THE IMPACT OF OWNERSHIP STRUCTURE ON FINANCIAL INFORMATION TRANSPARENCY IN VIETNAMESE LISTED COMPANIES

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Abstract: ***This study aims to assess the impact of factors related to the ownership structure of enterprises (state ownership, foreign ownership, and institutional ownership) on financial information transparency through (FIT) the income amplification, income smoothing, and loss concealment models. The research results are applied through panel data models and secondary data with Stata 18 software based on data from 2.827 observations of 257 listed companies in the period 2012-2022 on the Vietnamese stock market. The research results show that state ownership has an impact on financial information transparency through income amplification and income smoothing models. In addition, institutional ownership is correlated with financial information transparency through the loss concealment model.***

• Keywords: *ownership structure, foreign ownership, state ownership, institutional ownership, financial information transparency.*

JEL code: D22, G34

Date of receipt: 05th Oct., 2024
Date of delivery revision: 08th Nov., 2024
Date of receipt revision: 24th Jan., 2025
Date of approval: 10th Mar., 2025

DOI: https://doi.org/10.71374/jfar.v25.i3.18

1. Introduction

Financial information transparency (FIT) is the foundation for a strong and efficient financial market, requiring companies, organizations, and individuals to be transparent and clear about their financial situation (Gao, 2023; Salehi et al., 2022). This includes providing accurate and complete information on business performance (revenue, profit, expenses), assets and liabilities, as well as ownership and governance structures (Kohansal et al., 2017; Raithatha & Bapat, 2014). FIT not only enhances corporate accountability to stakeholders, but also helps investors make informed decisions, limit risks, and prevent fraud and corruption (Nair et al., 2019). FIT promotes sustainable development, attracts investment and contributes to the overall prosperity of the economy (Bhimavarapu et al., 2022).

In a highly competitive environment, maintaining stability is vital for companies operating in frontier markets, which are often characterized by unpredictable fluctuations, management challenges, and financial constraints (Côté, 2019). Ownership structure plays a key role and can significantly impact the success or failure of a company (La Porta et al., 2000). Analysis of the causes of the Asian financial crisis shows that concentrated ownership structures, lack of transparency, and weak corporate governance systems were key factors leading to the collapse of the regional financial system (Udin et al., 2017). Empirical studies have shown a strong link between inefficiencies in corporate governance, especially the concentration of ownership in a small group of shareholders, and the likelihood of financial crises. Concentrated ownership, while advantageous in terms of speed of decision-making, carries the risk of a lack of transparency due to the ability of large shareholders to control information. On the contrary, dispersed ownership, although it may be difficult to reach consensus, promotes transparency thanks to the supervision of many shareholders.

Studies around the world (Barako & Tower, 2006; Eng & Mak, 2003; Haniffa & Cooke, 2002; Kohansal et al., 2017; Raithatha & Bapat, 2014) found that ownership structures can determine a company's FIT. In Vietnam, there are many studies on the impact of ownership structure on information disclosure transparency in general and information disclosure transparency in particular (Le Thi My Hanh, 2015; Le Xuan Thai, 2020; Vo Thi Thuy Trang, 2019). However, the results of these studies are not really consistent with each other and the level of influence of ownership structure on information disclosure transparency is different. For example, Le Thi My Hanh (2015) and Le Xuan Thai (2020) argued that there is no relationship between ownership structure and FIT, but Pham Ngoc Toan & Nguyen Thanh Long (2017) pointed out that the board of directors ' equity ownership ratio is negatively related to the level of information disclosure. Therefore, this study has contributed more empirical evidence showing the impact of ownership

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structure on FIT in the context of a frontier economy like Vietnam.

2. Literature review and hypotheses development

Ownership structure and FIT are two closely related factors in corporate performance. Ownership structure, especially the dispersion or concentration of ownership, directly affects the level of transparency and disclosure of information of the enterprise (Kohansal & colleagues, 2017) . Ownership theories and agency theories provide different perspectives on how ownership structure affects corporate performance in general and financial disclosure transparency in particular. Ownership theory focuses on the allocation of asset ownership among members of the company. When studying public companies, Jensen & Meckling (1976) proposed agency theory, arguing that the separation between shareholders' ownership and management's control will lead to conflicts in goals. Specifically, shareholders often aim to maximize profits in the short term, while management may prioritize other goals such as job stability, expansion, etc. Overall, these theories show that ownership structure not only affects the performance of a business but also affects the way a business makes decisions and interacts with stakeholders.

