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**NGUYEN THI THANH THUY**

**A STUDY ON THE IMPACT OF FACTORS ON THE  
QUALITY OF FINANCIAL REPORTING INFORMATION  
OF SMALL AND MEDIUM-SIZED ENTERPRISES IN  
VIETNAM**

Major: Accounting

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**SUMMARY OF DOCTORAL THESIS IN  
ECONOMICS**

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The dissertation will be defended before the Academic Evaluation  
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## INTRODUCTION

### 1. Rationale and Necessity of the Research

Within the broader landscape of Vietnam's economy during the period of international integration and sustainable development, the small and medium-sized enterprise (SME) sector has firmly established itself as a key growth driver and the backbone of the national economy. According to the most recent statistical data from the Ministry of Planning and Investment (2024), SMEs currently account for approximately 98% of the more than 920,000 active enterprises and contribute over 40% to the national GDP. Nevertheless, a substantial expectation gap persists between the demand for transparent information and the actual quality of financial statements (FS) prepared by SMEs. Academic research has consistently raised serious concerns about the reliability of such information. Notably, Le, Venkatesh, and Nguyen (2006) provided empirical evidence of significant discrepancies between actual values and figures reported in the financial statements of Vietnamese SMEs. Inconsistencies across accounting periods, concealment, or incomplete disclosure of material transactions have distorted the depiction of assets, equity, and business performance. The consequence is a deepening information asymmetry that undermines the confidence of credit institutions and investors, thereby increasing the cost of capital or leading to the outright denial of credit to SMEs.

The root causes of this situation stem from the governance characteristics and resource constraints inherent to SMEs. Unlike listed companies that face market-based monitoring pressures, SMEs typically operate under the direct management of owner-managers who tend to apply a short-term cost-benefit trade-off perspective. As a result, accounting functions are often inadequately resourced, and internal control processes remain loosely structured. Furthermore, the majority of SMEs currently rely on outsourced accounting services or part-time personnel primarily engaged in tax compliance reporting. This leads to financial statements that are prepared in a reactive and formalistic manner oriented toward minimizing tax obligations, rather than toward the goal of providing decision-useful information. The disconnect between the business owner (the decision-maker) and the accounting data undermines the timeliness and completeness of reported information.

Over the past two decades, numerous research efforts have sought to identify the factors influencing the quality of financial reporting information (QFRI) in order

to devise improvement strategies. Internationally, foundational studies by Heidi Vander Bauwhede (2001), Xu (2003), Soderstrom and Sun (2007), and Cheung et al. (2007) established a robust theoretical framework. Building upon this body of work, scholars such as Ferdy van Beest, Ahmad Al-Hiyari et al. (2013), and Rahmatika & Afiah (2014) extended the research model to encompass governance and internal control dimensions. In the Vietnamese context, contributions by Vo Van Nhi and Tran Thi Thanh Hai (2013), Pham Quoc Thuan (2016), and more recently Le Thi Loan (2023), Le Ngoc Doan Trang (2024), and Ha Hoang Nhu (2024) have made noteworthy advances in quantifying the determinants of QFRI within the domestic setting.

However, upon a critical examination of existing Vietnamese research, several significant research gaps remain unaddressed. First, the majority of prior studies have focused on listed companies or large enterprises entities with governance structures and regulatory environments fundamentally different from those of SMEs. Second, the limited SME-focused studies are often constrained in geographic scope (primarily Ho Chi Minh City or Hanoi) or confined to specific industry sectors (such as seafood processing or tourism). Given Vietnam's considerable diversity in business culture and economic conditions across regions (North–Central–South), findings from localized samples cannot be reliably generalized to the national SME population. Third, amid rapid digital transformation and the ongoing implementation roadmap for International Financial Reporting Standards (IFRS) for SMEs, the determinants of QFRI are undergoing substantial change that prior research has yet to adequately capture.

Motivated by the urgent practical context and the aforementioned theoretical gaps, the conduct of a large-scale, comprehensive, and updated investigation is an imperative. The author therefore chose the research topic: "A Study on the Impact of Factors on the Quality of Financial Reporting Information of Small and Medium-Sized Enterprises in Vietnam" as the subject of this doctoral dissertation.

## **2. Research Objectives**

**General Objective:** This research aims to identify and measure the degree of impact of various factors on the quality of financial reporting information (QFRI) of Vietnamese SMEs, and to propose policy implications for enhancing the QFRI of SMEs in Vietnam.

### **Specific Objectives:**

- To identify and assess the current state of QFRI in the financial statements of Vietnamese SMEs within the present context.
- To empirically test a model of influencing factors and examine the moderating role of the Enterprise Size variable on the relationship between these factors and QFRI.
- To propose a comprehensive system of solutions and recommendations to enhance QFRI among Vietnamese SMEs, differentiated by enterprise size, for the purposes of corporate governance and policy formulation.

### **3. Research Subject and Scope**

**Research Subject:** Factors affecting the quality of financial reporting information of Vietnamese SMEs.

**Research Scope:** The study covers SMEs across Vietnam. Secondary data were collected over a three-year period (2023–2025). Primary data were collected between October and December 2024.

### **4. Research Methodology**

The study employs a mixed-methods research design, integrating both qualitative and quantitative approaches.

