



Financial reporting quality and firm value in Vietnam: The moderating role of a composite CEO index

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ABSTRACT

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This study investigates how financial reporting quality (FRQ) affects firm value (FV) among listed companies in Vietnam, with particular attention to the moderating role of CEO characteristics. Instead of examining separate CEO attributes, the study develops a composite CEO index that captures seven dimensions of CEO-related characteristics, thereby providing a broader view of managerial influence on firm valuation. The analysis is based on a balanced panel of 427 firms listed on the Ho Chi Minh and Hanoi Stock Exchanges over the 2016–2023 period, generating 3,416 firm-year observations. Several panel regression approaches, including OLS, FEM, REM, and GLS, are employed, while model selection and diagnostic tests are used to ensure the suitability and reliability of the estimations. The results indicate that FRQ has a negative effect on FV, suggesting that in an emerging market context, higher reporting quality may not always be immediately translated into higher market valuation. However, the composite CEO index positively moderates this relationship, implying that stronger CEO characteristics can help reduce the adverse effect of FRQ on FV. These findings highlight the importance of considering managerial quality together with financial reporting practices. For listed firms, improving reporting credibility should go hand in hand with strengthening CEO capacity and governance quality. For investors, CEO characteristics may provide useful additional information for firm valuation and long-term investment decisions.

Contribution/Originality: To the best of the author's knowledge, this is the first study to investigate the moderating effect of the composite CEO index on the negative relationship between FRQ and FV in an emerging market - Vietnam. Therefore, the study provides empirical evidence acknowledging the negative impact of FRQ on FV and also recognizing that composite indices representing CEO characteristics mitigate this negative impact.

1. INTRODUCTION

One of the core driving objectives behind most firms, ranging from smaller to larger entities, is to maximize value or wealth; the measure of success in this objective is determined by the value that the market allocates to a firm. Thus, maximizing FV remains pertinent because it encapsulates the primary focus of a company, which is to enhance shareholder wealth, according to Ben Fatma and Chouaibi (2023). FV can be assessed using various measures, including Tobin's Q and Return on Total Assets (Siagian, Siregar, & Rahadian, 2013), as well as Market Price to Book Value (Bhandari, Mammadov, Thevenot, & Vakilzadeh, 2022), all of which constitute an essential objective pursued by business managers. One of the important internal factors that can potentially impact FV is FRQ, which is regarded as a quality management system that enhances efficiency, creates a competitive advantage, and increases FV (Intara,

Sangwichitr, & Sattayarak, 2024). FRQ or earnings quality (EQ) is a factor that is important for companies and stakeholders in making various decisions and improving market efficiency (Tawfik, Almaqtari, Al-Ahdal, Abdul Rahman, & Farhan, 2023). This is particularly useful for investors involved in or interested in stocks and other stakeholders (Ullah, Zhao, Zeb, Iqbal, & Khan, 2023). FRQ is perceived to be important to both internal and external stakeholders, investors (existing and potential), capital market analysts, and regulators in assessing diverse decisions. High FRQ forms one of the critical bases for alleviating information-asymmetrical effects (Dang, Nguyen, & Tran, 2020), and transparent information disclosure significantly impacts information asymmetry and increases business value in ASEAN economies (Usman, Yusra, Gunardi, Kurniawan, & Abdillah, 2025), which remains a major concern within financial markets.

Other studies confirmed that FRQ is positively associated with FV (Asyik, Agustia, & Muchlis, 2023; Gaio & Raposo, 2011; Intara et al., 2024). This positive connection between EQ and FV has been found both in working with data sets from diverse countries, among these are (Gaio & Raposo, 2011), and in research that concentrates on individual markets, such as Vietnam (Dang et al., 2020) and Thailand (Intara et al., 2024). On the other hand, there were also studies showing a negative association between FRQ or EQ and FV (Hutagaol-Martowidjojo, Valentincic, & Warganegara, 2019; Siagian et al., 2013). The literature, however, also indicates that findings on the associations between EQ and FV can vary. Despite the result of Intara et al. (2024) reported that when EQ is defined as the accruals component (EQ1), the relationship with Tobin's Q becomes statistically significant and positive; however, when using the other measure of EQ (i.e., total accruals - EQ2), the association with Tobin's Q is found to have no statistical significance. This indicates that the FRQ/EQ-FV relation may be complicated under different quality measures, market types, industries, and other control variables in the model.