Foreign ownership (FO) has a multidimensional impact on corporate information transparency. On the one hand, pressure from foreign investors, the requirement to comply with international standards and access to modern management methods often motivate enterprises to improve the quality of information disclosure. On the other hand, conflicts of interest, competitive pressure and differences in business culture can hinder this process. FO brings both opportunities and challenges to information transparency, requiring enterprises and governments to have appropriate solutions to maximize benefits and minimize risks. Indeed, Raithatha & Bapat (2014) show that FO improves FIT.

Institutional ownership (IO) is often associated with institutional investors holding a large amount of shares in companies, influencing the management decisions and development strategies of that company. While Kohansan et al. (2017) concluded that IO has a positive impact on FIT, Raithatha & Bapat (2014) did not find any impact on the above relationship.

State-owned enterprises (SOs) often have less incentive to improve operational efficiency and information transparency due to lack of competitive pressure from the market. State-owned enterprises often prioritize social goals, putting community interests above pure profit. In addition, because their business activities are often of public interest, these enterprises face greater political and social pressure. Therefore, ensuring FIT is extremely important.

From the overview study, the author puts forward the following research hypothesis:

H1: Foreign ownership ratio has a positive impact on FIT.

H2: State ownership ratio has a positive impact on FIT.

H3: Institutional ownership ratio has a positive impact on FIT.

3. Research methods

To determine the impact of ownership structure ratio on FIT in listed companies in Vietnam, the study uses quantitative methods with the help of STATA 18 software to conduct panel data regression analysis for the income expansion (EA) model and income smoothing (ES) model. In addition, the panel data regression model in logistic form is applied to the loss concealment model because the model has a dummy variable taking the value 0-1. (Qian et al., 2015; Bhattacharya & colleagues, 2005; Nair & colleagues, 2019).

The research sample includes 2.827 observations from 257 companies listed on both HOSE and HNX established in the period 2012-2022. The research sample does not include listed companies in specific financial sectors such as commercial banks, insurance companies, and securities companies due to the special nature of the operations of this group of companies. Data is manually collected from financial reports and the stock data page www.vietstock.vn , and is guaranteed to operate continuously.

Based on the research overview and research hypothesis, the author builds the research model as follows:

$$FIT = \beta_0 + \beta_1 FO_{it} + \beta_2 SO_{it} + \beta_3 IO_{it} + \beta_4 SIZE_{it} + \beta_5 TAT_{it} + \beta_6 LEV_{it} + \beta_6 AUDIT_{it} + \varepsilon_{it}$$

In this model, The FIT variable is measured in three ways:

$$EA = (\Delta A_{it} - \Delta CL_{it} - \Delta CASH_{it} + \Delta STD_{it} - DEP_{it} + TP_{it})/A_{it-1}$$

$$ES = \frac{\sigma\left(\frac{NI_{i,t}}{A_{i,t-1}}\right)}{\sigma\left(\frac{CFO_{i,t}}{A_{i,t-1}}\right)}$$

LA is a dummy variable that takes the value of 1 if the ROA index is from 0 to 2%, otherwise it takes the value of 0.

Where:

ΔA_{it}: Change in total assets of company i in year t compared to year t-1.

ΔCL_{it}: Change in short-term debt of company i in year t compared to year t-1.

ΔSTD_{it}: Change in short-term borrowings and lease liabilities of company i in year t compared to year t-1.

$\Delta CASH_{it}$: Change in cash and cash equivalents of company i in year t compared to year t-1.

DEP_{it}: Depreciation expense of company i in year t.

TP_{it}: Taxes and payables of company i in year t.

A_{it-1}: the total assets of company i in the year t -1.

$NI_{i,t}$: The company's profit after tax in year t

$CFO_{i,t}$: Cash flow from operating activities of the company in year t

Independent variables are represented as state ownership (SO) which is the total state ownership ratio in the enterprise; institutional ownership (IO) which is measured by the total ownership ratio of organizations in the enterprise; foreign ownership (FO) which is the total ownership ratio of foreign shareholders. In addition, variables related to state ownership, institutional ownership, and foreign ownership are collected from the annual reports of the companies.