### **5. Novel Contributions of the Dissertation**

**Scientific contributions:** The dissertation systematically and logically synthesizes the fundamental theoretical underpinnings of QFRI and its determinants for SMEs in Vietnam. The findings confirm the applicability of international measurement scales in the Vietnamese context. By overcoming limitations of prior studies, the dissertation constructs and validates a nationally representative research model, thereby providing a reliable reflection of the overall state of SME financial reporting quality in Vietnam. Furthermore, the dissertation contributes to a paradigmatic shift in research focus from compliance-based accounting to usefulness-oriented accounting, thereby opening new directions for behavioral accounting research within the SME sector.

**Practical contributions:** The research findings provide a basis for enterprise owners and managers to fundamentally reframe their perspective: from viewing financial statements as a tax compliance burden to regarding them as strategic instruments for governance and capital mobilization. The dissertation also delivers an objective assessment of actual compliance levels and information quality among

Vietnamese SMEs. Moreover, the findings enable banks and investors to identify reliable signals of SME financial reporting quality, thereby fostering a healthy business environment and protecting the interests of all stakeholders in economic transactions.

## CHAPTER 1. REVIEW OF PRIOR LITERATURE

### 1.1. Studies on the Quality of Financial Reporting Information

#### 1.1.1. International Studies

##### **Theoretical Frameworks and Measurement Approaches for Information Quality**

The seminal work of Van Beest et al. (2009) laid the methodological foundation for this line of inquiry. Drawing comprehensively on the FASB and IASB Conceptual Framework (2008), the authors developed an empirical measurement instrument comprising 21 observable items covering five core qualitative characteristics of accounting information: relevance, faithful representation, understandability, comparability, and timeliness. Conducted on 231 annual reports from the United Kingdom, the United States, and the Netherlands, the study provided empirical evidence affirming a positive correlation between the adoption of high-quality standards (such as IFRS) and the quality of disclosed information.

More recently, Ghobakhloo et al. (2022) and Savvakis et al. (2024) reinforced the view that integrating Industry 4.0 technologies not only enhances timeliness but also substantially improves the reliability of accounting data through process automation. In the context of global crises, Sarker et al. (2022) and Obradović et al. (2024) provided empirical evidence showing that the COVID-19 pandemic compelled SMEs to restructure their reporting systems, while simultaneously posing significant challenges to risk management and operational continuity, directly impacting the quality of disclosed information.

##### **Internal Factors: The Role of Resources and Managerial Awareness**

Applying a Resource-Based View perspective, Rahayuningsih and Utami (2022) in Indonesia demonstrated the critical role of the synergy between technology and human capital. Their Structural Equation Modeling (SEM) results confirmed that accounting information technology yields its intended benefits only when accompanied by competent operational personnel and an in-depth understanding of accounting standards. Putri and Kusmila (2023) examined behavioral and psychological dimensions, arguing that the primary barrier to QFRI in developing economies is not financial constraint per se, but rather the owner-manager's perception of compliance costs — a cost-benefit misalignment that creates an invisible impediment to the standardization of accounting practices.

### **External Factors: Institutional Environment and Accounting Standards**

Hellman et al. (2022) employed a difference-in-differences methodology in Sweden to demonstrate that accounting standardization reduces income smoothing behavior and lowers the cost of debt capital, reinforcing the proposition that high-quality standards produce superior information quality and tangible economic benefits. Conversely, Sirembe et al. (2025) in South Africa presented a contrasting picture in developing economy contexts, introducing the concept of "label adoption" — a situation in which enterprises formally claim compliance with standards while the actual quality of information remains unchanged due to a deficiency in technical capacity and supporting resources.

### **Behavioral Perspectives and the Usefulness of Information for End-Users**

The qualitative study by Wijekoon et al. (2025) in Sri Lanka identified a fundamental paradox in SMEs: financial statements are predominantly prepared to satisfy tax authorities and banks, yet these very stakeholders remain skeptical of the reliability of the reported figures. The tendency of loan officers to prioritize collateral over cash flows, and of business owners to make decisions based on intuition rather than financial statements, reflects a profound erosion of trust arising from pervasive information asymmetry.

#### **1.1.2. Domestic Studies**

##### **Foundational Research on Determinants and Theoretical Frameworks**

The work of Pham Quoc Thuan (2016) is widely regarded as a landmark contribution, marking the maturation of quantitative research on QFRI in Vietnam. The author skillfully applied the FASB & IASB Qualitative Characteristics Framework (2010) to construct a comprehensive set of QFRI measurement scales encompassing both fundamental and enhancing qualitative characteristics. Thi Thu Hoan Nguyen et al. (2019) extended the analytical scope to macroeconomic and enforcement environment factors, highlighting the multidimensional interaction between internal enterprise-level factors and external environmental variables — including macroeconomic growth, national culture, and the influence of international audit organizations — on QFRI.

##### **Studies on Corporate Governance and QFRI**

Contributions by Nguyen Trong Nguyen (2016) and Ha Hong Hanh (2023) examined the role of internal monitoring mechanisms in the Vietnamese capital

market. Nguyen Trong Nguyen's study provided empirical evidence confirming that the presence of independent board members and the professional expertise of supervisory boards serve as important safeguards against earnings manipulation, thereby enhancing QFRI. By contrast, Le Ngoc Doan Trang (2024) offered a counterintuitive finding: the variable representing the proportion of independent board members was statistically insignificant, reflecting the formalistic nature of such positions in Vietnamese practice.