Furthermore, governance characteristics and management decisions have been shown to influence economic performance in emerging markets (Nguyen & Nguyen, 2025). Therefore, the features and qualities of a Chief Executive Officer (CEO) remain among the most discussed topics in corporate governance as well as FV analysis. The characteristics of CEOs are instrumental in shaping the values of different organizations, primarily through their unique personal traits and governance behaviors Hambrick and Mason (1984). In addition, Hemdan, Hasnan, Rehman, and Ali (2023) indicate that when CEOs hold substantial power (such as role duality, share ownership, or political connections), they tend to reduce the quality of financial information. Personal attributes like age, experience, and tenure affect FV significantly (Ben Mohamed, Jarboui, Baccar, & Bouri, 2015). In a related study, Nguyen, Rahman, and Zhao (2018) explicate an inverse relationship between age and tenure of the CEO and firm valuation; this is particularly salient for high-growth firms. Gender diversity among CEOs may positively impact a company's future by further enhancing the monitoring role and decision-making ability of the CEO, as noted by Gonçalves, Gaio, and Rodrigues (2022). Such empirical evidence implies that the selection of a suitable CEO cannot be solely based on experience or skills; personal attributes should also be considered in order to maximize FV (Amin & Cumming, 2023; Ben Fatma & Chouaibi, 2023; Li, Liu, & Wang, 2024). However, studies on CEO characteristics and FV still largely focus on individual factors, while a composite approach remains limited. To address this gap, this study develops a composite CEO index by integrating key individual characteristics into a comprehensive measure. The composite CEO index used in this study is not entirely new but is adapted and extended from prior studies, particularly (Nguyen, Duong, & Narendran, 2021), to fit the Vietnamese listed firm context.

Interestingly, very recent research has also started to investigate the moderating effect of CEO characteristics in other critical corporate relations. For instance, CEO power intensifies the effect of sustainability disclosure on FV (Li, Gong, Zhang, & Koh, 2018) CEO attributes moderate the effect of derivatives use on FV (Chowdhury, Doukas, & Mandal, 2023); politicians moderate the relationship between concentrated ownership and FV (Amin & Cumming, 2023). While the importance of FRQ to FV has been demonstrated in literature and while research has indicated the effects of CEO characteristics on FV and the moderating effect of CEO characteristics on other relationships, little in-depth and direct research has been conducted to investigate whether CEO characteristics moderate the relationship

between FRQ and FV. This is particularly relevant in emerging markets like Taiwan and Pakistan that frequently exhibit unique institutional settings, legal environments (Amin & Cumming, 2023) and corporate governance characteristics. These characteristics may affect both FRQ and CEO behavior, thereby creating a complex interactive relationship that needs to be studied. Therefore, exploring the moderating role of CEOs on the relationship between FRQ and FV in the context of emerging markets in Vietnam is necessary and significant. This study also has important implications as it provides practical insights for investors, managers, and regulators on how leadership characteristics may influence the role of financial information in creating FV in these markets.

Besides the introduction, the article is divided into several sections as follows. The second section briefly reviews the theoretical background and formulates the research hypothesis. Materials and Methods are described in the third part. In the Results (Research results and discussion) fourth part, the authors present the obtained results. The discussion is followed by the conclusions of the study at the end of this article.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1. Theoretical Framework

According to agency theory, the separation between ownership and management leads to conflicts of interest and agency costs within firms (Jensen & Meckling, 1976). In this context, FRQ works as a monitoring device since it reduces the information asymmetry that shareholders face and helps shareholders assess managerial performance. But the impact of FRQ on FV is not necessarily positive. If financial reports more clearly indicate potential risks, expected losses, or weak operating performance, investors can revise down their future cash flow expectations in the short term so that FV decreases. This view is consistent with Siagian et al. (2013), who found a negative association between reporting quality and firm value in Indonesia, and noted that lower-value firms tend to disclose more information. Similarly, disclosure theory suggests that the benefits of higher-quality disclosure may depend on disclosure costs, compliance costs, and possible competitive disadvantages (Leuz & Verrecchia, 2000; Verrecchia, 1983). Therefore, in certain contexts, higher FRQ may reveal internal weaknesses or correct prior overvaluation, thereby reducing FV.

Thus, from the agency theory perspective, FRQ serves as a governance tool that constrains managerial behavior, safeguards shareholder interests, and contributes to increasing FV. Several recent studies have indicated that the CEO's personal characteristics and behavior may have the ability to magnify or mitigate the effect of FRQ on FV (Bao, Sun, Han, Lin, & Lau, 2023; Sharpe, Nguyen, & Colombage, 2025). Intara et al. (2024) also point out that firm-level corporate governance led by the CEO can reinforce the association between EQ and FV. As such, the CEO is able to affect FRQ through accounting policy decisions, earnings management, and internal control systems design; simultaneously, they affect FV by strategic direction, risk management, and investor relations (Chowdhury et al., 2023).

According to signaling theory, financial statements serve as an important channel through which firms communicate information to investors under conditions of information asymmetry (Sharpe et al., 2025). In general, high-quality financial reporting is expected to help the market assess a firm's operating performance and future cash-flow prospects more accurately. However, signals conveyed through financial statements are not always interpreted positively. When financial information provides a more faithful representation of potential risks, business volatility, or unstable earnings quality, investors may revise their expectations of FV downward. Hutagaol-Martowidjojo et al. (2019), in their study of listed firms in Indonesia, also document a negative association between earnings quality and firms' market value. This finding suggests that, in emerging-market contexts, higher FRQ does not necessarily lead to higher FV; instead, it may prompt the market to assess more cautiously the firm's underlying risks and internal weaknesses.

