Investors' Perception About Information Disclosure of Company Performance: Case of Vietnam Stock Exchange

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Abstract. The financial market in Vietnam has also been evolving quickly in recent years Today, thousands of companies have been listed on Vietnam stock exchangeInvestorsors need information for making investment decisions This paper aims to examine the importance of information disclosure about company performance in terms of current and future -oriented information from listed companies in investment decision making of Vietnam investors. While most researches relating to information disclosure are implemented from the view of market discipline governance rather than from the investors' view. To understand investors' perception about the information importance, a survey method is applied in this study. The research found that information about the management of investment projects, and updated business activities information are the most important while others as the structure of organization and management), human resource management, and societal responsibility are the least important to investors. Regarding to forecasted information, information related to planned projects, planning for capital raising, predicted dividend payent, and predicted P/E ratio are the most important. The results achieved from the research reflect investors' perception of information' importance disclosed by the listed company. The results are very important for government authorities in regulating information disclosure of listed firms; for listed firms in improving the quality of information disclosure.

Keywords: business performance · information disclosure · stock exchange · investor perception · information needs · Vietnam stock exchange

1 Introduction

In line with rapid economic growth, the Vietnamese government launched the Ho Chi Minh Securities Trading Center (renamed as Ho Chi Minh Stock Exchange – HOSE) and the Hanoi Securities Trading Center (renamed as Hanoi Stock Exchange –HNX) in the early 2000s. This opened a new era that has witnessed many changes in the financial trading and equity market in Vietnam, as can be seen in Fig. 1, the stock market capitalization in Vietnam has kept increasing quickly since 2008. Thereby, in
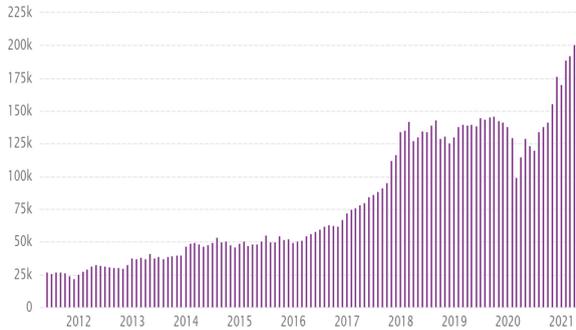
Fig. 1. Stock market capitalization in Vietnam from Jan 2010 to Jul 2022 (in bil. USD) Source: CEIC Data, 2022.

2008, it was only valued at $12.37 billion but in 2019, it increased to $149.82 billion, which made Vietnam become the 26th largest stock market in the world in terms of market capitalization, according to the Global Economy. Because of this impressive performance, the VN-Index, which is the stock index of HOSE, has also remarkably grown in such an adolescent market.

As the stock market in Vietnam is of high risk and fluctuations (Mobarek and Fiorante, 2014), this then pressures local investors a lot given a great deal of uncertainty in the stock prices. Therefore, local investors demand for more useful information about the stock markets, especially information from their interested companies, to make accurate investment decisions and to reduce the risk of failure. The disclosure of related information from the listed companies' side is then vital. In response to this business problem, the primary purpose of this study is to evaluate the importance of information disclosure from companies listed on the stock market in Vietnam in affecting the perception and investment decisions of local investors. Understanding the role of information disclosure can help to raise the awareness of listed companies regarding the necessity of information disclosure to their potential investors as well as provide insights for State Securities Committee to have more legislative adjustments to regulate the issue of information disclosure for the Vietnamese stock market.

2   Literature Review

2.1   Stock Market and Transparency and Information Disclosure in the Stock Market

The stock market represents a typical financial market. In the contemporary financial marketplace, the stock market is the plwherether the activities of trading medium and long-run securities are taken place. In other words, the stock market is also the place for gathering financial information to make buying or selling decisions on trade securities to exchange the ownership of the securities such as stocks or bonds (Cecchetti, Schoenholtz, and Fackler, 2015). From a behavioral perspective, when people have idle money, they are often prone to make investments to gain more earnings. As such, the stock market

provides the opportunities for investors to earn money through making transactions for securities. Also, the stock exchange is the venue where the government can mobilize capital by issuing the bonds, which help to get the money from the public to invest in different projects (Fontana and Scheicher, 2016).