### **SME-Focused and Industry-Specific Studies**

Doan Thi Thuy Anh et al. (2021) concentrated on error minimization — the most pressing issue for SMEs — rather than high-level qualitative attributes such as relevance or predictive value. Le Thi Ngoc Thien (2023), studying tourism enterprises in Khanh Hoa Province, identified a novel variable — external expert participation — that demonstrated an even stronger impact than internal factors, revealing SMEs' substantial dependence on professional support services. Le Thi Loan (2023), examining seafood export processing enterprises, confirmed the significance of the application of international accounting standards and environmental information disclosure as determinants of QFRI.

## **1.2. Studies on Factors Affecting the Quality of Financial Reporting Information**

### **1.2.1. International Studies**

#### **Internal Factors: Resources, Systems, and Human Capital**

Xu (2003) conducted a study in Australia on the quality of accounting information systems, establishing a theoretical framework that categorizes determinants into three groups: human factors (training), organizational factors (size, culture, control), and technological factors. Ahmad Al-Hiyari et al. (2013) developed a quantitative model in Malaysia, affirming the paramount importance of database quality and human resources in ensuring the accuracy, timeliness, and completeness of information. More recently, Maradona et al. (2024) and Affandi et al. (2024) emphasized that in the digital age, human resources must encompass not only fundamental accounting expertise but also digital competencies and proficiency in applying IFRS.

Manley et al. (2024) and Kriemadis et al. (2022) presented compelling evidence on the relationship between Total Quality Management (TQM) and financial information effectiveness. Abouelghit and Gan (2024) and Novatiani et al. (2024)

further affirmed that internal audit quality and risk assessment capabilities serve as critical safeguards against fraudulent reporting.

### **Corporate Governance and Financial Characteristics**

Kateb and Belgacem (2024) and Al-Zaqeba et al. (2022) demonstrated that robust governance mechanisms - particularly the presence of audit committees with professional expertise - effectively curb earnings management behavior and sustain investor confidence. Nguyen et al. (2023) and Sassi and Damak-Ayadi (2023) further established that managerial characteristics, including risk attitude and ethical commitment, directly influence compliance with high-quality reporting standards.

### **External Factors: Institutional Environment and Regulatory Frameworks**

Heidi (2001) proposed a comprehensive model incorporating both external governance mechanisms (audit, government regulation) and internal mechanisms, confirming that government regulation constitutes one of four critical factors ensuring information quality. Soderstrom and Kevin Jialin Sun (2007) provided a macroeconomic perspective, affirming that the legal and political system directly influences QFRI under IFRS adoption, as well as indirectly through capital structure and the tax system. Hanlon et al. (2014) illuminated the role of tax authorities as an effective external monitoring mechanism that helps mitigate earnings misstatements.

Albu et al. (2010), studying barriers to IFRS for SMEs adoption in Romania, identified the close linkage between tax and accounting systems — combined with limited accountant competencies — as the primary obstacles to implementation. Segotso et al. (2024) and Budianto et al. (2024), through systematic reviews, identified high compliance costs and the absence of structured training programs as the main drivers of formalistic standard adoption in developing countries. The supportive role of government has been highlighted by Zainol et al. (2021) and Zhemkova (2023). Additionally, pressures from international integration and demands for non-financial information transparency are reshaping the institutional environment, as noted by Dos Santos et al. (2022).

### **Synthesis and Research Trends**

Landu et al. (2025), through a systematic review of 50 representative studies, concluded that QFRI is influenced by multidimensional forces operating at three levels: (1) the enterprise level (governance and monitoring); (2) the national level (legal and economic environment); and (3) the international level (integration and

competition). This body of work provides a robust theoretical framework for identifying research gaps and confirms a scholarly shift from examining isolated factors to constructing multi-level integrated models — a trajectory that directly informs the research model developed in this dissertation.

### **1.2.2. Domestic Studies**

#### **Internal Resource Factors: Technology, Human Capital, and Managerial Awareness**

Tran Phuoc (2007) pioneered the assessment of accounting software (AS) adoption, establishing the relationship between AS quality and QFRI. Nguyen Bich Lien (2012) extended this framework to ERP environments, applying rigorous technical criteria such as security, integrity, and availability. The most recent study by Nguyen Thu Hien (2024) offered a more contextually relevant perspective by emphasizing that the suitability of an accounting information system depends not solely on the sophistication of information technology but fundamentally on the owner/manager's understanding of both accounting and IT.

#### **Enterprise Characteristics and Corporate Governance**

Nguyen Trong Nguyen (2016) confirmed the significance of independent board members and professionally qualified supervisory boards. Ha Hoang Nhu (2024) emphasized the competency of the chief accountant and the size of the audit firm as critical quality safeguards. Cao Nguyen Le Thu (2014) and Pham Thanh Trung (2015) consistently found that enterprise size is the most influential internal factor, with larger enterprises — measured by capital and workforce — demonstrating superior financial reporting quality.

#### **Environmental Factors and Multi-Dimensional Integrated Models**

The comprehensive works of Pham Quoc Thuan (2016) and colleagues identified the strong dominance of tax pressure and independent audit on the relevance of reported information. Dinh Cong Thanh (2016) in Ho Chi Minh City and Nguyen Thi Thanh Thuy (2018) in Tra Vinh Province provided additional empirical evidence confirming the impact of the legal framework and profitability. Recent studies by Le Ha Trang (2021) and Ngo Duc Loi & Vu Trong Hieu (2025) demonstrated that the mandatory adoption of electronic invoicing directly affects the timeliness and auditability of accounting data. Nguyen Thi Thanh Thuy (2025) confirmed that cloud

accounting technology significantly reduces hardware investment costs for SMEs, while simultaneously posing major challenges to information security.