According to the theory of upper echelons, a company's performance is partially determined by the firm's managerial human capital, which refers to the attributes, experiences, and values of the firm's senior executives

(Hambrick, 2007; Hambrick & Mason, 1984). In this study, CEO characteristics are considered a crucial factor because the CEO plays a central role in strategic decision-making, financial reporting policy selection, risk management, and investor communication. Therefore, the composite CEO factor is used to reflect the overall profile of the CEO, rather than considering the individual impact of each characteristic. A higher value for this factor indicates a more favorable CEO profile.

2.2. Research Hypotheses

The connection between FRQ and FV has attracted much interest from researchers as well as practitioners. Many empirical studies claim that when the quality of earnings is high, which is usually indicated by the sustainability of earnings and low accruals, there will be a positive impact on FV. For instance, Intara et al. (2024) conducted a study in Thailand and found a positive relationship between EQ and FV. Since EQ forms part of FRQ, the authors' findings may be understood to support the notion that FRQ has a positive effect on FV. Harjanto (2023) studied in Indonesia and found that when the level of earnings management is low, this reflects high FRQ and leads to a positive impact on FV measures. Kumar, Chandrarin, and Harmono (2023), with data in Indonesia confirmed that high FRQ in all samples increases FV.

Further, in Indonesia, Asyik et al. (2023) argued that FRQ also increases FV. Similarly, Dang et al. (2020) show that high-quality financial reporting helps improve how performance is assessed, and this, in turn, helps boost investor confidence and FV. Furthermore, Gaio and Raposo (2011) observe that FRQ contributes to higher FV by reducing information asymmetry and improving valuation efficiency from the investor's perspective. However, some studies suggest a negative relationship between EQ and FV. Hutagaol-Martowidjojo et al. (2019), using data from Indonesia, report that higher EQ is associated with lower market valuation, indicating the presence of an inverse relationship. Likewise, Siagian et al. (2013) also studied in Indonesia and found that low-value firms tend to provide more detailed financial disclosures than high-value firms.

In the Vietnamese capital market, information transparency remains uneven, and many investors still face difficulties in assessing the quality of accounting information. Consequently, their investment decisions may be heavily shaped by short-term earnings signals (Truong, Le, & Friday, 2022). Under such conditions, investors may place excessive emphasis on reported earnings without fully considering accrual components or the possibility of earnings management.

Firms with higher levels of earnings manipulation may therefore experience a positive market reaction in the short run, particularly when reported earnings create growth expectations or present a more favorable financial image (Sloan, 1996). Based on the above discussion, we propose the following hypothesis:

H₁: Financial reporting quality negatively affects firm value.

The CEO's role is increasingly recognized as a critical factor influencing corporate performance and FV. High FRQ helps reduce information asymmetry and moral hazard, thereby enhancing FV (Bushman & Smith, 2001). However, the moderating role of the CEO in this relationship remains an evolving research area. CEO characteristics such as age, education, experience, tenure, turnover, and personal power have the potential to significantly impact both the generation of financial information and its use in the valuation context. The results regarding CEO age and educational qualifications are mixed. While CEO age is expected to have a positive influence on FV through improving work experience and knowledge (Nguyen et al., 2018), a threshold effect might arise if CEOs remain with firms for excessively long periods due to higher compensation received during their final years of service (Ben Mohamed et al., 2015).

In contrast, education is posited to be a driver of FV by virtue of increasing the level of specialist knowledge an individual can access (Nguyen et al., 2018). However, both empirical tests reporting negative coefficients between tenure and firm performance and between CEO education level and firm performance point out that governance mechanisms put in place by the board create a situation where the organization will lose rather than gain from the

diverse range of expert knowledge that highly educated agents can secure to perform their duties apart from sales. According to Sharpe et al. (2025), a congruence in the characteristics of the CEO and the financial strategy of the firm is required for the optimization of corporate value; this is even more pertinent within volatile market conditions. Previous studies have shown that the characteristics and power of CEOs can influence the quality of financial reporting, thereby indirectly impacting FV.

According to Hemdan et al. (2023) when CEOs hold significant power (through dual roles, ownership, tenure, or political connections), they tend to engage in behaviors that degrade the quality of financial information. Therefore, the role of the CEO becomes crucial in shaping the extent to which the quality of financial reporting impacts FV, especially in the context of governance mechanisms that can diminish or amplify this influence. Collectively, these results indicate that a CEO occupies much more than an operational role; the formation of FV through governance behavior and personal traits lies at the heart of their role. However, most of the existing literature focuses on particular characteristics of the CEO taken separately. Research on a CEO composite index and its influence on FV remains limited. This study addresses that gap by developing a composite CEO variable comprising the following attributes: Prior experience as a chief financial officer, formal qualifications in finance, being within the first three years of tenure, age, performance over the final three years of tenure, gender, foreign nationality, and CEO turnover (CEO stability). The construction of a composite factor does not imply that all CEO characteristics have the same individual impact. Instead, the variables are coded in the same direction, where higher values reflect a more favorable CEO profile in terms of experience, stability, managerial competence, and strategic influence. Based on the above arguments, we propose the second hypothesis.

H₂: The composite CEO factor weakens the negative impact of FRQ on FV.

