10 Descriptive and T-tests Results of Listing Duration Category

Panel A – T-tests VnDI and firms' listing duration category					
Vietnamese Voluntary Disclosure Index (VnDI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
New	69	17.39	-4.02	-3.198	0.001*
Not new	183	21.41			
Panel B – T-tests VnDI sub-categories and firm's listing duration category					
Vietnamese Voluntary Corporate and Strategic Information Index (VnCSI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
New	69	20.47	-8. 28	-3.571	0.000*
Not new	183	28.75			
Vietnamese Voluntary Financial Capital Market Data Index (VnFCMI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
New	69	16.03	-1.87	-1.473	0.071***
Not new	183	17.90			
Vietnamese Voluntary Directors and Senior Management Disclosure Index (VnDSMI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
New	69	43.00	-6.19	-1.507	0.067***
Not new	183	49.18			
Vietnamese Voluntary Forward Looking Information Index (VnFLI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
New	69	19.46	-3.33	-1.430	0.077***
Not new	183	22.79			
Vietnamese Voluntary Corporate Social Reporting Disclosure Index (VnCSI)					
	N	**Mean (%)**	**Mean Difference (%)**	**t-stats**	**Sig.**
New	69	12.94	-4.51	-2.452	0.008*
Not new	183	17.45			

*Legend: Shaded areas denote statistically significant difference. Sig. = significant level. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). LISTING = listing duration of firm. Newly listed firms are firms that have been listed for less than a year while non-newly listed firms are firms that have been listed for one year or more. VnDI is the acronym for Vietnamese Voluntary Disclosure Index (shaded) with its five sub-categories, namely: Vietnamese Directors and Senior Management Disclosure Index (VnDSMI), Vietnamese Corporate and Strategic Information Index (VnCSI), Vietnamese Forward looking Information Index (VnFLI), Vietnamese Financial Capital Market Data Index (VnFCMI) and Vietnamese Corporate Social Reporting Disclosure Index (VnCSRI). Number of firms= 252.*

5.4.2.4 *Voluntary Disclosure and Firms' Stock Exchange Location Category*

Panel A of Table 5.11 provides t-tests results of firms' voluntary disclosure (VnDI) classified by stock exchange (Ho Chi Minh versus Hanoi). As seen in Table 5.11, more than two thirds of the sample firms (71.03 per cent) are listed on the Ho Chi

Minh stock exchange (HOSE). Moreover, the level of voluntary disclosure made by HOSE listed firms are significantly (p-value = 0.000) higher than HNX listed firms (21.96 versus 15.79 per cent).

Consistent with the t-tests results between VnDI and a firm's stock exchange location (LOC), t-tests for the five sub-categories all show highly significant differences between the levels of voluntary disclosure made by firms listed on the two stock exchanges (p-values < 0.050). The results indicate that stock exchange location positively impacts on the extent of Vietnamese voluntary disclosure.

Table 5.11 Descriptive and T-tests Results of Stock Exchange Location Category

	N	Mean (%)	Mean Difference (%)	t-stats	Sig.
Panel A – T-test VnDI and firms' stock exchange location category					
Vietnamese Voluntary Disclosure Index (VnDI)					
HOSE	179	21.96	6.17	5.181	0.000*
HNX	73	15.79			
Panel B – T-test VnDI sub-categories and firms' stock exchange location category					
Vietnamese Voluntary Corporate and Strategic Information Index (VnCSI)					
HOSE	179	29.48	10.36	4.616	0.000*
HNX	73	19.13			
Vietnamese Voluntary Financial Capital Market Data Index (VnFCMI)					
HOSE	179	18.81	4.90	4.507	0.000*
HNX	73	13.90			
Vietnamese Voluntary Directors and Senior Management Disclosure Index (VnDSMI)					
HOSE	179	49.91	8.35	2.300	0.013**
HNX	73	41.55			
Vietnamese Voluntary Forward Looking Information Index (VnFLI)					
HOSE	179	23.34	5.05	2.215	0.014**
HNX	73	18.30			
Vietnamese Voluntary Corporate Social Reporting Disclosure Index (VnCSI)					
HOSE	179	17.94	5.93	3.747	0.000*
HNX	73	12.00			

*Legend: Shaded areas denote statistically significant difference. Sig. = significant level. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). LOC = stock exchange location. HOSE is the acronym for Ho Chi Minh stock exchange. HNX stands for Hanoi stock exchange. VnDI is the acronym for Vietnamese Voluntary Disclosure Index (shaded) with its five sub-categories, namely: Vietnamese Directors and Senior Management Disclosure Index (VnDSMI), Vietnamese Corporate and Strategic Information Index (VnCSI), Vietnamese Forward looking Information Index (VnFLI), Vietnamese Financial Capital Market Data Index (VnFCMI) and Vietnamese Corporate Social Reporting Disclosure Index (VnCSRI). Number of firms = 252.*

5.4.3 Section Brief

The above section presents the descriptive analyses for the continuous and categorical control variables. The evidence indicates that the total assets measurement of 252 Vietnamese listed firms is highly skewed. Consequently, the natural log of total assets is employed to measure a firm's size. On average, the sample firms have an average return on assets rate of 9.48 per cent and an average leverage ratio of 49.06 per cent. There are more firms within low-profile industries (154 firms) than within high-profile industries (98 firms). The majority of Vietnamese listed firms are audited by the non-'Big Four' auditing firms (85.32 per cent or 208 firms). Furthermore, the descriptive results indicate that there are 69 firms that were newly listed in the year 2009, compared to 183 firms listed prior to 2009. Within the sample, there are also more listed firms in Ho Chi Minh than in Hanoi (179 versus 73 firms)

Moreover, univariate statistics results report that the voluntary disclosure scores between firms within different categories of industries are virtually the same. The results also indicate that there is no significant difference between the overall voluntary disclosure made by firms audited by 'Big Four' auditing firms and non-'Big Four' auditing firms. The analyses also show that newly listed firms are clearly associated with voluntary disclosure at lower levels than older firms (*p*-value = 0.001). Additionally, firms listed on the Ho Chi Minh stock exchange have higher voluntary disclosure levels than firms listed on the Hanoi stock exchange (*p*-value = 0.000).

5.5 Spearman and Pearson Correlation Matrices

Appendix F presents the results for Spearman and Pearson correlation matrices for all research variables of this thesis. The purpose of analysing correlation matrices is to provide further insights into the relationships among these variables. Correlation matrices are presented for the dependent variable and its five sub-categories and between each sub-category with the other independent variables and control variables.

Overall, among the independent variables, the proportion of independent directors on corporate boards, the proportion of foreign ownership, firm size and stock exchange location are positively and significantly correlated with the overall VnDI. The proportion of state ownership and listing duration are negatively correlated with VnDI (Table F.1). Within the overall index, the five sub-categories are positively and significantly correlated with the VnDI as well as each other. Within the five sub-categories VnCSRI has the highest positive correlation with the overall voluntary disclosure at r = 0.779 (Table F.2).

Evidence from Table F.3 and Table F.4 in Appendix F indicates that the proportion of independent directors on corporate boards is significantly and positively correlated with VnCSI and VnFCMI. On the other hand, the proportion of state ownership is negatively and significantly correlated with three other sub-categories of information, namely VnCSI, VnDSMI and VnCSRI (Table F.3, Table F.5 and Table F.7 respectively). The proportion of managerial ownership is not found to be significantly correlated with any of the sub-categories, as well as the overall VnDI. Moreover, the proportion of foreign ownership is positively and significantly correlated with the four sub-categories: VnCSI, VnFCMI, VnDSMI and VnCSRI (Table F.3, Table F.4, Table F.5 and Table F.7 respectively).

For the control variables, firm size and stock exchange location consistently show significant correlations with all five sub-categories in positive directions. Whereas, a firm's listing duration is negatively and significantly correlated with the overall VnDI, as well as its five sub-categories. The results from the correlation matrices indicate that profitability and industry are not correlated with the overall VnDI and five sub-categories. Additionally, Table F.4 reveals that leverage is moderately significant and negative in its correlation with VnFCMI. No strong correlation is detected between leverage and the other four sub-categories. As reported above, the auditing firm is significantly and positively correlated with VnCSI (Table F.3), while the industry is correlated significantly and positively with VnFLI (Table F.6).

Overall, the results presented in the above correlation matrices indicate that there are no excessively high correlation coefficients. Among VnDI and predictor variables, the highest correlation is between the proportion of state and managerial ownership at r = -0.687 (Table F.1), whilst between VnDI and its five sub-categories the highest correlation is between VnDI and VnCSRI at r = 0.779. Thus, multicollinearity problems between dependent variables and predictor variables within this thesis are unlikely to occur.

5.6 Summary

This chapter presents both descriptive and univariate statistical results as well as the Pearson, Spearman correlation matrices relating to the dependent variable, independent variables and control variables.

Research Question 1 in this thesis examines the extent of voluntary disclosure within Vietnamese listed firms in the 2009 comprehensive annual reports. The evidence from descriptive statistics reveals some interesting patterns in the voluntary disclosure practices of Vietnamese listed firms. Specifically, the level of voluntary disclosure in Vietnam has an overall mean of 20.31 per cent and a large variation in range from 3.57 per cent to 50.00 per cent (Table 5.1). Among the five sub-categories of information, Vietnamese Voluntary Directors and Senior Management Information has the highest voluntary disclosure level (47.49 per cent), while the lowest level of voluntary disclosure is for Vietnamese Voluntary Corporate Social Reporting Disclosure Information (16.22 per cent).

In regard to independent variables, the percentage of independent directors on corporate boards has an average level of 53.89 per cent (Table 5.3). This average is above the minimum Vietnamese requirements of at least one third of independent directors on corporate boards. Whilst the proportion of state ownership is relatively highly-concentrated at 26.93 per cent, the proportion of managerial ownership and foreign ownership are much lower at 12.77 per cent and 9.8 per cent respectively. Preliminary t-tests also reveal that firms that are largely state owned firms generally provide significantly less voluntary disclosure than firms with no or low levels of state ownership (Table 5.4). While the involvement of managerial ownership makes no difference to voluntary disclosure practices (Table 5.5), firms with the presence of foreign ownership appear to engage in higher levels of voluntary disclosure (Table 5.6).

Furthermore, the Pearson and Spearman correlation matrices reveal that the proportion of independent directors, foreign ownership, firm size and stock exchange location are significantly and positively correlated with the overall Vietnamese Voluntary Disclosure Index, while state ownership and a firm's listing duration are found to have significant and negative correlations. Findings from the correlation matrices also suggest little potential for multicollinearity problems between variables.

The next chapter presents the multivariate results of this thesis, to test the relationship between predictor variables and the dependent variable in order to provide insights into what drives Vietnamese firms to voluntarily disclose information in their 2009 annual reports.

CHAPTER 6. MULTIVARIATE STATISTICS RESULTS

6.1 Introduction

This chapter extends the statistical analysis reported in Chapter 5 by presenting the findings related to Research Question 2: '*What are the significant predictors influencing the extent of voluntary disclosure made by Vietnamese listed firms in their comprehensive annual reports?*'.

Using an Ordinary Least Square (OLS) regression model with the Vietnamese Voluntary Disclosure Index (VnDI) as the dependent variable, this chapter statistically tests the four hypotheses proposed in Chapter 4. The results of this multivariate analysis are discussed in this chapter.

The remainder of the chapter is organized in the following way. Section 6.2 presents multiple regression models to test the four hypotheses outlined in Chapter 4. It also reports on the multiple regression results. To further an understanding of Vietnamese voluntary disclosure practices, extra analyses are performed for individual sub-categories of the comprehensive VnDI in Section 6.3. Analyses of 16 key individual voluntary disclosure items are illustrated in Section 6.4. The summary for the results of the sensitivity analyses are reported in Section 6.5. Finally, Section 6.6 contains a brief summary of the findings.

6.2 Multiple Regression

For the purpose of this thesis, a multiple regression model is developed in order to test the association between the dependent variable: the Vietnamese Voluntary Disclosure Index (VnDI) and a set of predictor variables. Multiple regression analysis is a commonly used statistical technique adopted to investigate the relationship between a single dependent variable and four independent and seven control variables. Specifically, the hypothesized variables are: the proportion of independent directors on corporate boards (CG), the proportion of state ownership (STATE), the proportion of managerial ownership (MAN) and the proportion of foreign ownership (FOREIGN) while firm size (SIZE); profitability (PROFIT), leverage (LEV), industry (IND), auditing firms (AUDIT), listing duration (LISTING) and stock exchange location (LOC) are employed as control variables. As mentioned in Chapter 4, OLS is employed as the main statistical method for multiple regression. OLS regression is a method used for estimating parameters in regression analysis by minimizing the difference between the observed response and the value predicted by the model (Everitt 2002). Using regression analysis, it is expected that the proportion of independent directors on corporate boards and the proportion of foreign ownership will both have positive impacts on VnDI, while the proportion of state and managerial ownership will negatively influence VnDI. Because of the directional nature of the overarching research proposition, one-tailed tests for significance of independent variables are used. A one-tailed test has more power than a two-tailed test, as it is considered to be less likely than a two-tailed test to miss any valid relationship. Previous accounting research also employs one-tailed tests to interpret the results for directional hypotheses (Setyadi 2009; Ho 2009; Taylor 2008).

Moreover, additional regression analyses for the five key sub-categories of information with predictor variables are conducted to provide further understanding of the voluntary disclosure practices of Vietnamese listed firms. Each of the sub-categories such as VnCSI, VnFCMI, VnDSMI, VnFLI and VnCSRI are included in turn as a dependent variable in the regression equation. The hypothesized directions and predictor variables are the same as the main model (Model 1).

The regression model of this thesis is as follows:

$$VnDI_i = \lambda_i + \beta_1 CG_i + \beta_2 STATE + \beta_3 MAN_i + \beta_4 FOREIGN_i + \gamma_1 SIZE_i + \gamma_2 PROFIT_i + \gamma_3 LEV_i + \sum_{i=1} \delta_j IND_i + \sum_{k=1} \delta_k AUDIT_i + \sum_{m=1} \delta_m LISTING_i + \sum_{n=1} \delta_n LOC_i + \epsilon \qquad \text{[Model 1]}$$

Where:

$VnDI_i$ = Ratio of Vietnamese Voluntary Disclosure items reported by firm i in the 2009 annual report;

CG_i = Number of independent directors stated in the 2009 annual report of firm i, divided by the total number of all directors on corporate boards (both independent and non-independent) in the 2009 annual report of firm i;

$STATE_i$ = Number of ordinary outstanding shares held by the government in firm i as at the cut-off date specified in the 2009 annual report of firm i, divided by the total number of ordinary outstanding shares of firm i as at the cut-off date specified in the 2009 annual report of firm i;

MAN_i = Number of ordinary outstanding shares held by senior managers on the corporate boards in firm i as at the cut-off date specified in the 2009 annual report of firm i, divided by the total number of ordinary outstanding shares of firm i as at the cut-off date specified in the 2009 annual report of firm i;

$FOREIGN_i$ = Number of ordinary outstanding shares held by foreign investors in firm i as at the cut-off date specified in the 2009 annual report of firm i, divided by the total number of ordinary outstanding shares of firm i as at the cut-off date specified in the 2009 annual report of firm i;

$SIZE_i$ = Natural logarithm total assets of firm i as reported in the 2009 annual report;

$PROFIT_i$ = Ratio of net earnings to total assets of firm i as reported in the 2009 annual report;

LEV_i = Ratio of total debt to total assets of firm i as reported in the 2009 annual report;

IND_i = Categorical variable to control for industry differences with industry firm i is given a dummy variable in the value of one (1) if the firm is in High-profile industries; otherwise zero (0);

$AUDIT_i$ = Categorical variable to control for auditor differences with the auditing firm of the 2009 annual report of firm i is given a dummy variable in the value of one (1) if the auditing firm is one of the 'Big Four', otherwise zero (0);

$LISTING_i$ = Categorical variable to control for listing duration differences with firm i is given a dummy variable in the value of one (1) if it is newly listed in the year 2009, otherwise zero (0);

LOC_i = Categorical variable to control for listing location differences with firm i listed on the Ho Chi Minh stock exchange in the year 2009 is given a dummy variable in the value of one (1), otherwise zero (0);

λ_i = Regression constant.

$\beta_{1,2\ldots n}, \gamma_{1,2\ldots n}$ = Coefficients to independent and control variables.

$_I$ = Firm specific.

ϵ = Error of prediction.

There are several potential problems associated with the generalizability of the multiple regression analysis that must be considered before interpreting the results.

The assumptions and potential problems of the multiple regression model are discussed in Appendix G. In order to avoid a biased and inaccurate prediction of the dependent variable – the Vietnamese Voluntary Disclosure Index (VnDI), four important assumptions of the linear Ordinary Least Square regression model are tested. These assumptions are: 1) Independence (multicollinearity issues), 2) Outlier issues, 3) Normality and linearity and 4) Homoscedasticity (Hair et al. 1995).

Multicollinearity issues are tested using correlation matrices (presented in Appendix F) as well as Variable Inflation Factors (VIF) in Appendix G. The results of correlation matrices and VIF reveal that multicollinearity is not a concern in the regression analysis of this thesis (Table F.1 and Table G.1). To identify the possible outlier issue, Mahalanobis and Cook's Distance are calculated. The results reported in Cook's Distance detect no outlier problems (Table G.2) while Mahalanobis reveals four potential outlier cases (Table G.3). Extra analysis is subsequently carried out with the dataset removing the four possible outliers. The results between the two datasets show no major difference between data with and without four possible outliers (Table G.4). Additionally, normality and linearity issues have been met as evidenced from the graphs of residuals (presented in Figures G.1, G.2 and G.3). Lastly, Table G.5 in Appendix G reveals that only the variable firm size violates the assumption of homoscedasticity. The log transformation of this variable is used. Many prior studies of voluntary disclosure find that there is a significant association between firm size (measured by log of total assets) and the extent of voluntary disclosure. Thus, the problem of homoscedasticity is not deemed a concern. Overall, tests conducted in Appendix F show that assumptions of multiple regression have been met and hence, the results of statistical analysis in this thesis are deemed to be appropriate. The next section provides the results of multiple regression testing.

6.2.1 Multiple Regression Results

Table 6.1 provides the results for the tests of the four hypotheses stated in Chapter 3. The shaded areas represent the significant predictor for the VnDI. As presented, Table 6.1 shows that the adjusted coefficient of determination (adjusted R-Squared) of the model is 0.195, indicating that the predictor variables of the model explain 19.5 per cent of the variation in the Vietnamese Voluntary Disclosure Index (VnDI). As a point of reference, this explanatory power is higher than for prior studies of voluntary disclosure in developing counties, such as in China by Xiao and Yuan's (2007) adjusted R-Squared of 7.9 per cent and Xiao, Yang and Chow's (2004) adjusted R-Squared of 8.0 per cent. The overall model is highly significant (*p*-value = 0.000 and F statistics = 6.510).

Hypothesis H_1 proposes a positive association between the firms' proportion of independent directors on corporate boards and the extent of voluntary disclosure made by Vietnamese listed firms.

Table 6.1 reports a highly significant positive association between the proportion of independent directors on corporate boards and VnDI (*p*-value = 0.010). Therefore, H_1 is supported. This indicates that among Vietnamese listed firms, the higher the proportion of independent directors on their boards, the more likely a firm will be to engage in a higher level of voluntary disclosure in their annual reports. Overall, the proportion of independent directors on corporate boards is a potentially important determinant of a firm's voluntary disclosure policy.

Hypothesis H_2 predicts a negative association between the proportion of state ownership and the extent of voluntary disclosure made by Vietnamese listed firms. Table 6.1 reveals a highly significant negative association between the proportion of state ownership and the extent of voluntary disclosure (*p*-value = 0.005). Thus, H_2 is supported. It is therefore argued that within Vietnamese listed firms, higher state ownership discourages firms from providing extra information beyond mandatory disclosure requirements. This finding illustrates the distinctive reporting environment of Vietnamese listed firms and contributes significantly to the literature of voluntary disclosure. This is developed in Chapter 7.

Table 6.1 Multiple Regression Results

Model summary			
Adjusted R-Squared		0.195	
F-statistic		6.510	
Sig.		0.000*	
Sample size		252	
Variables	**Coefficients**	**t-statistic**	**Sig.**
Constant	-0.097	-1.416	0.079
Independent variables			
CG (H_1)	0.060	2.334	0.010**
STATE (H_2)	-0.072	-2.605	0.005*
MAN (H_3)	-0.081	-2.195	0.015**
FOREIGN (H_4)	0.011	0.204	0.419
Control variables			
SIZE	0.021	3.682	0.000*
PROFIT	0.088	1.548	0.061***
LEV	-0.006	-0.216	0.415
IND	0.014	1.320	0.094***
AUDIT	-0.022	-1.341	0.091**
LISTING	-0.030	-2.465	0.007*
LOC	0.031	2.322	0.011**

*Legend: Shaded areas denote statistically significant findings. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). VnDI = Vietnamese Voluntary Disclosure Index. CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry type. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

Additionally, H_3 predicts a negative association between the proportion of managerial ownership and the extent of voluntary disclosure. The results shown in Table 6.1 supports this prediction (*p*-value = 0.015). Thus, it can be concluded that among Vietnamese listed firms, high managerial ownership may lead to managerial entrenchment that can subsequently reduce the level of voluntary disclosure.

Whilst H_4 proposes a positive relationship between foreign ownership and the extent of voluntary disclosure, the results shown in Table 6.1 do not report a significant association, although the direction is as predicted. This indicates that the proportion of foreign ownership does not have predictive properties in determining the extent of Vietnamese voluntary disclosure. Consequently, H_4 is not supported.

As listed in Chapter 4, the control variables included in this thesis are: firm size, profitability, leverage, industry, auditing firm, listing duration and stock exchange location. Multiple regression results in Table 6.1 indicate that firm size is highly significant and positive in influencing the voluntary disclosure practices of Vietnamese listed firms (*p*-value = 0.000). This means that within Vietnamese listed firms, bigger firms are associated with more voluntary disclosure of information. Profitability is also shown to have a moderately positive influence on VnDI (*p*-value = 0.061). Thus, more profitable Vietnamese listed firms tend to provide more voluntary disclosure of information than less profitable firms. In contrast, leverage does not have statistical significance on the level of voluntary disclosure. Additionally, the results also reveal that firms belonging to high-profile industries engage in more voluntary disclosure practices at a moderately significant level than do firms in low-profile industries (*p*-value = 0.094). This thesis also finds that firms audited by the 'Big Four' auditing firms voluntarily disclose less information at a moderately significant level than do firms audited by non-'Big Four' auditing firms (*p*-value = 0.091). This reveals unique information about the auditing environment of Vietnamese listed firms. Furthermore, the negative impact of a firm's listing duration on the extent of voluntary disclosure is also shown in Table 6.1 (*p*-value = 0.007). Thus, it can be concluded that in Vietnam, newly listed firms tend to avoid providing voluntary disclosure of information compared to older firms. Another interesting finding on the reporting environment of Vietnam is that the stock exchange location of each firm is an explanatory factor for Vietnamese voluntary disclosure practices. In particular, firms listed on the Ho Chi Minh stock exchange are reported to engage in significantly more voluntary disclosure practices than firms listed on the Hanoi stock exchange (*p*-value = 0.011).

6.2.2 Section Brief

In summary, the results in this section provide evidence indicating that a number of predictor variables tested in this thesis explain significantly the variations in voluntary disclosure practices among Vietnamese listed firms. Specifically, among the 11 predictor variables, nine variables have significant impacts on the extent of voluntary disclosure made by Vietnamese listed firms in their 2009 annual reports.

Within the independent variables, the proportion of independent directors on corporate boards positively influences the level of VnDI, while the proportion of state ownership and managerial ownership are significantly and negatively associated with the level of VnDI. Amongst the seven control variables, all variables are significant predictors for VnDI except for leverage. In particular, firm size, profitability, industry and stock exchange location are found to be positively linked to VnDI. Auditing firm and listing duration also appear to have some influence. The next section investigates further the potential determinants of each of these predictor variables and the five sub-categories of information within the VnDI.

6.3 Multivariate Analysis of Five Major Sub-Categories of Disclosure

The purpose of this section is to enhance the understanding of the different types of voluntary disclosure information made by Vietnamese listed firms. Using Ordinary Least Square (OLS) regression, several tests are carried out to examine the potential factors that influence a firm’s disclosure within the five major sub-categories that make up the overall VnDI. These five composite categories of Vietnamese voluntary disclosure are regressed against the hypothesized variables, which include: the proportion of independent directors on corporate boards, and the proportions of state, managerial and foreign ownership. The hypothesized effects are the same as for the main hypotheses detailed in Chapter 4. Specifically, this thesis proposes positive associations between the proportion of independent directors on corporate boards, foreign ownership and the extent of voluntary disclosure, while state ownership and managerial ownership are expected to negatively influence the voluntary disclosure practices of Vietnamese listed firms. The dependent variables in these tests are the disclosure score of each five sub-categories within the VnDI (as outlined in Chapter 4). The measurements of these scores are unweighted approach as per the VnDI.

6.3.1 Vietnamese Voluntary Corporate and Strategic Information Index (VnCSI)

This Vietnamese Voluntary Corporate and Strategic Information Disclosure (VnCSI) sub-category comprises 14 items providing general information about the firms as well as strategic information (see the list of these items in Table 5.2). Table 5.1 reveals that the average voluntary disclosure level for this sub-category is 26.48 per cent. As shown in Table 6.2, the adjusted R-Squared implies that the model explains about 13.25 per cent of the variations in voluntary disclosure for this sub-category. The model is significant (p-value = 0.000 and F statistic = 4.488). Table 6.2 reports that the proportion of state ownership has a moderately negative amount of influence on the level of voluntary corporate and strategic information disclosure (p-value = 0.070). Interestingly, although foreign ownership has no association with the overall level of voluntary disclosure (Table 6.1), it is found to have a significantly positive relationship with the voluntary disclosure of corporate and strategic information (p-value = 0.032). Profitability is also found to moderately and positively impact on the level of such disclosure (p-value = 0.082). Moreover, in this category of information, newly listed firms disclose less than older firms at a highly significant level (p-value = 0.005). Firms listed on HOSE are also shown to disclose at a highly significant level, more corporate and strategic information than firms listed on HNX (p-value = 0.007). The proportion of independent directors on corporate boards, the proportion of managerial ownership, leverage, type of auditing firms and the type of industry appear to have no statistical association with voluntary disclosure of corporate and strategic information (Table 6.2).

Table 6.2 Multiple Regression Results – Five Sub-Categories

	VnCSI			VnFCMI			VnDSMI			VnFLI			VnCSRI		
Adjusted R^2		0.133			0.083			0.078			0.019			0.097	
F-statistics		4.488			3.065			2.931			1.447			3.452	
Significant		0.000			0.001			0.001			0.153			0.000	
Sample size		252			252			252			252			252	
	Coeff	t-stat	Sig.	Coeff	t-stat	Sig.	Coeff	t-stat	Sig.	Coeff	t-stat	Sig.	Coeff	t-stat	Sig.
(Constant)	0.074	0.562	0.287	-0.065	-0.908	0.182	-0.243	-1.036	0.151	-0.134	-0.977	0.165	-0.181	-1.722	0.043
Independent variables															
CG (H_1)	0.058	1.172	0.121	0.063	2.316	0.011^{**}	0.088	0.998	0.160	0.054	1.042	0.149	0.057	1.438	0.076^{***}
STATE (H_2)	-0.078	-1.478	0.070^{***}	-0.012	-0.420	0.338	-0.308	-3.263	0.001^{*}	-0.060	-1.085	0.140	-0.113	-2.665	0.004^{*}
MAN (H_3)	-0.044	-0.621	0.268	-0.037	-0.940	0.174	-0.363	-2.851	0.002^{*}	-0.077	-1.032	0.152	-0.123	-2.164	0.016^{**}
FOREIGN (H_4)	0.185	1.857	0.032^{**}	-0.017	-0.303	0.381	-0.105	-0.590	0.278	-0.088	-0.847	0.199	0.025	0.308	0.379
Control variables															
SIZE	0.008	0.780	0.218	0.016	2.649	0.004^{*}	0.066	3.431	0.000^{*}	0.023	2.056	0.020^{**}	0.026	2.973	0.002^{*}
PROFIT	0.153	1.395	0.082^{***}	0.043	0.711	0.239	0.016	0.083	0.467	0.190	1.654	0.050^{***}	0.062	0.710	0.239
LEV	0.010	0.167	0.434	-0.031	-0.969	0.167	-0.115	-1.123	0.131	0.032	0.527	0.299	0.005	0.118	0.453
IND	0.018	0.881	0.190	0.009	0.776	0.219	0.028	0.751	0.227	0.027	1.226	0.111	0.011	0.633	0.264
AUDIT	0.007	0.239	0.406	-0.024	-1.425	0.078^{*}	-0.083	-1.494	0.068^{***}	-0.031	-0.953	0.171	-0.022	-0.896	0.186
LISTING	-0.061	-2.573	0.005^{*}	-0.015	-1.185	0.119	-0.037	-0.873	0.192	-0.034	-1.352	0.089^{***}	-0.030	-1.590	0.057^{***}
LOC	0.065	2.486	0.007^{*}	0.030	2.111	0.018^{**}	-0.004	-0.080	0.468	0.028	1.030	0.152	0.020	0.950	0.171

*Legend: Shaded areas denote statistically significant findings. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). Vietnamese Voluntary Directors and Senior Management Disclosure Index (VnDSMI), Vietnamese Voluntary Corporate and Strategic Information Index (VnCSI), Vietnamese Voluntary Forward looking Information Index (VnFLI), Vietnamese Voluntary Financial Capital Market Data Index (VnFCMI) and Vietnamese Voluntary Corporate Social Reporting Disclosure Index (VnCSRI). CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

6.3.2 Vietnamese Voluntary Financial Capital Market Data Index (VnFCMI)

This Vietnamese Voluntary Financial Capital Market Data Index (VnFCMI) sub-category comprises 29 items providing financial information for a firm (see Table 5.2 for the list of these items). The average for this type of information is voluntarily disclosed at 17.39 per cent (Table 5.1). The adjusted R-Squared implies that the model explains approximately 8.30 per cent of the variations in the voluntary disclosure of this sub-category of information. The model is significant (*p*-value = 0.001 and F statistic = 3.065). Among the four independent variables, only the proportion of independent directors on corporate boards is significantly and positively related to the level of voluntary disclosure for financial and capital market information (*p*-value = 0.011). Table 6.2 also indicates that firm size is highly significant and positively related to the extent of voluntary disclosure in regard to financial and capital market information (*p*-value = 0.004). This finding supports the view that bigger firms (with more financial resources) provide more financial and capital market information than smaller firms. Furthermore, the results presented in Table 6.2 imply that firms audited by the 'Big Four' auditing firms are less likely to report financial and capital market information than other firms (*p*-value = 0.078). Furthermore, firms listed on HOSE tend to disclose this type of information significantly more than firms listed on HNX (*p*-value = 0.018).

6.3.3 Vietnamese Voluntary Directors and Senior Management Disclosure Index (VnDSMI)

The Vietnamese Voluntary Directors and Senior Management Disclosure Index (VnDSMI) sub-category consists of only 3 items (Table 5.2). This sub-category of information is disclosed the most among the five sub-categories at 47.49 per cent (Table 5.1). The regression results show that the model is significant (*p*-value = 0.001), with an adjusted R-Squared of 7.80 per cent. The adjusted R-Squared implies that the model explains approximately 7.80 per cent of the variations in the voluntary disclosure of this sub-category. The empirical evidence in Table 6.2 reports that there is a highly significant and negative association between the proportion of state ownership and the voluntary disclosure of Directors and Senior Management Information (*p*-value = 0.001). This suggests that the higher proportion of state ownership discourages firms from providing information about directors and senior management. It is also found that the proportion of managerial ownership is associated with lower voluntary disclosure about their own directors and senior management teams, which is the focus of this sub-category (*p*-value = 0.002). Like the first two sub-categories, firm size is found to be highly significant and positively associated with the voluntary disclosure of Directors and Senior Management Information (*p*-value = 0.000). Additionally, firms audited by the 'Big Four' are found to disclose less of this type of information at a moderately significant level, than firms audited by any other auditing firms (*p*-value = 0.068).