### **1.3. The Moderating Role of Enterprise Size**

Ismail (2009) provided theoretical arguments affirming fundamental differences in accounting organizational structure across enterprises of different sizes. Similarly, Muhamad et al. (2009) in Malaysia observed that enterprise size is associated with greater public scrutiny pressure (consistent with the social disadvantage theory), thereby creating stronger incentives for larger enterprises to leverage internal resources to enhance disclosure quality compared to smaller ones. Cao Nguyen Le Thu (2014) concluded that enterprise size is the most influential internal determinant, with large-asset enterprises consistently demonstrating superior financial reporting quality. Pham Thanh Trung (2015), surveying SMEs in Ho Chi Minh City, found statistically significant differences in QFRI across enterprises with different capital and workforce sizes.

### **1.4. Research Gaps and Identification**

Prior studies have generally been conducted within narrow geographic or sectoral scopes or employed relatively simple models. This dissertation undertakes a nationally representative investigation and proposes examining whether the novel variable — Earnings Management Behavior — exerts a statistically significant effect on QFRI among Vietnamese SMEs. Furthermore, the dissertation elevates the Enterprise Size variable from a simple independent variable to a moderator of the relationships between other independent variables and QFRI, operationalized through the SmartPLS platform.

## **CHAPTER 2. THEORETICAL FRAMEWORK AND RESEARCH MODEL**

### **2.1. The Quality of Financial Reporting Information**

#### **2.1.1. Approaches to Measuring QFRI**

Four principal methodological approaches have been employed in the literature to evaluate QFRI:

Approach 1 – Earnings-Based Proxy: Uses earnings quality as a proxy for QFRI, inferring overall information quality from the attributes of reported earnings. Representative studies include Healy & Wahlen (1999) and Dechow et al. (1995).

Approach 2 – Market Response Approach: Assesses the relationship between reported earnings and stock market reactions to measure the relevance of financial statement information. Representative studies include Barth, Beaver, and Landsman (2001); Holthausen & Watts (2001); and Schipper & Vincent (2003).

Approach 3 – Specific Attributes Approach: Focuses on specific elements of financial statements rather than earnings as a whole, such as the quality of disclosures, timeliness of loss recognition, frequency of restatements, and market value impairments. Representative studies include Roudaki (2011); Leuz, Nanda & Wysocki (2003); and Beretta & Bozzolan (2004).

Approach 4 – Conceptual Framework-Based Approach: Evaluates QFRI based on qualitative characteristics prescribed by professional standard-setting bodies (IFRS Framework, FASB Conceptual Framework). Representative studies include Jonas & Blanchet (2000); Ferdy van Beest et al. (2009); and Braam & Van Beest (2013).

#### **2.1.2. QFRI under the International Accounting Standards Board (IASB) Framework**

According to the IASB (2018), financial statement information must be useful to its intended users. To achieve this, information must satisfy prescribed qualitative characteristics, comprising two fundamental qualitative characteristics (relevance and faithful representation) and four enhancing qualitative characteristics (comparability, verifiability, timeliness, and understandability).

- Relevance: encompasses predictive value, confirmatory value, or both (IASB, 2018).

- Faithful Representation: encompasses completeness, neutrality, and freedom from material error.

- Enhancing Qualitative Characteristics: comparability, verifiability, timeliness, and understandability.

### **2.1.3. QFRI under Vietnamese Accounting Standards (VAS 01)**

Under VAS 01, QFRI must satisfy the following attributes: faithful presentation, objectivity, completeness, timeliness, understandability, and comparability.

### **2.1.4. QFRI as Conceptualized in Academic Research**

The landmark study of Van Beest et al. (2009) operationalized the abstract constructs of the FASB & IASB Conceptual Framework (2008) into empirically testable scales. The authors constructed a 21-item measurement instrument capturing five qualitative characteristics: (1) Relevance, the capacity to generate a difference in users' decisions; (2) Faithful Representation replacing the older concept of reliability, emphasizing completeness, neutrality, and freedom from error; (3) Understandability; (4) Comparability; and (5) Timeliness. This model has since served as the standard reference for numerous empirical studies worldwide.

Vo Van Nhi (2013) represents an approach closely aligned with the existing Vietnamese legal framework, arguing that QFRI in Vietnam should be assessed directly against the requirements of Vietnamese Accounting Standard No. 21 (VAS 21), Presentation of Financial Statements: encompassing truthfulness and fairness, relevance, reliability, and understandability.

*For the purposes of this dissertation, the author adopts the IASB Conceptual Framework (2018) as the reference for evaluating QFRI attributes.*

## **2.2. Factors Affecting the QFRI of SMEs**

Drawing upon the theoretical foundations and empirical evidence synthesized from prior literature, the dissertation proposes the following research hypotheses:

**Hypothesis H1:** The accounting legal framework has a positive impact on the QFRI of Vietnamese SMEs.

**Hypothesis H2:** The tax system has a positive impact on the QFRI of Vietnamese SMEs.

**Hypothesis H3:** Owner/manager concern for accounting has a positive impact on the QFRI of Vietnamese SMEs.

**Hypothesis H4:** The internal control system has a positive impact on the QFRI of Vietnamese SMEs.

**Hypothesis H5:** The competency of accounting staff has a positive impact on the QFRI of Vietnamese SMEs.

**Hypothesis H6:** Information technology has a positive impact on the QFRI of Vietnamese SMEs.

**Hypothesis H7:** Enterprise size has a positive impact on the QFRI of Vietnamese SMEs.

**Hypothesis H8:** Earnings management behavior has a negative impact on the QFRI of Vietnamese SMEs.

**Hypothesis H9a:** Enterprise size moderates and amplifies the impact of the accounting legal framework and the tax system on QFRI.