3. RESEARCH METHODOLOGY

3.1. Data and Sample Selection

Data for this study were collected from non-financial companies listed on Vietnam's stock market; the data were gathered from the financial statements and annual reports of these companies through the Vietstock database. The study focuses on the two principal exchanges: The Ho Chi Minh City Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX). The period of the study is from 2016 to 2023. After an elaborate filtering process, observations lacking data were eliminated. The final sample consisted of 427 eligible non-financial listed companies. The sample consists of 214 firms listed on HOSE and 213 firms listed on HNX, representing a total of 11 diverse industry sectors currently operational in the marketplace. To maintain homogeneity in financial structures and to consider attributes unique to industries, financial institutions such as banks, insurance companies, and securities firms were excluded from the scope of this research.

Moreover, companies listed post-2016 or those not having full financial data for any year within the period of study have been excluded from the sample to keep consistency in the dataset; therefore, keeping completeness and reliability of the dataset. These selection criteria were applied to obtain a sample that was balanced and representative in order to reduce the potential biases resulting from data limitations. The number of observations utilized in the quantitative analysis was 3,416; hence, the balanced panel dataset over eight years for the 427 listed companies was selected.

Table 1 presents the distribution of the research sample by industry, with a total of 3,416 observations drawn from 11 different sectors. The sample is fairly evenly distributed between the two exchanges, with 1,712 observations (50.1%) from HOSE and 1,704 observations (49.9%) from HNX. The manufacturing sector accounts for the largest share with 1,232 observations (36.1%), followed by construction and real estate (23.7%). The smallest proportion belongs to the accommodation and food services sector, with only 0.7% of the sample.

Table 1. Industry-wise Sample Distribution.

Industry	Number of Observations			Percent
	HOSE	HNX	Total	
Wholesale Trade	136	128	264	7.7
Retail Trade	72	16	88	2.6
Information and Technology	16	152	168	4.9
Professional Services	8	48	56	1.6
Accommodation and Food Services	16	8	24	0.7
Mining	72	112	184	5.4
Manufacturing	640	592	1232	36.1
Agricultural Production	40	8	48	1.4
Utilities	144	80	224	6.6
Transportation and Warehousing	168	152	320	9.4
Construction and Real Estate	400	408	808	23.7
Total	1712	1704	3416	100

3.2. Research Model

To evaluate the impact of FRQ on FV, as well as to examine the moderating role of the composite CEO factor in this relationship, the following research models are proposed.

Model 1: Impact of FRQ, proxied by ESCORE, on FV.

$$TobinQ_{it} = \beta_0 + \beta_1 * ESCORE_{it} + \beta_2 * FSIZE_{it} + \beta_3 * FAGE_{it} + \varepsilon_{it} \quad (1a)$$

$$MBV_{it} = \beta_0 + \beta_1 * ESCORE_{it} + \beta_2 * FSIZE_{it} + \beta_3 * FAGE_{it} + \varepsilon_{it} \quad (1b)$$

Model 2: The Moderating Role of the CEO in the Relationship Between FRQ, proxied by ESCORE, and FV.

$$TobinQ_{it} = \beta_0 + \beta_1 * ESCORE_{it} + \beta_2 * CEOT_{it} + \beta_3 * ESCORECEO_{it} + \beta_4 * FSIZE_{it} + \beta_5 * FAGE_{it} + \varepsilon_{it} \quad (2a)$$

$$MBV_{it} = \beta_0 + \beta_1 * ESCORE_{it} + \beta_2 * CEOT_{it} + \beta_3 * ESCORECEO_{it} + \beta_4 * FSIZE_{it} + \beta_5 * FAGE_{it} + \varepsilon_{it} \quad (2b)$$

In the above models, i denotes the firm, and t denotes the year. The dependent variable is FV, measured in two ways: First, using Tobin's Q index (Chung & Pruitt, 1994) represented in Equations 1a and 2a; and second, using the natural logarithm of MBV - the ratio of the market value of common equity to the book value of shareholders' equity for firm i in year t (D'Amato & Falivena, 2020) represented in Equations 1b and 2b. The independent variable, FRQ, represents FRQ and is measured using the ESCORE index proposed by Nguyen, Iqbal, and Shiwakoti (2022). The control variables include FSIZE (firm size) and FAGE (firm age). The moderating variable CEOT is a composite measure, capturing the characteristics of a CEO by aggregating individual factors related to the CEO. The interaction term ESCORECEO captures the moderating effect of the CEO in the relationship between FRQ and FV. ε represents the error term. A comprehensive description of all measurement scales and definitions of variables is provided in the following section.

3.3. Measure the Variables

Based on the assumption that FRQ influences FV, the latter is positioned as the dependent variable. According to Dang et al. (2020), FV is the total present value of all incomes that can be generated during business operation. For FV, it could be referred to as the intrinsic value or market value of the enterprise. The most commonly used methods to determine FV are the asset method, market method, and discounted cash flow method. Out of all valuation methods, the market-based valuation approach is favored primarily for its capability to depict expectations from markets regarding a firm's performance and growth potential. Moreover, the market-based approach is supposed to be responsive to several determinants such as corporate governance structures, CEO attributes, and FRQ, which are likely to influence the perception of FV by the market significantly (Amin & Cumming, 2023; Nguyen et al., 2018).