On the other side, a stock that is listed on the stock exchange must meet several different requirements according to the law of the home market. The sstock priceis an important financial indicator to predict the profitability and overall performance of the company in the marketplace (Fontana and Scheicher, 2016). As such, the fluctuation in the stock price is a strong forecast of the future business cycle of the company. In the milieu of Vietnam, many macroeconomic factors might correlate with the stock price, including GDP, inflation rate, interest rate, exchange rate, money supply (M2), and FDI (Huy et al., 2020). These factors will be critically discussed in more detail in the following section for hypotheses development.

First of all, it should be recalled that the stock (market) index is a useful indicator to measure the performance of the stock market that helps investors to make comparison between past price level and present price levels. This index is often calculated from the prices of some selected stocks through weighted average market capitalization method, which is determined by multiplying the current market price with a number of selected outstanding stock to take the averaged weight (Boudt, Raza, and Wauters, 2019). Market capitalization is the sum of stock price multiplied by the number of shares while the weight of each single stock is the ratio of its corresponding market capitalization to total market capitalization.

In the context of stock market, transparency is defined as the degree to which the details and information about market activities are made publicly available (Chi, 2009). Relatedly, the transparency of the stock market is often associated with the disclosure of information from listed companies on the stock exchange (Chi, 2009). Price, number of shares, and record of historic transactions are fundamental pieces of information that should be published. Investors are particularly interested in such information because those sorts of information are useful for their investment decisions.

Information disclosure includes financial and non-financial information. The investors need the information to gain under gaining an understanding of how a company's business model operates, how management strategies are implemented to take considerations the information in listed companies' valuation. The non-financial information is almost important as financial information, especially information related to future-orientated plans/ activities. The study of PWC, 2014 point out that explaining the business model clearly is an important part of high-quality reporting, and links of the business model to business strategies and finally business performance.

Considering conditions of Vietnam Stock Exchange, the legal framework for financial market and stock exchange in Vietnam is still imperfect with many flaws, several listed companies on both HOSE and HNX have remained less attentive to the issue of information disclosure. Many listed companies still underrate the importance of information disclosure and even engage in unethical practices of manipulating information, which negatively affects the decisions and benefits of investors. Main information disclosed is financial information. The information disclosure system between listed companies and State Securities Committee is still under-developed. In a dynamic stock market

like Vietnam, investors are more interested in information, which is considered the key to the market and the main foundation for successful and strategic investment decisions. Therefore, local investors have stronger need for transparent and up-to-date information disclosure about corporate performance from listed companies to assist their investment decisions.

2.2 Vietnamese Stock Market

Because this paper is particularly focused on the stock index in the Vietnamese setting, it is of importance to have an overview of the stock market in Vietnam to understand the formulation of VN-Index. In pace with openness policy and market-led economic model, in July 1998, the Vietnamese government decided to open the first two securities trading centers based in Ho Chi Minh city and Hanoi capital. In Ho Chi Minh, it was Ho Chi Minh Securities Trading Center, which was later renamed as Ho Chi Minh Stock Exchange – HOSE, designed as a centralized securities market. In Hanoi, it was Hanoi Securities Trading Center, which was then renamed as Hanoi Stock Exchange –HNX. At first, the number of listed firms on these stock exchanges was very limited but expanded over the time. Today, HOSE has more large-scale companies while HNX is the trading exchange for mainly local small and medium-sized firms. Enterprises must meet some requirements in order to be eligible to be listed on HOSE and HNX. At HOSE, listed companies must have the registered capital amount higher than 120 billion VND (nearly $6 million) and satisfy some other legal regulations to be listed (Hieu, 2019), which is referred to as Initial Public Offering-IPO. As of end of 2017, totally 366 stocks were available on HOSE, there were additionally 3 fund certificates and 45 bonds (HOSE annual report, 2017). The stock index for HOSE is VN-Index, which is the main index that will be analyzed in this paper. For HNX, listed enterprises must have the registered capital total of higher than 30 billion VND and also need to meet some legislative rules to be listed on this stock exchange, such having over 1-year operation in the form of a shareholding enterprise at the time of registering or Return on Equity (ROE) of the preceding year of above 5% (Hanoi Stock Exchange website). As compared with HOSE, as of 2017, HNX had 4 stocksof (HOSE annual report, 2017). However, as this current paper is concentrated on VN-Index, HOSE will be the main focus in thisoftudy.