6.3.4 Vietnamese Voluntary Forward Looking Information Index (VnFLI)

This Vietnamese Voluntary Forward Looking Information Index (VnFLI) sub-category consists of 14 items (Table 5.2) and has the voluntary disclosure level of 21.88 per cent among Vietnamese listed firms. The adjusted R-Squared of the Forward Looking Information Index is a very low 1.92 per cent and not significant. Table 6.2 shows that none of the independent variables, namely: the proportion of independent directors on corporate boards, state ownership, managerial ownership and foreign ownership, are clear determinants of voluntary disclosure of forward looking information of Vietnamese listed firms. For the control variables, the results indicate that firm size is significantly positive in its association with this type of information (*p*-value = 0.020). Table 6.2 also reports that a firm’s profitability impacts significantly and positively on the level of voluntary forward looking information disclosure (*p*-value = 0.050). Moreover, newly listed firms are found to disclose at a moderately significant level lesser than other older listed firms (*p*-value = 0.089).

6.3.5 Vietnamese Voluntary Corporate Social Reporting Information Disclosure (VnCSRI)

This Voluntary Disclosure of Corporate Social Reporting Information (VnCSRI) type of information consists of 24 items (Table 5.2). This sub-category of information reports the lowest level of voluntary disclosure (at 16.22 per cent) among the five sub-categories of the Vietnamese Voluntary Disclosure Index. The adjusted R-Squared of the Voluntary Social Information Disclosure Index is 9.70 per cent and highly significant (p-value = 0.000). The adjusted R-Squared implies that the model explains 9.70 per cent of the variations in the voluntary disclosure of this sub-category. As depicted in Table 6.2, a higher proportion of independent directors on corporate boards has a moderately positive effect on the level of voluntary social information disclosure (p-value = 0.076). Table 6.2 also reveals that the proportion of state ownership is highly significant in its association with voluntary disclosure of social information in a negative direction at the 0.01 level (p-value = 0.004). This indicates that a higher proportion of state ownership reduces the voluntary disclosure of social reporting information. Moreover, the result also reveals that managerial ownership is negatively and significantly influence this type of information (p-value = 0.016). Furthermore, firm size is found to have a significant positive association with this type of disclosure (p-value = 0.002). Also, newly listed firms seem to engage in moderately significantly less disclosure of social information than older firms (p-value = 0.057).

6.3.6 Section Brief

Overall, Section 6.3 adds depth to the understanding of the voluntary disclosure practices of Vietnamese listed firms by examining the potential determinants on the five sub-categories of information within the VnDI. The results shown in Table 6.2 indicate that a firm‘s corporate governance mechanism (the proportion of independent directors on corporate boards) positively and significantly influences voluntary disclosure of Financial Capital Market Data and Corporate Social Reporting Information. This is consistent with the main regression result, which reports that a higher proportion of independent directors on corporate boards increases the extent of overall Vietnamese voluntary disclosure (Table 6.1).

On the other hand, the results reveal that the proportion of state ownership is a determinant of voluntary disclosure for Corporate and Strategic Information, Directors and Senior Management Information and Corporate Social Reporting Information. Consistent with the main regression results in Table 6.1, these associations are all in negative directions.

The proportion of managerial ownership significantly and negatively influences the level of Directors and Senior Management Information disclosure and Corporate Social Reporting Information disclosure. In the main regression, it is also found that the proportion of managerial ownership is associated with lower overall voluntary disclosure of information.

Among the five sub-categories of the Vietnamese Voluntary Disclosure Index, foreign ownership is the only variable significantly and positively associated with Corporate and Strategic Information. This is different to the main regression result, which reports no significant association between foreign ownership and the overall level of Vietnamese Voluntary Disclosure Index.

In summary, except for the proportion of foreign ownership, the analyses of five sub-categories of information are consistent overall with the statistical results of the main analysis as reported in the preceding sections.

6.4 Analysis of Individual Voluntary Disclosure Items

Using Binary Logistic regression analysis[54], this section aims to enhance the understanding of the voluntary disclosure practices of Vietnamese listed firms. These extra analyses investigate the potential determinants of specific key individual voluntary disclosure items within the list of all 84 items (refer to Table B.3

[54] Binary logistic regression is used when the dependent variable is a categorical variable and predictor variables that are continuous or categorical variables (Field 2009).

in Appendix B for list of 84 items). The dependent variable is the specific individual disclosure item and the predictor variables are the same as in the main regression model (Model 1). The logistic regression model is as follows:

$Item_i = \lambda_i + \beta_1 CG_i + \beta_2 STATE + \beta_3 MAN_i + \beta_4 FOREIGN_i + \gamma_1 SIZE_i + \gamma_2 PROFIT_i + \gamma_3 LEV_i + \sum_{i=1} \delta_j IND_i + \sum_{k=1} \delta_k AUDIT_i + \sum_{m=1} \delta_m LISTING_i + \sum_{n=1} \delta_n LOC_i + \epsilon$ [Model 2]

Where:

$Item_i$ = Categorical variable given for disclosure of an item in the 2009 annual report of firm i a dummy variable in the value of one (1) if the firm disclosed this item, otherwise zero (0);
CG_i = Number of independent directors stated in the 2009 annual report of firm i, divided by the total number of all directors on corporate boards (both independent and non-independent) in the 2009 annual report of firm i;
$STATE_i$ = Number of ordinary outstanding shares held by the government in firm i as at the cut-off date specified in the 2009 annual report of firm i, divided by the total number of ordinary outstanding shares of firm i as at the cut-off date specified in the 2009 annual report of firm i;
MAN_i = Number of ordinary outstanding shares held by senior managers on the corporate boards in firm i as at the cut-off date specified in the 2009 annual report of firm i, divided by the total number of ordinary outstanding shares of firm i as at the cut-off date specified in the 2009 annual report of firm i;
$FOREIGN_i$ = Number of ordinary outstanding shares held by foreign investors in firm i as at the cut-off date specified in the 2009 annual report of firm i, divided by the total number of ordinary outstanding shares of firm i as at the cut-off date specified in the 2009 annual report of firm i;
$SIZE_i$ = Natural logarithm total assets of firm i as reported in the 2009 annual report;
$PROFIT_i$ = Ratio of net earnings to total assets of firm i as reported in the 2009 annual report;
LEV_i = Ratio of total debt to total assets of firm i as reported in the 2009 annual report;
IND_i = Categorical variable to control for industry differences with industry firm i is given a dummy variable in the value of one (1) if the firm is in High-profile industries; otherwise zero (0);
$AUDIT_i$ = Categorical variable to control for auditor differences with the auditing firm of the 2009 annual report of firm i is given a dummy variable in the value of one (1) if the auditing firm is one of the 'Big Four', otherwise zero (0);
$LISTING_i$ = Categorical variable to control for listing duration differences with firm i is given a dummy variable in the value of one (1) if it is newly listed in the year 2009, otherwise zero (0);
LOC_i = Categorical variable to control for listing location differences with firm i listed on the Ho Chi Minh stock exchange in the year 2009 is given a dummy variable in the value of one (1), otherwise zero (0);
λ_i = Regression constant.
$\beta_{1,2..n}, \gamma_{1,2..n}$ = Coefficients to independent and control variables.
$_I$ = Firm specific.
ϵ = Error of prediction.

The individual items chosen for this additional analysis are based on their average disclosure score made by 252 Vietnamese listed firms within each sub-category. In particular, items that are in the top three of disclosures in each sub-category are taken for the extra analyses. Such additional analyses help to generate a better understanding about the voluntary disclosure items that are most commonly communicated. Specifically, within the Corporate and Strategic Information category, 'statement of financial strategy and objectives', 'statement of strategy, implementation measures to improve business' and 'general discussion of industry trends in the past' are disclosed the most at 53.27; 49.60 and 29.37 per cent respectively (refer to Table 5.2). Within the sub-category of Financial and Capital Market Data information, 'name of stock exchange the firm is listed on', 'profitability ratio' and 'volume of shares traded at year end' are communicated the most at 89.68; 76.59 and 60.16 per cent respectively. With regard to the Directors and Senior Management Information category, there are only three items and thus, all of these items are included for the analysis. For Forward Looking Information, 'forecast of sales and forecast of profit in quantitative terms' are published the most at 60.71 and 60.32 per cent respectively. 'Assumptions underlying the future forecast' are reported at 40.87 per cent. In the sub-category of Corporate Social Reporting Information, the top 3 disclosure items are 'employee appreciation' (52.39 per cent), 'company awards' (47.41 per cent), 'discussion on the safety of products' and 'community programs: health and education implemented' (both at 27.78 per cent). The logistic regression results of these key individual items are shown in Table 6.3.

6.4.1 Logistic Regression: VnCSI Items

As shown in Table 6.3, in the sub-category of Vietnamese Voluntary Corporate and Strategic Information, the item 'statement of financial strategy and objectives' (disclosed at 53.27 per cent) is significant in its association with foreign ownership (*p*-value = 0.014) and industry type (*p*-value = 0.076). This implies that firms with higher proportions of foreign ownership have more incentives to voluntarily disclose their financial strategy and objectives. Firms within high-profile industries are reported to engage in more voluntary disclosure in relation to their financial strategy and objectives than firms within low-profile industries. Moreover, Panel A of Table 6.3 reveals that the proportion of foreign ownership also significantly and positively influences (*p*-value = 0.036) the level of voluntary disclosure of the second item 'statement of strategy, implementation measures to improve business (disclosed at 49.60 per cent). The stock exchange location also appears to have some significant impact as HOSE listed firms provide significantly more information on strategy and implementation measures to improve their business than HNX listed firms (*p*-value = 0.032). In contrast, the proportion of foreign ownership is found to be negatively associated with the third item 'general discussion of industry trends in the past' at a moderately significant level (*p*-value = 0.092). Industry type is also a potential determinant for the voluntary disclosure of past trends within the industry. Specifically, high-profile industries firms are reported to provide more discussion of the industry's past trends than low-profile industries firms. Firms listed on HOSE are also found to provide significantly more voluntary disclosure of past industry trend information than firms listed on HNX (*p*-value = 0.042).

6.4.2 Logistic Regression: VnFCMI Items

In terms of Vietnamese Voluntary Financial and Capital Market Data Information, the proportion of state ownership (*p*-value = 0.062) and type of industry (*p*-value = 0.053) negatively influences the voluntary disclosure of the item 'stock exchange name'. This implies that firms with a high proportion of state ownership are associated with less disclosure relating to their stock exchange names. The results also indicate that firms within the group of high-profile industries are less likely to disclose their stock exchange location. Additionally, the evidence in Panel B of Table 6.3 indicates that the proportion of independent directors on corporate boards (*p*-value = 0.041) and the firm’s stock exchange location (*p*-value = 0.001) have significant positive associations with the voluntary disclosure of 'volume of shares traded at the end of the year'. There is no significant predictor variable detected for the voluntary disclosure of the item 'profitability ratio'.

6.4.3 Logistic Regression: VnDSMI Items

Among the 11 possible predictor variables, none is a significant predictor for the voluntary disclosure of the item 'identification of senior management and their functions' within the Vietnamese Voluntary Directors and Senior Management Information Disclosure. On the other hand, as seen in Panel C of Table 6.3, the proportion of state ownership (p-value = 0.005) and managerial ownership (p-value = 0.033) are significantly and negatively associated with the voluntary disclosure of 'other directorships held by directors'. Firm size appears to have a significant positive effect on the disclosure of this information (p-value = 0.005), while firm leverage is moderately significant in its reduction of such disclosure (p-value = 0.077). In relation to the 'picture of senior management team' item, the proportion of state ownership (p-value = 0.024) and managerial ownership (p-value = 0.028) appear to avoid this type of disclosure as the evidence indicates negative associations. By contrast, stock exchange location is found to have a significant positive association with the publication of the senior management team’s pictures. Specifically, firms listed on HOSE tend to post more pictures of their senior management teams than firms listed on HNX.

6.4.4 Logistic Regression: VnFLI Items

For Vietnamese Voluntary Forward Looking Information, the three items of 'forecast of sales', 'forecast of profits' in quantitative terms and 'assumptions underlying future forecasts' are disclosed the most (Table 5.2). Evidence from Panel D of Table 6.3 indicates that the proportion of independent directors on corporate boards is positively associated with the disclosure of 'forecast of sales' (p-value = 0.016) and 'forecast of profits' (p-value = 0.021). Meanwhile, newly listed firms are found to have significant negative impacts on the disclosure of 'forecast of sales' (p-value = 0.043) and 'forecast of profits' (p-value = 0.027). Furthermore, Panel D of Table 6.3 shows that high-profile industry firms tend to disclose more of the 'assumptions underlying future forecasts' item than low-profile industry firms do (p-value = 0.038).

Table 6.3 Logistic Regression Results – 16 Voluntary Disclosure Items

Panel A: Corporate and Strategic Information (3 items)						
Item description	**Statement of financial strategy and objectives**		**Statement of strategy, implementation measures to improve business**		**General discussion of industry trends in the past**	
Intercept	**Coefficients**	**Sig.**	**Coefficients**	**Sig.**	**Coefficients**	**Sig.**
Constant	1.275	0.469	0.021	0.991	-3.056	0.093
Independent variables						
CG	0.736	0.265	1.133	0.091	-0.055	0.934
STATE	0.054	0.940	0.422	0.553	0.285	0.692
MAN	1.200	0.223	-0.544	0.575	0.179	0.852
FOREIGN	3.585	0.014**	2.928	0.036**	-2.359	0.092***
Control variables						
SIZE	-0.170	0.246	-0.138	0.346	0.195	0.194
PROFIT	-0.398	0.784	2.055	0.184	-0.030	0.984
LEV	0.912	0.231	0.490	0.523	-1.073	0.171
INDUSTRY	0.496	0.076***	0.013	0.964	0.641	0.022**
AUDIT	-0.436	0.291	-0.028	0.946	-0.288	0.490
LISTING	-0.450	0.151	-0.431	0.172	-0.185	0.569
LOC	-0.275	0.428	0.747	0.032**	0.740	0.042**
Nagelkerke R Square	**0.097**		**0.114**		**0.092**	

*Legend: The logistic regression model regresses the independent variables (CG, STATE, MAN, FOREIGN) and control variables (SIZE, PROFIT, LEV, IND, AUDIT, LISTING, LOC). Shaded areas denote significant findings. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). Shaded areas denote statistically significant findings. CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

Panel B: Financial and Capital Market Data Information (3 items)						
Item description	**Name of stock exchange firm is listed on**		**Profitability ratio**		**Volume of shares traded (at the end of year)**	
Intercept	**Coefficients**	**Sig.**	**Coefficients**	**Sig.**	**Coefficients**	**Sig.**
Constant	5.082	0.077	-3.312	0.119	-0.841	0.646
Independent variables						
CG	1.106	0.298	1.100	0.157	1.434	0.041**
STATE	2.284	0.062***	0.116	0.889	1.224	0.101
MAN	1.717	0.317	-0.179	0.873	-0.422	0.661
FOREIGN	-0.723	0.717	0.926	0.589	-0.455	0.743
Control variables						
SIZE	-0.335	0.161	0.267	0.131	-0.009	0.954
PROFIT	0.354	0.888	1.690	0.360	-1.612	0.301
LEV	0.703	0.568	-0.058	0.949	-0.583	0.467
INDUSTRY	-0.849	0.053***	0.213	0.512	0.354	0.221
AUDIT	-0.311	0.611	-0.290	0.565	-0.528	0.214
LISTING	0.540	0.369	-0.258	0.468	-0.277	0.392
LOC	0.373	0.524	0.343	0.388	1.212	0.001*
Nagelkerke R Square	**0.118**		**0.074**		**0.137**	

*Legend: The logistic regression model regresses the independent variables (CG, STATE, MAN, FOREIGN) and control variables (SIZE, PROFIT, LEV, IND, AUDIT, LISTING, LOC). Shaded areas denote significant findings. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). Shaded areas denote statistically significant findings. CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

Panel C: Directors and Senior Management Information (3 items)						
Item description	**Identification of senior management and their functions**		**Other directorships held by directors**		**Picture of senior management team**	
Intercept	**Coefficients**	**Sig.**	**Coefficients**	**Sig.**	**Coefficients**	**Sig.**
Constant	-0.209	0.927	-3.072	0.091	-12.127	0.000
Independent variables						
CG (H_1)	0.296	0.732	0.745	0.275	0.230	0.788
STATE (H_2)	-1.198	0.199	-2.109	0.005*	-2.081	0.024**
MAN (H_3)	-1.478	0.205	-2.241	0.033**	-2.979	0.028**
FOREIGN (H_4)	-0.598	0.734	-0.734	0.585	-0.713	0.662
Control variables						
SIZE	0.164	0.392	0.330	0.030**	0.784	0.000*
PROFIT	1.147	0.548	-2.300	0.204	2.210	0.216
LEV	0.807	0.433	-1.446	0.077***	-0.945	0.337
INDUSTRY	0.500	0.187	-0.180	0.532	0.368	0.296
AUDIT	-0.766	0.121	-0.488	0.274	-0.406	0.417
LISTING	-0.490	0.218	-0.114	0.728	-0.181	0.673
LOC	-0.435	0.365	-0.325	0.366	1.536	0.018**
Nagelkerke R Square	**0.061**		**0.109**		**0.281**	

*Legend: The logistic regression model regresses the independent variables (CG, STATE, MAN, FOREIGN) and control variables (SIZE, PROFIT, LEV, IND, AUDIT, LISTING, LOC). Shaded areas denote significant findings. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). Shaded areas denote statistically significant findings. CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

Panel D: Forward Looking Information (3 items)						
Item description	**Forecast of sales (quantitative)**		**Forecast of profit (quantitative)**		**Assumption underlying future forecasts**	
Intercept	**Coefficients**	**Sig.**	**Coefficients**	**Sig.**	**Coefficients**	**Sig.**
Constant	-3.911	0.037	-4.299	0.023	-2.689	0.124
Independent variables						
CG (H_1)	1.666	0.016**	1.597	0.021**	0.835	0.206
STATE (H_2)	0.619	0.391	0.343	0.636	-0.015	0.983
MAN (H_3)	-0.760	0.429	-1.177	0.223	-0.451	0.633
FOREIGN (H_4)	0.305	0.826	-0.822	0.549	-0.835	0.526
Control variables						
SIZE	0.235	0.127	0.283	0.068	0.125	0.384
PROFIT	2.348	0.130	3.825	0.023**	0.334	0.816
LEV	0.574	0.463	0.418	0.599	-0.035	0.963
INDUSTRY	0.138	0.626	0.057	0.840	0.567	0.038**
AUDIT	-0.118	0.787	-0.262	0.547	0.092	0.821
LISTING	-0.641	0.043**	-0.709	0.027**	-0.119	0.704
LOC	-0.121	0.736	-0.102	0.776	0.189	0.584
Nagelkerke R Square	**0.096**		**0.106**		**0.046**	

*Legend: The logistic regression model regresses the independent variables (CG, STATE, MAN, FOREIGN) and control variables (SIZE, PROFIT, LEV, IND, AUDIT, LISTING, LOC). Shaded areas denote significant findings. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). Shaded areas denote statistically significant findings. CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

Panel E: Corporate Social Reporting Information (4 items)								
Item description	**Employee appreciation**		**Company awards**		**Discussion on safety of the products**		**Community programs (health and education) implemented**	
Intercept	**Coefficients**	**Sig.**	**Coefficients**	**Sig.**	**Coefficients**	**Sig.**	**Coefficients**	**Sig.**
Constant	-1.274	0.466	-6.481	0.001	-2.999	0.126	-4.373	0.028
Independent variables								
CG (H_1)	0.229	0.724	0.284	0.684	0.452	0.534	0.134	0.856
STATE (H_2)	0.405	0.559	-2.172	0.004*	-1.470	0.063***	-2.142	0.009*
MAN (H_3)	-0.490	0.596	-3.438	0.002*	-0.375	0.709	-2.148	0.059**
FOREIGN (H_4)	-0.324	0.804	-0.544	0.701	1.016	0.459	0.464	0.741
Control variables								
SIZE	0.109	0.450	0.488	0.002*	0.168	0.292	0.309	0.055***
PROFIT	-0.936	0.519	5.854	0.001*	1.828	0.239	0.195	0.913
LEV	-1.056	0.162	0.491	0.548	-0.850	0.310	0.582	0.503
INDUSTRY	0.183	0.501	-0.280	0.342	-0.260	0.401	-0.491	0.127
AUDIT	-0.097	0.800	-0.850	0.062***	-0.031	0.944	0.070	0.879
LISTING	-0.181	0.557	-0.645	0.059***	-0.087	0.808	-0.877	0.030**
LOC	0.531	0.117	0.587	0.106	0.305	0.450	0.041	0.919
Nagelkerke R Square	**0.053**		**0.220**		**0.100**		**0.150**	

*Legend: The logistic regression model regresses the independent variables (CG, STATE, MAN, FOREIGN) and control variables (SIZE, PROFIT, LEV, IND, AUDIT, LISTING, LOC). Shaded areas denote significant findings. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). Shaded areas denote statistically significant findings. CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

6.4.5 Logistic Regression: VnCSRI Items

In relation to Vietnamese Voluntary Corporate Social Reporting Disclosure, no potential determinant is detected for voluntary disclosure of the 'employee appreciation' item (*p*-values > 0.100). On the other hand, there are six variables that can potentially predict variations on the disclosure of 'company awards'. In particular, the proportion of state ownership and managerial ownership result in reduced levels of such disclosure (*p*-value = 0.004 and 0.002 respectively). Firm size is reported to have a highly significant relationship (*p*-value = 0.002) with the disclosure of the item 'company awards', while firm profit lowers such disclosure (*p*-value = 0.001). This implies that bigger firms tend to disclose more awards while more profitable firms are less likely to publish their company awards. The evidence also indicates that firms audited by the 'Big Four' auditing firms engage in less voluntary disclosure of awards information than firms audited by non-'Big Four' auditing firms (*p*-value = 0.062); while older firms tend to provide this information more than newly listed firms (*p*-value = 0.059). The high proportion of state ownership is associated with a reduction in disclosure of 'safety of the firm's products' (*p*-value = 0.063). 'Community programs', such as health and education implementation information disclosure are also impacted negatively by the proportion of state ownership (*p*-value = 0.009) and managerial ownership (*p*-value = 0.059). Panel E of Table 6.3 also shows that size is a significant predictor of voluntary disclosure regarding community programs in a positive direction (*p*-value = 0.055). Finally, newly listed firms disclose less of this information as the results show that a firm's listing duration has a negative association with the disclosure of this 'community program' item (*p*-value = 0.030).

6.4.6 Section Brief

Overall, this section provides some interesting insights into the voluntary disclosure of the 16 top items within the 84 items listed. The evidence shows that there are different drivers for different aspects of disclosure. For Corporate and Strategic Information disclosure, the proportion of foreign ownership has a positive impact on the disclosure of the three top items: 'statement of financial strategy and objectives', 'statement of strategy and implementation to improve business' and 'general discussion of industry trends in the past'. This implies that having foreign ownership in a firm increases managers' decisions to disclose more strategic information. The proportion of independent directors on corporate boards, the proportion of state ownership, type of industry and stock exchange location are the predictors for various types of disclosure under the Financial and Capital Market Data Information sub-category. The proportions of state and managerial ownership are also reported to negatively influence the disclosure of 'other directorships held by directors' and the 'picture of senior management team', while size has a positive effect on disclosure of these two items of information. The proportion of independent directors on corporate boards is positively associated with the disclosure of forecasted information on sales and profit, while listing duration influences disclosure negatively. Furthermore, the proportion of state ownership appears to have a negative impact on the disclosure of the three top items within the Corporate Social Reporting Information sub-category, namely: 'company awards', 'discussion on safety of the products' and 'community programs'. In summary, each key item of voluntary disclosure information is not consistently associated with a particular predictor variable.

6.5 Sensitivity Analysis

The multivariate results of the Vietnamese Voluntary Disclosure Index, its five sub-categories and a variety of individual disclosure items are presented in the above sections. Appendix H employs a series of additional analyses in order to provide the robust checks of these regression models. In particular, Appendix H addresses the issues of possible endogeneity on the proceeding analysis provided in the above sections. To explore endogeneity and concerns about the validity of measurements used in the main regression model (Model 1), the associations between Vietnamese Voluntary Disclosure Index and corporate governance mechanisms and ownership identities (state, managerial and foreign ownership) are examined through various alternative measurements.

The extra sensitivity analysis on other corporate governance aspects, such as the categories of: independent directors on corporate boards, dominance of CEO/chairperson and corporate board size, reveals a unique reporting environment of Vietnamese listed firms. For instance, firms meeting the minimum requirements for independent directors on corporate boards and their board size significantly and positively influence the extent of voluntary disclosure (Table H.1 and Table H.3). In contrast, the dominant role of the CEO and chairperson has a significant and positive impact on a firm's voluntary disclosure practices (Table H.2). This finding is opposite to the majority of the extant literature.

Using different measurements from the main analysis, the results indicate that state ownership influences negatively on the VnDI (presence of state ownership as well as influencing state ownership of greater than 20 per cent as presented in Table H.4 and Table H.5). This provides more confirmatory evidence of the finding reported in the main regression model, that state ownership reduces voluntary disclosure practices.

On the other hand, different proxies of managerial ownership do not result in significant association with VnDI (Table H.6 and Table H.7).

Additionally, the results from these extra sensitivity analyses add support to the main findings of the thesis, that foreign ownership is not a significant potential predictor for VnDI, although the direction of this influence is the same as the main regression results (Table H.8 and Table H.9).

6.6 Summary

In summary, this chapter provides evidence for the association of the extent of voluntary disclosure and its five key sub-categories with the four hypotheses tested. Table 6.4 gives the summary of the multivariate tests results conducted in this chapter (Tables 6.1 and 6.2). The results in Table 6.4 depict interesting findings regarding Vietnamese voluntary disclosure practices. Overall, the results provide evidence supporting Hypotheses $H_{1,}$ H_2 and H_3. In particular, as proposed in Chapter

4, a higher proportion of independent directors on corporate boards results in increased voluntary disclosure, while the proportion of state ownership and managerial ownership reduces voluntary disclosure. As displayed in Table 6.4, H_4 is rejected as the proportion of foreign ownership is found not to have a significant impact on overall Vietnamese voluntary disclosure (Table 6.1).

For the control variables, six out of seven control variables may be additional drivers determining the level of Vietnamese voluntary disclosure. Specifically, firm size, profitability, industry, auditing firms, listing duration and the stock exchange location have significant impacts on the level of Vietnamese voluntary disclosure. Bigger firms are found to be associated with a higher level of voluntary disclosure. The profitability of a firm positively influences its voluntary disclosure practices. Firms classified in high-profile industries provide more voluntary disclosure than other firms. 'Big Four' auditing firms are found to have a negative impact on the level of voluntary disclosure made by Vietnamese listed firms. Moreover, newly listed firms are also reported to engage in relatively fewer voluntary disclosure practices than older listed firms. Another interesting finding through the univariate and multiple regression analysis is that firms listed on the Ho Chi Minh stock exchange seem to disclose significantly more information than firms listed on the Hanoi stock exchange.

Table 6.4 Multiple Regression Results Summary

	Expected direction	VnDI	VnCSI	VnFCMI	VnDSMI	VnFLI	VnCSRI
Adjusted R-Squared		**0.195**	**0.133**	**0.083**	**0.078**	**0.019**	**0.097**
Independent variables							
CG (H_1)	+	SP	NP	SP	NP	NP	MSP
STATE (H_2)	-	HSP	MSP	NP	HSP	NP	HSP
MAN (H_3)	-	SP	NP	NP	HSP	NP	SP
FOREIGN (H_4)	+	NP	SP	NP	NP	NP	NP
Control variables							
SIZE	+	HSP	NP	HSP	HSP	SP	HSP
PROFIT	+	MSP	MSP	NP	NP	MSP	NP
LEV	+	NP	NP	NP	NP	NP	NP
IND	(-/+)	MSP	NP	NP	NP	NP	NP
AUDIT	(-/+)	MSP	NP	MSP	MSP	NP	NP
LISTING	(-/+)	HSP	HSP	NP	NP	MSP	MSP
LOC	(-/+)	SP	HSP	SP	NP	NP	NP

Legend: Table 6.4 summarises the OLS regression results from Tables 6.1 and 6.2. Shaded areas denote statistically significant findings. HSP = highly significant predictor. SP = significant predictor. MSP = moderately significant predictor. NP = not significant predictor. VnDI = Vietnamese Voluntary Disclosure Index. VnCSI = Vietnamese Voluntary Corporate and Strategic Information Index. VnFCMI = Vietnamese Voluntary Financial Capital Market Data Index. VnDSMI = Vietnamese Voluntary Directors and Senior Management Disclosure Index. VnFLI = Vietnamese Voluntary Forward Looking Information Index. VnCSRI = Vietnamese Voluntary Corporate Social Reporting Disclosure Index. CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.

The extent of voluntary disclosure of the five important sub-categories of information namely: Corporate and Strategic Information, Financial Capital Market Data, Directors and Senior Management Information, Forward Looking Information, and Corporate Social Reporting Information, and their association with all independent and control variables are also explored (Table 6.2). Whilst the proportion of independent directors on corporate boards, the proportion of state ownership and the proportion of managerial ownership have a significant influence on the extent of the five sub-categories of information in the predicted direction, the proportion of foreign ownership reveals an interesting pattern but not as hypothesized. Specifically, foreign ownership is found to have negative associations with the extent of the disclosure of Financial Capital Market Data, Directors and Senior Management Information and Forward Looking Information, while there are positive associations between foreign ownership and the level of disclosure of Corporate and Strategic Information and Social Reporting Information. Among these five sub-categories, only foreign ownership has a significant and positive impact on the voluntary disclosure of Corporate and Strategic Information.

Additional logistic regressions carried out for certain key individual items reveal some further distinctive insights into Vietnamese voluntary disclosure practices. The evidence shows that for the top 16 most communicated items; there are different drivers for different aspects of voluntary disclosure. In particular, each key item of voluntary disclosure information is not consistently associated with a particular predictor variable.

Further additional analyses are carried out to minimize the issue of possible endogeneity. These extra sensitivity analyses also provide support for H_2 and $H_{4,}$ indicating that state ownership has a negative influence on the VnDI (with a presence of state ownership as well as influencing state ownership of greater than 20 per cent) while foreign ownership is not a significant predictor for VnDI. With regard to H_1 and H_3, there are mixed results. Specifically, employing differing measures for the corporate governance mechanism, this thesis finds that firms meeting the minimum requirements of independent directors on corporate boards or their board size have significant and positive influence on the extent of voluntary disclosure (these findings are consistent with the main findings of the thesis in Table 6.1). The dominant role of CEO and chairperson also has a significant and positive impact on a firm's voluntary disclosure practices (which is not in the expected direction). Different measurements of state ownership yield the same result, which is the significant and negative association with VnDI. On the other hand, alternative proxies of managerial ownership reveal no significant association with VnDI. Moreover, the impact of foreign ownership on Vietnamese voluntary disclosure is the same with different ways of measurements. Specifically, none of these regression results indicate a significant relationship between foreign ownership and VnDI.

Overall, this chapter presents the results of the statistical analyses for the determinants of the Vietnamese Voluntary Disclosure Index. Three out of the four hypotheses of this thesis are supported. Specifically, that the proportion of independent directors on corporate boards increases the extent of voluntary disclosure (H_1 is supported), while the proportion of state ownership and managerial ownership are shown to have negative associations with such practices (H_2 and H_3 are supported). Another important ownership identity variable, which is foreign ownership, is not a significant predictor determining the extent of Vietnamese voluntary disclosure (rejecting H_4). The next chapter provides the key conclusions and implications of these results from Chapter 5 and Chapter 6.