In this case, Table 2 measures FV using Tobin's Q index and the natural logarithm of the ratio between the market value of common equity and the book value of equity, as shown in Table 2.

FRQ can be measured in various ways, such as through earnings management (accrual-based and real activity-based), income response coefficient, timeliness of information disclosure, financial-statement restatements, existence of an audit committee, and information characteristics based on accounting standards, etc. In this article, FRQ is measured using the ESCORE index developed by Nguyen et al. (2022). ESCORE is a composite index consisting of 15 individual binary signals, each assigned a value of 1 (if earnings management is suspected) or 0 (if not). Therefore, theoretically, ESCORE can take a value from 0 to 15. However, in this study sample, the highest observed ESCORE value was 9, because no company-year observation simultaneously exhibited all 15 signals. As an earnings-management index, a higher ESCORE value indicates a greater likelihood of earnings management, which implies lower FRQ. The detailed scale is presented in Table 2.

Following the assumption that composite CEO characteristics moderate the direct relationship between FRQ and FV, we measure CEOT as a sum of seven CEO components, each indicator scoring either 0 or 1 based on whether the component is present. We construct this variable at the firm-year level to fit into the panel data structure. Among the components of CEOT, some characteristics are rather stable over time (the CEO's tenure, such as gender, educational background, or whether the CEO is the founder of the firm). That said, certain features can vary from year to year (PEARLY shows whether the CEO is on a tenure within the first three years of tenure, or PAGE indicates that the CEO is approaching retirement age). This means that when calculating CEOT, time-varying components change on an annual basis. Specifications for the different components of the CEOT are shown in Table 2. Each attribute is coded as a binary variable, receiving the value 1 if it meets this characteristic and 0 otherwise. Our main hypothesis, therefore, is that a relatively high CEOT value means positive CEO characteristics (in terms of experience, expertise, and managerial ability) will benefit the firm's performance.

Table 2. Description of variables.

Code	Variables	Formula	Research before
Dependent variable			
FV	Firm value	Tobin's Q Index $= \frac{\text{Market capitalization} + \text{Book value of preferred equity} + \text{Book value of net short-term and long-term}}{\text{Book value of total assets}}$	Chung and Pruitt (1994)
		Market-to-book ratio $= \ln\left(\frac{M}{BV}\right) = \ln\left(\frac{\text{Market value}}{\text{Book Value}}\right)$	D'Amato and Falivena (2020)
Independent variables			
ESCORE	ESCORE: A proxy for FRQ measured based on the earnings management score.	ESCORE = ESEO + EDDEBT + EMA + EOVS + EROA + EDROA + EDIV + EDISTRESS + EDEBT + ESIZE + EDCYCLE + EAUDIT + EBLOAT + ECAP + EBT	Nguyen et al. (2022)
ESEO	Earnings management incentive group	ESEO takes the value of 1 if a company experiences an increase of at least 5% in its year-end shares outstanding compared with the prior year, together with positive proceeds from the issuance of common or preferred stock. Otherwise, the variable is coded as 0.	
EDDEBT		This variable is coded as 1 when the firm's total debt, measured as the sum of short-term and long-term debt, increases by at least 5% compared with the previous year. In all other cases, it is coded as 0.	
EMA		EMA is one if a company announces an M&A deal during the fiscal year. Otherwise, it is zero	
EOV		EOV takes the value of 1 if the company's market-to-book ratio exceeds the 80th percentile benchmark for its industry-year group, denoted as $MB_{k,t}^{80}$. If this condition is not met, EOV is coded as 0. The MB ratio is calculated by dividing the market value of equity by the book value of equity	