Finally the control variables used in the model are as company size (FSIZE) is determined by the logarithm of the company's total assets; asset utilization efficiency (TAT) is calculated by the ratio of net revenue to total assets; leverage (LEV) is considered by the ratio of total debt to total assets, and audit firm size (AUDIT) is a dummy variable that takes the value of 1 if audited by BIg4, otherwise takes the value of 0.

4. Empirical results

4.1. Descriptive statistics of variables

Table 1: Descriptive statistics of quantitative variables

Variables	Observations	Mean	Std. Dev.	Min	Max
EA	2.827	0.018	0.219	-0.912	1.461
ES	2.827	0.814	1.767	0.001	48.391
LA	2.827	0.244	0.429	0	1
FO	2.827	0.052	0.117	0	0.941
SO	2.827	0.193	0.254	0	0.967
IO	2.827	0.398	0.273	0	0.991
SIZE	2.827	27.662	1.605	23.322	33.99
TAT	2.827	0.748	0.462	-0.126	1.998
LEV	2.827	0.473	0.224	0.001	0.992
FAU	2.827	0.321	0.467	0	1

Source: The result of research

Table 1 shows that EA has an average value of 0.018; the average value of ES is 0.814 and there is a large difference between companies (standard deviation = 1.767). Meanwhile, for LA, the average value is about 24.5%, meaning that about 24.4% of companies in Vietnam do not have any level of loss concealment. Next, the average ownership ratio of foreign members in Vietnamese companies is 5.2%; most Vietnamese companies have equity ownership at 19.3% and about 39.8% of shares held in the company are held by institutional members in the company.

4.2. Correlation Analysis and VIF

When testing the correlation and multicollinearity with correlation coefficients less than 0.3 and vif less than 2, the model has sufficient predictive value. The study continues to test the model selection with the results shown in Table 2.

4.3. Multiple Regression Analysis

The results of model testing are shown in the table 2. First, the results of model selection between the fixed model (FEM), random model (REM), and Pooled OLS model are shown through F-test (choosing between FEM and Pooled OLS) and Hausman (choosing between FEM and REM) for EA, ES, and LA logistic models. Next, after selecting the appropriate model, the Heteroskedasticity test for heteroskedasticity and Wooldridge test for autocorrelation are set up to consider the errors in the selected model to consider the most appropriate model to avoid errors in the model.

Table 2: Result of testing

Test	EA model		ES model		LA model	
	F/t-test/Chi-square	p-value	F/t-test/Chi-square	p-value	F/t-test/Chi-square	p-value
F-test	1,68	<0,001	2,15	<0,001	4,65	<0,001
Hausman	140,03	<0,001	78,43	<0,001	44,83	<0,001
Heteroskedasticity	20363,45	<0,001	9,4e+06	<0,001	3,3e+06	<0,001
Wooldridge	47,717	<0,001	21,597	<0,001	26,095	<0,001

Source: The result of research

First, based on the results of model selection by F-test, the FEM model will be the selected model for both EA, ES, and LA logistic with p-value < 0.05 for all 3 models above. Similar to the results of the F-test, for the Hausman test, with p-value < 0.05 for all three models above, the EA, ES, and LA will select the FEM model as the final result of the study for EA, ES, and logistic of LA.

Next, based on the results of the Heteroskedasticity and Wooldridge tests, with p-value < 0.05 for both tests for the three models above, the FEM models of EA, ES, and the logistic FEM model of LA all have autocorrelation and heteroscedasticity. Therefore, the FGLS model will be applied to EA and ES, and the robust model for logistic will be applied to LA to correct the errors in the model.