CHAPTER 7. IMPLICATIONS AND CONCLUSIONS

7.1 Introduction

The purpose of this thesis is to investigate the voluntary disclosure practices of Vietnamese listed firms in the 2009 annual reports. Using the agency theory framework, a conceptual model is developed and tested empirically against an aspect of corporate governance, ownership identities and other firm-characteristics variables. This final chapter offers the concluding remarks of this thesis, presenting an overview of the key findings, theoretical and practical implications and the positioning of this research in relation to existing literature.

The chapter is organised as follows. The thesis objectives and research questions are restated in Section 7.2. Significant findings and implications are summarized and presented in Section 7.3. Section 7.4 highlights the contributions of this thesis, followed by future research directions proposed in Section 7.5. Section 7.6 presents the concluding remarks.

7.2 Overview of Thesis

This thesis investigates the unique Vietnamese reporting environment, specifically in relation to its voluntary disclosure practices using contemporary data. The issue of voluntary disclosure practices is important because the development and sustainability of stock markets are subject to problems that arise from information asymmetry. The Asian Financial Crisis in 1997 and subsequent collapse of Enron in 2000 clearly show that low levels of transparency (weak corporate disclosure) can cause enormous damage not only to individual firms but also can affect an economy as a whole. In recent years, with an increasing awareness of the importance of corporate disclosure, especially in emerging economies with weak legal systems and rapid industrialisation, listed firms in emerging markets come under increasing pressure to engage in increased information disclosure. Moreover, with the recent 2007–2009 Global Financial Crisis where the global economy remains uncertain and investors are reluctant to invest, the need to improve information transparency is even more imperative in an emerging market such as Vietnam. Low levels of information transparency can be a barrier to investment that might inhibit potential investors from entering the stock market.

Despite the importance of information disclosure, there is little research investigating this issue in a young market such as Vietnam. With the unique transition from a tradition of 'secrecy' in a centrally planned economy towards a more 'transparent' market-driven economy, a Vietnamese study provides a unique extension to the extant literature of voluntary disclosure.

The specific research questions addressed in this thesis are as follows:

1. What is the extent of voluntary disclosure made by Vietnamese listed firms in their comprehensive annual reports?
2. What are the significant predictors influencing the extent of voluntary disclosure made by Vietnamese listed firms in their comprehensive annual reports?

Data utilized in this thesis is obtained from the annual reports of 252 non-financial Vietnamese firms (representing 56.30 per cent of the available population) for the year ending 31st December 2009. To generate important insights, a voluntary disclosure index is developed to measure the extent of voluntary disclosure in Vietnam using prior studies as the basis. The initial index is then validated by using a process of critical review by Vietnamese accounting experts to validate the relevance of each item to the Vietnamese reporting environment. A final list of 84 items is developed and then employed to capture specific Vietnamese corporate disclosure practices. Consistent with most previous studies, this thesis utilizes the more objective unweighted approach, whereby each disclosure item is equally weighted and expressed in dichotomous form and where a firm is given one (1) for a disclosed item and zero (0) for otherwise. This index represents the first such index for the Vietnamese voluntary disclosure context.

Agency theory is employed as the underlying theoretical framework for this thesis. Within the existing voluntary disclosure literature, agency theory has been used extensively in both mature capital market (Cooke 1989, 1992; Bradbury 1992; Hossain, Perera, and Rahman 1995; Frost and Pownall 1994; Meek, Roberts, and Gray 1995; Gray, Meek, and Roberts 1992; Camfferman and Cooke 2002) and emerging capital market settings (Ho and Wong 2001; Xiao and Yuan 2007; Barako 2004; Ho 2009; Hossain and Hammami 2009; Akhtaruddin et al. 2009). According to agency theory, there are information asymmetries in the concentrated Asian or emerging markets because the dominating influencing shareholders can utilize their control and power to expropriate the interests of minority shareholders. Agency theory argues that increasing the extent of corporate disclosure can mitigate the problems of information asymmetry. From an agency theory perspective, the proportion of independent directors on corporate boards, three ownership identities (the proportion of state, managerial and foreign ownership) and firm-characteristics (firm size, profitability, leverage, industry, auditing firm, listing duration and stock exchange location) are potential determinants of voluntary disclosure. Therefore, these variables are included in this thesis to explore the potential determinants of voluntary disclosure practices in Vietnam. With a focus on Asian and/or emerging markets, the next section summarises the key findings of this thesis and highlights implications in both a theoretical and practical sense.

7.3 Summary of Key Findings and Implications

This thesis reveals many valuable findings regarding the Vietnamese reporting environment, specifically voluntary disclosure practices. Table 7.1 provides a summarised list of the major findings for the two Research Questions. This is followed by a more in-depth discussion of the respective points.

Table 7.1 Summary of Research Findings

Research Questions	Findings
1. What is the extent of voluntary disclosure made by Vietnamese listed firms in their comprehensive annual reports?	The overall voluntary disclosure (as measured by the Vietnamese Voluntary Disclosure Index - VnDI) is at 20.31 per cent (Table 5.1). Within the VnDI, the disclosure results for the five key sub-categories of Vietnamese voluntary information are as follows: ● Vietnamese Voluntary Directors and Senior Management Disclosure Index (VnDSMI): 47.49 per cent. ● Vietnamese Voluntary Corporate and Strategic Information Index (VnCSI): 26.48 per cent. ● Vietnamese Voluntary Forward Looking Information Index: 21.88 per cent. ● Vietnamese Voluntary Financial Capital Market Data Index: 17.39 per cent. ● Vietnamese Voluntary Corporate Social Reporting Disclosure Index (VnCSRI): 16.22 per cent (Table 5.1).
2. What are the significant predictors influencing the extent of voluntary disclosure made by Vietnamese listed firms in their comprehensive annual reports?	For the overall Vietnamese Voluntary Disclosure Index, the main predictors are : ● Significant positive associations: CG (the proportion of independent directors on corporate boards), SIZE (natural log of total assets), PROFIT (retun on assets), IND (high versus low-profile industries) and LOC (Ho Chi Minh versus Hanoi listed firms) (Table 6.1). **H_1 is supported.** **H_4 is rejected.** ● Significant negative associations: STATE (the proportion of state ownership), MAN (the proportion of managerial ownership), AUDIT ('Big Four' versus non-'Big Four' auditing firms) and LISTING (newer versus older listed firms) (Table 6.1). **H_2 and H_3 are supported.**

Research Questions	Findings
Significant predictors for five sub-categories of information	For the Vietnamese Voluntary Directors and Senior Management Disclosure Index, the main predictors are: ● Significant positive associations: SIZE (natural log of total assets) (Table 6.2). ● Significant negative associations: STATE (the proportion of state ownership), MAN (the proportion of managerial ownership) and AUDIT ('Big Four' versus non-'Big Four' auditing firms) (Table 6.2). For the Vietnamese Voluntary Corporate and Strategic Information Index, the main predictors are: ● Significant positive associations: FOREIGN (the proportion of foreign ownership), PROFIT (Return on Assets) and LOC (Ho Chi Minh versus Hanoi listed firms) (Table 6.2). ● Significant negative associations: STATE (the proportion of state ownership) and LISTING (newer versus older listed firms) (Table 6.2). For the Vietnamese Voluntary Forward Looking Information Index, the main predictors are: ● Significant positive associations: SIZE (natural log of total assets) and PROFIT (Return on Assets) (Table 6.2). ● Significant negative associations: LISTING (newer versus older listed firms) (Table 6.2). For the Vietnamese Voluntary Financial Capital Market Data Index, the main predictors are : ● Significant positive associations: CG (the proportion of independent directors on corporate boards), SIZE (natural log of total assets) and LOC (Ho Chi Minh versus Hanoi listed firms) (Table 6.2). ● Significant negative associations: AUDIT ('Big Four' versus non-'Big Four' auditing firms) (Table 6.2). For Vietnamese the Voluntary Corporate Social Reporting Disclosure Index, the main predictors are: ● Significant positive associations: CG (the proportion of independent directors on corporate boards) and SIZE (natural log of total assets) (Table 6.2). ● Significant negative associations: STATE (the proportion of state ownership), MAN (the proportion of managerial ownership) and LISTING (newer versus older listed firms) (Table 6.2).

7.3.1 The Extent of Voluntary Disclosure

Using an unweighted disclosure scoring method for voluntary disclosure items, the answer for Research Question 1: '*What is the extent of voluntary disclosure made by Vietnamese listed firms in their comprehensive annual reports*?' is presented. The evidence reported in Tables 5.1 and 7.1 show that in aggregate, the general level of voluntary disclosure by Vietnamese listed firms is arguably low (with the mean of 20.31 per cent and a large variation from 3.57 per cent to 50.00 per cent).

As a point of reference, this average voluntary disclosure score is lower than in the recent studies in Asian and/or emerging markets by Akhtaruddin et al. (2009) in Malaysia (53.20 per cent), Rouf (2011) in Bangladesh (47.74 per cent), Hossain and Hammami (2009) in Qatar (36.84 per cent) and Mangena and Tauringana (2007) in Zimbabwe (39.10 per cent), but is higher than those of Wang, Sewon and Claiborne (2008) in China (18.00 per cent) and Al-shammari and Al-sultan (2010) in Kuwait (19.00 per cent). This finding is not surprising given that Vietnamese listed firms had no history or tradition of voluntary disclosure under the centrally planned economy.

However, it is impossible to make a direct comparison, given that each of these studies measures the extent of voluntary disclosure differently. For instance, Akhtaruddin et al.’s (2009) voluntary disclosure index consists of 74 items; Rouf (2011) has a list of 68 voluntary disclosure items; Hossain and Hammami (2009) develop a voluntary disclosure index of 44 items; Mangena and Tauringana (2007) comprise 86 items in their voluntary disclosure index; in Wang, Sewon and Claiborne (2008), a 79 voluntary disclosure items list was comprised and Al-shammari and Al-sultan (2010) finalize a list of 76 voluntary disclosure items.

The result of low levels of voluntary disclosure practices amongst Vietnamese firms supports the view of La Porta et al. (2000) who state that the level of voluntary disclosure is low in developing countries. As found in this study, Vietnamese listed firms exhibit lower levels of voluntary disclosure than most developing or emerging economies. The World Bank (2006b) further notes that compared to other Asian countries within the region, Vietnam is behind in regard to the level of information transparency. The outcomes of this thesis support this view specifically as it relates to voluntary disclosure.

There are several possible reasons for this low level of voluntary disclosure. First, the fact that the Vietnamese stock exchange is relatively young and that most of the listed firms are former SOEs, which in the past did not need to provide extensive financial reports are plausible explanations for such low levels of voluntary disclosure practices. In particular, most of these Vietnamese firms are still relatively new to the process of preparing annual reports for a wide range of stakeholders and thus, they may have a tendency to report as mandated, rather than to voluntarily disclose extra information. Second, the lack of effective regulation and law enforcement by the stock exchange regulatory bodies may contribute to the low level of information transparency, particularly voluntary disclosure. For instance, as mentioned in Section 2.7, when firms did not provide annual reports or were late in providing such information, the State Securities Commission of Vietnam (SSC) simply sent out memos reminding listed firms to provide more sufficient information for investors (Ministry of Finance 2009). Furthermore, the penalty for violating disclosure regulations is relatively weak. Section 2.7 notes that fines for firms that provide insufficient or false information only range from five to ten million VND (the equivalent of $250 to $500 USD). These fines are very minimal and thus, are very unlikely to be a sufficiently strong enforcement motivator to improve a firm's level of information disclosure. Consequently, many of the listed firms in Vietnam still do not seem to pay enough attention to improving their information disclosure. Third, as at the middle of 2012, Vietnam still has not fully adopted IAS/IFRS. Perhaps the ambivalence of the Vietnamese government towards accounting regulation is another reason why Vietnam has such a low level of information disclosure.

Within the VnDI, there are five key sub-categories. Information on Directors and Senior Management has the highest voluntary disclosure level at 47.49 per cent.

There are only three items within the Directors and Senior Management Information category, thus, this may be why the level of this type of communication is higher. In effect, it is relatively easy to get a high score in this sub-category. Corporate Social Reporting Information has the lowest level of voluntary disclosure at 16.22 per cent. Whilst the society is becoming more concerned about social information disclosure, the evidence in this thesis shows a notably low level of corporate social reporting disclosure among Vietnamese firms. This result enhances the argument of earlier studies that there is less social reporting disclosure in emerging or developing countries than in wealthier or developed countries (Belal 2001; Cahaya, Porter, and Brown 2006; Dobers and Halme 2009). One possible explanation for such a low level could be because social reporting disclosure practices are relatively new in Vietnam. According to Krechowicz and Fernando (2009), Vietnamese listed firms do not seem to have major concerns in regard to the firms' social sustainability, as it is found in their study that Vietnamese firms display the lowest corporate environmental and social reporting disclosure level among other Asian countries such as: Indonesia, Malaysia, Philippines and Thailand. There seems to be a far greater focus on economic issues. Thus, it is not surprising that Vietnamese listed firms demonstrate a low score for voluntary disclosure of corporate social reporting information.

There are arguably clear benefits towards greater transparency in corporate disclosure for Vietnam. With economies around the globe under threat during the Global Financial Crisis of 2007–2009, investors are reluctant to invest, especially in emerging markets where the level of information transparency is lower. Engaging in greater voluntary disclosure is advocated as it does not only allow firms the ability to obtain more external finance with a lower cost of capital and debts, but also assists with the country's overall economic growth since voluntary disclosure practices have been shown to be positively related to market liquidity and market liquidity is associated with economic growth (Barako 2004; Haddad, AlShattarat, and Nobanee 2009; Mazumdar and Sengupta 2005). In order to raise additional funds to facilitate the process of privatization, listed firms in Vietnam should be encouraged to provide higher levels of information transparency.

The low level of information disclosure noted in the sample of 252 Vietnamese listed firms suggests the need for further regulation and associated enforcement by Vietnamese policy makers. As mentioned above, the lack of law enforcement and an absence of commensurate punishment may be an important factor contributing to the low level of voluntary disclosure. The findings of this thesis suggest that the punishment for insufficient information disclosure must be increased substantially and enforced. This may include holding managers of firms accountable for a firm's disclosure. The threat of criminal prosecution for senior managers may generate a far greater impetus for improvement of information disclosure. This should be aligned with the development of an appropriate regulatory framework which includes the full adoption of IFRS/IAS. It is well documented in the extant literature that a full adoption of IAS/IFRS can be one of the solutions for improving information transparency (Horton, Serafeim, and Serafeim 2010; Tarca 2004). Thus, full convergence to IAS/IFRS can be a beneficial tool to improve the level of Vietnamese corporate information disclosure.

7.3.2 Insights on Independent Variables

The descriptive results in Section 5.2 of Chapter 5 reveal some interesting characteristics of Vietnamese listed firms.

Across the full sample of 252 Vietnamese listed firms, the proportion of independent directors on corporate boards (representing a firm's corporate governance system) has a mean of 53.89 per cent. This exceeds the minimum requirements of Vietnamese listed firms' corporate governance (at least one third of independent directors on corporate boards). Yet, there are 30 firms that fail to meet this minimum requirement (three with no independent directors and 27 with less than one third of independent directors on their corporate boards). Compared to other emerging capital markets, Vietnam's average for independent directors on corporate boards is higher than the 38.3 per cent in Malaysia (Akhtaruddin et al. 2009), 24 per cent in China (Xiao and Yuan 2007), 9.72 per cent in Bangladesh (Rouf 2011) and 36.90 per cent in a developed Asian country such as Singapore (Cheng and Courtenay 2006), but lower than the 68 per cent in Kenya (Barako 2007) and 70.3 per cent in Zimbabwe (Mangena and Tauringana 2007). The mean of 53.89 per cent in this thesis highlights that the vast majority of Vietnamese listed firms comply with the requirements and the spirit of the regulations by having at least one third of independent directors on corporate boards. This is a positive sign for Vietnamese corporate governance regulators.

Despite massive efforts to privatize its SOEs, the average proportion of state ownership in Vietnam remains substantial with a mean of 26.93 per cent, and with the highest proportion of state ownership at 79.92 per cent. The average state ownership figure in this thesis is significantly higher than the mean of two per cent in Singapore (Eng and Mak 2003) and seven per cent in Jordan (Naser, Al-Khatib, and Karbhari 2002), but is comparable with 26.84 per cent in China (Wang, Sewon, and Claiborne 2008). As stated in Chapter 2, the Vietnamese stock exchange was established in 2000 in order to facilitate the privatization process of many SOEs. However, the evidence in this thesis indicates that a large proportion of firms still have a significant presence of state ownership (71.82 per cent or 181 firms) among the sample of 252 Vietnamese listed firms. The high level of state ownership in Vietnam can be explained by the fact that Vietnam is still in its early stages of privatization.

The descriptive results also indicate that the proportion of managerial ownership is at a moderate level of 12.76 per cent. The average in this thesis is higher than the 0.48 per cent in China (Xiao and Yuan 2007), but far lower than the 29.19 per cent in Malaysia (Akhtaruddin and Haron 2010) and slightly lower than the 14.00 per cent in Singapore (Eng and Mak 2003). Overall, the managerial ownership in Vietnam is still sizeable.

Results reveal that the proportion of foreign ownership among 252 Vietnamese listed firms is relatively low with an average foreign investment holding of 9.80 per cent. This is lower than many of studies conducted in Asian or emerging market contexts. For instance, Barako (2007) reports an average of 28 per cent foreign ownership among Kenyan listed firms in both 1992 and 2001. In Malaysia, Ho and Tower (2011) note an average foreign ownership of 16 per cent for both 2000 and 2006 while in Zimbabwe, Mangena and Tauringana (2007) calculate an average foreign ownership figure of 11.10 and 7.9 per cent for 2003 and 2004 respectively. Compared to neighbouring emerging markets such as China, the proportion of foreign ownership in Vietnam is much lower. Wang, Sewon and Claiborne's (2008) study reveals a high foreign ownership average of 33.71 per cent among Chinese listed firms. The fact that Vietnam has a younger market than other emerging markets may be the reason why there is such a low level of foreign ownership among Vietnamese listed firms. Perhaps these foreign investors are more likely to invest in emerging countries that have a longer period of establishment and to observe the market before investing rather than 'gambling' on a new and young market like Vietnam, which is ten years old. Furthermore, the restriction ceiling of 49 per cent imposed on the proportion of foreign ownership in a listed firm may also be a reason why there is a low level of foreign ownership in Vietnam. Clearly, there is room for increasing foreign ownership at the firm level in the Vietnamese context.

7.3.3 Reflections on Hypotheses Results

It is hypothesised in this thesis that the extent of voluntary disclosure is a function of corporate governance attributes (the proportion of independent directors on corporate boards), ownership identities (state, managerial and foreign ownership) and firm characteristics. This thesis concludes that the proportion of independent directors on corporate boards is an important aspect associated with voluntary disclosure, while the proportion of state and managerial ownership are the ownership identities that negatively influence the level of voluntary disclosure of Vietnamese listed firms. Firm-characteristics significantly associated with the extent of voluntary disclosure are firm size, profitability, industry, auditing firm, listing duration and stock exchange location. The discussions below consider the findings of this thesis and Vietnam's position relative to other Asian and/or emerging countries, followed by theoretical and practical implications.

H_1: There is a positive association between stronger corporate governance systems and the level of voluntary disclosure in the annual reports of Vietnamese listed firms – Supported.

This thesis generates evidence that an effective corporate governance mechanism can significantly improve a firm's communication of information on a voluntary basis. The empirical data supports Hypothesis H_1 that there is a positive association between the proportion of independent directors on corporate boards and the extent of voluntary disclosure within Vietnamese listed firms (Table 6.1). This implies that the strength of corporate governance mechanisms (measured by the high proportion of independent directors on corporate boards) can act as a positive monitoring mechanism, encouraging firms to better engage in voluntary disclosure practices. The result in this thesis lends support to the findings of many studies in Asian or emerging markets, which report a positive association between the proportion of independent directors on corporate boards and the extent of voluntary disclosure (Akhtaruddin et al. 2009; Chen and Jaggi 2000; Cheng and Courtenay 2006; Guan, Sheu, and Chu 2007; Xiao and Yuan 2007; Xiao, Yang, and Chow 2004; Yuen et al. 2009; Samaha 2010; Chau and Gray 2010). Results from sensitivity analyses support the main thesis results that effective corporate governance structure improves the extent of voluntary disclosure. In particular, firms that comply with the requirement of at least one third of independent directors on corporate boards and the corporate board size are associated with increased voluntary disclosure. On the other hand, the dominant role of a CEO who is also a chairperson encourages firms to participate in more voluntary disclosure (Section H.1 of Appendix H). The results of a positive association between the dominant role of the CEO and chairperson and the extent of voluntary disclosure reveals the distinctive reporting practices of Vietnamese listed firms, as this outcome is opposite to the findings of existing literature.

There are several possible reasons for the positive association between the proportion of independent directors on corporate boards and the extent of voluntary disclosure. Consistent with agency theory, independent directors on corporate boards assist firms in having more effective monitoring mechanisms, thereby overseeing management's opportunistic behaviours. Under a more intensive monitoring environment, managers are less likely to withhold information for their own benefit, which subsequently leads to improvement in information disclosure. Similar to the view of Kaplan and Reishus (1990), this thesis posits that due to the fear of loss of reputations, lawsuits and the market for their services, independent directors in Vietnamese listed firms have incentives to motivate the corporate boards of management to make decisions appropriately and more in accordance with shareholders' wealth maximization goals. Overall, it is clear that in the context of Vietnamese listed firms, the presence of independent directors on corporate boards is an effective monitoring mechanism that assists firms in improving their level of voluntary disclosure.

H_2: There is a negative association between the extent of state ownership and the level of voluntary disclosure in the annual reports of Vietnamese listed firms – Supported.

The second hypothesis in this thesis, H_2 proposes a negative association between the proportion of state ownership and the extent of voluntary disclosure made by Vietnamese listed firms. The results reported in Table 6.1 reveal that there is a highly significant and negative association between the proportion of state ownership and the extent of voluntary disclosure. Thus, H_2 is supported. The negative relationship found in this thesis is similar to an earlier study of Chinese listed firms (Xiao, Yang, and Chow 2004). However, in Singapore, Eng and Mak (2003) detect a significantly positive association, while in other emerging countries there is no clear evidence of a significant relationship (Bogdan et al. 2009; Xiao and Yuan 2007). Extra sensitivity analyses using different measurements for state ownership support this outcome as empirical evidence reports that the presence of an influential state owner can potentially reduce the voluntary disclosure practices of Vietnamese listed firms. The significantly negative association between state ownership and voluntary disclosure practices in this thesis contributes to the limited studies and provides some clarification for the previously inconsistent findings.

There are several possible reasons for this phenomenon in Vietnam. First, unlike other countries with highly concentrated ownership, the agency problem in Vietnam, which has highly concentrated state ownership, is somewhat different. Within the Vietnamese context, the state ownership represents no 'real owner' of these state shares because in its communist sense, the state is represented by the people of Vietnam and so the state shares supposedly belong to the Vietnamese people, yet they do not have direct control or interest of these assets. Thus, there is no 'real owner' of these state shares. As there is no 'real owner' there may be a lack of interest in a firm's information transparency, which reduces the incentives for monitoring in these state owned firms and subsequently lessens the motivation of managers to engage in more information disclosure.

Second, under a centrally planned economy, financial reports in these former SOEs were historically prepared mainly for the purpose of budget planning and not for the purpose of obtaining external capital. The only user of financial reports was the state and hence managers of firms had little incentive to provide more information than required. After privatization, the management structures of these companies largely stayed the same and thus, perhaps under the same management, firms still retained their same corporate reporting behaviour of not engaging in voluntary disclosure.

Third, being the sole authority, the state is powerful enough to obtain information about a particular firm through different channels and thus, demand for information by these state owned firms is generally lower, and consequently, this results in a lower level of information disclosure by firms.

Fourth, it is believed that within the Vietnamese context, firms with higher state ownership disclose less information because of political constraints. In particular, as mentioned in Chapter 2, managers of SOEs must at least be members of the Communist Party of Vietnam and do not necessarily have any skills in managing a commercial business. In such cases, firms with a higher proportion of state ownership may be discouraged from voluntary disclosure because the government and these managers may use their political influence to promote their political goals, which often diverge from commercial motives and investors' interests—such as information disclosure.

Finally, it is posited that in Vietnamese firms with a higher proportion of state ownership, the managers of these firms generally face fewer hostile takeover threats as the state is the main player and also the firm's long term investor. Hence, this may give managers of high state owned firms reduced incentives to improve the level of firm disclosure.

H_3: There is a negative association between the extent of managerial ownership and the level of voluntary disclosure in the annual reports of Vietnamese listed firms – Supported.

The empirical evidence in this thesis provides support for the H_3 proposition that there is a negative association between the proportion of managerial ownership and the extent of voluntary disclosure (Table 6.1). This implies that across 252 Vietnamese listed firms, higher managerial ownership results in lower information disclosure and vice versa. When managerial ownership is highly concentrated, the managers gain more control of the firm's operating, reporting and disclosure decisions, they become more entrenched and they have the ability to expropriate minority shareholders' wealth. Recent studies of Singaporean listed firms by Eng and Mak (2003) and Malaysian listed firms (Akhtaruddin and Haron 2010; Ghazali and Weetman 2006) also find that information disclosure is likely to be less when there are higher levels of managerial ownership.

There are various possible reasons for this result. First, the finding in this thesis is supported by the agency theory viewpoint that suggests a negative relationship between managerial ownership and information disclosure practices. Specifically, agency theory posits that managers who own an equity stake within a firm may potentially have an 'entrenchment effect'. These managers may exploit their powers and act in their own, instead of shareholders' interests. These actions may include limiting the firm's information disclosure to protect themselves, rather than supplying sufficient information to assist shareholders with their decision making. In a weak legal infrastructure environment like Vietnam, managers who are influential shareholders may have even more incentives and power to manipulate accounting information to protect their own interests.

Second, most of Vietnam's listed firms originated as SOEs, wherein managers are appointed according to their political status (as mentioned in Chapter 2). Owning shares in their firms may make these 'political' managers become more risk-averse, resulting in decisions to voluntarily disclose less information to protect their 'political' reputation.

Third, not only are these managers politically appointed but they are often involved with the firms for a very long period of time, often since Vietnam's reunification in 1975. The combination of employment duration, political status, high power position as well as ownership may lead these managers to exploit their power, resulting in decisions to not disclose certain information so as to better secure their jobs as well as 'political' reputations.

H_4: There is a positive association between the extent of foreign ownership and the level of voluntary disclosure in the annual reports of Vietnamese listed firms – Not Supported.

This thesis finds no significant association between the proportion of foreign ownership and the extent of voluntary disclosure within Vietnamese listed firms (Table 6.1). The finding in this thesis is similar to those of Bodgan et al. (2009) and Naser, Al-Khatib and Karbhari (2002) who fail to find a significant relationship between the proportion of foreign ownership and the extent of disclosure by Romanian and Jordanian listed firms respectively. However, there are a number of studies that report a significant association between these two (Wang, Sewon, and Claiborne 2008; Xiao and Yuan 2007; Xiao, Yang, and Chow 2004; Barako 2007; Haniffa and Cooke 2002; Ho and Tower 2011; Mangena and Tauringana 2007). Two possible reasons for this could be that foreign investors do not have enough power, as supported by the relatively low levels of shareholdings to induce the managers of Vietnamese listed firms to disclose more information. The lack of predictive power of foreign ownership could stem from the fact that the inherent foreign ownership among Vietnamese listed firms is low (9.80 per cent). The 49 per cent maximum foreign ownership ceiling certainly limits the power to influence the accounting choices of the firms, specifically voluntary disclosure. Moreover, barriers of language and cultural traditions may also restrain foreign investors from influencing Vietnamese managers' decision making tasks, including the decision to provide more information.

7.3.4 Insights on Control Variables

Findings for the control variables indicate that firm size (as measured by the natural logarithm of total assets) is a very important factor associated with voluntary disclosure in Vietnamese annual reports (Table 6.1). In particular, it is found in this thesis that larger Vietnamese firms tend to engage in higher levels of voluntary disclosure. This result is supported by agency theory and many voluntary disclosure studies in Asian or emerging markets (Barako 2007; Xiao and Yuan 2007; Ho 2009; Eng and Mak 2003; Hossain, Tan, and Adams 1994). Several reasons have been advanced to offer an explanation for this positive relationship between size and voluntary disclosure. First, Buzby (1975) states that the process of gathering, preparing and disclosing information is relatively cheaper for bigger firms, thus they can provide more information disclosure than smaller firms. Second, within Vietnam, bigger firms may be subject to more public and even ‘political’ attention. As such, they tend to provide more information to minimize scrutiny from the public.

Profitability is moderately significant and positive in its association with voluntary disclosure practices (Table 6.1). This finding supports the results of previous disclosure studies in Asian or emerging markets (Wang, Sewon, and Claiborne 2008; Xiao and Yuan 2007; Ghazali and Weetman 2006). However, other studies in

Malaysia by Ho and Tower (2011) and in China by Xiao, Yang and Chow (2004) report no significant association. The positive relationship between a firm's profit and its level of information transparency is well supported by agency theory, in that more profitable firms engage in more voluntary disclosure practices. Agency theory posits that managers of more profitable firms may use external financial reporting information as a tool to enhance their personal advantages such as: remuneration, promotions or bonuses (Singhvi and Desai 1971; Wallace and Naser 1995; Inchausti 1997). Furthermore, the Vietnamese capital market is relatively young and as such, more profitable firms have a clear motivation to provide more information so as to distinguish themselves from other poorer performing firms in the market, in order to better attract capital.

Leverage lacks statistical significance within Vietnamese voluntary disclosure practices (Table 6.1). This is consistent with Ho (2009), Ghazali and Weetman (2006), Xiao and Yuan (2007), Owusu-Ansah (1998) and Chow and Wong-Boren's findings (Chow and Wong-Boren 1987) that suggest a firm's leverage has no significant association with the extent of voluntary disclosure. This result may be because in Vietnam, firms' creditors (such as banks) can obtain firms' information easily and thus, there is little or no need to provide information in the firms' annual reports to meet the expectations of these interested groups.

Membership in a particular type of industry is found to be associated with voluntary disclosure (Table 6.1). In particular, there is evidence indicating that firms within high-profile industries tend to engage in more voluntary disclosure than firms within low-profile industries. Many previous studies find that type of industry is a significant predictor of a firm's voluntary disclosure decisions (Barako, Hancock, and Izan 2006; Cooke 1992; Williams 1998). One possible reason is that firms in high-profile industries receive greater public scrutiny than low-profile industries firms and such pressures, arguably motivates these high-profile industries firms to provide more information in order to minimize the pressure and attention.

The auditing firm ('Big Four' compared with non-'Big Four' auditing firms) is found to be negatively associated with the extent of voluntary disclosure made by Vietnamese listed firms (Table 6.1). This implies that listed firms that are audited by 'Big Four' auditing firms provide significantly lower voluntary information disclosure than other firms. This finding reveals the unique reporting environment of Vietnamese listed firms as it is contradictory to the findings of a large number of studies in emerging markets. Specifically, the majority of studies in emerging markets either find a significant positive association (Inchausti 1997; Patton and Zelenka 1997) or no significant association with the presence of 'Big Four' auditors (Alsaeed 2005; Akhtaruddin et al. 2009; Haniffa and Cooke 2002; Owusu-Ansah 1998; Barako 2007). This finding, which is opposite to expectations, is perhaps due to the distinctive auditing environment in Vietnam whereby firms with 'Big Four' auditors do not prioritize information disclosure. To some degree, it is as if the 'Big Four' auditors' type of clients and type of business in Vietnam is fundamentally different than in other countries. Further research could explore this unexpected phenomenon.

Additionally, a firm's listing duration is highly significant in its association with voluntary disclosure in a negative direction (Table 6.1). Specifically, this thesis finds that newly listed firms provide significantly less information than older firms. Older firms are more experienced in the disclosure of annual reports and hence, it may be easier and less costly for these older firms to prepare one, compared to newly listed firms (Owusu-Ansah 1998). Hossain and Hammami (2009) state that younger listed firms may suffer a competitive disadvantage if they disclose certain items and as such, newly listed firms in Vietnam may not communicate as much information because of this perceived disadvantage.