Code	Variables	Formula	Research before
EROA	Earnings management pressure group	EROA is one if “earnings before special items divided by initial total assets-ROA” is equal to or greater than 0 but less than 0.01. Otherwise, it is zero.	
EDROA		EDROA is one if “the change in ROA compared to last year” is equal to or greater than 0 but less than 0.005. Otherwise, it is zero	
EDIV		EDIV is coded as 1 when DIVDE is greater than or equal to 0 but lower than 0.01; otherwise, it is coded as 0. DIVDE is measured as the difference between net earnings and total cash dividends, scaled by total assets (TA) at the beginning of the period.	
EDISTRESS		EDISTRESS is one if ZCORE is negative. Otherwise, it is zero. Zcore = 1.2*A1 + 1.4*A2 + 3.3*A3 + 0.6*A4 + 1.0*A5 Where: A1 = WC/TA A2 = undistributed profit/TA A3 = EBIT/ TA A4 = The ratio of market capitalization to total debt (TD) A5 = Asset Performance Note: Working capital (WC) = short-term Assets – Short-term debt. Asset Performance = Revenue/ TA.	
EDEBT		EDEBT is one if “the ratio of TD to TA” is lower than the corresponding $DEBT^{20}_{k,t}$; otherwise it is zero.	
ESIZE		ESIZE equals 1 if the company’s initial market value of equity is lower than the industry-year specific 20th percentile value ($MVE^{20}_{k,t}$); otherwise, it is coded as 0	
ECYCLE		ECYCLE is assigned a value of 1 when the firm exhibits either of the following cash-flow patterns: negative operating cash flow, positive financing cash flow, and negative investing cash flow, indicating the construction phase; or positive operating and financing cash flows combined with negative investing cash flow, indicating the growth phase. In all other cases, ECYCLE is coded as 0.	
EAUDIT	Group with earnings management constraints	EAUDIT is one if the company is not audited by Big 4; otherwise, it is zero.	
EBLOAT		This variable is assigned a value of 1 when the firm’s beginning net operating assets (NOA) are lower than the corresponding benchmark value, $NOA^{20}_{k,t}$; otherwise, it is coded as 0. NOA refers to net operating assets, calculated as the net book value of equity plus total liabilities, less cash and cash equivalents, scaled by TA.	
ECAP	A group of innate characteristics	This variable is coded as 1 when the firm’s initial CAP is lower than its corresponding benchmark value, $CAP^{20}_{k,t}$; otherwise, it is assigned a value of 0. CAP is measured as property, plant, and equipment divided by TA.	
EBT		EBT equals 1 when the firm’s BTAX exceeds the corresponding benchmark value, $BTAX^{20}_{k,t}$; otherwise, it is set to 0. BTAX is calculated as the absolute difference between pre-tax profit and estimated total taxable income.	
Moderated variable			
CEOT	Composite factor representing the CEO	CEOT = PCFO + PCERT + PEARLY + PAGE + PROA + PNATI + PTURN	
PCFO	Work experience	Equals 1 if the CEO has experience as a CFO; otherwise, zero	Nguyen et al. (2021)
PCERT	Professional qualifications	Equal to 1 if the CEO has an MBA or equivalent CPA degree; otherwise, 0	Nguyen et al. (2021)
PEARLY	Working time	Equals 1 if the CEO is not in his first three years at the company; 0 otherwise.	Nguyen et al. (2021)
PAGE	CEO Age	Equals 1 if the CEO is not a case with one year or less remaining until the retirement age; otherwise, equals 0.	Nguyen et al. (2021)
PROA	Work performance	Equals 1 if the average return on assets in the last 3 years of the CEO's tenure is non-negative; 0 otherwise.	Nguyen et al. (2021)
PNATI	CEO Nationality	Equal to 1 if the CEO is not a foreigner, otherwise it is 0	Osazevaru (2022)

Code	Variables	Formula	Research before
PTURN	CEO Turnover (captures CEO stability)	Equal to 1 if the company does not rotate the CEO during the fiscal year; otherwise, 0.	Al-Faryan (2024)
Interaction variable			
ESCORECEO	Interaction variable ESCORECEO = (ESCORE – Mean of ESCORE) x (CEOT – Mean of CEOT)		Pham and Nguyen (2020)
Control variables			
FSIZE	Firm size	Logarithm of TA	Asyik et al. (2023)
FAGE	Firm age	Number of years since company was founded	Asyik et al. (2023)

4. RESEARCH FINDINGS AND DISCUSSION

4.1. Characteristics of the Research Sample

Table 3 presents the descriptive statistics for the variables used in the research models, based on a total of 3,416 observations. The average value of Tobin's Q is 1.139, with a standard deviation of 0.602, indicating relatively low variability in market performance among firms. The variable $\ln MBV$ has a mean of approximately -0.036, suggesting a balanced distribution between firms whose market value exceeds book value and those valued below book value. The independent variable, FRQ - measured using the ESCORE index- has a mean score of 3.627, indicating that earnings management among listed companies in Vietnam during the 2016-2023 period was not excessively high (with the index capped at 9). Similar features were also reported by Nguyen et al. (2022). The mean of CEOT as the moderating variable is 4.304, which means, on average, most Vietnamese firms accomplished more than four elements in the CEO complementary factor. The high standard deviation (0.948) indicates that the characteristics of CEOs differ substantially across listed firms in Vietnam. Lastly, the interaction term ESCORECEO has a mean of -0.006 and a relatively large SD (1.367), with minimum and maximum values of -10.5 and 10.5, respectively. This shows large variation in the interaction term in the sample and suggests that the moderating effect of CEO factor on the relationship between FRQ and FV varies to a large extent.

Table 3. Descriptive statistics.

Variables	Obs.	Mean	Std. Dev.	Min.	Max.
TobinQ	3,416	1.139	0.602	0.156	9.044
$\ln MBV$	3,416	-0.036	0.702	-3.556	5.537
ESCORE	3,416	3.627	1.351	0	9
CEOT	3,416	4.304	0.948	1	7
ESCORECEO	3,416	-0.006	1.367	-10.5	10.5
FSIZE	3,416	11.946	0.704	10.137	14.825
FAGE	3,416	1.403	0.223	0.699	1.982

Research Model Variables Correlation Matrix: Table 4 shows the correlations between the variables in the research model. Results: The pairwise correlation coefficients were found to be low to moderate, with absolute values generally < 0.5 , illustrating that the variables are not strongly correlated in quality. In addition, multicollinearity is not a serious problem in regard to the regression models because all variance inflation factors (VIF) are lower than 1.1, which supports further quantitative analysis.

Table 4. Correlation Matrix.