**Hypothesis H9b:** Enterprise size moderates and amplifies the impact of the internal control system on QFRI.

**Hypothesis H9c:** Enterprise size moderates and amplifies the impact of information technology on QFRI.

**Hypothesis H9d:** Enterprise size moderates and amplifies the impact of accounting staff competency on QFRI.

**Hypothesis H9e:** Enterprise size moderates and amplifies the impact of earnings management behavior on QFRI.

### **2.3. Underpinning Theories**

- Contingency Theory of Organizations
- Information Asymmetry Theory and Signaling Theory
- Public Interest Theory (Social Disadvantage Theory)
- Information Processing Theory
- Behavioral Theory
- Agency Theory

## CHAPTER 3. RESEARCH METHODOLOGY

### 3.1. Qualitative Research

#### 3.1.1. Qualitative Research Design

The qualitative phase was conducted through one-on-one in-depth interviews using a pre-structured discussion guide. The purpose was to assess whether the inherited measurement items and the proposed research model were appropriate for the study context, and to determine whether any factors required modification or addition.

#### 3.1.2. Development of Research Hypotheses

The formal research model was established following the application of underpinning theories, the review of prior studies, and expert consultations. The model incorporates the following causal and moderating pathways:

Independent variables (direct effects): Accounting Legal Framework (H1+), Tax System (H2+), Owner/Manager Concern (H3+), Internal Control System (H4+), Accounting Staff Competency (H5+), Information Technology (H6+), Enterprise Size (H7+), Earnings Management Behavior (H8-).

Moderating effects of Enterprise Size (H9a through H9e): on the relationships between the accounting legal framework, internal control system, information technology, accounting staff competency, and earnings management behavior, respectively, with QFRI.

### 3.2. Quantitative Research

#### 3.2.1. Scale Development

All observed variables in the model were measured using a 5-point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

#### 3.2.2. Quantitative Research Design

Data were collected through both paper-based questionnaires distributed directly to enterprises and online surveys via Google Forms. The sampling method employed was a controlled non-probability sampling approach to ensure sample representativeness. The minimum required sample size was determined as follows:  $n \geq 5 \times 39 = 195$  observations (rule of five) or  $n \geq 50 + 8 \times 8 = 114$  (rule of thumb for regression), yielding a minimum requirement of 195 valid responses. Survey respondents included Board of Directors members, Chief Accountants, and Accountants at SMEs across Vietnam.

### 3.2.3. Data Analysis Methods

Scale reliability was assessed using Cronbach's Alpha. Exploratory Factor Analysis (EFA) and Multiple Regression Analysis were conducted to test the direct effects.

To examine the moderating role of Enterprise Size, the study employed Partial Least Squares Structural Equation Modeling (PLS-SEM) implemented in SmartPLS 3. The general form of the structural equation model incorporating moderating effects is as follows:

$$QFRI = \beta_1 \cdot PL + \beta_2 \cdot TH + \beta_3 \cdot QT + \beta_4 \cdot KS + \beta_5 \cdot NL + \beta_6 \cdot CN + \beta_7 \cdot QM + \beta_8 \cdot HV + \beta_{9a} \cdot (PL \times QM) + \beta_{9b} \cdot (KS \times QM) + \beta_{9c} \cdot (NL \times QM) + \beta_{9d} \cdot (CN \times QM) + \beta_{9e} \cdot (HV \times QM) + \varepsilon$$

Where the interaction terms represent:

- PL×QM: Interaction between Accounting Legal Framework and Enterprise Size
- KS×QM: Interaction between Internal Control System and Enterprise Size
- NL×QM: Interaction between Accounting Staff Competency and Enterprise Size
- CN×QM: Interaction between Information Technology and Enterprise Size
- HV×QM: Interaction between Earnings Management Behavior and Enterprise Size

## CHAPTER 4. RESEARCH FINDINGS

### 4.1. Current State of Financial Reporting Information Quality among Vietnamese SMEs

#### 4.1.1. QFRI Status Based on In-Depth Expert Interviews

**Table 4.1. Sample Statistics for In-Depth Expert Interviews**

No.	Business Sector	No. of Enterprises	Rate	Enterprise Size	No. of Enterprises	Rate	Accounting Regime	No. of Enterprises
1	Trade & Services	45	38%	Medium-sized	47	39%	Circular 133	74
2	Agriculture, Forestry & Fisheries	38	32%	Small enterprises	42	35%	Circular 200	46
3	Construction & Industry	30	25%	Micro enterprises	31	26%		
4	Other sectors	7	6%					
	<b>Total</b>	<b>120</b>	<b>100%</b>		<b>120</b>	<b>100%</b>		<b>120</b>

*Source: Author's compilation*

**Table 4.2. Current State of QFRI among SMEs Based on In-Depth Expert Interviews**

No.	Financial Statement Preparation	No.	Rate	Accounting vs. Taxable Profit	No.	Rate	Asset Valuation & Provisions	No.
1	Only 3 forms prepared	27	23%	Identical	118	98%	Performed	5
2	All 5 forms prepared	93	78%	Different	2	2%	Not performed	115
	<b>Total</b>	<b>120</b>	<b>100%</b>		<b>120</b>	<b>100%</b>		<b>120</b>

*Source: Author's compilation*

The findings presented in Table 4.2 reveal that a significant proportion of SMEs prepare only three financial statement forms (the Trial Balance, Balance Sheet, and Income Statement), specifically 27 out of 120 enterprises (23%). These enterprises do not prepare the Notes to the Financial Statements, despite its being a mandatory requirement, nor the Cash Flow Statement. The remaining 93 enterprises (78%) prepare all five prescribed financial statement forms. These findings indicate that the financial information provided by SMEs is not fully reliable nor compliant with regulatory requirements.