The finding in this thesis also indicates that the stock exchange location is another important attribute in the level of voluntary disclosure practices in Vietnam (Table 6.1). In particular, firms listed on the Ho Chi Minh stock exchange (HOSE) tend to engage in more voluntary disclosure of information than firms listed on the Hanoi stock exchange (HNX). This is another interesting finding of Vietnamese reporting practices. There are a few possible reasons for this. First, as stated earlier in Chapter 2, Ho Chi Minh City was controlled by its colonial 'master' the French (1858–1954) and later came under the management of the US (1954–1975). Arguably, Ho Chi Minh City displays more of a Western influence whereas Hanoi, the northern capital, is more closed up in its historical 'communist' rule. Second, there is a five-year gap between HOSE and HNX. As such, HOSE's regulatory and enforcement mechanisms may be more organized than HNX's. For instance, the management team for monitoring and overseeing the activities of HOSE may have a more efficient system than in the younger HNX. Thus, firms listed on HOSE may be subject to more pressure to engage in providing sufficient extensive information. Third, being the first and leading stock exchange in Vietnam, firms listed on HOSE may be influenced by more international exposure than firms listed on HNX. This pressure may drive HOSE listed firms to provide more comprehensive information. Fourth, as mentioned in Chapter 4, the public, investors and the listed firms themselves may generally perceive HOSE listed firms to be better than HNX listed firms. Thus, managers of HOSE listed firms may tend to communicate more information in order to prevent their shares being undervalued and to distinguish them from HNX listed firms.

7.3.5 Section Brief

Theoretically, this thesis provides further support for the viability of agency theory in explaining variations of Vietnamese voluntary disclosure practices. In particular, consistent with agency theory tenets, stronger corporate governance can serve as an effective monitoring mechanism of a firm's activities, including the decision to disclose additional information beyond that mandated.

The negative associations between the proportion of state and managerial ownership and the extent of voluntary disclosure add another perspective to the agency problem of highly concentrated corporate ownership in emerging economies. In particular, the determination that state ownership reduces the level of voluntary information disclosure supports the view of agency theory that concentrated ownership provides incentives for managers to reduce the quality of accounting information (Fan and Wong 2002). State ownership represents no 'real owner' and as such, there is lack of 'real incentive' to monitor the firms, thereby giving firms little motivation to disclose more information. Furthermore, the state generally has dominating power to control firms via various ways such as power to regulate or enforce rule, including the power to reduce the level of a firm's voluntary disclosure of information.

In relation to managerial ownership, this thesis finds that in the context of Vietnam, managerial ownership leads to managerial entrenchment and thus, managers may exploit their power and act in their own instead of shareholders' interests, for example, by limiting firm information disclosure rather than supplying sufficient information to assist shareholders with their decision making. Overall, the findings in this thesis suggest that a highly concentrated ownership structure can lead to potential entrenchment problems, which arguably results in a lower level of information disclosure.

Apart from these theoretical aspects, valuable suggestions in a practical sense are also presented. Evidence in this research suggests that strong corporate governance can serve as an effective monitoring mechanism to enhance the level of information transparency in Vietnam. Thus, Vietnamese policy makers should be encouraged to mandate other corporate governance mechanisms, such as mandating higher levels of experience or expertise on audit committees. For example, audit committees members are required to possess knowledge of law, finance or accounting. The next section discusses in greater detail this thesis' recommendations towards the process of financial regulatory reform in Vietnam.

The fact that a higher proportion of state ownership reduces the extent of voluntary disclosure does not add another unique insight to the existing debate about such ownership, but is also a valuable finding for the Vietnamese privatization process. Specifically, since firms with a higher level of state ownership have a reduced level of voluntary disclosure, this thesis suggests that there should be more mandatory regulations imposed on state owned firms to improve information transparency, especially more so in higher state ownership firms than other firms.

7.4 Key Contributions of this Thesis

The results of this thesis contribute to the literature in a number of important ways.

First, in light of limited studies on the current status of Vietnam, specifically their financial and accounting regulatory framework, this thesis is one of the first known studies examining the reporting environment of Vietnamese listed firms. Within the Vietnamese context, it is often posited that Vietnamese listed firms exhibit a lack of information transparency. Nevertheless, there have been very few empirical studies providing evidence to support this view. By investigating the reporting practices and corporate governance issues, the findings of this thesis allow financial statement users (both domestic and foreign), regulators and other stakeholders to better understand Vietnamese firm's disclosure characteristics for decision making.

Second, the findings indicate that there is still a gap between Vietnamese listed firms and those of other emerging economies in terms of the extent of voluntary disclosure. It is found that not only does Vietnam have an overall relatively low level of voluntary disclosure, but the level of voluntary disclosure of social reporting information is at a concerning weak level. It is argued, especially in the current uncertain economic conditions, that low levels of information transparency can deter investors from entering the market. As such, to maintain the development and sustainability of the relatively young Vietnamese market, Vietnamese regulators are urged to pay more attention to the level of information disclosure.

Third, the interesting association between voluntary disclosure and ownership identities suggests a need for further investigation (García-Meca and Sánchez-Ballesta 2010). The results of this thesis add another perspective to the agency problem in countries with concentrated ownership. In particular, this thesis finds that in firms with greater state ownership, the state is so powerful that they may override the agent/s – principals relationship. It can be argued that managers in higher state ownership firms may lack incentives to disclose information as they are not properly monitored. The evidence found in this thesis of the negative relationship between managerial ownership and the extent of voluntary disclosure also augments the existing debate on the ambiguous relationship between managerial ownership and voluntary disclosure practices. Specifically, this thesis reports that in a firm with highly concentrated ownership and in a weak regulation environment such as Vietnam, managerial ownership can lead to an entrenchment problem that leads managers to act in their own interests, instead of those of the shareholders. The result highlights that Vietnamese listed firms need to carefully choose their management incentive programs to better protect the shareholders' interests. This thesis also recommends that Vietnamese regulators should enhance shareholders' protection to minimize managers' expropriation of the minority shareholders' interests.

Last, as stated above, the thesis results offer many valuable suggestions for Vietnamese regulatory reforms. For instance, to improve on the level of information transparency, it is recommended that Vietnam regulatory bodies (such as the Ministry of Finance or the State of Securities Commission) should consider an appropriate regulatory framework that includes the full adoption of IFRS/IAS. Moreover, a structured process leading towards improving the level of financial reporting expertise in Vietnam can certainly underpin any strengthening in a regulatory environment, providing increased confidence for domestic and foreign investors. Furthermore, it is argued in this thesis that one of the reasons for a low level of information disclosure could be weak legal enforcement. Thus, this thesis recommends that Vietnamese regulators should increase fines or penalties, holding managers of firms accountable for a firm's disclosure. The threat of criminal prosecution for senior managers may create a greater motivation for improvement of information disclosure. Criminal prosecution of managers does not only improve the level of information but also strengthens the shareholders' protection, which subsequently results in more confidence for investors in this emerging market. Additionally, since having effective corporate governance mechanisms can help to enhance the level of information transparency and improve market confidence, perhaps regulators should consider adopting the mandatory expertise or skills requirement for members of audit committees, so as to enhance the monitoring activities which may result in an increased level of voluntary disclosure. Existing literature indicates that having an audit committee with knowledge of law, finance or accounting can be an effective monitoring mechanism overseeing the manager's activities (Taylor 2008; Ho 2009). In regard to its privatization process, it is suggested that Vietnamese regulatory bodies should strengthen the regulations and enforcement governing the level of information disclosure, especially for formerly state owned firms. Overall, not only should Vietnam impose more financial reporting regulations, it should also consider strengthening its enforcement to improve the level of information transparency amongst Vietnamese listed firms.

7.5 Future Research Suggestions

The findings of this thesis and its limitation point to several further research opportunities. First, future research is encouraged to address some of the limitations of this thesis. For instance, because of the lack of information in earlier years, this thesis limits its timespan to a cross-sectional study for only the year 2009. Future research could extend this approach to a longitudinal analysis to better detect disclosure patterns of Vietnamese listed firms. Furthermore, in view of the recent 2007–2009 Global Financial Crisis (GFC), it may be useful to consider the impact of overall corporate governance and ownership concentration upon corporate disclosure patterns before, during and after the GFC.

Second, as mentioned in Sections 1.6, one of the limitations of this thesis is the lack of availability of a large number of comprehensive annual reports (170 firms). The unavailability of these annual reports may impact on the generalization of the results. Thus, this thesis suggests that future research further adopts a qualitative method (such as interviews or surveys) to explore this phenomenon in more depth and to provide reasons as to why these 170 firms did not provide comprehensive annual reports for the year 2009.

Third, as mentioned in Section 1.6, this thesis solely focuses on annual reports to investigate the issue of voluntary disclosure practices; yet, there are still many other mediums by which firms can disclose information. Thus, it is suggested that in the near future, when the Vietnamese stock market is more developed, perhaps additional research can explore other disclosure channels such as press releases, media or the Internet. These other avenues are potentially as important as information disclosure in annual reports and future studies could provide insights into what factors drive the use of these other communication mediums.

Fourth, this thesis suggests further exploration should be conducted to examine the relationship between managerial ownership and the extent of voluntary disclosure. For instance, future studies can explore the differing impacts of managerial ownership on the extent of corporate communication. One of the unique aspects of Vietnamese managers in highly state influenced firms is that these managers have to be members of the Communist Party of Vietnam in order to have such high positions (members of corporate boards or senior managers) in high state ownership firms. Thus, it would be interesting to find out whether there is any difference between the voluntary disclosure practice of firms with managers having political membership and firms without managers having political membership (in non-privatised firms).

Fifth, as seen in Chapter 5, the majority of Vietnamese listed firms emerged from SOEs and although increasing, there are still only a small number of family owned firms. In the future, when the market is more developed and there are more family owned listed firms, the family ownership variable could be looked at in order to enhance the understanding of the relationship between highly concentrated ownership and voluntary disclosure practices in emerging markets.

Sixth, the empirical evidence in this thesis indicates that the stock exchange location impacts significantly on voluntary disclosure practices. This is an interesting finding, representing a unique aspect of the Vietnamese reporting environment. This thesis suggests that future research could be conducted by possibly utilising qualitative methods (such as interviews or surveys) in order to more fully understand the reasons why there are such differences between the two stock exchanges. Additionally, as mentioned in Section 7.3, Vietnam has a rather distinctive environment of 'Big Four' auditing firms. Further interviews and surveys could be utilized to understand their domestic development and the perspective of listed firms on these 'Big Four' auditing firms and the related reasons for choosing such firms to audit their financial statements.

Finally, to complement the findings of this thesis, future research could also be undertaken by exploring how these voluntary disclosures are perceived and used by various key stakeholder groups. Again, the use of interview and survey techniques with corporate managers, auditors, investors, equity analysts and lenders may lead to a better understanding of the importance of disclosure transparency.

7.6 Concluding Remarks

The Asian Financial Crisis and Global Financial Crisis have emphasized the need for a better understanding of corporate governance and information transparency issues. Yet, despite its necessity and Vietnam's growing importance in the global economy, there has been little research into levels of corporate information transparency in Vietnam.

This thesis is one of the first that addresses the issues of voluntary disclosure practices by Vietnamese listed firms. From a struggling centrally planned economy, Vietnam has fundamentally turned its entire economy around by moving towards a more market oriented economy and is now becoming one of the key players in the world economy with GDP growth outstripping most of its fellow developing economies. With such a unique transition, the evidence of voluntary disclosure practices in Vietnam within this thesis offers a significant extension to the literature by enhancing knowledge in such successful transitional countries.

Using 2009 annual reports of 252 Vietnamese listed firms, this thesis investigates the extent of voluntary disclosure and its potential determinants. The evidence in this thesis shows that the level of voluntary disclosure among listed Vietnamese firms is relatively low with an average of 20.31 per cent. With the 2007–2009 Global Financial Crisis where economic certainty fluctuates and investors are reluctant to invest, the need to improve information transparency is imperative in emerging markets like Vietnam. It is well documented in the extant literature that full adoption of IAS/IFRS can be one of the solutions for improving information transparency (Horton, Serafeim, and Serafeim 2010; Tarca 2004). Thus, perhaps full convergence to IAS/IFRS can be a beneficial future tool to improve the level of Vietnamese corporate information disclosure.

Furthermore, the empirical evidence in this thesis provides insights into the influencing factors on the extent of voluntary information disclosed in the Vietnamese 2009 annual reports. Corporate governance mechanism (the proportion of independent directors on corporate boards) is significantly and positively associated with voluntary disclosure. This finding is consistent with past literature and offers valuable suggestions to Vietnamese policy makers to improve other corporate governance mechanisms.

It is also noted in this thesis that high state ownership and managerial ownership reduce the level of voluntary disclosure. These findings do not only add a unique Vietnamese story to the existing debate of ownership identities and voluntary disclosure, but also provide another perspective of highly concentrated ownership via agency theory.

Firm size, profitability, industry, auditing firm, listing duration and stock exchange location are also associated with voluntary disclosure decisions, although different factors are associated with the communication of different categories of information.

Overall, the results of this thesis reveal many important insights about Vietnamese listed firms and support a call for continued research in this fascinating, yet under-researched country like Vietnam.

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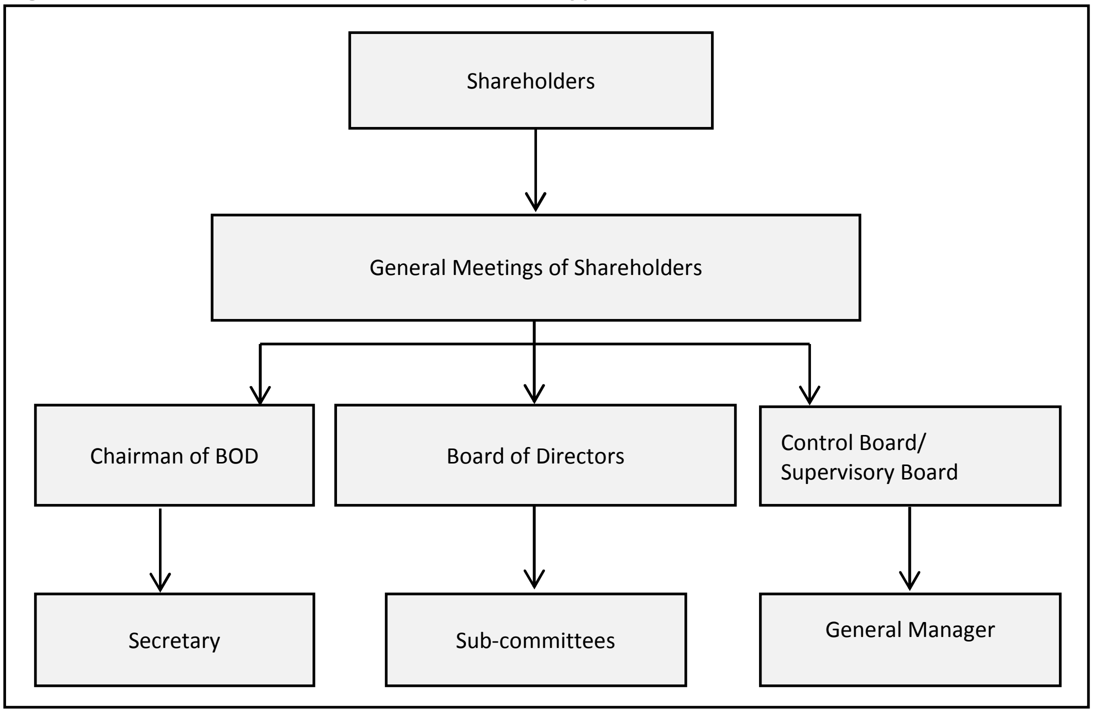
APPENDIX A VIETNAMESE CORPORATE GOVERNANCE STRUCTURE

The internal corporate structure in Vietnam is governed by Enterprises Law 2005. According to Enterprises Law 2005, the internal governance structure of Vietnamese listed firms consists of: 1) General Meeting of shareholders (GMS), 2) a corporate board of directors (BOD)[55] consisting of three to 11 members who are appointed by the GMS, 3) a chairperson of BOD appointed either by BOD or GMS, 4) a CEO appointed by BOD and 5) a Control Board or Supervisory Board appointed by GMS for a term of less than five years. Additionally, all listed firms are required to appoint at least one secretary (as illustrated in Figure A.1).

The main duties of the Control Board or Supervisory Board are: to monitor the activities of the board of directors, to approve the firm's annual reports, to inspect the firm's financial reports at the request of shareholders, or to request an extraordinary shareholders meeting if wrong-doing by managers is suspected. It is somewhat equivalent to the role of audit committees in developed countries. However, the World Bank (2006a) argues that the role of the Control Board or Supervisory Board in Vietnam is unclear, having fewer responsibilities than Audit Committees in developed countries. Furthermore, the BOD is also allowed to set up sub-committees to assist their trading activities such as internal audits and human resources. However, in practice, not many firms have these sub-committees in place.

Figure A.1 Governance Structure of a Typical Vietnamese Listed Firm



[55] The Board of Directors in Vietnam is called the Board of Management. For the purpose of consistency with the existing accounting literature, the term 'Board of Management' will be referred as 'Board of Directors' in this thesis.

APPENDIX B VIETNAMESE VOLUNTARY DISCLOSURE INDEX

The initial voluntary disclosure checklist is generated from an adaptation of relevant prior disclosure studies. Table B.1 presents the initial voluntary disclosure index before being reviewed and revised by ‘experts’ for relevancy and validity of each voluntary disclosure item in regard to the Vietnamese reporting environment. This initial list contains 119 items. Table B.2 then shows the excluded items after the evaluation process while Table B.3 presents the final unique Vietnamese Voluntary Disclosure Index that has been screened and validated by Vietnamese accounting experts. This final voluntary disclosure index consists of 84 items.

B.1: Creation of Initial Vietnamese Voluntary Disclosure Index Item

As there has been no known prior research on voluntary disclosure undertaken in Vietnam, as a starting point, this thesis adapts several well-known studies that have been utilized widely in the literature of voluntary disclosure. These are the studies of Meek, Roberts and Gray (1995), Ferguson, Lam and Lee (2002), Xiao and Yuan (2007), Ho (2009), Akhtaruddin et al. (2009) and Wang, Sewon and Claiborne (2008). To be included in the disclosure index, an item needs to have been included in more than one of the above mentioned studies.

Table B.1 Initial List of 119 Items for Vietnamese Voluntary Disclosure Index

	Type of information	Sources						
	Vietnamese Voluntary Disclosure Initial Items							
	Corporate and Strategic Disclosure Information (Strategic information)							
1	History of the company	MRG		H&C	FLL	PH	AHHY	
2	Organizational structure	MRG		H&C	FLL	PH	AHHY	WSC
3	Financial highlights – 2 years or more			H&C		PH		
4	Discussion on statement of strategy and objectives – general	MRG	X&Y	H&C	FLL	PH	AHHY	WSC
5	Discussion on statement of strategy and objectives – financial	MRG		H&C	FLL			WSC
6	Discussion on statement of strategy and objectives – marketing	MRG		H&C	FLL			WSC
7	Discussion on statement of strategy and objectives – social	MRG		H&C	FLL			WSC
8	Impact of strategy on current results	MRG		H&C		PH		
9	Impact of strategy on future results	MRG		H&C		PH		
10	Actions to be taken in the future	MRG	X&Y				AHHY	
11	Picture of major products			H&C		PH	AHHY	
12	Discussion of major product/service/business line		X&Y	H&C	FLL	PH	AHHY	

	Type of information	Sources						
13	Physical output and capacity utilization				FLL		AHHY	WSC
14	Corporate policy on Research and Development	MRG			FLL			WSC
15	Discussion of Research and Development activities	MRG	X&Y		FLL	PH		WSC
16	Number of employees in Research and Development	MRG			FLL			WSC
17	Rate of return on expected projects				FLL			WSC
18	Strategy to improve business (product quality/service/business performance)			H&C	FLL	PH	AHHY	
19	Descriptive of marketing network (domestic)			H&C	FLL	PH		WSC
20	Descriptive of marketing network (foreign)				FLL	PH		WSC
21	Reasons for acquisitions	MRG		H&C	FLL	PH	AHHY	WSC
22	Financing details of acquisitions			H&C	FLL	PH		WSC
23	Reasons for disposal	MRG		H&C	FLL	PH	AHHY	WSC
24	Consideration received on disposal				FLL	PH		WSC
25	Discussion of future business opportunity of disposal				FLL			WSC
26	Discussion of competitive position	MRG	X&Y			PH	AHHY	WSC
	Financial and capital market information (Financial information)							
27	Geographical capital expenditure – quantitative	MRG		H&C		PH		
28	Geographical production – quantitative	MRG				PH		
29	Line of business - production – quantitative	MRG		H&C		PH		
30	Competitor analysis	MRG		H&C	FLL			
31	Profitability ratio	MRG		H&C			AHHY	
32	Cash flow ratio	MRG			FLL			WSC
33	Liquidity ratio	MRG	X&Y		FLL	PH	AHHY	WSC
34	Gearing ratio	MRG	X&Y		FLL	PH	AHHY	WSC
35	Return on equity ratio				FLL	PH	AHHY	
36	Return on capital employed ratio				FLL	PH	AHHY	WSC
37	Other ratios	MRG	X&Y		FLL	PH	AHHY	WSC
38	Aging of debtors				FLL			WSC
39	Breakdown and analysis of operating expenses				FLL			WSC
40	Breakdown and analysis of administrative expenses				FLL			WSC
41	Breakdown and analysis of sales and revenues				FLL			WSC

	Type of information	Sources						
42	Breakdown and analysis of operating expenses into fixed/variables				FLL			WSC
43	Proportion of raw material purchase – local				FLL			WSC
44	Discussion of industry trends (prior)				FLL	PH		WSC
45	Disclosure of intangible valuations (except goodwill and brands)	MRG			FLL	PH	AHHY	WSC
46	Dividend payout policy	MRG			FLL		AHHY	WSC
47	Financial history or summary – six or more years	MRG		H&C		PH		WSC
48	Financial history or summary – three or more years	MRG			FLL			WSC
49	Off balance sheet financing information	MRG			FLL			WSC
50	Advertising information – qualitative	MRG			FLL		AHHY	WSC
51	Advertising information – quantitative	MRG					AHHY	WSC
52	Effect of inflation rate on current results	MRG			FLL			WSC
53	Effects of interest rates on current results	MRG			FLL			WSC
54	Effects of foreign currency on current results	MRG			FLL			WSC
55	Foreign currency exposure management descriptions	MRG			FLL			WSC
56	Major exchange rates used in the accounts	MRG			FLL		AHHY	WSC
57	Name of the stock exchange where the firm is listed			H&C	FLL	PH		
58	Market capitalization at year end	MRG			FLL	PH		WSC
59	Market capitalization trend	MRG			FLL	PH		WSC
60	Size of shareholdings	MRG			FLL			
61	Type of shareholding	MRG		H&C	FLL	PH	AHHY	WSC
62	Volume of shares traded (trend)			H&C		PH		
63	Volume of shares traded (year end)			H&C		PH		
64	Shares price information (trend)			H&C		PH	AHHY	
65	Share prices (year end)			H&C		PH	AHHY	
66	Market share analysis	MRG		H&C	FLL	PH	AHHY	WSC
67	Order book or backlog information	MRG	X&Y	H&C				
68	Restatement of financial information to non IAS/GAAP	MRG			FLL			
	Director and senior management information (Strategic information)							
69	Age of directors	MRG					AHHY	

	Type of information	Sources						
70	Education qualifications (academic/profession)	MRG		H&C		PH	AHHY	
71	Commercial experiences	MRG				PH	AHHY	
72	ID of senior management and their functions	MRG		H&C				
73	Other directorships held by directors	MRG					AHHY	
74	Position or office held by executive directors			H&C		PH		
75	Picture of senior management team			H&C		PH		
	Forward looking information (Strategic information)							
76	Effects of inflation on future operations – qualitative	MRG				PH		
77	Effects of interest rates on future operations	MRG			FLL	PH		WSC
78	Effects of foreign currency on future operations – qualitative	MRG			FLL	PH		WSC
79	Forecast of sales – qualitative	MRG		H&C	FLL	PH	AHHY	WSC
80	Forecast of sales – quantitative	MRG			FLL	PH	AHHY	WSC
81	Forecast of profits – qualitative	MRG	X&Y		FLL	PH	AHHY	WSC
82	Forecast of profits – quantitative	MRG	X&Y		FLL	PH	AHHY	WSC
83	Forecast of cash flows – qualitative	MRG			FLL	PH	AHHY	WSC
84	Forecast of cash flows – quantitative	MRG			FLL	PH	AHHY	WSC
85	Assumptions underlying forecasts	MRG		H&C	FLL	PH		WSC
86	General discussion of future industry trends			H&C	FLL	PH		WSC
87	Discussion of external factors affecting the company (economy, politics and technology)			H&C	FLL	PH		WSC
88	Discussion of company prospects (general)			H&C	FLL	PH		
89	Discussion on future expenditure				FLL		AHHY	WSC
90	Discussion of future products development			H&C	FLL	PH	AHHY	WSC
91	Index (selling prices/quantity sales/raw materials prices)			H&C	FLL			WSC
	Social reporting information (Non-financial information)							
92	General philanthropy			H&C		PH		
93	Participation in government social campaigns			H&C		PH		
94	Environmental protection programs – quantitative	MRG	X&Y	H&C	FLL	PH	AHHY	WSC
95	Environmental protection programs – qualitative				FLL			WSC
96	Charitable donations	MRG			FLL			WSC

	Type of information	Sources						
97	Community programs	MRG		H&C	FLL	PH	AHHY	WSC
98	Environmental policy			H&C		PH		
99	Geographical distribution of employees	MRG			FLL			WSC
100	Number of employees for more than 2 years (full and part time)	MRG		H&C	FLL	PH	AHHY	
101	Categories of employees by gender	MRG			FLL		AHHY	WSC
102	Reasons for changes in employee numbers or categories	MRG			FLL			WSC
103	Line-of-business distribution of employees	MRG				PH		
104	Employee appreciation			H&C	FLL	PH		WSC
105	Picture of employees' welfare			H&C		PH		
106	Discussion of employees' welfare			H&C	FLL	PH		WSC
107	Policy on employee training		X&Y	H&C	FLL	PH	AHHY	WSC
108	Nature of training	MRG	X&Y	H&C		PH		
109	Amount spent on training	MRG	X&Y			PH	AHHY	WSC
110	Number of employees trained	MRG	X&Y				AHHY	WSC
111	Redundancy information	MRG				PH		
112	Recruitment information (problems and related policy)	MRG		H&C	FLL			WSC
113	Equal opportunity policy statement	MRG			FLL			WSC
114	Effects of Employment Contract Act				FLL			WSC
115	Data on accidents	MRG			FLL	PH		WSC
116	Cost of safety measures	MRG			FLL	PH	AHHY	WSC
117	Safety of the products	MRG				PH		
118	Value added statement	MRG				PH		
119	Company awards		X&Y	H&C				

Legend: MRG: Meek, Roberts and Gray (1995). FLL: Ferguson, Lam and Lee (2002). H&C: Hannifa and Cooke (2002). X&Y: Xiao and Yuan (2007). PH: Ho (2009). AHHY: Akhtaruddin, Hossain, Hossain and Yao (2009). WSC: Wang, Sewon and Claiborne (2008).

B.2: Screening of Vietnamese Voluntary Disclosure Index

The initial Vietnamese voluntary disclosure index (Section B.1) list of 119 items is sent for critical review by 'experts' who have at least five years of auditing experience in Vietnamese accounting reporting practices. In particular, 20 surveys are sent to the leading local and international auditing firms with the request to screen the initial 119 items in regard to mandatory regulations such as *Vietnamese Accounting Standards 2003 (Decision 15/2006/QD-BTC*), *Vietnamese Law on Accounting 2003, Securities Law 2006* and *Circular 38/2007/TT-BTC.*

Of all 20 surveys sent, 12 are returned (representing a 60 per cent response rate). However, only eight respond with thorough and comprehensive replies and thus, a final useable response rate of 40 per cent is achieved. Their responses are in complete agreement as they all state that 25 items are mandated by Vietnamese regulations. Specifically, 24 items are governed under *Circular 38/2007/TT-BTC* and one item 'Off balance sheet information' is mandated through *Decision 15/2006/QD-BTC of Vietnamese Accounting Standards 2003.*

Following the responses from these experts, additional interviews are carried out with three other 'experts' who agree to participate in further discussion. As a result, another 10 items are excluded due to their being deemed of little or no relevancy to the reporting practices of listed firms in Vietnam.

The reasons for excluding these 35 items are detailed below.

Table B.2 Reasons for Exclusion of 35 Items from the Initial List of 119 Items

Type of information		Reasons for excluding items
Vietnamese Voluntary Disclosure Excluded Items		
Corporate and strategic information (Strategic Information)		
1	History of the company	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
2	Organizational structure	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
3	Financial highlights – two years or more	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
4	Discussion on statement of strategy and objectives – general	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
5	Discussion on statement of strategy and objectives – marketing	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
6	Actions to be taken in the future	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
7	Discussion of major product/service/business line	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
8	Corporate policy on Research and Development	Research and Development activities are not common among Vietnamese

Type of information		Reasons for excluding items
9	Number of employees in Research and Development	listed firms. Hence, to capture the voluntary disclosure of Research and Development activities, this index employs one generic phase of "Discussion of Research and Development activities".
10	Reasons for acquisitions	As of the end of 2009, acquisition and disposal activities are very rare activities as firms generally are not involved in either acquisition or disposal activities. Thus, items related to acquisition and disposal activities are not included because they are deemed to be less relevant to the Vietnam corporate reporting environment
11	Financing details of acquisitions	
12	Reasons for disposal	
13	Consideration received on disposal	
14	Discussion of future business opportunity of disposal	
Financial and capital market information (Financial information)		
15	Geographical capital expenditure – quantitative	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
16	Geographical production – quantitative	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
17	Line of business - production – quantitative	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
18	Return on equity ratio	All profit related ratios are combined under one Profitability ratio
19	Liquidity ratio	All debt related ratios are combined under one Debt/Gearing ratio
20	Dividend payout policy	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
21	Off balance sheet financing information	Item deleted because it is mandatory in Vietnam. Specifically, all Vietnamese firms are obliged to prepare an "Off-balance sheet" following their Balance sheet to disclose any item that cannot be listed under the Balance Sheet (*Decision 15/2006/QD-BTC* by MOF).
22	Size of shareholdings	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007

Type of information		Reasons for excluding items
23	Type of shareholding	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007.
24	Restatement of financial information to non-IAS/GAAP	Deemed non-relevant to the reporting environment in Vietnam as Vietnam has not fully adopted IAS.
25	Financial history or summary – six or more years	Items deleted because all listed companies are obliged to report their financial highlights/ summary in recent years. Majority of listed companies in Hanoi were only established in mid-2005 and thus, these financial histories or summary of these years are deemed less relevant to Vietnamese listed companies. Financial highlights or summary of two years are deemed to be more relevant. However, this is mandated by *Circular 38/2007/TT-BTC issued by Ministry of Finance* dated 18th April 2007.
26	Financial history or summary – three or more years	
Director and senior management information (Strategic information)		
27	Age of directors	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
28	Education qualifications (academic/ profession)	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
29	Commercial experiences	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
30	Position or office held by executive directors	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
Forward Looking information (Strategic information)		
31	Discussion of company prospect (general)	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
Social reporting information (Non-financial information)		
32	Number of employees for more than two years (full and part time)	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
33	Discussion of employees' welfare	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007

Type of information		Reasons for excluding items
34	Policy on employee training	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007
35	Recruitment information (problems and related policy)	Mandated by *Circular 38/2007/TT-BTC* issued by Ministry of Finance dated 18th April 2007

B.3: The Final Unique Vietnamese Voluntary Disclosure Index

Based on the careful screening process discussed in Section B.2, a final list of 84 items is developed. These 84 items are considered comprehensive and appropriate and are verified by 'experts' as being relevant in capturing the level of voluntary disclosure practices of Vietnamese listed firms.