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	VIF
(1) TobinQ	1.000							
(2) $\ln MBV$		1.000						
(3) ESCORE	0.027	-0.025	1.000					1.06
(4) CEOT	0.022	0.041**	-0.062***	1.000				1.06
(5) FSIZE	0.071***	0.095***	-0.123***	0.083***	1.000			1.02
(6) FAGE	0.105***	0.102***	-0.027	0.051***	-0.027	1.000		1.00
(7) ESCORECEO	-0.019	-0.020	-0.194***	-0.197***	0.030	0.010	1.000	1.09

Note: ** $p < 0.05$, *** $p < 0.01$.

4.2. Model Diagnostics

Table 5 shows the results of the panel data regression model selection tests performed for both FV measures, TobinQ and MBV. The F-test results in both models yield high test statistics and are statistically significant at the 1% level, which shows that the FEM rather than the pooled OLS model is appropriate. In addition, the Hausman test also confirms ($p < 0.05$) that the FEM is a better choice against the random effects model (REM). Moreover, both the Modified Wald and Wooldridge tests are statistically significant at the 1 percent level, indicating the presence of heteroskedasticity and autocorrelation in the data. To solve this problem, the authors proposed Generalized Least Squares (GLS). Table 6, column 4, gives the regression estimation results based on GLS.

Table 5. Model Selection Tests.

Types of Tests	Model 1		Model 2	
	Tobin Q	MBV	Tobin Q	MBV
F-test	19.21***	13.55***	19.30***	13.62***
Hausman test	11.33**	32.93***	14.18**	39.24***
Modified Wald test	560,000***	44,400.85***	560,000***	46,809.26***
Wooldridge test	70.16***	34.54***	68.96***	33.95***

Note: ** $p < 0.05$, *** $p < 0.01$.

4.3. Regression Results and Discussion

The regression output of Model 1 for FRQ & FV is provided in Table 6. Estimation results based on the GLS method are reported in Column (4) of each table. In the two models considered, Tobin's Q and MBV respectively attached a positive statistically significant coefficient at the 1% level of significance for the variable FRQ expressed by the ESCORE index. Nonetheless, the magnitude of the coefficient is small, and ESCORE does have an economic effect on FV, but it is not exceedingly strong. In particular, holding other factors constant, when ESCORE increased by 1 unit, Tobin's Q was increased from an average of 0.0078, and lnMBV was raised from an average of 0.0156, to the other. However, this also means that ESCORE has some limited association with FV; the actual impact is quite moderate. These results also show that as the ESCORE index is greater, meaning high earnings management (and thus lower FRQ), it tends to increase FV. This means that a higher ESCORE indicates lower FRQ, which leads to high FV. Thus, Hypothesis H1 is supported, so that FRQ hurts FV. This observation is perfectly in line with previous studies like Hutagaol-Martowidjojo et al. (2019) and Siagian et al. (2013), where they identify a negative correlation between EQ and market value in emerging markets similar to Vietnam, like Indonesia characteristic-wise. Vietnam is in a context where the development of financial transparency and regulatory monitoring has not yet been completed; investors may lack the ability to process information. Consequently, they might be more attracted to an improved profit number than the reality of accounting information.

Table 6. Regression Results for Model 1.

Variables	Equation 1a				Equation 1b			
	(1) OLS	(2) FEM	(3) REM	(4) GLS	(1) OLS	(2) FEM	(3) REM	(4) GLS
ESCORE	0.0175** (2.30)	0.0370*** (6.90)	0.0348*** (6.59)	0.0078*** (3.49)	-0.0055 (-0.62)	0.0520*** (7.38)	0.0443*** (6.41)	0.0156*** (3.39)
FSIZE	0.0672*** (4.60)	-0.0718* (-1.77)	0.0078 (0.29)	0.0473*** (4.40)	0.0965*** (5.67)	-0.0872 (-1.63)	0.0459 (1.47)	0.113*** (7.22)
FAGE	0.293*** (6.39)	0.238** (1.97)	0.225*** (2.77)	0.0844*** (2.85)	0.328*** (6.13)	0.477*** (3.01)	0.333*** (3.45)	0.284*** (6.09)
_cons	-0.139 (-0.72)	1.529*** (3.37)	0.604* (1.88)	0.283** (2.11)	-1.628*** (-7.22)	0.148 (0.25)	-1.211*** (-3.15)	-1.813*** (-9.46)

Note: t-statistics in parentheses.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

This mechanism means that even firms engaging in more aggressive earnings management might still command a high market price. From the perspective of signaling theory, signals of “high-quality reporting” may be

misinterpreted by the market when it comes to less-developed markets, so that FRQ and FV do not converge due to mispricing of all financial information - especially in cases where there is any realization at all.