Furthermore, accounting profit and taxable income are virtually identical in nearly all sampled enterprises, 118 out of 120 (98%) reported no difference, demonstrating

that accounting recognition and measurement are predominantly governed by tax regulations rather than by the principle of substance over form. Revenue is typically recognized only upon the issuance of a Value-Added Tax (VAT) invoice to mitigate tax audit risk, regardless of whether the transfer of risks and economic benefits has occurred. Conversely, many legitimate business expenses lacking valid invoices are entirely excluded from the accounting records, rather than being recognized as accounting expenses and subsequently adjusted in the corporate income tax return. Additionally, asset revaluation and provisions, relating to VAS 02 (Inventories) and VAS 18 (Provisions), were virtually non-existent, with 115 out of 120 enterprises (96%) failing to recognize inventory write-down provisions or allowances for doubtful accounts in accordance with economic substance.

In summary, the application of the VAS framework among Vietnamese SMEs is largely formalistic. Core accounting principles, particularly the primacy of substance over form are routinely disregarded, resulting in financial statements that lack reliability, completeness, and faithful representation of underlying economic transactions.

#### 4.1.2. QFRI Status Based on Quantitative Data Regression Model Results

**Table 4.3. Multiple Regression Analysis Results**

Model	B (Unstandardized)	Std. Error	Beta (Standardized)	t-statistic	Sig.	Lower 95% CI	Upper 95% CI
(Constant)	-0.012	0.141	—	-0.083	0.934	-0.288	0.365
PL (Legal Framework)	0.179	0.013	0.352	13.491	0.000	0.153	0.205
TH (Tax System)	0.194	0.015	0.329	12.643	0.000	0.164	0.255
QT (Owner Concern)	0.090	0.015	0.161	6.156	0.000	0.062	0.119
KS (Internal Control)	0.183	0.015	0.327	12.590	0.000	0.154	0.212
NL (Accounting Staff Competency)	0.180	0.016	0.309	11.616	0.000	0.150	0.211
CN (Information Technology)	0.077	0.015	0.134	5.218	0.000	0.048	0.107
QM (Enterprise Size)	0.066	0.015	0.110	4.276	0.000	0.036	0.097

HV (Earnings Management)	-0.030	0.016	-0.079	-1.884	0.040	-0.061	0.001
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Dependent Variable: QFRI. Source: SPSS output

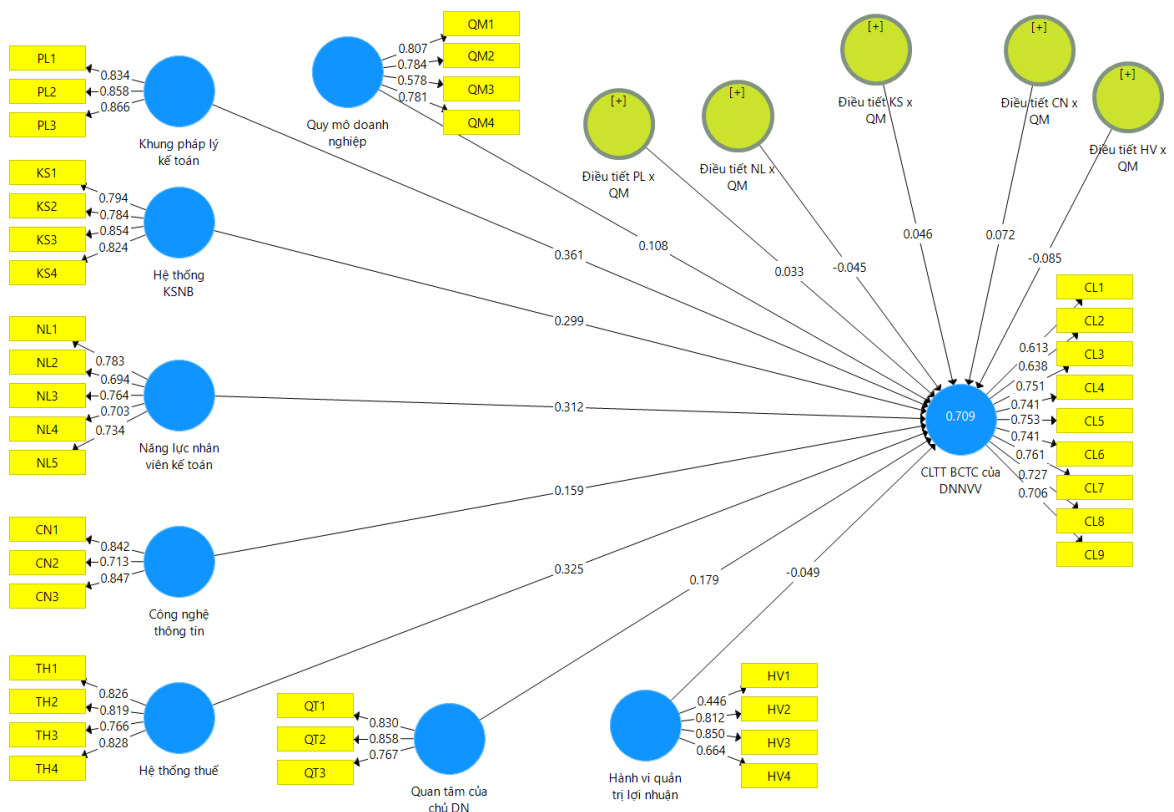
The regression model demonstrates an acceptable goodness-of-fit (adjusted R<sup>2</sup> = 0.677), indicating that 67.7% of the variance in QFRI among Vietnamese SMEs is explained by the eight independent variables: Accounting Legal Framework, Tax System, Owner/Manager Concern, Internal Control System, Accounting Staff Competency, Information Technology, Enterprise Size, and Earnings Management Behavior, at the 95% confidence level. The remaining 32.3% is attributable to variables not included in the model and random error.