Among these 84 items, 51 items are adapted from Meek, Roberts and Gray (1995), which has a 60.71 per cent adaption rate. There are 48 items (57.14 per cent adaption rate) from Wang, Sewon and Claiborne (2008), 58 items (69.05 per cent adaption rate) from Ferguson, Lam and Lee (2002), 51 items (60.71 per cent adaption rate) from Ho (2009), 33 items (39.29 per cent adaption rate) from Hannifa and Cooke (2002), 32 items (38.10 per cent adaption rate) from Akhtaruddin, Hossain, Hossain and Yao (2009) and 13 items (15.48 per cent adaption rate) from the study of Xiao and Yuan (2007).

In summary, the final Vietnamese Voluntary Disclosure Index consisting of 84 items is a validated disclosure instrument to capture the voluntary disclosure practices of Vietnamese listed firms. The other 35 items are excluded because of its mandatory nature or are deemed to have little or no relevance in the Vietnamese reporting environment

Table B.3 Final VnDI (84 Items)

Vietnamese Voluntary Disclosure Index – VnDI (84 items)	
Corporate and Strategic Information (14 items)	
1	Statement of strategy and objectives – financial
2	Statement of strategy and objectives – social
3	Discussion on the impact of strategy on current results
4	Discussion on the impact of strategy on future results
5	Picture of major products
6	Physical output and capacity utilization
7	Discussion of Research and Development activities
8	Statements of strategy improving business
9	Discussion of future products developments
10	Rate of return on expected projects
11	Descriptive information of marketing network (domestic market)
12	Descriptive information of marketing network (foreign market)

Vietnamese Voluntary Disclosure Index – VnDI (84 items)	
13	Discussion of competitive environment
14	General discussion of industry trends (past)
Financial and Capital Market Information (29 items)	
1	Gearing ratios
2	Profitability ratios
3	Return on capital employed ratio
4	Cash flow ratio
5	Other ratios that are not mandatory
6	Name of the stock exchange the firm is listed on
7	Volume of shares traded (year end)
8	Volume of shares traded (trend)
9	Market capitalization trend
10	Market capitalization at year end
11	Market share analysis
12	Share prices information (year end)
13	Share price information (trend)
14	Major exchange rates use in the accounts
15	Discussion of foreign currency exposure to firms activities by the managers
16	Competitors analysis
17	Aging of debtors
18	Disclosure of intangible valuations (except goodwill and brands)
19	Discussion of advertising, marketing activities – qualitative
20	Discussion of advertising, marketing activities – quantitative
21	Discussion on the effects of inflation rates on current results
22	Discussion on the effects of foreign currency on current results
23	Discussion on the effects of interest rates on current results
24	Breakdown and analysis of sales and revenues
25	Breakdown and analysis of operating expenses
26	Breakdown and analysis of administrative expenses
27	Breakdown and analysis of operating expenses into fixed/variables
28	Discussion of raw material
29	Order book or backlog information
Director and Senior Management Information (3 items)	
1	Identification of senior management and their functions
2	Other directorships held by directors
3	Picture of senior management team
Forward Looking Information (14 items)	
1	Forecast assumptions
2	General discussion of future industry trend
3	Discussion of external factors affecting the firm's future (economy/politics)
4	Forecast of sales – qualitative
5	Forecast of sales – quantitative
6	Forecast of profits – qualitative
7	Forecast of profits – quantitative
8	Forecast of cash flows – qualitative

Vietnamese Voluntary Disclosure Index – VnDI (84 items)	
9	Forecast of cash flows – quantitative
10	Discussion on future expenditure
11	Discussion on the effects of interest rates on future operating activities
12	Discussion on the effects of inflation on future operating activities
13	Discussion on the effects of foreign currency on future operating activities
14	Index (selling prices/quantity sales/raw materials prices)
Social reporting Information (24 items)	
1	Company awards
2	General philanthropy
3	Charitable donations (specific amount)
4	Participation in government social campaigns
5	Community programs (health and education) implemented
6	Statement of firm's environmental policies
7	Environmental protection programs – qualitative
8	Environmental protection programs – quantitative
9	Employee appreciation
10	Picture of employees' welfare
11	Breakdown of line-of-business distribution of employees
12	Geographical distribution of employees
13	Categories of employees by gender
14	Reasons for changes in employee numbers or categories
15	Effects of Employment Contract Act
16	Nature of training
17	Amount spent on training
18	Number of employees trained
19	General retrenchment or redundancy information
20	Equal opportunity policy statement
21	Data on accidents
22	Discussion of workplace safety (costs and measurement)
23	Statements concerned with wealth created (e.g., value added statement)
24	Discussion on the safety of the products

APPENDIX C RELIABILITY OF MEASUREMENT

In order to better ensure the reliability of the disclosure index measurement, which is the Vietnamese Voluntary Disclosure Index (VnDI), another researcher (who is an academic member and is currently doing a PhD in accounting) is asked to independently assess the disclosure score of 20 randomly selected listed firms from the 252 firms-population. The unweighted voluntary disclosure scores of this independent researcher are then compared with the researcher's to determine if the scores are significantly different.

Prior to the process, detailed instructions for scoring the data are prepared and a discussion of scoring methods is carried out. T-tests results indicate that overall, the two scores of Vietnamese voluntary disclosure are not significantly different. Weinbach and Grinnell (2004) refer to the reliability of a measurement instrument as being its ability to generate consistent results by using it several times.

Within the five major sub-categories, the results of the scoring by two researchers also reveals no significant difference with all *p*-values far greater than 0.050. Table C.1 presents the t-tests scores between the two researchers.

Table C.1 Comparison of Disclosure Scores – Reliability Test

Categories of Information	Researcher	Sig.
VnDI	**Author**	**0.846**
	Independent researcher	
VnCSI	Author	0.769
	Independent researcher	
VnFCMI	Author	0.923
	Independent researcher	
VnDSMI	Author	1.000
	Independent researcher	
VnFLI	Author	0.803
	Independent researcher	
VnCSRI	Author	0.967
	Independent researcher	

Legend: VnDI is the acronym for Vietnamese Voluntary Disclosure Index (shaded), with its five sub-categories, namely: Vietnamese Voluntary Corporate and Strategy Information Index (VnCSI), Vietnamese Voluntary Financial Capital Market Data Index (VnFCMI), Vietnamese Voluntary Directors and Senior Management Disclosure Index (VnDSMI), Vietnamese Voluntary Forward Looking Information Index (VnFLI) and Vietnamese Voluntary Corporate Social Reporting Disclosure Index (VnCSRI). Sig. = significant difference. Number of firms examined in these reliability tests is 20.

In summary, based on the results presented in Table C.1, the subjectivity problem arising from the scoring of the VnDI instrument used in this thesis is deemed minimized. Therefore, it can be concluded that the scores for each voluntary disclosure item in this thesis are reliable.

APPENDIX D HISTOGRAMS

Chapter 5 in the main text provides the descriptive analysis of the Vietnamese Voluntary Disclosure Index (VnDI) and its predictor variables. Appendix D contains the histograms of all the continuous independent variables (corporate governance aspect – CG, the proportion of state ownership – STATE, the proportion of managerial ownership – MAN and the proportion of foreign ownership – FOREIGN) and continuous control variables (firm size – SIZE, profitability – PROFIT, leverage – LEV).

D.1: Independent Variables

According to Weinbach and Grinnell (2004), a histogram is a useful graph to observe the frequency of a value or value category for a given variable. It is an important graphical device for assessing normality (normal distribution) of a variable. A normal distribution is one of the assumptions of the data for multiple regressions. Hair et al. (1995) state that within a multiple regression model the scores of data, especially the predictor variables, should be normally distributed.

Section 5.3 of the main text presents the descriptive statistics results of the four independent variables, namely: the proportion of independent directors on corporate boards (CG), the proportion of state ownership (STATE), the proportion of managerial ownership (MAN) and the proportion of foreign ownership (FOREIGN). Figures D.1 to D.4 below offer the histograms of these four independent variables.

Figure D.1 Histogram of Corporate Governance Proxy

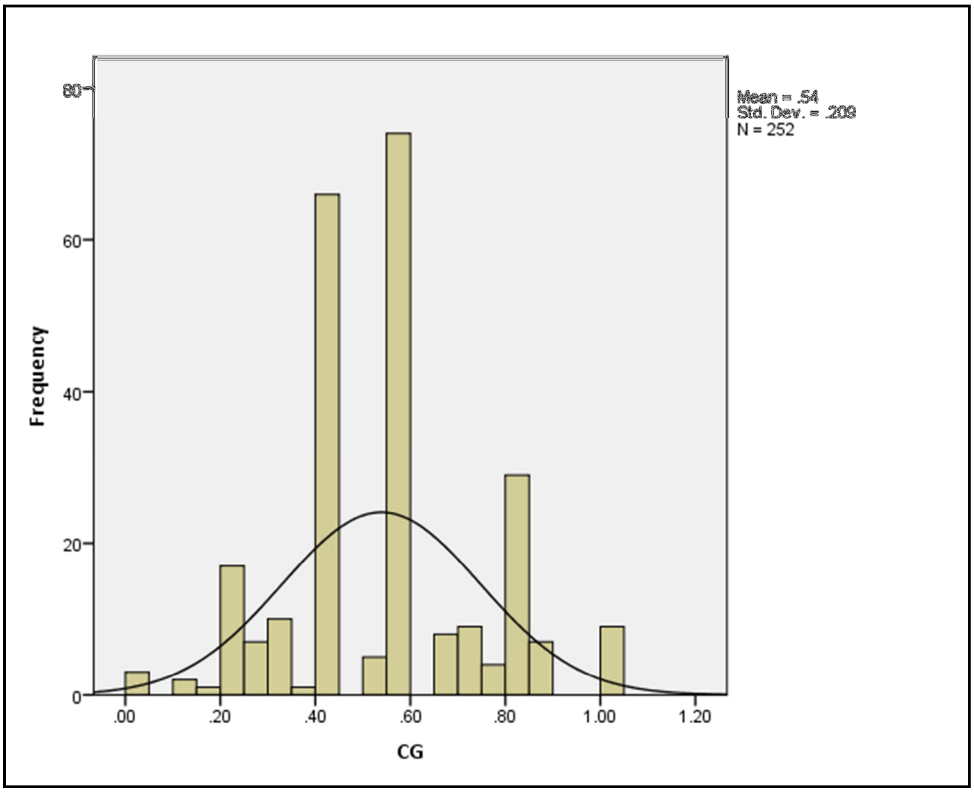


Figure D.2 Histogram of State Ownership

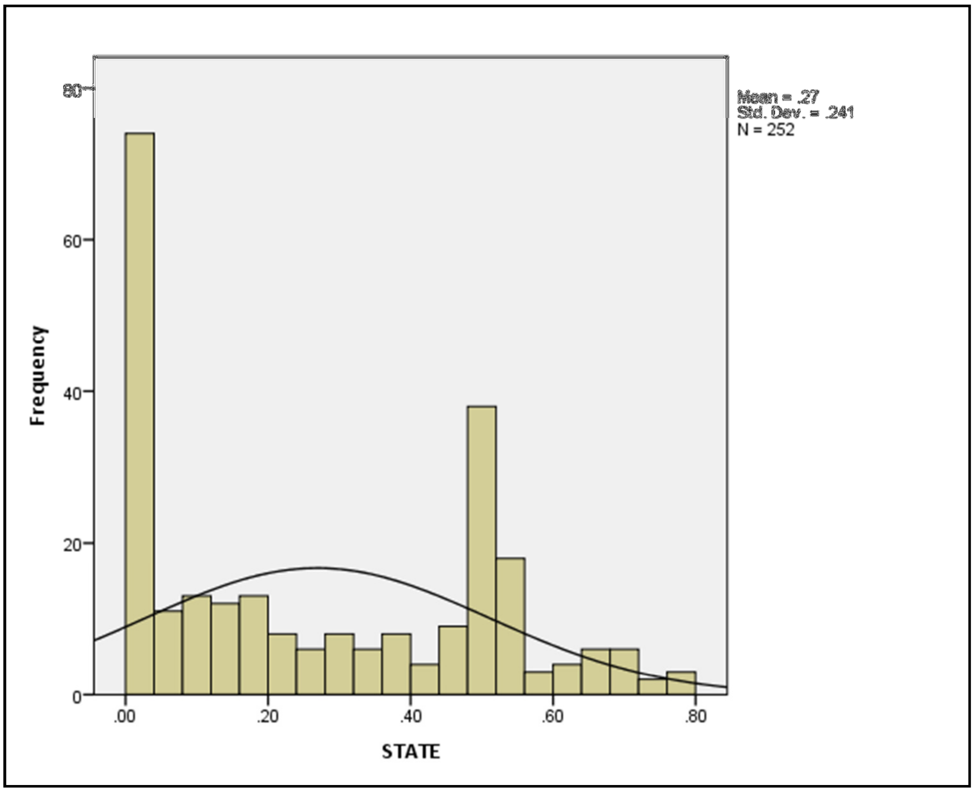


Figure D.3 Histogram of Managerial Ownership

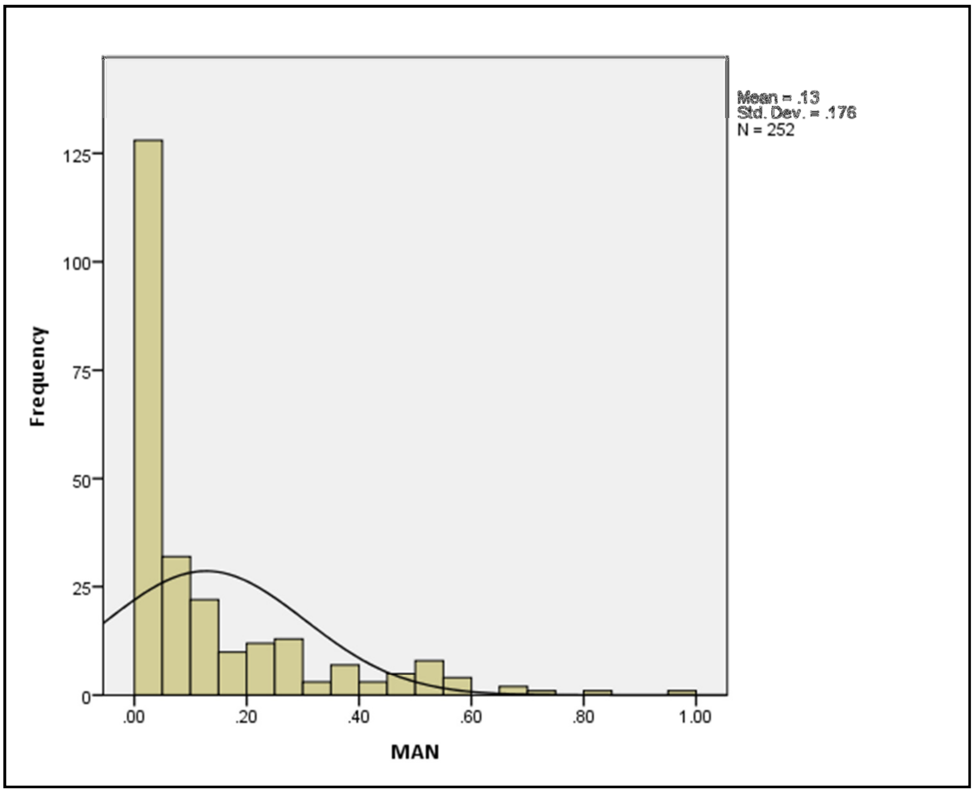
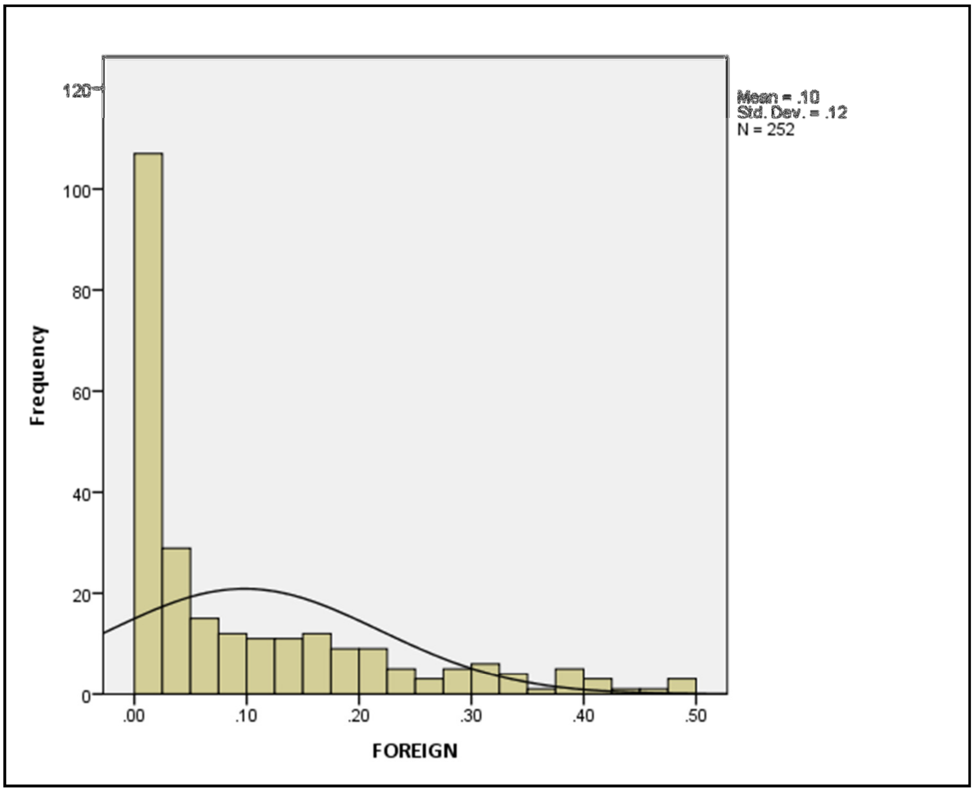


Figure D.4 Histogram of Foreign Ownership



As shown in Figure D.1, it appears that the corporate governance variable is normally distributed. Information of the mean and median score of this variable is provided in Table 5.3.

The histograms of ownership identity variables in Figures D.2, D.3 and D.4 are considered not normally distributed. Specifically, the histograms of these three ownership identities reveal that there are many firms with a zero state or managerial or foreign ownership structure. Therefore, Tables 5.4, 5.5 and 5.6 in the main text are presented respectively to generate a better understanding of firms with these particular ownership structures. In addition, alternative measurements of these three ownership variables are undertaken in this thesis. Section 6.5 reveals the results of additional sensitivity analyses carried out with various alternate measurements of these three ownership identity variables.

D.2: Control Variables

Figures D.5 to D.7 depict the histograms of continuous control variables, such as: total assets and its log (SIZE), firm profit (PROFIT) and leverage (LEV).

Figure D.5 Histogram of Total Assets and SIZE (Log of Total Assets)

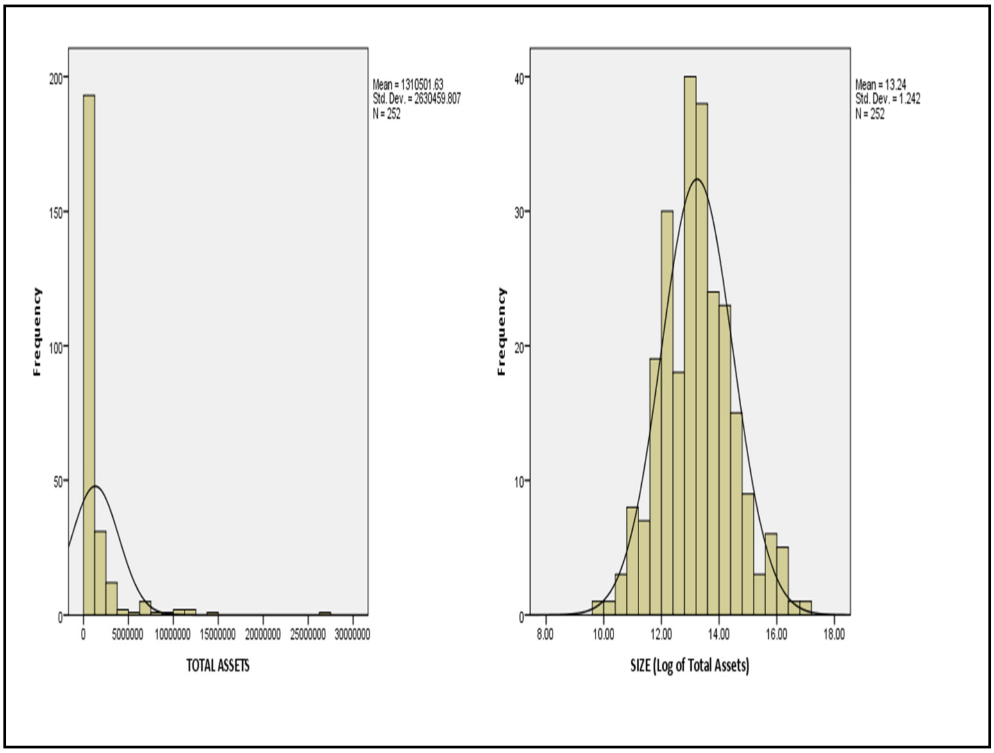


Figure D.6 Histogram of Profitability

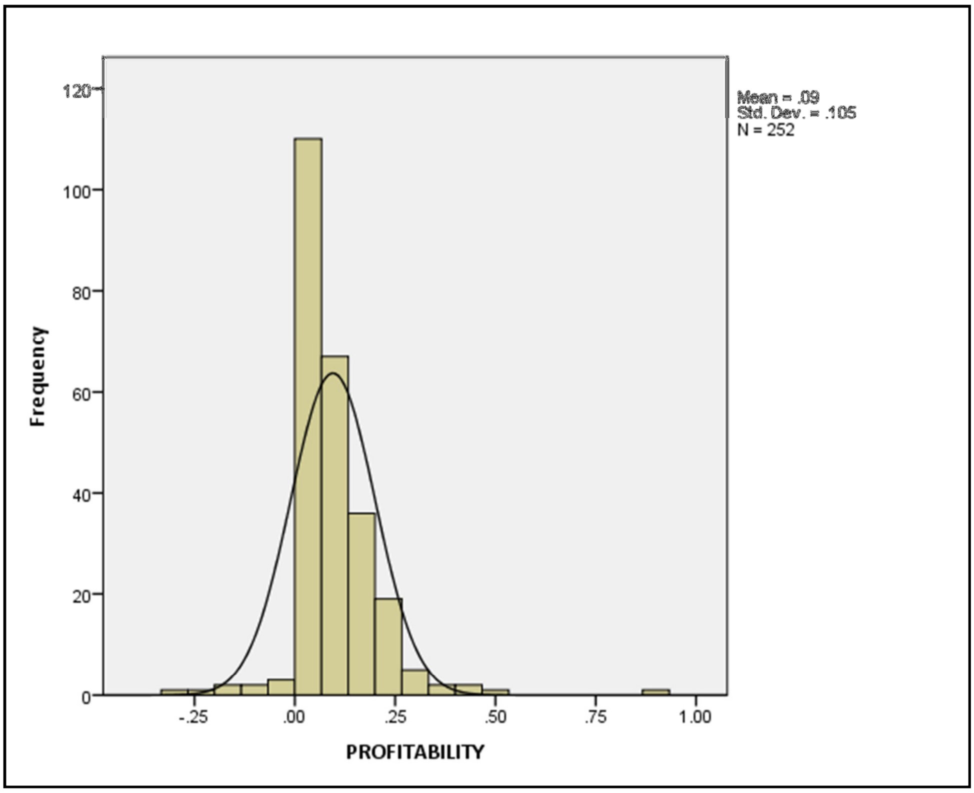
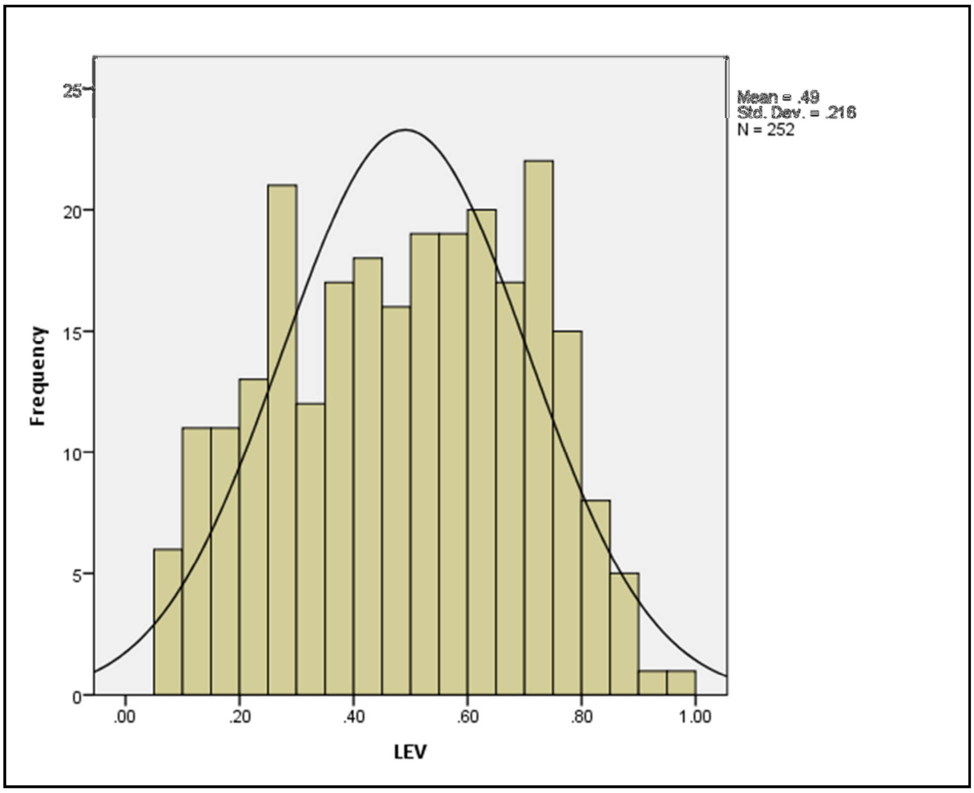


Figure D.7 Histogram of Leverage



As seen from Figure D.5, the total assets variable is highly skewed (evidenced by the mean and median scores presented in Table 5.7). Therefore, consistent with past studies, firm size is transformed into the natural log of total assets and is employed to improve the skewed data problem. Figure D.5 illustrates the results of total assets variable after log is transformed. Between the two histograms presented in Figure D.5, the histogram of log of total assets is clearly more normally distributed. The histograms in Figure D.6 of profitability and Figure D.7 of leverage are viewed as being normally distributed.

Overall, when data appears to be skewed, this thesis undertakes several steps to minimize such problems. For instance, the independent variables of the three ownership identities (the proportion of state, managerial and foreign ownership) appear to be skewed. This thesis thus further tests the influence of these variables on VnDI through different measurements (Sections 5.3 and Appendix H). The total assets variable also appears to be highly skewed and thus the log of total assets is taken as the firm size measurement. In conclusion, with the extra analyses and the adjusted figure for skewed data variable, the assumption of normality is deemed to be mitigated in this study.

APPENDIX E NON-RESPONSE BIAS

As mentioned in Section 4.2.1 (Table 4.2), of all 427[56] listed firms in the Vietnamese stock exchanges (HOSE and HNX), only 257 firms provide comprehensive annual reports, while there are 170 firms that only publish their financial statements (and not the comprehensive annual reports[57]). In this thesis, firms providing annual reports are labelled as the respondent group while firms without annual reports and that solely provide basic financial statements are classified as the non-respondent group. Given the considerable amount of firms without annual reports, an assessment of this issue, which is the non-response data, is critical for interpreting the results of this thesis.

According to David, Stirling and Weldon (1998), non-response bias occurs when some data cannot be collected for the research study. The key issue of non-response bias is whether the non-respondent group fundamentally differs from the respondent group (Tan et al. 2003). If the non-respondent group is fundamentally different from the respondent group, the interpretation of the results and the strength of confidence in the interpretation can vary considerably. Although the non-response issue can greatly impact on the results, David, Stirling and Weldon (1998) argue that such an issue does not always lead to bias or measurement errors. Past studies indicate that the extent of the non-response problem can vary according to different types of research. For instance, Smith (2003) observes and concludes that a response rate of less than 25 per cent is common among accounting research (such as the approach of this thesis), Babbie (2010) argues that a response rate of at least 50 per cent in analysis and reporting research (such as the approach of this thesis) is considered adequate, while Singleton and Bruce (2005) state that an acceptable rate of 85 per cent for interview surveys is needed.

Among 427 non-financial firms listed in 2009, there is a 60 per cent response rate (firms with available annual reports) and nearly 40 percent non-response rate (firms with no availability of annual reports) (Table 4.2). Appendix E thus investigates whether there is a fundamental difference between the firm-characteristics[58] of

[56] There are 448 Vietnamese listed firms in 2009. However, 21 of these 448 firms are classified as financial firms and thus, these firms are not included (see Section 4.2.1 for sampling criteria).

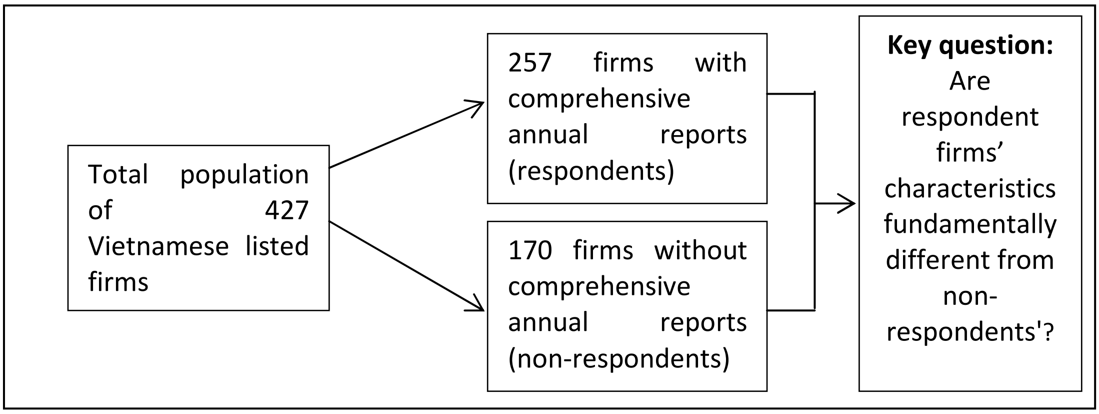
[57] A typical annual report in Vietnam includes a set of financial statements (consisting of Balance Sheet, Income Statement, Statement of Cash Flows and Footnotes to financial statements). Specifically under this Circular, an annual report should include: background and strategic information of the firm, a chairman's report, a management report, human resources and employee information, the ownership structure and corporate board of directors information and a set of financial statements. Within the Vietnamese reporting environment, a comprehensive annual report can vary from 20 pages to more than 200 pages.

[58] As there are 170 firms without annual reports, the independent variables such as corporate governance, and the proportion of state, managerial and foreign ownership of these firms could not be obtained for these 170 firms. Therefore, the extra investigation into non-response bias in this Appendix can only be conducted on the five control variables (size, profitability, leverage, industry, auditing firm, listing duration and stock exchange location) available in the financial statements and on the websites of the two stock exchanges.

firms with available annual reports (respondent group) and firms without annual reports (non-respondent group). Figure E.1 illustrates the key question of this Appendix.

The full comprehensive annual report typically contains various types of information including the firm's background and strategic information, a chairman's report, a management report, human resources and employee information, ownership structure and Board of Directors' information. Thus, this thesis argues that firms in the respondent group (with annual reports) tend to be more transparent as they provide more information disclosure and maybe engage in more voluntary disclosure practices than firms in the non-respondent group (without annual reports).