Table 7 presents the relationship between FRQ and FV, with column (4) reporting the results estimated using the GLS method. The findings from Model 2, which examines the moderating role of the CEO composite factor (CEOT), show that in both Equation 2a ($\beta_3 = -0.0046$, $p < 0.1$) and Equation 2b ($\beta_3 = -0.0095$, $p < 0.05$), the interaction term (ESCORECEO) is negative and statistically significant. This indicates that CEOT has a negative moderating effect - meaning it weakens the negative relationship between FRQ and FV. In other words, in firms with a high CEOT score (i.e., where the CEO possesses more favorable attributes such as experience and financial expertise), the adverse impact of FRQ on FV is lessened. Therefore, Hypothesis H2 is supported. This is consistent with Sharpe et al. (2025) and Nguyen et al. (2018), who both showed that good CEOs help firms adapt and rely less on accounting data - especially when the market is unstable. From the perspective of agency theory, a high CEOT helps reduce information asymmetry between CEOs and investors, thereby lessening the influence of FRQ. In the context of an emerging market like Vietnam - where financial transparency remains limited - credible and competent CEOs may serve as alternative signals to shape investor expectations, thus diluting the direct relationship between FRQ and FV.

Table 7. Regression Results for Model 2.

Variables	Equation 2a				Equation 2b			
	(1) OLS	(2) FEM	(3) REM	(4) GLS	(1) OLS	(2) FEM	(3) REM	(4) GLS
ESCORE	0.0165** (2.12)	0.0347*** (6.39)	0.0326*** (6.10)	0.0076*** (3.40)	-0.0072 (-0.79)	0.0482*** (6.76)	0.0406*** (5.81)	0.0152*** (3.29)
CEOT	0.0062 (0.56)	-0.0250*** (-3.09)	-0.0229*** (-2.89)	-0.0026 (-0.61)	0.0166 (1.28)	-0.0323*** (-3.04)	-0.0275*** (-2.65)	-0.0030 (-0.37)
ESCORECEO	-0.0060 (-0.77)	-0.0119** (-2.38)	-0.0112** (-2.27)	-0.0046* (-1.94)	-0.0113 (-1.24)	-0.0199*** (-3.03)	-0.0187*** (-2.87)	-0.0095** (-2.08)
FSIZE	0.0667*** (4.55)	-0.0608 (-1.49)	0.0125 (0.47)	0.0477*** (4.48)	0.0949*** (5.56)	-0.0740 (-1.38)	0.0506 (1.62)	0.113*** (7.22)
FAGE	0.292*** (6.36)	0.209* (1.73)	0.218*** (2.68)	0.0846*** (2.88)	0.324*** (6.06)	0.439*** (2.77)	0.327*** (3.39)	0.291*** (6.26)
_cons	-0.154 (-0.78)	1.554*** (3.43)	0.664** (2.07)	0.289** (2.15)	-1.669*** (-7.30)	0.196 (0.33)	-1.128*** (-2.93)	-1.814*** (-9.22)

Note: t-statistics in parentheses.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

We investigated the moderating role of CEOT further by calculating the conditional marginal effects of ESCORE on FV at different CEOT levels (Table 8). The outcome indicates that the marginal effect of ESCORE on FV is still positive, but it weakens as CEOT increases. To be more specific, the marginal effect of ESCORE on TobinQ declines from 0.0120 at low CEOT to 0.0032 at high CEOT, while the marginal effect on lnMBV decreases from 0.0242 to 0.0062. Since ESCORE is an inverse proxy for FRQ, these findings suggest that CEO characteristics weaken the negative relationship between FRQ and FV.

Table 8. Conditional Marginal Effects of ESCORE on FV across CEOT levels.

CEOT	Value	Equation 2a	Equation 2b
Low CEOT	$4.304 - 0.948 = 3.356$	0.0120	0.0242
Mean CEOT	4.304	0.0076	0.0152
High CEOT	$4.304 + 0.948 = 5.252$	0.0032	0.0062

5. CONCLUSION

This study aims to evaluate the impact of FRQ on FV and whether a composite CEO characteristic factor (CEOT) can moderate the relationship between FRQ and FV, using data from listed companies in Vietnam for 2016–2023.

For the fitting of the panel data structure, we have used Generalized Least Squares (GLS). The findings indicate an adverse effect of FRQ on FV and that CEOT acts as a negative moderator, weakening this adverse influence.

Two important ways in which this research builds on the existing literature. First, it offers additional evidence that in economies with poorer-quality disclosure, such as Vietnam, "cosmetic" financial reporting can be viewed favourably by the market. Second, this study offers more empirical evidence for the moderating role of the composited CEO index by showing that CEOT is the main component to moderate the association between FRQ and FV.

Based on these findings, the study proposes several policy implications. (1) For listed companies, it is essential to exercise caution in using financial reports as a trust-building tool and to invest in the quality of leadership, particularly CEOs with strong professional competence and high ethical standards. (2) For investors, enhancing analytical skills is critical to avoid overreliance on reported earnings or the personal image of CEOs, ensuring sound and sustainable investment decisions in an environment still characterized by significant information asymmetry.

Nevertheless, this study has several limitations. The sample is limited to listed companies in Vietnam, so the results of the study limit the generalizability of the findings to emerging markets. In addition, some other factors that may affect FV are not included in the model (independence of the board of directors or degree of ownership concentration), so future studies can expand the dataset and explore more variables to gain more insight into FV in the Vietnamese context. Furthermore, the study did not fully control for endogenous factors and did not perform comprehensive robustness tests, which is also a limitation that needs to be acknowledged.

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