Table 3: Estimating regression using FGLS (EA, ES) and Logistic for LA model

Variables	EA model	ES model	LA model
FO	-0.029	0.015	1.297
SO	-0.171***	0.248***	0.946
IO	0.002	-0.06	0.34***
SIZE	0.022***	0.006	0.87***
TAT	0.008	-0.028	0.275***
LEV	-0.087***	-0.339***	92.88***
Audit	-0.024***	0.046	0.878
const	-0.52***	0.555	5.346*
Model information			
Observations	2.827	2.827	2.827
Chi-square	273.429	38.016	430.775
p-value	<0.001	<0.001	<0.001

Source: The result of research

First, FO has no impact on FIT through all three models EA, ES and che LA with p-value > 0.1 for all three models above. Explaining the above results, foreign members owning shares in the company almost do not change too much in companies in Vietnam, and most foreign members hold small shares in Vietnamese companies. Therefore, the level of FIT does not change too much through EA, ES, and LA. In addition, not holding many shares in the company makes it impossible for foreign members to hold much power in terms of company operations, including financial statements. Therefore, they cannot intervene too much in controlling information related to financial statements, especially

transparency in financial statement information according to agency theory. The above results are consistent with the study of Le Xuan Thai (2020) when no relationship was found between FO and FIT. However, the above results are completely inconsistent with Raithatha & Bapat (2014) and hypothesis H1.

Next, for SO, this factor affects FIT through the income amplification index and income smoothing. Specifically, for the EA model, with p-value < 0.1 and coefficient < 0, the state ownership ratio increases FIT through the gradual decrease of EA and is recognized at p-value = 0.01. Explaining the above results, when there is intervention by state members in owning company shares, the level of amplification of the company's income information will be controlled, which means improving FIT. In addition, having shares in the company will make state members want to hold more benefits when having information related to the financial statements. Therefore, the behavior of amplifying the company's financial statement revenue will gradually decrease. The above results are consistent with agency theory when shareholders tend to have their interests best protected through ensuring the company's FIT and reducing the cost of conflict of interest between parties, and the above results are consistent with hypothesis H2.

However, according to the ES model results, SO has a negative correlation with FIT through the gradual increase of income uniformity and is recognized at p-value = 0.01 with coefficient > 0 for the above model. Explaining the above results, the level of data discrepancy in the financial statements increases when state members hold more shares in the company. The above results also explain the ownership theory when state members want to have more shares in the company in the short term and the most benefits through increasing the data discrepancy in the financial statements to beautify the data and attract more external capital through the good financial situation of the company. However, this reduces FIT leading to an increase in conflicts of interest between parties according to agency theory. However, the above results are not consistent with hypothesis H2.

Finally, for IO, this factor has a negative impact on FIT through the logistic model of LA. This result proves that organizational members want to ensure the best interests of the company and the organizational members themselves in the company, through the behavior of hiding the company's profit and loss to reduce the most effective benefit costs in the company according to agency theory, and this result is inconsistent with Kohansan et al. (2017), Raithatha & Bapat (2014) and hypothesis H3.

Conclusion

The current ownership structure in a company greatly affects the interests of the organization and internal members in the company and also affects the interests of related members when disclosing information related to the financial statements. Therefore, it is clear that FIT will ensure the best interests of shareholders and members in the company. Therefore, the main purpose of the study is to understand the important role of corporate share ownership in FIT. The research results show that FO has no impact on FIT, SO has a positive impact on FIT through income expansion, however, this factor reduces FIT through income spreading behavior. In addition, IO has a negative impact on FIT through the company's loss concealment behavior.

Based on the research results, the first new point of the study is to demonstrate the important role of members owning company shares (especially the state and organizations) in improving the company's FIT through ensuring the best information rights related to financial statements. Pointing out the need to minimize the behavior of state members in holding multiple shares in the company to improve FIT through limiting the behavior of discrepancies in financial statements data is the next new point in the study. In addition, this study also specifically points out the behavior of owning company shares to different aspects of MBTTTC. Regarding the new point in theory, this study clearly demonstrates the explanation of agency theory and ownership in ensuring FIT of the company and the behavior of owning company shares to different behaviors in financial statements.

However, the limitation of this study is that the number of companies in the sample is quite low compared to the total number of listed companies . Because the study only focuses on companies listed on HOSE and HNX, other enterprises listed on the market for UPCOM and other markets have not been explored much, leading to a lack of generalization in terms of results related to the behavior of share ownership to FIT in Vietnam. Therefore, the next research direction is to expand the number of research companies in Vietnam to have a more general view of share ownership and behavior related to financial statements of Vietnamese companies.

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