Figure E.1. Breakdown of Vietnamese Firms With and Without Annual Reports



As shown in Table E.1 (Panel A), the total assets of all 427 listed firms range widely in size from 14,560 to 27,238,655 million Vietnam Dong (VND). The total assets of these firms have an average of 1,020,263 million VND. The median of total assets (367,194 million VND) is significantly lower than its mean, suggesting it is highly skewed. Thus, the log of total assets is used as a proxy to measure a firm's size (as mentioned in Chapter 4). Overall, Vietnamese firms' profitability has a high average of 8.45 per cent. LEV (leverage is measured by total liabilities over total assets) has a wide range, from 2.84 per cent to 98.23 per cent. Average leverage for these firms is at a medium level of 52.60 per cent.

Moreover, Table E.1 (Panels B and C) shows that there is a high and significant difference between the total assets of firms in the respondent group and firms in the non-respondent group (*p*-value = 0.000). Specifically, the average for total assets of firms in the respondent group is far higher than those in the non-respondent group (1,371,317 versus 489,553 million VND respectively). Moreover, on average, firms in the respondent group have a highly significant (*p*-value = 0.000) lower leverage ratio than firms in the non-respondent group (49.05 per cent and 57.98 per cent respectively). Additionally, firms in the respondent group have larger profits (measured by return on assets) at a highly significant level (*p*-value = 0.003) than firms the in non-respondent group (9.43 per cent and 6.98 per cent respectively).

Thus, it can be interpreted from the results of Table E.1 that bigger firms, firms with higher profit or firms with lower leverage are far more likely to publish comprehensive annual reports instead of mere financial statements. Thus, the respondent group is arguably more transparent in their information disclosure than the non-respondent group. On the other hand, firms without annual reports are found to be smaller firms, firms with lower profit or firms with higher leverage.

Table E.1 Vietnamese Firms Characteristics for Continuous Variables of Two Groups of Firms

Statistics	Total Assets (in million Vietnam Dong)	*$SIZE_i$* (Log of Total Assets)	*LEV_i* (%)	*$PROFIT_i$* (%)
Panel A: Total firms listed in 2009 (n = 427 firms)				
Mean	1,020,263	12.85	52.60	8.45
Median	367,194	12.81	55.23	6.44
Standard Deviation	2,280,958	1.35	95.40	120.76
Minimum	14,560	9.59	2.84	-32.92
Maximum	27,238,665	17.12	98.23	87.84
Panel B: Firms in respondent groups (n=257 firms)				
Mean	1,371,317	13.25	49.05	9.43
Median	537,004	13.19	51.16	7.27
Standard Deviation	2,728,953	1.26	21.47	10.32
Minimum	21,422	9.97	8.02	-32.92
Maximum	27,238,665	17.12	98.23	87.84
Panel C: Firms in non-respondent group (n=170 firms)				
Mean	489,552	12.24	57.98	6.98
Median	212,120	12.26	60.758	5.59
Standard Deviation	1,167,475	1.24	22.10	6.75
Minimum	14,560	9.59	2.84	-19.11
Maximum	12,400,542	16.33	95.56	29.63
T-tests				
Statistics		***Size (Log of Total Assets)***	***LEV***	***PROFIT***
F		0.066	0.129	8.84
Significant		0.000*	0.000*	0.003*

*Legend: $SIZE_i$ is proxied by logarithm total assets of firm i to eliminate the skewness in the data. LEV_i is measured as the ratio of total liabilities to total assets of firm i. $PROFIT_i$ is calculated as net profit over the total assets of firm i. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed).*

In regard to the categorical variables, Tables E.2 to E.5 present the cross-tabulation results of firms' characteristics between the two groups of respondent and non-respondent firms. Table E.2 shows that firms in high-profile industries tend to be more transparent than firms in low-profile industries (66.22 per cent of high-profile industry firms are in the respondent group while only 57.99 per cent of firms in low-profile industries are in this group). The difference in providing annual reports between the two groups of industry is significant as tested by the Pearson Chi-square likelihood ratio with p-value < 0.050.

Table E.2 Vietnamese Firms Characteristics by Industry Category

Industry (IND)		**Respondent**	**Non-respondent**	**Total firms**
High-profile	Count	98.00	50.00	148.00
	Expected Count	89.08	58.92	148.00
	% within Industry	66.22	33.78	100.00
Low-profile	Count	159.00	120.00	279.00
	Expected Count	167.93	111.07	279.00
	% within Industry	57.99	43.01	100.00
Total firms	Count	257.00	170.00	427.00
	Expected Count	257.00	170.00	427.00
	% within Industry	60.20	39.80	100
		Value	df	Sig.
Pearson Chi-square		3.436[a]		0.032**
Likelihood Ratio		3.471	1	0.031

*Legend: *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed).*

Moreover, Table E.3 also reveals that firms audited by the 'Big Four' firms generally disclose more information (through the publication of their annual reports) than firms audited by the non-'Big Four' firms (p-value = 0.000). In particular, among 59 firms audited by the 'Big Four', 48 firms are within the respondent group (representing a major 81.36 per cent figure), while within the non-'Big Four' groups, 209 firms are in the respondent group while 159 are in the non-respondent group.

Table E.3 Vietnamese Firm Characteristics by Auditing Firm Category

Auditing firm (AUDIT)		Respondent	Non-respondent	Total firms
Non-'Big Four'	Count	209.00	159.00	368.00
	Expected Count	221.49	146.51	368.00
	% within Auditing firm	56.79	43.21	100.00
'Big Four'	Count	48.00	11.00	59.00
	Expected Count	35.51	23.49	59.00
	% within Auditing firm	81.36	18.64	100.00
Total firms	Count	257.00	170.00	427.00
	Expected Count	257.00	170.00	427.00
	% within Auditing firm	60.19	39.81	100.00
		Value	df	Sig.
Pearson Chi-square		12.802[a]		0.000*
Likelihood Ratio		13.995	1	0.000

*Legend: *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed).*

The results in Table E.4 show that among 134 newly listed firms in 2009, only slightly more than half of these firms provided their 2009 annual reports (70 firms). On the other hand, within the group of 293 older listed firms, 63.83 per cent of them are in the respondent group. This can be interpreted that older firms tend to provide more information (through issuing a higher percentage of annual reports) than newer firms.

Table E.4 Vietnamese Firm Characteristics by Listing Duration Category

Listing duration (LISTING)		Respondent	Non-respondent	Total firms
Newly	Count	70.00	64.00	134.00
	Expected Count	80.65	53.35	134.00
	% within Listing duration	52.24	47.76	100.00
Not new	Count	187.00	106.00	293.00
	Expected Count	176.35	116.65	293.00
	% within Listing duration	63.83	36.17	100.00
Total firms	Count	257.00	170.00	427.00
	Expected Count	257.00	170.00	427.00
	% within Listing duration	60.19	39.81	100.00
		Value	df	Sig.
Pearson Chi-square		5.149[a]		0.012*
Likelihood Ratio		5.105	1	0.012

*Legend: *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed).*

Table E.5 shows that virtually all firms listed on the Ho Chi Minh Stock Exchange (HOSE) (97.86 per cent) are in the respondent group whereas for the Hanoi Stock Exchange (HNX) listed firms, only 30.83 per cent are in the respondent group and 69.17 per cent of them are in the non-respondent group. There is clearly a distinctive difference between the reporting behaviours of firms listed in these two stock exchanges (Pearson Chi-square test has *p*-value = 0.000). Firms listed in HOSE engage in significantly higher levels of information transparency than those listed on the HNX exchange.

Table E.5 Vietnamese Firm Characteristics by Stock Exchange Location Category

Stock exchange location (LOC)		Respondent	Non-respondent	Total firms
HOSE	Count	183.00	4.00	187.00
	Expected Count	112.55	74.44	187.00
	% within Stock exchange	97.86	2.14	100.00
HNX	Count	74.00	166.00	240.00
	Expected Count	144.45	95.55	240.00
	% within Stock exchange	30.83	69.17	100.00
Total firms	Count	257.00	170.00	427.00
	Expected Count	257.00	170.00	427.00
	% within Stock exchange	60.19	39.81	100.00
		Value	df	Sig.
Pearson Chi-square		197.064[a]		0.000*
Likelihood Ratio		238.900	1	0.000

*Legend: *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed).*

In summary, these tests above reveal some key characteristic differences between firms in the respondent and non-respondent groups. In particular, it seems that firms in the respondent group (the more transparent group) are:

1. Bigger in size (Table E.1), and/or
2. Higher profitability (Table E.1), and/or
3. Lower leverage (Table E.1), and/or
4. In high-profile industries (Table E.2), and/or
5. Audited by 'Big Four' auditing firms (Table E.3), and/or
6. Older firms (Table E.4), and/or
7. Firms listed on the Ho Chi Minh Stock Exchange (Table E.5).

Table 6.1 of the multiple regression results reports that bigger firms, firms with higher profits, firms in high-profile industries, older firms, firms audited by non-'Big Four' auditing firms and firms listed on the Ho Chi Minh Stock Exchange are found to be significant predictors determining the level of voluntary disclosure. It is reasonable to state that caution needs to be exercised when interpreting the extent of voluntary disclosure reported in this thesis. Particularly if the analysis of this thesis included the non-respondent firms (170 firms with unavailable annual reports) the extent of information disclosure, specifically voluntary disclosure reported, could be lower than the overall 20.31 per cent VnDI figure level reported in the main thesis (Table 5.1).

APPENDIX F SPEARMAN AND PEARSON CORRELATION MATRICES RESULTS

The purpose of analysing correlation matrices is to provide further insights into the relationships between variables included in this thesis. Correlation matrices are presented for the dependent variable and its five sub-categories and between each sub-category with the other independent variables and control variables.

F.1: Correlation Matrix – VnDI and Predictor Variables

Table F.1 shows the Pearson (upper right) and Spearman (lower left) correlation matrix between the dependent variable of the Vietnamese Voluntary Disclosure Index (VnDI), independent variables, such as the proportion of independent directors on corporate boards (CG), proportion of state ownership (STATE), proportion of managerial ownership (MAN) and proportion of foreign ownership (FOREIGN) and control variables, namely: firm size (SIZE), profitability (PROFIT), leverage (LEV), industry (IND), auditing firms (AUDIT), listing duration (LISTING) and stock exchange location (LOC).

Among the independent variables, Table F.1 reports a highly significant positive correlation between the proportion of independent directors on corporate boards and VnDI (*p*-value = 0.008). A highly significant positive correlation is also found for foreign ownership and VnDI (*p*-value = 0.000). State ownership is highly significant and negative in its correlation with VnDI (*p*-value = 0.005). The correlation figures in Table F.1 also show that managerial ownership, although being in the hypothesized direction, is not significantly correlated to the level of voluntary disclosure among Vietnamese listed firms (*p*-value > 0.100).

With regard to the control variables, firm size, profitability, industry, auditing firm and stock exchange location are all positively related to VnDI. However, only firm size and stock exchange location are highly and significantly correlated (*p*-values = 0.000). Table F.1 also reveals that there are negative correlations between a firm's leverage and listing duration with VnDI, but only listing duration is highly significant in its correlation (*p*-value = 0.001).

Furthermore, the correlation matrix also provides insights into the relationship between the independent variables. In particular, the proportion of independent directors on corporate boards is moderately negative in its correlation with state ownership (*p*-value = 0.051) as well as managerial ownership (*p*-value = 0.097). By contrast, the proportion of independent directors on corporate boards is moderately significant and positive in its correlation with foreign ownership (*p*-value = 0.050).

Within the ownership identities variables, state ownership is highly and negatively significant in its correlation with managerial ownership (*p*-value = 0.000) and foreign ownership (p-value = 0.002). Managerial ownership is not significantly correlated with foreign ownership (p-value > 0.100).

The correlation matrix in Table F.1 also indicates that the correlation coefficients between all the variables are generally not high (none of the correlation coefficients exceed the limit of 0.800). The maximum correlation figure detected in Table F.1 is r = -0.687 (Spearman correlation) between state and managerial ownership. This suggests that multicollinearity is unlikely to cause serious problems in the interpretation of the regression results. According to Hair et al. (1995) and Cooper and Schindler (2008), two variables are highly correlated at 0.80 or a greater level.

Table F.1 Correlation Matrix – VnDI and Predictor Variables **Pearson**

Variables	DV	IVs				CVs						
	VnDI	CG	STATE	MAN	FOREIGN	SIZE	PROFIT	LEV	IND	LISTING	AUDIT	LOC
VnDI	1	0.152*	-0.164*	-0.017	0.253*	0.308*	0.041	-0.061	0.073	-0.198*	0.073	0.315*
		0.008	0.005	0.397	0.000	0.000	0.256	0.169	0.126	0.001	0.124	0.000
CG	0.138*	1	-0.103***	0.082***	0.104***	0.043	-0.060	-0.162**	-0.053	0.029	0.099***	0.090***
	0.014		0.051	0.097	0.050	0.247	0.172	0.005	0.200	0.321	0.058	0.077
STATE	-0.158*	-0.107*	1	-0.559*	-0.183*	0.006	0.070	0.035	0.019	0.087***	0.041	-0.240*
	0.006	0.045		0.000	0.002	0.465	0.135	0.291	0.380	0.085	0.260	0.000
MAN	0.041	-0.029	-0.687*	1	0.019	0.068	0.012	0.101***	-0.095	0.082***	0.056	0.179*
	0.260	0.326	0.000		0.381	0.140	0.428	0.055	0.067	0.097	0.188	0.002
FOREIGN	0.294*	0.056	-0.176*	0.011	1	0.340*	0.181*	-0.205*	0.029	-0.265*	0.130**	0.278*
	0.000	0.186	0.003	0.432		0.000	0.002	0.001	0.325	0.000	0.019	0.000
SIZE	0.288*	0.014	0.009	-0.043	0.394*	1	-0.103**	0.252*	-0.069	-0.077	0.393*	0.424*
	0.000	0.415	0.441	0.248	0.000		0.052	0.000	0.137	0.113	0.000	0.000
PROFIT	-0.002	-0.032	0.044	-0.055	0.223*	-0.133**	1	-0.418*	0.125**	0.121**	0.072	-0.018
	0.488	0.306	0.246	0.193	0.000	0.017		0.000	0.024	0.028	0.127	0.389
LEV	-0.080	-0.128**	0.035	0.105**	-0.208*	0.266*	-0.581*	1	-0.124**	-0.040	0.045	-0.121**
	0.103	0.021	0.288	0.048	0.000	0.000	0.000		0.024	0.264	0.236	0.027
IND	0.077	-0.066	0.011	-0.091	0.029	-0.068	0.059	-0.121*	1	0.083	0.003	0.025
	0.111	0.150	0.429	0.074	0.321	0.140	0.177	0.027		0.094	0.481	0.347
LISTING	-0.205*	0.049	0.046	0.058	-0.321*	-0.064	0.094***	-0.043	0.083***	1	-0.054	-0.098***
	0.001	0.218	0.236	0.179	0.000	0.157	0.069	0.250	0.094		0.199	0.060
AUDIT	0.095***	0.085***	0.030	-0.063	0.191*	0.350*	0.008	0.051	0.003	-0.054	1	0.166*
	0.066	0.089	0.320	0.158	0.001	0.000	0.451	0.209	0.481	0.199		0.004
LOC	0.331*	0.064	-0.224*	0.140*	0.339*	0.440*	-0.007	-0.121**	0.025	-0.098	0.166*	1
	0.000	0.155	0.000	0.013	0.000	0.000	0.454	0.027	0.347	0.060	0.004	

Spearman

*Legend: Shaded area denotes highest correlation. DV = Dependent variable. IV = Independent variable. CV = Control variable. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). VnDI = Vietnamese Voluntary Disclosure Index. CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

F.2: Correlation Matrix – VnDI and its Five Sub-Categories

Table F.2 presents the correlation matrix between the dependent variable (VnDI) and its five sub-categories. The upper right of the table presents Pearson pair-wise coefficients and the lower left represents Spearman pair-wise coefficients. The correlation matrix in Table F.2 shows that for all of the five sub-categories within the disclosure, there are positive and highly significant levels of correlations (p-value < 0.010). Moreover, as expected, the five sub-categories of Vietnamese Voluntary Disclosure Index are found to be positively and significantly correlated with each other. Among the five sub-categories, Vietnamese Voluntary Corporate Social Reporting Disclosure Index (VnCSRI) has the highest positive correlation with the overall VnDI (r = 0.779).

Table F.2 Correlation Matrix – VnDI and its Five Sub-Categories

Pearson

Categories	Five Sub-Categories					
	VnDI	VnCSI	VnFCMI	VnDSMI	VnFLI	VnCSRI
VnDI	1	0.738*	0.656*	0.454*	0.571*	0.779*
		0.000	0.000	0.000	0.000	0.000
VnCSI	0.754*	1	0.363*	0.202*	0.326*	0.471*
	0.000		0.000	0.001	0.000	0.000
VnFCMI	0.614*	0.394*	1	0.194*	0.170*	0.320*
	0.000	0.000		0.001	0.003	0.000
VnDSMI	0.448*	0.209*	0.144**	1	0.166*	0.373*
	0.000	0.000	0.011		0.004	0.000
VnFLI	0.566*	0.353*	0.135*	0.157*	1	0.207*
	0.000	0.000	0.016	0.006		0.000
VnCSRI	0.745*	0.443*	0.311*	0.381*	0.171*	1
	0.000	0.000	0.000	0.000	0.003	

Spearman

*Legend: Shaded area denotes highest correlation coefficient. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). VnDI is the acronym for the Vietnamese Voluntary Disclosure Index with its five sub-categories, namely: Vietnamese Voluntary Corporate and Strategic Information Index (VnCSI), Vietnamese Voluntary Financial Capital Market Data Index (VnFCMI), Vietnamese Voluntary Directors and Senior Management Disclosure Index (VnDSMI), Vietnamese Voluntary Forward looking Information Index (VnFLI) and Vietnamese Voluntary Corporate Social Reporting Disclosure Index (VnCSRI). Number of firms = 252.*

F.3: Correlation Matrix – VnCSI and Predictor Variables

Correlation matrices are provided for each of the five sub-categories (Sections F.3 to F.7). The coefficient of correlations between the Vietnamese Voluntary

Corporate and Strategic Information Index (VnCSI), independent, and control variables are reported in Table F.3. The analysis reveals that the proportion of independent directors on corporate boards, proportion of foreign ownership, firm size, auditing firm and stock exchange location are significantly positive in their correlation to the level of voluntary disclosure of Corporate and Strategic Information. Among these five variables, the proportion of foreign ownership (*p*-value = 0.000), firm size (*p*-value = 0.001) and stock exchange location (*p*-value = 0.000) are highly significant. The correlation between the proportion of independent directors on corporate boards and VnCSI is moderately significant (*p*-value = 0.060) while the auditing firm is significantly correlated with VnCSI (*p*-value = 0.045). Moreover, the correlation statistics show that the proportion of state ownership, leverage and listing duration are negatively correlated with VnCSI, but only the proportion of state ownership (*p*-value = 0.004) and listing duration (*p*-value = 0.000) have highly significant correlations.

F.4: Correlation Matrix – VnFCMI and Predictor Variables

The correlation results in Table F.4 suggest that the proportion of independent directors on corporate boards, proportion of foreign ownership, firm size, profit, industry, auditing firm and stock exchange location are positively correlated to Vietnamese Voluntary Financial Capital Market Data Index (VnFCMI). Four of these are significantly correlated. Specifically, the proportion of independent directors on corporate boards is highly significant in its correlation (*p*-value = 0.006). Foreign ownership is also highly significant in its correlation with VnFCMI (*p*-value = 0.010). Firm size and stock exchange location are highly significant in their correlation with VnFCMI (*p*-values = 0.000). Moreover, the proportion of state ownership, managerial ownership, leverage and listing duration are shown to have negative correlations with VnFCMI, but only leverage is significant at a moderate level (*p*-value = 0.072).

Table F.3 Correlation Matrix – VnCSI and Predictor Variables

Pearson

Variables	DV	IVs				CVs						
	VnCSI	CG	STATE	MAN	FOREIGN	SIZE	PROFIT	LEV	IND	LISTING	AUDIT	LOC
VnCSI	1	0.098***	-0.165*	0.045	0.291*	0.189*	0.081	-0.080	0.067	-0.220*	0.107**	0.280*
		0.060	0.004	0.237	0.000	0.001	0.101	0.103	0.146	0.000	0.045	0.000
CG	0.100***	1	-0.103***	0.082***	0.104***	0.043	-0.060	-0.162*	-0.053	0.029	0.099	0.090***
	0.056		0.051	0.097	0.050	0.247	0.172	0.005	0.200	0.321	0.058	0.077
STATE	-0.133**	-0.107**	1	-0.559*	-0.183*	0.006	0.070	0.035	0.019	0.087***	0.041	-0.240*
	0.017	0.045		0.000	0.002	0.465	0.135	0.291	0.380	0.085	0.260	0.000
MAN	0.043	-0.029	-0.687*	1	0.019	0.068	0.012	0.101***	-0.095	0.082	0.056	0.179*
	0.248	0.326	0.000		0.381	0.140	0.428	0.055	0.067	0.097	0.188	0.002
FOREIGN	0.330*	0.056	-0.176*	0.011	1	0.340*	0.181*	-0.205*	0.029	-0.265*	0.130**	0.278*
	0.000	0.186	0.003	0.432		0.000	0.002	0.001	0.325	0.000	0.019	0.000
SIZE	0.168*	0.014	0.009	-0.043	0.394*	1	-0.103***	0.252*	-0.069	-0.077	0.393*	0.424*
	0.004	0.415	0.441	0.248	0.000		0.052	0.000	0.137	0.113	0.000	0.000
PROFIT	0.040	-0.032	0.044	-0.055	0.223*	-0.133**	1	-0.418*	0.125**	0.121*	0.072	-0.018
	0.264	0.306	0.246	0.193	0.000	0.017		0.000	0.024	0.028	0.127	0.389
LEV	-0.101	-0.128**	0.035	0.105**	-0.208*	0.266*	-0.581*	1	-0.124**	-0.040	0.045	-0.121*
	0.055	0.021	0.288	0.048	0.000	0.000	0.000		0.024	0.264	0.236	0.027
IND	0.073	-0.066	0.011	-0.091***	0.029	-0.068	0.059	-0.121**	1	0.083***	0.003	0.025
	0.123	0.150	0.429	0.074	0.321	0.140	0.177	0.027		0.094	0.481	0.347
LISTING	-0.231*	0.049	0.046	0.058	-0.321*	-0.064	0.094***	-0.043	0.083	1	-0.054	-0.098***
	0.000	0.218	0.236	0.179	0.000	0.157	0.069	0.250	0.094		0.199	0.060
AUDIT	0.086***	0.085***	0.030	-0.063	0.191*	0.350*	0.008	0.051	0.003	-0.054	1	0.166*
	0.087	0.089	0.320	0.158	0.001	0.000	0.451	0.209	0.481	0.199		0.004
LOC	0.287*	0.064	-0.224*	0.140**	0.339*	0.440*	-0.007	-0.121**	0.025	-0.098***	0.166*	1
	0.000	0.155	0.000	0.013	0.000	0.000	0.454	0.027	0.347	0.060	0.004	

Spearman

*Legend: Shaded area denotes highest correlation. DV = Dependent variable. IV = Independent variable. CV = Control variable. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed).* ***VnCSI = Vietnamese Voluntary Corporate and Strategic Information Index****. CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

Table F.4 Correlation Matrix – VnFCMI and Predictor Variables

Pearson

Variables	DV	IVs				CVs						
	VnFCMI	CG	STATE	MAN	FOREIGN	SIZE	PROFIT	LEV	IND	LISTING	AUDIT	LOC
VnFCMI	1	0.159*	-0.048	-0.023	0.148**	0.218*	0.030	-0.093***	0.042	-0.093***	0.030	0.248*
		0.006	0.225	0.358	0.010	0.000	0.320	0.072	0.254	0.071	0.319	0.000
CG	0.164**	1	-0.103	0.082	0.104	0.043	-0.060	-0.162**	-0.053	0.029	0.099	0.090
	0.005		0.051	0.097	0.050	0.247	0.172	0.005	0.200**	0.321	0.058	0.077
STATE	-0.054	-0.107*	1	-0.559**	-0.183**	0.006	0.070	0.035	0.019	0.087	0.041	-0.240**
	0.195	0.045		0.000	0.002	0.465	0.135	0.291	0.380	0.085	0.260	0.000
MAN	-0.008	-0.029	-0.687**	1	0.019	0.068	0.012	0.101	-0.095	0.082	0.056	0.179**
	0.452	0.326	0.000		0.381	0.140	0.428	0.055	0.067***	0.097	0.188	0.002
FOREIGN	0.186**	0.056	-0.176**	0.011	1	0.340**	0.181**	-0.205**	0.029	-0.265**	0.130*	0.278**
	0.002	0.186	0.003	0.432		0.000	0.002	0.001	0.325	0.000	0.019	0.000
SIZE	0.181**	0.014	0.009	-0.043	0.394**	1	-0.103	0.252**	-0.069	-0.077	0.393**	0.424**
	0.002	0.415	0.441	0.248	0.000		0.052	0.000	0.137	0.113	0.000	0.000
PROFIT	0.014	-0.032	0.044	-0.055	0.223**	-0.133*	1	-0.418**	0.125*	0.121*	0.072	-0.018
	0.412	0.306	0.246	0.193	0.000	0.017		0.000	0.024	0.028	0.127	0.389
LEV	-0.088	-0.128*	0.035	0.105*	-0.208**	0.266**	-0.581**	1	-0.124*	-0.040	0.045	-0.121*
	0.081	0.021	0.288	0.048	0.000	0.000	0.000		0.024	0.264	0.236	0.027
IND	0.097**	-0.066	0.011	-0.091***	0.029	-0.068	0.059	-0.121**	1	0.083***	0.003	0.025
	0.063	0.150	0.429	0.074	0.321	0.140	0.177	0.027		0.094	0.481	0.347
LISTING	-0.068	0.049	0.046	0.058	-0.321**	-0.064	0.094	-0.043	0.083	1	-0.054	-0.098
	0.140	0.218	0.236	0.179	0.000	0.157	0.069	0.250	0.094		0.199	0.060
AUDIT	0.083	0.085	0.030	-0.063	0.191**	0.350**	0.008	0.051	0.003	-0.054	1	0.166**
	0.094	0.089	0.320	0.158	0.001	0.000	0.451	0.209	0.481	0.199		0.004
LOC	0.257**	0.064	-0.224**	0.140*	0.339**	0.440**	-0.007	-0.121*	0.025	-0.098	0.166**	1
	0.000	0.155	0.000	0.013	0.000	0.000	0.454	0.027	0.347	0.060	0.004	

Spearman

*Legend: Shaded area denotes highest correlation. DV = Dependent variable. IV = Independent variable. CV = Control variable. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed).* ***VnFCMI = Vietnamese Voluntary Financial Capital Market Data Index****. CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

F.5: Correlation Matrix – VnDSMI and Predictor Variables

Table F.5 presents the correlation of the Vietnamese Voluntary Directors and Senior Management Disclosure Index (VnDSMI) sub-category and its predictor variables. The proportion of independent directors on corporate boards, the proportion of foreign ownership, firm size, auditing firms and stock exchange location are positively correlated with VnDSMI. However, only the proportion of foreign ownership (*p*-value = 0.027), firm size (*p*-value = 0.001) and its stock exchange location (*p*-value = 0.019) are significantly correlated. The other variables, namely the proportion of state ownership and managerial ownership, profitability, leverage, listing duration and auditing firms are negatively correlated with VnDSMI, but only the proportion of state ownership is significant (*p*-value = 0.013) and listing duration is moderately significant (*p*-value = 0.067).

F.6: Correlation Matrix – VnFLI and Predictor Variables

Table F.6 reveals three negative correlations between the Vietnamese Voluntary Forward Looking Information Index (VnFLI) and three predictor variables, namely the proportion of state ownership, managerial ownership and listing duration. Other predictor variables are reported to have positive correlations with VnFLI. However, among these 11 variables only three significant correlations between VnFLI and its predictor variables are detected. In particular, firm size is found to have a highly significant and positive correlation with VnFLI (*p*-value = 0.007). Listing duration (*p*-value = 0.077) and stock exchange location (*p*-value = 0.014) are also positively and significantly correlated with voluntary disclosure of such information.

F.7: Correlation Matrix – VnCSRI and Predictor Variables

As shown in Table F.7, amongst the independent variables the proportion of state ownership is highly significant and negative in its correlation with Vietnamese Voluntary Corporate Social Reporting Information Disclosure Index (VnCSRI) (*p*-value = 0.009), while foreign ownership is highly significant and positive in its correlation with VnCSRI (*p*-value = 0.001). With regard to the control variables, firm size (*p*-value = 0.000) and stock exchange location (*p*-value = 0.001) are also found to have highly significant and positive correlations with VnCSRI. Whilst firm size and stock exchange location are positively correlated, listing duration is negatively correlated with VnCSRI (*p*-value = 0.007).