All eight regression coefficients are statistically significant (p < 0.05). Seven variables exert positive effects on QFRI, while Earnings Management Behavior exhibits a negative coefficient. The standardized regression equation is expressed as follows:

$$QFRI = 0.352 \cdot PL + 0.329 \cdot TH + 0.327 \cdot KS + 0.309 \cdot NL + 0.161 \cdot QT + 0.134 \cdot CN + 0.110 \cdot QM - 0.079 \cdot HV$$

### Testing the Moderating Effects Model (PLS-SEM)

PLS-SEM estimation results, both prior to and following bootstrap validation with 5,000 subsamples, confirm the acceptance of all direct-effect hypotheses H1 through H8, consistent with the SPSS regression findings.



**Table 4.4. Bootstrap Results (5,000 Subsamples) – Moderating Effects**

Moderating Effect	Path Coefficient	P-value	Lower CI	Upper CI
CN×QM → QFRI	0.072	0.019*	0.022	0.138
HV×QM → QFRI	-0.085	0.016*	-0.161	-0.035
KS×QM → QFRI	0.046	0.063†	0.003	0.095
NL×QM → QFRI	-0.045	0.080†	-0.096	-0.005
PL×QM → QFRI	0.033	0.290 (ns)	-0.024	0.097

\* Significant at 5%; † significant at 10%; ns = not significant. Source: SmartPLS output.

### Analysis of Moderating Effects

*First*, Moderating effect of Enterprise Size on the IT–QFRI relationship (CN×QM): The interaction term CN×QM yielded a positive path coefficient ( $\beta = 0.072$ ,  $T = 2.354$ ,  $p = 0.019 < 0.05$ ), with the 95% confidence interval entirely above zero (0.022 to 0.138). This confirms a statistically significant positive moderating effect: while information technology universally enhances financial reporting quality, its beneficial impact is amplified in larger enterprises.

*Second*, Moderating effect of Enterprise Size on the Earnings Management–QFRI relationship (HV×QM): The interaction term HV×QM was statistically significant ( $\beta = -0.085$ ,  $T = 2.408$ ,  $p = 0.016 < 0.05$ ), with the confidence interval lying entirely below zero (-0.161 to -0.035). This indicates that while earnings management behavior generally exerts a limited impact on information quality, its detrimental effect on the faithfulness of financial reporting becomes substantially more pronounced in larger enterprises due to heightened stakeholder scrutiny.

*Third*, Moderating effect of Enterprise Size on the Internal Control–QFRI relationship (KS×QM): The bootstrap results indicate a positive interaction coefficient ( $\beta = 0.046$ ), statistically significant at the 10% level ( $p = 0.063$ ), with the confidence interval entirely above zero (0.003 to 0.095). This provides robust statistical evidence of a positive moderating effect: the marginal effectiveness of internal control systems increases with enterprise size.

*Fourth*, Moderating effect of Enterprise Size on the Accounting Staff Competency–QFRI relationship (NL×QM): The interaction term NL×QM yielded a negative coefficient ( $\beta = -0.045$ ), significant at the 10% level ( $p = 0.080$ ), with the confidence interval entirely below zero (-0.096 to -0.005). This finding reflects a

substitution effect: in micro-enterprises, QFRI is almost entirely dependent on the individual competency of the accountant due to the absence of standardized systems, creating a high marginal sensitivity. As enterprise size increases, the presence of formalized governance processes and technological support dilutes the relative impact of individual human capital.

Non-supported moderating hypothesis: The interaction term PL×QM ( $\beta = 0.033$ ,  $p = 0.290$ ) was not statistically significant. This implies that the impact of the accounting legal framework on QFRI is consistent across all enterprise size categories, compliance with accounting regulations yields comparable improvements in financial reporting quality regardless of enterprise size.

## **CHAPTER 5. RECOMMENDATIONS FOR ENHANCING THE QUALITY OF FINANCIAL REPORTING INFORMATION AMONG VIETNAMESE SMEs**

### **5.1. Policy Recommendations and Practical Solutions**

#### **5.1.1. Strengthening the Accounting Legal Framework and Convergence toward International Standards**

First, a flexible roadmap for the adoption of IFRS for SMEs (International Financial Reporting Standards for Small and Medium-sized Entities) should be developed. Second, legal provisions must account for the moderating effect of enterprise size: for micro and small enterprises, the complexity of the current accounting regime may impose compliance burdens exceeding available resources, resulting in formalistic reporting practices. Third, the legal framework must incorporate digital accountability obligations, including the traceability and non-repudiability of accounting records in digital environments.