Table F.5 Correlation Matrix – VnDSMI and Predictor Variables

Pearson

Variables	DV	IVs				CVs						
	VnDSMI	CG	STATE	MAN	FOREIGN	SIZE	PROFIT	LEV	IND	LISTING	AUDIT	LOC
VnDSMI	1	0.078	-0.139**	-0.077	0.122**	0.192*	-0.028	-0.056	0.041	-0.095***	-0.009	0.130**
		0.108	0.013	0.112	0.027	0.001	0.331	0.188	0.259	0.067	0.443	0.019
CG	0.085***	1	-0.103***	0.082***	0.104***	0.043	-0.060	-0.162*	-0.053	0.029	0.099	0.090***
	0.089		0.051	0.097	0.050	0.247	0.172	0.005	0.200	0.321	0.058	0.077
STATE	-0.127**	-0.107**	1	-0.559*	-0.183*	0.006	0.070	0.035	0.019	0.087***	0.041	-0.240*
	0.022	0.045		0.000	0.002	0.465	0.135	0.291	0.380	0.085	0.260	0.000
MAN	0.017	-0.029	-0.687*	1	0.019	0.068	0.012	0.101***	-0.095	0.082***	0.056	0.179*
	0.392	0.326	0.000		0.381	0.140	0.428	0.055	0.067**	0.097	0.188	0.002
FOREIGN	0.101***	0.056	-0.176*	0.011	1	0.340*	0.181*	-0.205*	0.029	-0.265*	0.130**	0.278*
	0.055	0.186	0.003	0.432		0.000	0.002	0.001	0.325	0.000	0.019	0.000
SIZE	0.191*	0.014	0.009	-0.043	0.394*	1	-0.103***	0.252*	-0.069	-0.077	0.393*	0.424*
	0.001	0.415	0.441	0.248	0.000		0.052	0.000	0.137	0.113	0.000	0.000
PROFIT	-0.068	-0.032	0.044	-0.055	0.223*	-0.133**	1	-0.418*	0.125**	0.121**	0.072	-0.018
	0.142	0.306	0.246	0.193	0.000	0.017		0.000	0.024	0.028	0.127	0.389
LEV	-0.050	-0.128*	0.035	0.105*	-0.208*	0.266*	-0.581*	1	-0.124**	-0.040	0.045	-0.121**
	0.215	0.021	0.288	0.048	0.000	0.000	0.000		0.024	0.264	0.236	0.027
IND	0.036	-0.066	0.011	-0.091***	0.029	-0.068	0.059	-0.121**	1	0.083***	0.003	0.025
	0.287	0.150	0.429	0.074	0.321	0.140	0.177	0.027		0.094	0.481	0.347
LISTING	-0.089***	0.049	0.046	0.058	-0.321*	-0.064	0.094	-0.043	0.083***	1	-0.054	-0.098***
	0.080	0.218	0.236	0.179	0.000	0.157	0.069	0.250	0.094		0.199	0.060
AUDIT	-0.004	0.085***	0.030	-0.063	0.191*	0.350*	0.008	0.051	0.003	-0.054	1	0.166*
	0.477	0.089	0.320	0.158	0.001	0.000	0.451	0.209	0.481	0.199		0.004
LOC	0.129**	0.064	-0.224*	0.140*	0.339*	0.440*	-0.007	-0.121**	0.025	-0.098	0.166*	1
	0.020	0.155	0.000	0.013	0.000	0.000	0.454	0.027	0.347	0.060	0.004	

Spearman

*Legend: Shaded area denotes highest correlation. DV = Dependent variable. IV = Independent variable. CV = Control variable. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed).* ***VnDSMI = Vietnamese Voluntary Directors and Senior Management Disclosure Index****. CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

Table F.6 Correlation Matrix – VnFLI and Predictor Variables Pearson

Variables	DV	IVs				CVs						
	VnFLI	CG	STATE	MAN	FOREIGN	SIZE	PROFIT	LEV	IND	LISTING	AUDIT	LOC
VnFLI	1	0.051	-0.054	-0.016	0.069	0.156*	0.055	0.007	0.073	-0.090***	0.027	0.139*
		0.210	0.197	0.402	0.137	0.007	0.190	0.453	0.123	0.077	0.332	0.014
CG	0.051	1	-0.103***	0.082	0.104***	0.043	-0.060	-0.162*	-0.053	0.029	0.099***	0.090***
	0.208		0.051	0.097	0.050	0.247	0.172	0.005	0.200	0.321	0.058	0.077
STATE	-0.047	-0.107**	1	-0.559*	-0.183*	0.006	0.070	0.035	0.019	0.087***	0.041	-0.240*
	0.228	0.045		0.000	0.002	0.465	0.135	0.291	0.380	0.085	0.260	0.000
MAN	0.005	-0.029	-0.687*	1	0.019	0.068	0.012	0.101***	-0.095***	0.082***	0.056	0.179*
	0.468	0.326	0.000		0.381	0.140	0.428	0.055	0.067	0.097	0.188	0.002
FOREIGN	0.089	0.056	-0.176*	0.011	1	0.340*	0.181*	-0.205*	0.029	-0.265*	0.130**	0.278*
	0.079	0.186	0.003	0.432		0.000	0.002	0.001	0.325	0.000	0.019	0.000
SIZE	0.124**	0.014	0.009	-0.043	0.394*	1	-0.103***	0.252*	-0.069	-0.077	0.393*	0.424*
	0.025	0.415	0.441	0.248	0.000		0.052	0.000	0.137	0.113	0.000	0.000
PROFIT	-0.016	-0.032	0.044	-0.055	0.223*	-0.133*	1	-0.418*	0.125**	0.121**	0.072	-0.018
	0.398	0.306	0.246	0.193	0.000	0.017		0.000	0.024	0.028	0.127	0.389
LEV	-0.004	-0.128***	0.035	0.105***	-0.208*	0.266*	-0.581*	1	-0.124**	-0.040	0.045	-0.121**
	0.472	0.021	0.288	0.048	0.000	0.000	0.000		0.024	0.264	0.236	0.027
IND	0.078	-0.066	0.011	-0.091***	0.029	-0.068	0.059	-0.121**	1	0.083***	0.003	0.025
	0.110	0.150	0.429	0.074	0.321	0.140	0.177	0.027		0.094	0.481	0.347
LISTING	-0.081	0.049	0.046	0.058	-0.321*	-0.064	0.094***	-0.043	0.083***	1	-0.054	-0.098***
	0.100	0.218	0.236	0.179	0.000	0.157	0.069	0.250	0.094		0.199	0.060
AUDIT	0.046	0.085***	0.030	-0.063	0.191*	0.350*	0.008	0.051	0.003	-0.054	1	0.166*
	0.235	0.089	0.320	0.158	0.001	0.000	0.451	0.209	0.481	0.199		0.004
LOC	0.147*	0.064	-0.224*	0.140*	0.339*	0.440*	-0.007	-0.121**	0.025	-0.098	0.166*	1
	0.010	0.155	0.000	0.013	0.000	0.000	0.454	0.027	0.347	0.060	0.004	

Spearman

*Legend: Shaded area denotes highest correlation. DV = Dependent variable. IV = Independent variable. CV = Control variable. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed).* ***VnFLI = Vietnamese Voluntary Forward Looking Information Index****. CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

Table F.7 Correlation Matrix – VnCSRI and Predictor Variables

Pearson

Variables	DV	IVs				CVs						
	VnCSRI	CG	STATE	MAN	FOREIGN	SIZE	PROFIT	LEV	IND	LISTING	AUDIT	LOC
VnCSRI	1	0.102	-0.150*	-0.026	0.195*	0.250*	-0.010	-0.005	0.031	-0.153*	0.054	0.205*
		0.054	0.009	0.338	0.001	0.000	0.440	0.467	0.311	0.007	0.197	0.001
CG	0.097***	1	-0.103***	0.082	0.104***	0.043	-0.060	-0.162*	-0.053	0.029	0.099***	0.090***
	0.061		0.051	0.097	0.050	0.247	0.172	0.005	0.200	0.321	0.058	0.077
STATE	-0.109**	-0.107**	1	-0.559*	-0.183*	0.006	0.070	0.035	0.019	0.087***	0.041	-0.240*
	0.042	0.045		0.000	0.002	0.465	0.135	0.291	0.380	0.085	0.260	0.000
MAN	0.001	-0.029	-0.687*	1	0.019	0.068	0.012	0.101***	-0.095***	0.082***	0.056	0.179*
	0.494	0.326	0.000		0.381	0.140	0.428	0.055	0.067	0.097	0.188	0.002
FOREIGN	0.203*	0.056	-0.176*	0.011	1	0.340*	0.181*	-0.205*	0.029	-0.265*	0.130**	0.278*
	0.001	0.186	0.003	0.432		0.000	0.002	0.001	0.325	0.000	0.019	0.000
SIZE	0.256*	0.014	0.009	-0.043	0.394*	1	-0.103	0.252*	-0.069	-0.077	0.393*	0.424*
	0.000	0.415	0.441	0.248	0.000		0.052	0.000	0.137	0.113	0.000	0.000
PROFIT	-0.041	-0.032	0.044	-0.055	0.223*	-0.133**	1	-0.418*	0.125**	0.121**	0.072	-0.018
	0.258	0.306	0.246	0.193	0.000	0.017		0.000	0.024	0.028	0.127	0.389
LEV	-0.032	-0.128**	0.035	0.105**	-0.208*	0.266*	-0.581*	1	-0.124**	-0.040	0.045	-0.121**
	0.304	0.021	0.288	0.048	0.000	0.000	0.000		0.024	0.264	0.236	0.027
IND	0.025	-0.066	0.011	-0.091***	0.029	-0.068	0.059	-0.121**	1	0.083***	0.003	0.025
	0.344	0.150	0.429	0.074	0.321	0.140	0.177	0.027		0.094	0.481	0.347
LISTING	-0.140**	0.049	0.046	0.058	-0.321*	-0.064	0.094	-0.043	0.083	1	-0.054	-0.098***
	0.013	0.218	0.236	0.179	0.000	0.157	0.069	0.250	0.094***		0.199	0.060
AUDIT	0.062	0.085***	0.030	-0.063	0.191*	0.350*	0.008	0.051	0.003	-0.054	1	0.166*
	0.163	0.089	0.320	0.158	0.001	0.000	0.451	0.209	0.481	0.199		0.004
LOC	0.196*	0.064	-0.224*	0.140**	0.339*	0.440*	-0.007	-0.121**	0.025	-0.098***	0.166*	1
	0.001	0.155	0.000	0.013	0.000	0.000	0.454	0.027	0.347	0.060	0.004	

Spearman

*Legend: Shaded area denotes highest correlation. DV = Dependent variable. IV = Independent variable. CV = Control variable. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed).* ***VnCSRI = Vietnamese Social Reporting Information Index****. CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

APPENDIX G EXPLORATION OF STATISTICAL ASSUMPTIONS

In order to ensure that the results of the Vietnamese Voluntary Disclosure Index (VnDI) regression model are reliable, four important assumptions of the linear Ordinary Least Square (OLS) regression model are tested. These assumptions are:

- Independence (no multicollinearity)
- Outlier issues
- Normality and linearity
- Homoscedasticity (Hair et al. 1995).

Various tests are carried out in order to minimize any potential problems that can affect the interpretation of the results. These tests are outlined below.

G.1: Multicollinearity Issues

One potential statistical problem to consider in the multiple linear regression analysis is multicollinearity. Multicollinearity occurs when two or more predictor variables (or a combination of variables) are highly correlated with each other. The existence of multicollinearity in a model makes it impossible to identify the impact of individual predictor variables on the dependent variable (DeFusco et al. 2007). Beri (2010) and Alsaeed (2005) both point out that the correlation matrices are considered powerful tools for a better understanding of the relationship between predictors. As mentioned in Appendix F, Cooper and Schindler (2008) state that a commonly accepted threshold for a potential multicollinearity problem is when two variables are highly correlated at 0.80 correlation coefficient or a greater level. The maximum correlation figure detected in the model (presented in Table F.1) is r = -0.687 between state and managerial ownership. Thus, given this non-high correlation, the problem of multicollinearity between predictor variables is not deemed a major concern in this thesis.

Although correlation matrices are the common procedure used in empirical studies, they are incapable of detecting linear relationships among more than two variables. Thus, due to this problem, tolerances and the variance inflation factor (VIF) are also computed for each predictor variable. The VIF provides information regarding the strength of a linear relationship between a predictor and other predictors within a regression model (Field 2009). A very large VIF indicates a high collinearity. Previous studies suggest that a VIF greater than 10.0 and the measure of tolerance below 0.20 indicate a potential multicollinearity problem may exist between variables within a model (O'Brien 2007; Neter, Wasserman, and Kutner 1996; Hair et al. 1995). The results of VIF and measure of tolerance calculation are presented in Table G.1.

As presented in Table G.1, tolerance scores are all greater than the 0.20 benchmark, while the VIF for each predictor variable is well below the 10.0 benchmark. From the results of the correlation matrices in Tables F.1 and G.1, it can be concluded that multicollinearity does not seem to be a concern in explaining the regression results of the Vietnamese Voluntary Disclosure Index model.

Table G.1 Variance Inflation Factors and Tolerance Scores

	Collinearity Statistics	
	Tolerance	VIF
Independent variables		
CG (H_1)	0.916	1.092
STATE (H_2)	0.599	1.669
MAN (H_3)	0.622	1.607
FOREIGN (H_4)	0.678	1.475
Control variables		
SIZE	0.539	1.855
PROFIT	0.734	1.363
LEV	0.638	1.568
IND	0.948	1.055
LISTING	0.871	1.148
AUDIT	0.804	1.244
LOC	0.697	1.434

Legend: Variance Inflation Factor for predictors where: CG = the proportion of independent directors on corporate boards, STATE = the proportion of state ownership, MAN = the proportion of managerial ownership, FOREIGN = the proportion of foreign ownership, SIZE = firm size, PROFIT = profitability, LEV = leverage, IND = industry, LISTING = listing duration, AUDIT = auditing firm, and LOC = stock exchange location. Number of firms = 252.

G.2: Outlier Issues

Another factor needing to be considered to avoid inaccurate interpretations from the multiple regression results is the outlier issue (Tabachnick and Fidell 2007). An outlier is a case that is substantially different from the rest of the cases in a dataset. Field (2009) warns that having an outlier in a dataset can cause the regression model to be biased because it can affect the values of an estimated regression coefficient, thus causing difficulty in interpreting the results appropriately. To identify the possibility of outliers in the Vietnamese Voluntary Disclosure Index model, Mahalanobis distance scores and Cook's distance are calculated.

Cook's Distance

Cook's distance is a measure of the overall impact a case has on the regression model. Specifically, Cook's distance measures the difference between the regression coefficients obtained from the full data and the regression coefficients of the sample after removing a case from the estimation process (Chatterjee and Hadi 2006). Field (2009) and Maindonald and Braun (2010) note that any case that has a value of Cook's distance of more than 1.0 is considered as a possible outlier. Table G.2 presents the summary results of Cook's distance calculation.

Table G.2 Cook's Distance Results

	Mean	Minimum	Maximum	Std. Deviation
Cook's Distance	0.005	0.000	0.190	0.013

Legend: The above table presents the Cook's Distance results.

As depicted in Table G.2, the maximum score of Cook's distance for the 252 firms is 0.190, which is well below the benchmark of 1.0. Thus, according to the Cook's distance benchmark criterion, there is no multivariate outlier in the data set of 252 listed firms.

Mahalanobis Distance

Additionally, Mahalanobis distance scores are calculated. According to Tabachnick and Fidell (2007), Mahalanobis distance is the distance of a particular case (in this thesis, a firm's annual report) from the centroid of the remaining cases and the centroid is the point created by the means of all variables. Table G.3 illustrates the results of Mahalnobis distance calculation. With 11 degree of freedom (df) (11 predictor variables), a multivariate outlier exists where its Mahalanobis score exceeds the value of 31.264 (at the 1 per cent confidence level) (Table G.3).

Table G.3 Mahalanobis Distance Results

	Mean	Minimum	Maximum	Std. Deviation
Mahalanobis Distance	10.956	3.260	77.089	6.471

Legend: The above table presents the Mahalanobis scores.

Table G.3 shows Mahalanobis scores with a minimum of 3.260 and a maximum of 77.089. With 11 degrees of freedom (11 predictor variables), a possible multivariate outlier exists where its Mahalanobis score exceeds the value of 31.264 (at the 0.1 per cent confidence level). Upon conducting the Mahalanobis score tests, the results suggest that there are four potential multivariate outliers in the data set (with Mahalanobis scores of 31.73, 32.11, 32.93 and 77.09 respectively). However, as highlighted below, extra analysis conducted reveals that there is no major difference when comparing the results between the two datasets, with and without the removal of the four outliers (Table G.4). Section 6.2 therefore presents the main thesis results of multiple regression using the full dataset and without removing these outliers.

Table G.4 below compares the results of multiple regression analysis of the VnDI, with and without removing the four possible outliers. As shown in both tables, the three independent variables (out of four independent variables) are significant predictors of the extent of Vietnamese voluntary disclosure. In particular, both Table G.4(a) and Table G.4(b) provide evidence supporting H_1 (significant and positive association between the strength of corporate governance mechanisms and the extent of Vietnamese voluntary disclosure), H_2 and H_3 (significant and negative relationships between the proportion of state ownership and managerial ownership and the level of Vietnamese voluntary disclosure). H_4 is not supported by the results of both regressions (Table G.4(a) and Table G.4(b)).

In regard to control variables, after removing the four outliers, Table G.4 (b) reveals that a firm's profit is no longer a significant predictor for VnDI, although it still has a positive impact on voluntary disclosure. The other variables such as firm size, firm's industry classification and firm's stock exchange location are still significant predictors of VnDI in a positive direction before and after removing the outliers. Table G.4(a) and Table G.4(b) also reveal that a firm's auditors and its listing duration are significant predictors, but in a negative direction.

In theory, these four outliers violating the benchmark of Mahalanobis scores should be removed from the data set. However, the Cook's distance scores indicate that all firms are within the benchmark. Since the multiple regression results in Table G.4(a) and Table G.4(b) show no major difference in the statistical testing of the four hypotheses (corporate governance, state ownership, managerial ownership and foreign ownership), this thesis presents the multiple regression with a full dataset as the main statistical analysis (Section 6.2).

Table G.4 Multiple Regression Results With and Without Removal of Outliers

Table G.4 (a) Multiple Regression Results (full data set)				Table G.4 (b) Multiple Regression Results (removing outliers)			
Adjusted R = 0.195, F = 6.510, Significance intercept = 0.000, n=252				Adjusted R = 0.193, F = 6.419, Significance intercept = 0.000,n = 248			
	Coefficients	t	Sig.		Coefficients	t	Sig.
Constant	-0.097	-1.416	0.079	*Constant*	-0.099	-1.428	0.077
Independent variables				Independent variables			
CG (H_1)	0.06	2.334	0.010**	CG (H_1)	0.056	2.128	0.017**
STATE (H_2)	-0.072	-2.605	0.005*	STATE (H_2)	-0.020	-1.540	0.062***
MAN (H_3)	-0.081	-2.195	0.015**	MAN (H_3)	-0.061	-1.606	0.055***
FOREIGN (H_4)	0.011	0.204	0.419	FOREIGN (H_4)	0.023	0.425	0.336
Control variables				Control variables			
SIZE	0.021	3.682	0.000*	SIZE	0.021	3.726	0.000*
PROFIT	0.088	1.548	0.061***	PROFIT	0.012	0.175	0.431
LEV	-0.006	-0.216	0.415	LEV	-0.027	-0.886	0.188
IND	0.014	1.32	0.094***	IND	0.015	1.362	0.087***
AUDIT	-0.022	-1.341	0.091**	AUDIT	-0.027	-1.625	0.053**
LISTING	-0.03	-2.465	0.007*	LISTING	-0.032	-2.604	0.005*
LOC	0.031	2.322	0.011**	LOC	0.030	2.190	0.015**

*Legend: Shaded areas denote statistically significant findings. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

G.3: Normality and Linearity

The assumption of multivariate normality can be partially checked by examining the normality, linearity and homoscedasticity data of individual variables.

Normality is the degree to which the distribution of the sample data corresponds to a normal distribution (Hair et al. 1995). There are two main ways in which a distribution can deviate from normal: lack of symmetry (called skewness) and pointiness (kurtosis). A classic normal distribution occurs when the values of skewness and kurtosis are 0.

Normality

Within the sample of this thesis, the value for skewness of the data is 0.662, while the value for kurtosis is 0.164, which are both very close to the requirements of normal distribution (value of zero). Thus, it is reasonable to conclude that the data in this sample is normally distributed. Further histogram and Kolmogorov-Smirnov calculations are also presented. Normality can be detected by looking at the *p*-value of the Kolmogorov-Smirnov test. The Kolmogorov-Smirnov test is "a distribution free method that tests for any difference between two population probability distributions. The test is based on the maximum absolute difference between the cumulative distribution functions of the samples from each population" (Everitt 2002, 206). If the *p*-value is greater than the 0.05 level, the residuals are considered to be normally distributed. The Kolmogorov-Smirnov test performed in this thesis shows that the *p*-value is 0.067, which is greater than 0.05.

Additionally, the Figure G.1 histogram of the dependent variable looks like a bell-shaped curve, which seems to be a normal distribution. Figure G.2 also shows deviation from normality. Taken together, the normality assumption of the regression analysis is deemed to have been met.

Figure G.1 Histogram of VnDI

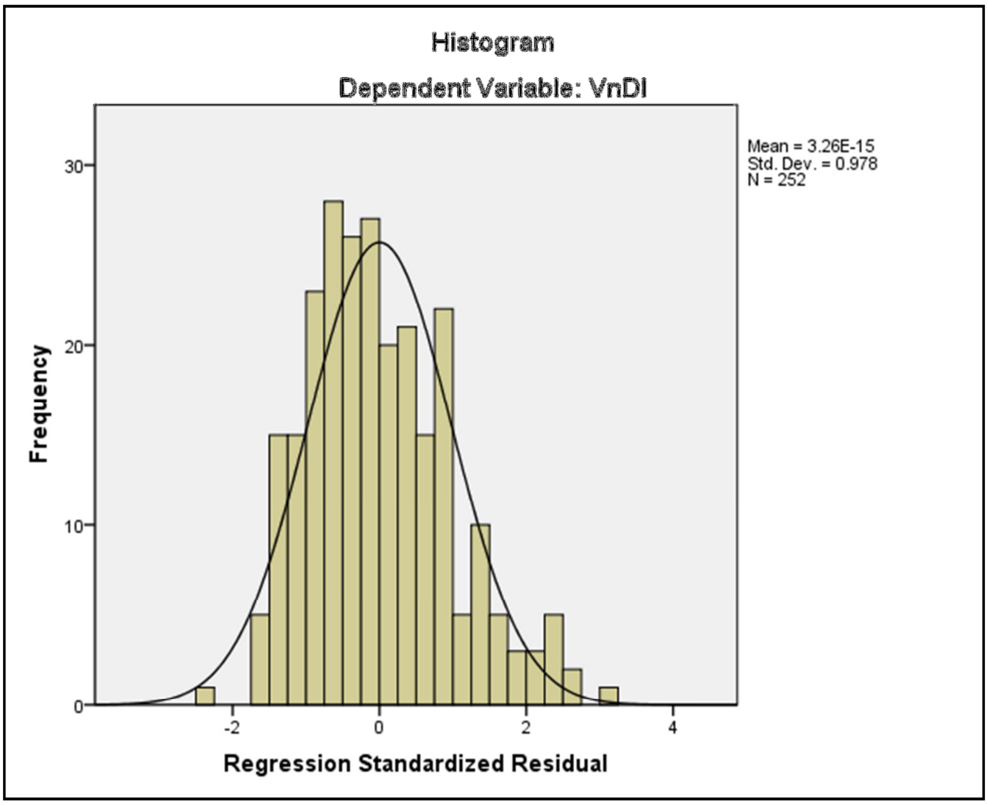
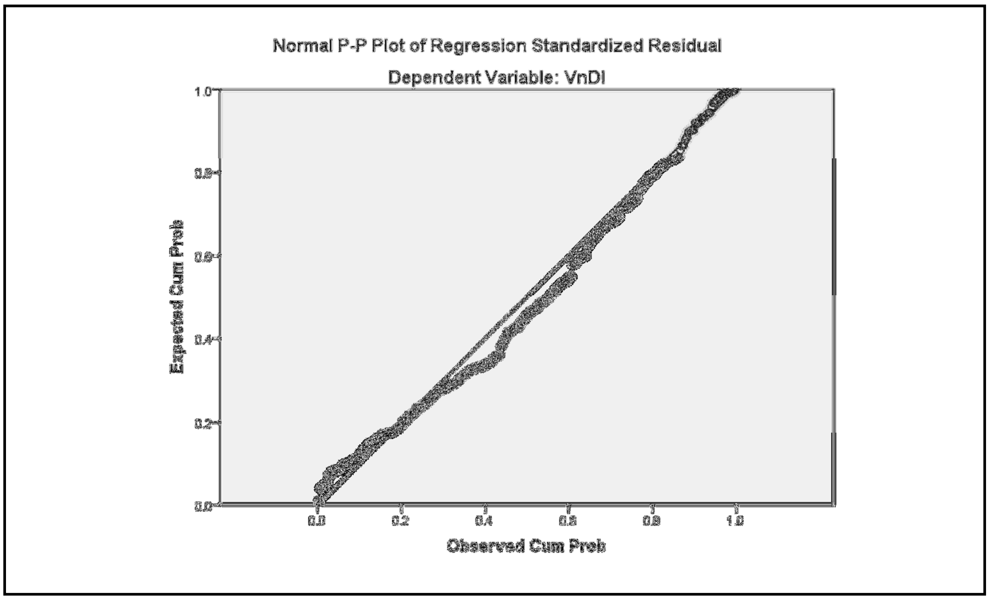


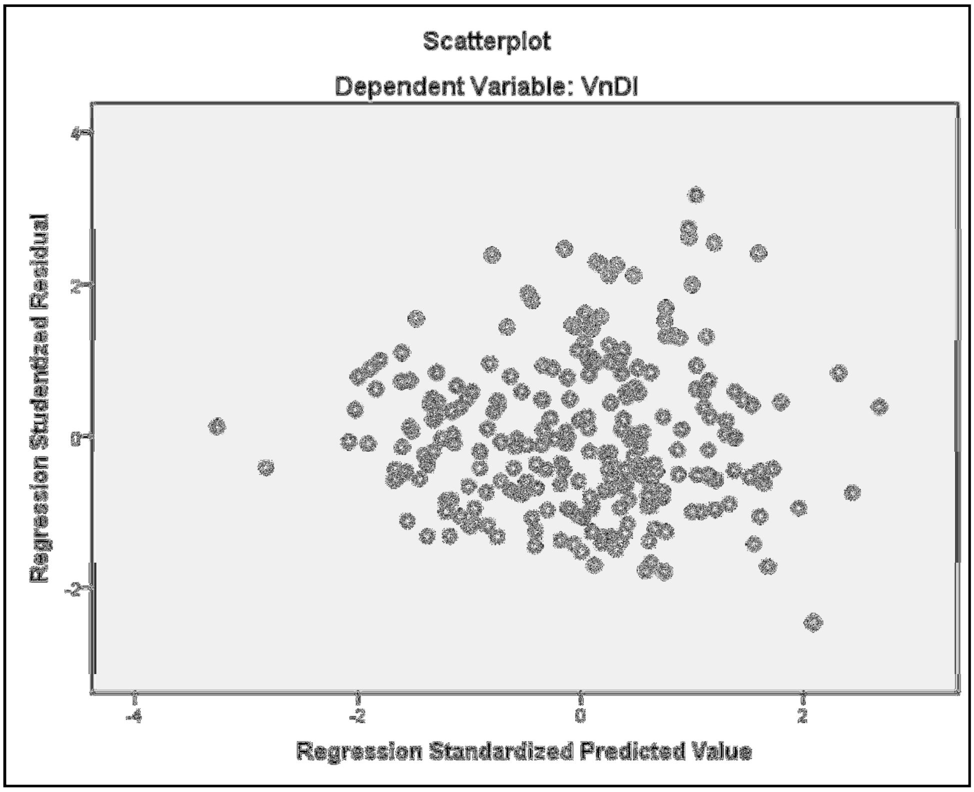
Figure G.2 P-P Plot Regression of VnDI



Linearity

Figure G.3 does not exhibit any obvious nonlinear relationship between the residuals and the predicted values. Thus, it is interpreted that the overall regression model in this thesis (Model 1) is linear.

Figure G.3 Scatterplot of VnDI



G.4: Homoscedasticity

According to Weinbach and Grinnell (2004), the assumption of homoscedasticity is that the variability in scores for one continuous variable is roughly the same at all values of another continuous variable. Table G.5 presents the results for Homoscedasticity tests of all predictor variables.

Table G.5 Homoscedasticity

Variable	Significance to the Absolute Value of Residual
Independent variables	
CG (H_1)	0.665
STATE (H_2)	0.542
MAN (H_3)	0.176
FOREIGN (H_4)	0.206
Control variables	
SIZE	0.031**
PROFIT	0.518
LEV	0.448
IND	0.314
AUDIT	0.648
LISTING	0.314
LOC	0.128

Legend: CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.

Table G.5 above indicates that among all 11 predictor variables, only the variable firm size violates the assumption of homoscedasticity. This variable has been transformed to a logged measure. Furthermore, many prior studies of voluntary disclosure find that there is a significant association between firm size (measured by log of total assets) and the extent of voluntary disclosure. Thus, this thesis is confident that firm size is an important predictor in determining the extent of voluntary disclosure for Vietnamese listed firms.

In conclusion, Appendix G presents the tests for all key assumptions of the multiple regression Ordinary Least Square model. These tests are considered important to avoid biased and inaccurate prediction of the dependent variable VnDI (Hair et al. 1995). The evidence from these tests indicates that assumptions of multiple regression have been met and hence, the statistical analysis in this thesis is deemed to be appropriate.

APPENDIX H SENSITIVITY ANALYSES

This section undertakes additional sensitivity analyses to provide robustness checks of the research questions and the hypotheses. In particular, this section precedes extra analyses as a way to minimize the potential endogeneity problem. More discussion of the endogeneity issue is provided in Appendix I.

H.1: Corporate Governance and VnDI

The purpose of this section is to provide further evidence on the relationship between effective corporate governance mechanisms and VnDI. Studies of voluntary disclosure indicate that strong corporate governance mechanisms positively influence the level of Vietnamese voluntary disclosure. This thesis acknowledges that there are other ways to measure various corporate governance mechanisms such as: the existence of an audit committee, the expertise of members of the committee, if the nomination committee has a policy for appointment of directors, the remuneration policy and many others. All Vietnamese listed firms are required to have an audit committee, but the expertise of its members is not disclosed by 83 firms. Thus, this 'expertise of audit committee' variable is not included in this thesis due to its unavailability. Other corporate governance aspects such as the appointment and remuneration policy aspect are also not disclosed by the majority of these firms and hence, these corporate governance aspects are not examined in this thesis. The proportion of independent directors on corporate boards is the most common measurement for corporate governance mechanisms, while the dominant roles of CEO and chairperson, or corporate board size are used frequently in the prior studies of voluntary disclosure (Taylor 2008; Akhtaruddin et al. 2009). The next sub-sections provide additional analyses on corporate governance mechanisms to provide further support for the main thesis findings of H_1.

Categories of Independent Directors on Corporate Boards

As mentioned in Chapter 5, Vietnamese listed firms are required to have at least one third of independent directors on corporate boards. Using the same regression model (Model 1), this extra analysis replaces the independent variable of the proportion of independent directors on corporate boards with a categorical variable. Specifically, the proportion of independent directors on corporate boards variable is alternatively proxied using a dummy variable of one (1) for firms meeting the requirement of at least one third of independent directors on corporate boards and zero (0) for otherwise. Table H.1 presents the results of this sensitivity analysis.

The results in Table H.1 report that firms within the group that meets the requirement of one third independent directors on corporate boards positively influence the extent of voluntary disclosures made by Vietnamese listed firms (*p*-value = 0.003). This evidence is consistent with the main findings in Table 6.1 that a higher proportion of independent directors is associated with a higher extent of voluntary disclosure.

Table H.1 Multiple Regression Results – CG(1)

Model summary			
Adjusted R-Squared	0.201		
F-Statistic	6.747		
Sig.	0.000*		
Sample Size	252		
Variables	**Coefficients**	**t-statistic**	**Sig.**
Constant	-0.099	-1.465	0.072
Independent variables			
CG(1) (H_1)	***0.044***	***2.739***	***0.003****
STATE (H_2)	-0.071	-2.612	0.005*
MAN (H_3)	-0.075	-2.050	0.021**
FOREIGN (H_4)	0.017	0.326	0.372
Control variables			
SIZE	0.021	3.674	0.000*
PROFIT	0.073	1.299	0.098***
LEV	-0.010	-0.341	0.367
IND	0.014	1.308	0.096***
AUDIT	-0.019	-1.168	0.122
LISTING	-0.033	-2.702	0.004*
LOC	0.031	2.312	0.011*

*Legend: Shaded areas denote statistically significant findings.*Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). VnDI = Vietnamese Voluntary Disclosure Index.* ***CG(1) = dummy variable is given the value of one (1) if firms meet the requirement of at least one third of independent directors on corporate boards and zero (0) for otherwise****. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

Dominant Role of CEO and Chairperson

Previous literature on voluntary disclosure indicates that the dominant function of a CEO who is also a chairperson indicates the absence of decision control and decision management (Fama and Jensen 1983). Where a CEO holds the position of a chairperson in a firm, he/she may have too much power and authority to manage the firm without constraint and hence control the corporate board (Chau and Gray 2010). According to agency theory, the dual function of CEO and chairperson reduces the independence of corporate boards in monitoring, disciplining and compensating managers (Jensen 1993). Forker (1992) provides evidence indicating that having a duality role of CEO and chairperson in a firm reduces disclosure quality. In a similar vein, Chau and Gray (2010) find a significant positive relationship between an independent chairperson and the extent of voluntary disclosure. Thus, it can be argued that the dominant role of a CEO who is also a chairperson is associated with lower voluntary disclosure.

To further enhance an understanding of the effect of corporate governance aspects on the level of voluntary disclosure, an extra sensitivity analysis is conducted on another mechanism of corporate governance, which is the dominant role of a CEO who is also a chairperson. This variable of a CEO who is also a chairperson (DOMINANT) is measured as a dummy variable given a value of one (1) if a CEO in a firm is also its chairperson and zero (0) for otherwise. Using the same regression model (Model 1), this extra analysis now replaces the proportion of independent directors on corporate boards by this dominant role of CEO/chairperson. Table H.2 presents the results of this extra analysis.