#### **5.1.2. Reforming the Tax System and Tax Policy**

First, the distinction between accounting profit and taxable income should be made explicit and transparent. Second, tax policy must be characterized by stability and predictability to reduce uncertainty in planning. Third, technology-driven tax administration should be leveraged to minimize the administrative burden associated with manual audit and inspection processes.

#### **5.1.3. Strengthening Internal Control Systems**

First, for medium-sized and near-large enterprises, the focus should shift from compliance-based to risk-based internal control, aligned with the international COSO framework. Second, for small and micro enterprises, the solution is not to replicate the complex control structures of large enterprises, but to adopt lean technology-enabled controls. Third, cybersecurity and data integrity protocols in digital operating environments must be reinforced.

#### **5.1.4. Building Accounting Staff Competency and Professional Ethics in the Digital Era**

Priority areas include: enhancing professional knowledge and technical skills; developing digital competencies and analytical thinking; and cultivating strong professional ethics and integrity. These competency dimensions are particularly

critical given the negative moderating effect of enterprise size on the individual accountant's marginal contribution to QFRI.

### **5.1.5. Enhancing Owner/Manager Awareness and Engagement**

Enterprise owners must recognize the strategic value of accounting information encompassing cash flow management, cost analysis, and pricing and champion a culture of transparency and accountability within SMEs. The shift from viewing financial statements as a tax compliance obligation to treating them as governance and capital mobilization tools is essential for sustainable enterprise development.

### **5.1.6. Leveraging Information Technology, Digital Transformation, and Cloud Computing**

First, the cloud accounting and accounting-as-a-service models should be promoted for widespread adoption among SMEs. Second, automated data collection and processing workflows should be implemented to reduce manual errors and improve timeliness. Third, big data analytics and artificial intelligence (AI) should be harnessed for quality control, as next-generation accounting platforms increasingly integrate AI-enabled advisory functionalities. Fourth, data sovereignty and cybersecurity must be prioritized to protect the integrity of digital accounting records.

### **5.1.7. Organizing the Accounting Function in Accordance with Enterprise Size**

For micro and small enterprises: a lean accounting model combining part-time staff with outsourced professional services is recommended.

For medium-sized enterprises: the accounting function should be organized along specialized lines, with a clear delineation between financial accounting and management accounting.

### **5.1.8. Controlling Earnings Management Behavior**

First, transparency and the accountability of enterprise leadership must be strengthened. Second, the role of independent audit as an external monitoring mechanism must be reinforced. Third, the accounting-tax divergence should be reduced to eliminate the incentive for earnings manipulation. Fourth, a culture of information transparency should be cultivated within the SME business community.

## **5.2. Specific Recommendations**

### **5.2.1. Recommendations for Vietnamese SMEs**

Enhancing QFRI is an urgent imperative for SMEs to elevate their standing and compete alongside larger enterprises, and constitutes a social responsibility in an increasingly integrated economy. Enterprise managers should fundamentally reframe their perception of accounting: from a tax compliance burden to a cornerstone of governance and capital access. Honest and transparent accounting, combined with proper tax compliance, represents an equitable contribution to the broader distribution of national income.

### **5.2.2. Recommendations for Tax Authorities**

Tax authorities should intensify public outreach and collaborative engagement with SMEs to enhance tax awareness and voluntary compliance culture. They should serve as proactive partners — addressing queries, clarifying regulatory changes, and supporting enterprises through compliance challenges. Furthermore, tax authorities should revisit the interpretation of deductible expenses for corporate income tax purposes, ensuring alignment with the economic substance of transactions rather than applying excessively formalistic administrative criteria.

### **5.2.3. Recommendations for Professional Accounting Associations**

Professional associations must enhance their operational capacity and assume a more proactive role as independent bodies, encompassing quality assurance among members, monitoring compliance with ethical standards, and applying effective disciplinary measures against financial statement manipulation.

### **5.2.4. Recommendations for the Ministry of Finance**

The Ministry of Finance should ensure regulatory coherence between accounting and tax legislation, minimizing conflicts and overlaps, and optimizing provisions for ease of application. Circular 133 should be revised to reduce the dependence of financial accounting on tax regulations and to encourage enterprises to recognize all business expenses in accordance with accounting standards, with subsequent adjustments made in the corporate income tax return rather than in the accounting records. The Ministry should also collaborate with the General Department of Taxation to stabilize and standardize provisions governing deductible expenses. Additionally, the introduction of a mandatory reconciliation schedule between accounting profit and taxable income as a compulsory appendix to the corporate income tax return should be considered.

## **5.3. Limitations of the Dissertation and Future Research Directions**

The survey sample was predominantly drawn from southern provinces, with limited extension to Hanoi and central provinces, which may constrain the representativeness and generalizability of the findings to the national SME population.

The research model achieved an explanatory power (adjusted  $R^2$ ) of 67.7%, indicating that 32.3% of the variance in SME QFRI remains attributable to factors not captured within the current model. Subsequent research should continue to explore additional theoretical constructs and extend the research model to improve explanatory power.

**LIST OF THE AUTHOR'S PUBLICATIONS RELATED TO THE  
DISSERTATION**

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2. Nguyen Thi Thanh Thuy (2025). Theoretical perspectives on the impact of factors on the quality of financial reporting information of small and medium-sized enterprises in Vietnam. *Journal of Finance*, Issue 02 – September 2025 (857), 78–83.

3. Nguyen, T. T. T. (2025). Impact of factors on the quality of financial reporting information of Small and Medium-Sized Enterprises in Vietnam. *Vietnam Economic & Financial Review*, Vol. 1, Issue 1, 81–84.