Table H.2 Multiple Regression Results – DOMINANT

Model summary			
Adjusted R-Squared		0.187	
F-Statistic		6.251	
Sig.		0.000*	
Sample size		252	
Variables	**Coefficients**	**t-statistic**	**Sig.**
Constant	-0.064	-0.962	0.169
Independent variables			
DOMINANT (H_1)	***0.019***	***1.789***	***0.037****
STATE (H_2)	-0.069	-2.495	0.007*
MAN (H_3)	-0.076	-2.051	0.021**
FOREIGN (H_4)	0.018	0.341	0.367
Control variables			
SIZE	0.021	3.713	0.000**
PROFIT	0.054	0.941	0.174
LEV	-0.026	-0.874	0.192
IND	0.012	1.155	0.125
AUDIT	-0.015	-0.911	0.182
LISTING	-0.029	-2.332	0.010**
LOC	0.029	2.141	0.017**

*Legend: Shaded areas denote statistically significant findings.*Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). VnDI = Vietnamese Voluntary Disclosure Index.* ***DOMINANT = Dominant role of a CEO who is also a chairperson whereby firm is given the value of one (1) and zero (0) for otherwise****. STATE = The proportion of state ownership. MAN = The proportion of managerial ownership. FOREIGN = The proportion of foreign ownership. SIZE = Firm size. PROFIT = Profitability. LEV = Leverage. IND = Industry type. LISTING = Listing duration. AUDIT = Auditing firm. LOC = Stock exchange location. Number of firms = 252.*

The evidence shown in Table H.2 indicates that the dominant role of a CEO who is also a chairperson is a significant determinant of Vietnamese Voluntary Discloure Index (*p*-value = 0.037). However, the positive association is the opposite of that expected. This is different from the corporate governance mechanism (the proportion of independent directors on corporate boards) in the main model. Thus, it can be implied from the results that having a CEO who is also a chairperson in Vietnamese listed firms helps to improve its voluntary disclosure practices.

Corporate Board Size

Prior studies of voluntary disclosure also indicate that corporate board size is another measurement of corporate governance mechanisms that can potentially influence the extent of voluntary disclosure. The argument is that the higher the number of total members on corporate boards, the more effective a corporate governance monitoring mechanism is and hence under such monitoring, firms have incentives to engage in more information disclosure. According to Jensen (1993), corporate board size of a firm relates to the ability of directors to monitor and control managers. Hyytinen and Pajarinen’s (2005) study reports that a firm’s corporate board size is positively associated with the firm's performance, as board size increases the monitoring power of the directors. This is because in a firm with a larger board of directors, these members may possess more skills and expertise that better equip them to monitor managerial behaviours (Akhtaruddin et al. 2009). Taken together, a greater number of directors on corporate boards may represent a more effective monitoring mechanism that associates with increased information disclosure.

Consistent with Akhtaruddin et al. (2009), this thesis measures corporate board size as the number of members on corporate boards. Using the same regression model (Model 1), this sensitivity analysis replaces the proportion of independent directors on corporate boards by this board size (BOARDSIZE) variable. Table H.3 presents the results of this extra analysis.

Table H.3 Multiple Regression Results – BOARDSIZE

Model summary			
Adjusted R-Squared	0.191		
F-Statistic	6.404		
Sig.	0.000*		
Sample size	252		
Variables	**Coefficients**	**t-statistic**	**Sig.**
Constant	-0.087	-1.288	0.099
Independent variables			
BOARDSIZE (H_1)	***0.010***	***2.129***	***0.017*****
STATE (H_2)	-0.066	-2.394	0.009*
MAN (H_3)	-0.076	-2.048	0.021**
FOREIGN (H_4)	0.000	-0.002	0.499
Control variables			
SIZE	0.019	3.252	0.001*
PROFIT	0.064	1.139	0.128
LEV	-0.021	-0.712	0.239
IND	0.011	1.051	0.147
AUDIT	-0.014	-0.879	0.190
LISTING	-0.028	-2.265	0.012**
LOC	0.033	2.414	0.008*

*Legend: Shaded areas denote statistically significant findings.*Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). VnDI = Vietnamese Voluntary Disclosure Index.* ***BOARDSIZE = the number of members on corporate boards****. STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

As seen in Table H.3, the corporate board size is found to have a significant and positive association with the extent of Vietnamese voluntary disclosures (*p*-value = 0.017). This implies that within the Vietnamese context, a greater number of members on corporate boards increases the extent of voluntary disclosure. This evidence is consistent with the main thesis finding (Table 6.1) that an effective corporate governance mechanism, such as a higher proportion of independent directors on corporate boards and greater numbers of members on these boards, enhances the voluntary disclosure practices of Vietnamese listed firms.

Overall, within the three analyses of these corporate governance aspects, the category of independent directors group and the corporate board of directors size provide related support for the main thesis' results (Table 6.1). In contrast, the dominant role of a CEO who is also a chairperson improves the extent of voluntary disclosure made by Vietnamese listed firms[59].

H.2: State Ownership and VnDI

This section explores further insights into the relationship between state ownership and VnDI. These additional sensitivity analyses between voluntary disclosure and its association with state ownership are necessary because of the unique characteristic of a high level of state ownership among Vietnamese listed firm. Within the voluntary disclosure literature, very few researchers investigate the issue of state ownership. Some examples are Chinese SOEs on the Hong Kong stock exchange (Ferguson, Lam, and Lee 2002), Chinese SOEs in China (Xiao and Yuan 2007), Singaporean listed firms (Eng and Mak 2003) and New Zealand listed firms (Jiang and Habib 2009). However, these studies do not reach consensus and as such, enhanced knowledge of this relationship can make a major contribution to the existing literature on voluntary disclosure.

Using the same regression model (Model 1) with a replacement of the state ownership variable (with two different measurements), the next two sub-sections present the results of these extra sensitivity analyses.

Presence of State Ownership and VnDI

This section explores the relationship between the presence of state ownership and VnDI. Based on many existing literature, state ownership is alternatively measured using dummy variables, such as: one (1) for the presence of state ownership and zero (0) for otherwise (Jiang and Habib 2009; Xiao and Yuan 2007). Similar to Hypothesis H_2, this thesis expects that firms with the presence of state ownership will voluntarily disclose less information than non-state owned firms. Table H.4 presents the alternate multivariate regression results.

Using the same regression model but with a different measurement of the state ownership variable, it can be seen from Table H.4 that the presence of state ownership is negatively and significantly associated with voluntary disclosure practices (p-value = 0.050). This result is consistent with the main analysis whereby

[59] To add depth to the effect of corporate governance aspects on the extent of Vietnamese voluntary disclosure, additional analysis is carried out whereby all three corporate governance aspects (the proportion of independent directors on boards, the dominant role of the CEO/chairperson and the corporate board size) are tested in the same model. Appendix J presents these multiple regression results. Appendix J concludes that the impact of the three corporate governance aspects on the VnDi are the same, whether they are tested individually or all three are combined together in the same model (refer to Table J.2 of Appendix J for the multiple regression results).

a higher proportion of state ownership negatively influences the extent of voluntary disclosure (Table 6.1).

Table H.4 Multiple Regression Results – PSTATE

Model summary			
Adjusted R-Squared	0.181		
F-statistic	6.504		
Sig.	0.000*		
Sample size	252		
Variables	**Coefficients**	**t**	**Sig.**
Constant	-0.069	-0.900	0.335
Independent variables			
CG (H_1)	0.058	2.224	0.014**
PSTATE (H_2)	***-0.024***	***-1.653***	***0.050****
MAN (H_3)	-0.060	-1.633	0.052***
FOREIGN (H_4)	0.032	0.627	0.266
Control variables			
SIZE	0.018	3.223	0.001*
PROFIT	0.076	1.323	0.094***
LEV	-0.007	-0.216	0.414
IND	0.014	1.272	0.102
AUDIT	-0.024	-1.502	0.067***
LISTING	-0.035	-2.803	0.003*
LOC	0.036	2.680	0.004*

*Legend: Shaded areas denote statistically significant findings.*Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). VnDI = Vietnamese Voluntary Disclosure Index. CG = the proportion of independent directors on corporate boards.* ***PSTATE = the presence of state ownership whereby a firm is given the value of one (1) for the presence of state ownership and zero (0) for otherwise****. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

Influencing State Ownership and VnDI

In this section, the state ownership variable in the main regression model is now replaced with the influence of state ownership. In particular, firms that have 20 per cent or more of state ownership are given a dummy variable of one (1) and zero (0) for otherwise. Again, paralleled with the results of the main analysis in Table 6.1, Table H.5 reports a significant negative association between the influencing state ownership (state ownership of greater than 20 per cent) and the extent of voluntary disclosure (*p*-value = 0.017).

Table H.5 Multiple Regression Results – STATE (>20)

Model summary			
Adjusted R-Squared	0.187		
F-Statistic	6.256		
Sig.	0.000*		
Sample size	252		
Variables	**Coefficients**	**t-statistic**	**Sig.**
Constant	-0.078	-1.123	0.131
Independent variables			
CG (H_1)	0.058	2.256	0.012**
STATE (>20) (H_2)	***-0.027***	***-2.139***	***0.017*** **
MAN (H_3)	-0.068	-1.878	0.031**
FOREIGN (H_4)	0.026	0.497	0.310
Control variables			
SIZE	0.019	3.324	0.001*
PROFIT	0.086	1.500	0.067***
LEV	-0.007	-0.221	0.413
IND	0.015	1.357	0.088***
AUDIT	-0.021	-1.260	0.104
LISTING	-0.032	-2.564	0.005*
LOC	0.034	2.530	0.006*

*Legend: Shaded areas denote statistically significant findings. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). VnDI = Vietnamese Voluntary Disclosure Index. CG = the proportion of independent directors on corporate boards.* ***STATE (>20) = influencing state ownership where the proportion of state ownership is greater than 20 per cent****. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

The additional analyses in this section support the earlier conclusions and as hypothesized that within the Vietnamese context, state ownership negatively influences the extent of voluntary disclosure, regardless of whether a high proportion of firm shares are owned by state, or is just its presence or its influencing state shareholder.

H.3: Managerial Ownership and VnDI

The main regression results of this thesis report a significant and negative association between the proportion of managerial ownership and the extent of VnDI (Table 6.1). In this section, extra sensitivity analyses are carried out to further the understanding of the potential impact of Vietnamese managerial ownership on its voluntary disclosure practices.

Presence of Managerial Ownership and VnDI

Managerial ownership is alternatively proxied using a dummy variable of one (1) for firms with the presence of managerial ownership and a dummy variable of zero (0) for otherwise. As shown in Table H.6, the association between the level of the Vietnamese Voluntary Disclosure Index and the presence of managerial ownership is not statistically significant (*p*-value = 0.447).

Table H.6 Multiple Regression Results – PMAN

Model summary			
Adjusted R-Squared	0.177		
F-Statistic	5.845		
Sig.	0.000*		
Sample size	252		
Variables	**Coefficients**	**t-statistic**	**Sig.**
Constant	-0.105	-1.396	0.082
Independent variables			
CG (H_1)	0.053	1.979	0.024**
STATE (H_2)	-0.036	-1.556	0.060***
PMAN (H_3)	***0.004***	***0.134***	***0.447***
FOREIGN (H_4)	0.026	0.485	0.314
Control variables			
SIZE	0.020	3.567	0.000*
PROFIT	0.069	1.196	0.116
LEV	-0.015	-0.487	0.313
IND	0.017	1.586	0.057***
AUDIT	-0.025	-1.526	0.064***
LISTING	-0.035	-2.770	0.003*
LOC	0.028	2.064	0.020**

*Legend: Shaded areas denote statistically significant findings. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). VnDI = Vietnamese Voluntary Disclosure Index. CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership.* ***PMAN = the presence of managerial ownership whereby a firm is given the value of one (1) for the presence of managerial ownership and zero (0) for otherwise****. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

Influencing Managerial Ownership and VnDI

In Table H.7, managerial ownership is now proxy by a dummy variable and is given a value of one (1) if a fraction of managerial ownership is more than 20 per cent, otherwise, it is given a zero (0) score. The results show that the influencing managerial ownership, although negatively associated with VnDI, is not significant.

The findings reported in Table H.6 and H.7 are not consistent with the main analysis (Table 6.1) wherein managerial ownership is proxy by the proportion of managerial ownership. In particular, the two alternative measurements of managerial ownership do not have any predictive power on the level of Vietnamese voluntary disclosure.

Table H.7 Multiple Regression Results – MAN (>20)

Model summary			
Adjusted R-Squared	0.179		
F-Statistic	5.974		
Sig.	0.000*		
Sample size	252		
Variables	**Coefficients**	**t-statistic**	**Sig.**
Constant	-0.105	-1.531	0.064
Independent variables			0.000
CG (H_1)	0.058	2.225	0.013**
STATE (H_2)	-0.043	-1.640	0.051***
MAN (>20) (H_3)	***-0.006***	***-0.432***	***0.333***
FOREIGN (H_4)	0.018	0.336	0.368
Control variables			
SIZE	0.021	3.639	0.000*
PROFIT	0.073	1.269	0.103
LEV	-0.016	-0.526	0.300
IND	0.016	1.501	0.067**
AUDIT	-0.024	-1.486	0.069**
LISTING	-0.034	-2.709	0.004*
LOC	0.029	2.157	0.016

*Legend: Shaded areas denote statistically significant findings. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). VnDI = Vietnamese Voluntary Disclosure Index. CG = the proportion of independent directors on corporate boards. STATE = the proportion of state ownership.* ***MAN (>20) = influencing managerial ownership where the proportion of managerial ownership is greater than 20 per cent****. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

H.4: Foreign Ownership and VnDI

In the main regression model (Model 1), it is found that the proportion of foreign ownership is not a significant predictor variable for VnDI (Table 6.1). Using different measures for foreign ownership, this section presents extra sensitivity analyses conducted to further understand the relationship between foreign ownership and voluntary disclosure practices in Vietnam. The next two sub-sections present the results of these additional analyses.

Presence of Foreign Ownership and VnDI

In this section, foreign ownership is alternatively proxied using a dummy variable of one (1) for firms with the presence of managerial ownership in a firm and a score of zero (0) for otherwise. The results in Table H.8 are consistent with the main regression results in Table 6.1. In particular, the association between the presence of foreign ownership and VnDI is not significant.

Table H.8 Multiple Regression Results – PFOREIGN

Model summary			
Adjusted R-Squared	0.194		
F-Statistic	6.391		
Sig.	0.000*		
Sample size	252		
Variables	**Coefficients**	**t-statistic**	**Sig.**
Constant	-0.101	-1.499	0.068
Independent variables			
CG (H_1)	0.056	2.120	0.018**
STATE (H_2)	-0.073	-2.664	0.004*
MAN (H_3)	-0.082	-2.201	0.014**
PFOREIGN (H_4)	***0.005***	***0.222***	***0.412***
Control variables			
SIZE	0.021	3.955	0.000*
PROFIT	0.089	1.580	0.058***
LEV	-0.006	-0.201	0.420
IND	0.015	1.371	0.086***
AUDIT	-0.023	-1.400	0.081***
LISTING	-0.031	-2.540	0.006*
LOC	0.031	2.281	0.012**

*Legend: Shaded areas denote statistically significant findings. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). VnDI = Vietnamese Voluntary Disclosure Index. CG = the proportion of independent directors on corporate boards. MAN = the proportion of managerial ownership.* ***PFOREIGN = the presence of foreign ownership whereby a firm is given the value of one (1) for the presence of foreign ownership and zero (0) for otherwise.*** *SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

Influencing Foreign Ownership and VnDI

Extra analysis is further conducted to examine the association between foreign ownership and the extent of voluntary disclosure among Vietnamese listed firms. Foreign ownership is alternatively proxied by a dummy variable where the proportion of foreign ownership in a firm of greater than 20 per cent is categorised as a score of one (1) and otherwise, it is given zero (0). The results shown in Table

H.9 indicate that the influencing foreign ownership (of greater than 20 per cent) is not significantly associated with VnDI. This is consistent with the main thesis findings of Model 1 that indicate no association between the proportion of foreign ownership and VnDI.

Table H.9 Multiple Regression Results – FOREIGN (>20)

Model summary			
Adjusted R-Squared	0.195		
F-Statistic	6.528		
Sig.	0.000*		
Sample size	252		
Variables	**Coefficients**	**t-statistic**	**Sig.**
Constant	-0.105	-1.577	0.058
Independent variables			
CG (H_1)	0.060	2.349	0.010**
STATE (H_2)	-0.075	-2.733	0.003*
MAN (H_3)	-0.083	-2.243	0.013***
FOREIGN (>20) (H_4)	***-0.007***	***-0.442***	***0.329***
Control variables			
SIZE	0.022	4.009	0.000*
PROFIT	0.094	1.664	0.049**
LEV	-0.010	-0.329	0.371
IND	0.014	1.313	0.095***
AUDIT	-0.022	-1.347	0.090***
LISTING	-0.032	-2.655	0.004*
LOC	0.031	2.328	0.010**

*Legend: Shaded areas denote statistically significant findings. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). VnDI = Vietnamese Voluntary Disclosure Index. CG = the proportion of independent directors on corporate boards. MAN = the proportion of managerial ownership.* ***FOREIGN (>20) = Influencing foreign ownership where the proportion of foreign ownership is greater than 20 per cent****. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

The results of these extra analyses confirm the main findings in Table 6.1 that foreign ownership is not a potential determinant in explaining the variation in voluntary disclosure practices of Vietnamese listed firms

APPENDIX I ENDOGENEITY

The multiple linear regression analysis provided in Section 6.2 assumes the exogenous determination of ownership identity variables (state, managerial and foreign ownership). Prior empirical studies indicate that ownership structure and corporate disclosure can be simultaneously determined (Makhija and Patton 2004). In a recent study, Jiang and Habib (2009) state that a firm's disclosure policy can attract different type of shareholders (ownership), while different types of ownership identities can also result in different levels of disclosure. Ownership identities and voluntary disclosure may be interdependent and not exogenously determinant as the per regression assumption. Should the endogeneity adversely bias the Ordinary Least Square (OLS) models used in this thesis, it can affect and cause difficulties in interpreting the impact of ownership identities on the extent of voluntary disclosure (Nikolaev and Van Lent 2005; Cheng and Courtenay 2006; Taylor 2008). This thesis undertakes various methods to minimize the potential endogeneity issue.

First, Taylor (2008) suggests that one way to alleviate any possible endogeneity issue in the OLS regression is to incorporate potential competing explanatory variables as control variables in the regression model. This has been achieved in this thesis through the inclusion of possible determinants of voluntary disclosure such as firm size (SIZE), profitability (PROFIT), leverage (LEV), industry (IND), auditing firm (AUDIT), listing duration (LISTING) and finally, stock exchange location (LOC) (see section 4.6 for justification of inclusion of these control variables).

Second, Larcker and Rusticus (2010) suggest that running a sensitivity analysis on the choice of instrumental variables is one way to deal with endogeneity problem. As such, this thesis addresses the potential endogeneity issue by examining whether different ways of measuring the ownership identities can have a different impact on voluntary disclosure (Jiang and Habib 2009). To test this, three ownership identity variables, namely state, managerial and foreign ownership are measured differently from the main analysis. For instance, state, managerial and foreign ownership are alternatively measured using dummy variables, such as: one (1) for the presence of state, managerial and foreign ownership respectively, and zero (0) for otherwise (Ho and Wong 2001; Ho 2009; Gelb 2000; Xiao and Yuan 2007). Additionally, state, managerial and foreign ownership are examined in low and high ownership concentration levels (above and below 20 per cent level) (La Porta et al. 2000). Section 6.5 in the main text presents additional analyses with different measurements of independent variables to alleviate the possible endogeneity issue.

Third, Samaha and Dahawy (2011) suggest that the ownership identities can be inter-related, which could lead to collinearity issues. This thesis conducts a Pearson and Spearman correlation matrix (Table F.1) and VIF factors (Table G.1) and the results suggest that these collinearity issues between variables are not deemed to be a concern. Furthermore, another way to minimize such collinearity problems is to run separate regressions with one ownership structure variable included and two other ownership identities excluded (Samaha and Dahawy 2011). The results of these three separate tests are reported in Tables I.1, I.2 and I.3.

Results shown in Tables I.1, I.2 and I.3 clarify that all three ownership identity variables, namely the proportion of state ownership (STATE), the proportion of managerial ownership (MAN) and the proportion of foreign ownership (FOREIGN) remain the same directional sign as reported in the main thesis results (Table 6.1). However, only state ownership is statistically significant. Given the correlation matrix and the VIF calculations, it can be argued that multicollinearity is not deemed to be a problem that poses any threat to the interpretation of the findings of this thesis.

Table I.1 Alternative Multiple Regression Results – STATE (Excluding MAN and FOREIGN)

Model summary			
Adjusted R-Squared	0.185		
F-Statistic	7.314		
Sig.	0.000*		
Sample size	252		
Variables	**Coefficients**	**t-statistic**	**Sig.**
Constant	-0.111	-1.688	0.046
Independent variables			
CG (H_1)	0.058	2.237	0.013
STATE (H_2)	**-0.039**	**-1.740**	**0.042****
Control variables			
SIZE	0.021	4.037	0.000*
PROFIT	0.074	1.333	0.092***
LEV	-0.020	-0.686	0.247
IND	0.017	1.547	0.062***
AUDIT	-0.025	-1.516	0.065***
LISTING	-0.035	-3.003	0.001*
LOC	0.029	2.146	0.016**

*Legend: Shaded areas denote statistically significant findings. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). VnDI = Vietnamese Voluntary Disclosure Index. CG = the proportion of independent directors on corporate boards.* ***STATE = the proportion of state ownership****. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry type. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

Table I.2 Alternative Multiple Regression Results – MAN (Excluding STATE and FOREIGN)

Model summary			
Adjusted R-Squared	0.176		
F-Statistic	6.991		
Sig.	0.000*		
Sample size	252		
Variables	**Coefficients**	**t-statistic**	**Sig.**
Constant	-0.112	-1.684	0.047
Independent variables			
CG (H_1)	0.064	2.458	0.007*
MAN (H_3)	**-0.026**	**-0.846**	**0.199**
Control variables			
SIZE	0.020	3.774	0.000*
PROFIT	0.074	1.316	0.095***
LEV	-0.014	-0.493	0.311
IND	0.016	1.422	0.078***
AUDIT	-0.025	-1.550	0.061***
LISTING	-0.036	-3.017	0.001*
LOC	0.038	2.790	0.003*

*Legend: Shaded areas denote statistically significant findings. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). VnDI = Vietnamese Voluntary Disclosure Index. CG = the proportion of independent directors on corporate boards.* ***MAN = the proportion of managerial ownership****. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry type. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

Table I.3 Alternative Multiple Regression Results – FOREIGN (Excluding STATE and MAN)

Model summary			
Adjusted R-Squared	0.176		
F-Statistic	6.958		
Sig.	0.000*		
Sample size	252		
Variables	Coefficients	t-statistic	Sig.
Constant	-0.101	-1.472	0.071
Independent variables			
CG (H_1)	0.060	2.328	0.010**
FOREIGN (H_4)	**0.036**	**0.692**	**0.245**
Control variables			
SIZE	0.019	3.386	0.000*
PROFIT	0.063	1.109	0.134
LEV	-0.014	-0.484	0.315
IND	0.016	1.496	0.068***
AUDIT	-0.025	-1.539	0.063***
LISTING	-0.034	-2.769	0.003*
LOC	0.035	2.614	0.005*

*Legend: Shaded areas denote statistically significant findings. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). VnDI = Vietnamese Voluntary Disclosure Index. CG = the proportion of independent directors on corporate boards.* ***FOREIGN = the proportion of foreign ownership****. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry type. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

Overall, Appendix I presents a discussion of the endogeneity issue and various possible tests identified in the literature to mitigate the problem of endogeneity. Results from these additional tests indicate that the endogeneity issue does not constitute a significant bias in the interpretation of the results of this thesis.

APPENDIX J ADDITIONAL ANALYSIS ON CORPORATE GOVERNANCE

Section H.1 in Appendix H provides analyses of individual corporate governance aspects (namely the proportion of independent directors on corporate boards, the dominant role of a chairperson who is also a CEO and the corporate board size) on the extent of the Vietnamese Voluntary Disclosure Index. This Appendix J presents extra analyses to investigate the combined impact of these three corporate governance aspects on the extent of Vietnamese voluntary disclosure. Specifically, the regression model of this thesis is as follows:

$VnDI_i = \lambda_i + \beta_1 CG_i + \beta_2 \mathrm{DOMINANT} + \beta_3 \mathrm{BOARDSIZE} + \beta_4 STATE + \beta_5 MAN_i + \beta_6 FOREIGN_i + \gamma_1 SIZE_i + \gamma_2 PROFIT_i + \gamma_3 LEV_i + \sum_{i=1}\delta_j IND_i + \sum_{k=1}\delta_k AUDIT_i + \sum_{m=1}\delta_m LISTING_i + \sum_{n=1}\delta_n LOC_i + \epsilon$ [Model 3]

Where:

$VnDI_i$ = Ratio of Vietnamese Voluntary Disclosure items reported by firm i in the 2009 annual report;

CG_i = Number of independent directors stated in the 2009 annual report of firm i, divided by the total number of all directors on corporate boards (both independent and non-independent) in the 2009 annual report of firm i;

$DOMINANT_i$= Dominant role of a CEO who is also chairperson of the firm in 2009 whereby firm i is given the value of one (1) and zero (0) for otherwise;

$BOARDSIZE_i$= Total number of all directors on corporate boards (both independent and non-independent) as stated in the 2009 annual report of firm i;

$STATE_i$ = Number of ordinary outstanding shares held by the government in firm i as at the cut-off date specified in the 2009 annual report of firm i, divided by the total number of ordinary outstanding shares of firm i as at the cut-off date specified in the 2009 annual report of firm i;

MAN_i = Number of ordinary outstanding shares held by senior managers on the corporate boards in firm i as at the cut-off date specified in the 2009 annual report of firm i, divided by the total number of ordinary outstanding shares of firm i as at the cut-off date specified in the 2009 annual report of firm i;

$FOREIGN_i$ = Number of ordinary outstanding shares held by foreign investors in firm i as at the cut-off date specified in the 2009 annual report of firm i, divided by the total number of ordinary outstanding shares of firm i as at the cut-off date specified in the 2009 annual report of firm i;

$SIZE_i$ = Natural logarithm total assets of firm i as reported in the 2009 annual report;

$PROFIT_i$ = Ratio of net earnings to total assets of firm i as reported in the 2009 annual report;

LEV_i = Ratio of total debt to total assets of firm i as reported in the 2009 annual report;

IND_i = Categorical variable to control for industry differences with industry firm i is given a dummy variable in the value of one (1) if the firm is in High-profile industries; otherwise zero (0);

$AUDIT_i$ = Categorical variable to control for auditor differences with the auditing firm of the 2009 annual report of firm i is given a dummy variable in the value of one (1) if the auditing firm is one of the 'Big Four', otherwise zero (0);

$LISTING_i$ = Categorical variable to control for listing duration differences with firm i is given a dummy variable in the value of one (1) if it is newly listed in the year 2009, otherwise zero (0);
LOC_i = Categorical variable to control for listing location differences with firm i listed on the Ho Chi Minh stock exchange in the year 2009 is given a dummy variable in the value of one (1), otherwise zero (0);
λ_i = Regression constant.
$\beta_{1,2...n}, \gamma_{1,2...n}$ = Coefficients to independent and control variables.
$_I$ = Firm specific.
ϵ = Error of prediction.

Table J.1 presents the correlation matrix results for the three corporate governance variables of Model 3. The correlation matrix presents that among the three corporate governance variables, the proportion of independent directors on corporate boards is negatively correlated with the dominant role of CEO/chairperson with p-value = 0.000. This implies that in a firm where there are high proportions of independent directors on boards, there may be a less dominant role of CEO/chairperson.

Table J.1 indicates that there is no multicollinearity problem between the three corporate governance variables (the highest correlation is between the proportion of independent directors on corporate boards and the dominant role of a CEO who is a chairperson with r = -0.266). According to Hair et al. (1995) and Cooper and Schindler (2008), two variables are highly correlated at 0.80 or a greater level.

Table J.1 Correlation Matrix – VnDI and Three Corporate Governance Mechanisms

Pearson

Corporate Governance Variables	Corporate Governance Variables		
	CG	**DOMINANT**	**BOARDSIZE**
CG	1	-0.266**	0.058
		0.000	0.179
DOMINANT	-0.252**	1	0.000
	0.000		0.499
BOARDSIZE	0.024	0.010	1
	0.352	0.434	

Spearman

Legend: Shaded area denotes highest correlation coefficient. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). CG = the proportion of independent directors on corporate boards. DOMINANT = Dominant role of a CEO who is also chairperson, whereby firm is given the value of one (1) if it is dominant and zero (0) for otherwise. BOARDSIZE = the total number of members on corporate boards.

Table J.2 presents the multiple regression results of Model 3. As shown in Table J.2, with all three corporate governance mechanisms in one regression model, the adjusted R-Squared of the model is 0.222, which is slightly higher than the main regression model of 0.195. The adjusted R-Squared of the model indicates that the predictor variables of this model explain 22.2 per cent of the variations of VnDI.

Table J.2 Multiple Regression Results for Combined Impact of Corporate Governance Mechanisms

Model summary			
Adjusted R-Squared	0.222		
F-Statistic	6.509		
Sig.	0.000*		
Sample size	252		
Variables	**Coefficients**	**t-statistic**	**Sig.**
Constant	-0.137	-1.954	0.026
Independent variables			
CG (H_1)	**0.075**	**2.863**	**0.002***
DOMINANT (H_1)	**0.010**	**2.191**	**0.015***
BOARDSIZE (H_1)	**0.029**	**2.644**	**0.004***
STATE (H_2)	-0.058	-2.126	0.017*
MAN (H_3)	-0.082	-2.261	0.012*
FOREIGN (H_4)	-0.013	-0.250	0.401
Control variables			
SIZE	0.018	3.163	0.001*
PROFIT	0.068	1.216	0.112
LEV	-0.012	-0.404	0.343
IND	0.013	1.215	0.113
AUDIT	-0.008	-0.527	0.299
LISTING	-0.030	-2.465	0.007*
LOC	0.030	2.209	0.014*

*Legend: Shaded areas denote statistically significant findings. *Correlation is highly significant at the 0.01 level (1-tailed). **Correlation is significant at the 0.05 level (1-tailed). ***Correlation is moderately significant at the 0.1 level (1-tailed). VnDI = Vietnamese Voluntary Disclosure Index.* ***CG = the proportion of independent directors on corporate boards. DOMINANT = Dominant role of a CEO who is also chairperson, whereby firm is given the value of one (1) if it is dominant and zero (0) for otherwise. BOARDSIZE = the total number of members on corporate boards.*** *STATE = the proportion of state ownership. MAN = the proportion of managerial ownership. FOREIGN = the proportion of foreign ownership. SIZE = firm size. PROFIT = profitability. LEV = leverage. IND = industry type. LISTING = listing duration. AUDIT = auditing firm. LOC = stock exchange location. Number of firms = 252.*

The results in Table J.2 indicate that the proportion of independent directors on corporate boards and corporate board size both have positive and significant associations with Vietnamese voluntary disclosure. In particular, the proportion of independent directors on corporate boards highly and positively influences the level of Vietnamese voluntary disclosure with *p*-value = 0.002, while corporate board size also exhibits a positive and significant association with the VnDI (*p*-value = 0.004). These results are consistent with Tables 6.1 and H.3, which test the individual impact of these corporate governance mechanisms on Vietnamese voluntary disclosure. Furthermore, the results in relation to the dominant role of a CEO who is also a chairperson is also consistent with the individual test of this variable on the VnDI (Table H.2). Results in Table H.2 report a highly positive association between the dominant role of a chairperson who is also a CEO and the extent of Vietnamese voluntary disclosure at *p*-value = 0.015. The positive association between the dominant role of CEO or chairperson and the extent of voluntary disclosure, in both the main text and this Appendix, illustrates the unique reporting environment of Vietnamese listed firms as the majority of the existing literature finds otherwise.

In summary, Appendix J reports the results concerning the impact of various corporate governance mechanisms on the level of Vietnamese voluntary disclosure. It is found in Table J.2 that the effect of the three corporate governance mechanisms (the proportion of independent directors on corporate boards, the dominant role of the CEO or chairperson and the corporate board size) on Vietnamese voluntary disclosure practices are virtually the same when testing them individually or combined together in one multiple regression model. Overall, Appendix J provides consistent results supporting the findings of the influence of corporate governance aspects in Table 6.1 and sensitivity analyses in Tables H.2 and H.3.