The stock and security market in Vietnam is characterized by several unique features. First, two main exchange markets have become an ential investment chachannelsr mobilizing capital and funding, establishing favorable environments to help local firms to mobilize their capital and improve investment activities. Two security exchanges have also been regarded as the places where the central government can issue bonds as mentioned earlier. As such, the stock exchange market in Vietnam has significantly contributed to the overall economic growth as well as the restructuring of the banking and financial sector. The improved fairness and transparency in twothe stock markets have also reflecind on the transparent investment environment in Vietnam to attract more foreign investments (Malesky, McCulloch, and Nhat, 2015). Moreover, some commercial banks which are listed on two stock exchanges have mobilized a large amount of capital through equity offerings. The presence of these listed commercial banks has also contributed to the transparency of the structurethe of shareholding structure. Plus, two major stock markets in Vietnam have assisted the equitization of state-owned enterprises
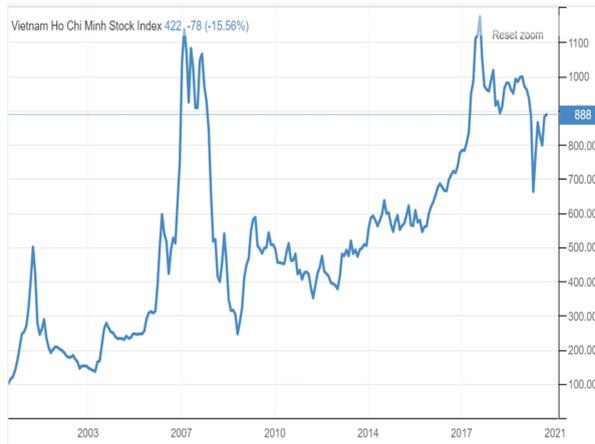
Fig. 2. VN-Index historical dataSource: Trading Economics, 2021.

(SOEs) as well, this contributed to the restructuring of many SOEs, especially during the period from 2001 to 2015. This is aligned with the macro policy of the Vietnamese government that attempts to reduce the number of SOEs to promote the growth of private firms and private sectors (Malesky, McCulloch, and Nhat, 2015).

Figure 2 depicts the changes in the stock index (VN-Index) from HOSE during the 2000–2020 period. The index significantly declined in 2009 as a result of the global financial crisis in 2008 but started to recover sincfrom1 onward. Meanwhile, Table 1 shows the increase in the trading volume associated with markethe t capitalization of securities and stocks in Vietnam from 2015 to 2017. It is clearly shown that during this period, there has been a stable increase in the number of trading shares (both sell and buy). In 2017, the market capitalization of Vietnam's stock market, combing Ho Chi Minh Stock Exchange and Hthe anoi Stock Exchange, was valued at VND 3,515 trillion, which accounted for 74.6% of the country's GDP (HOSE annual report, 2017). This makes the Vietnamese stock market become one of the world's fast-growing financial markets.

However, on the flipped side of the coin, the Vietnam stock markets are also subject to a high degree of volatility in the beginning, which are caused by the fluctuations of the macroeconomic factors and global recession, mainly due to the 2008 financial crisis. The listed items on the two exchanges are also quite limited, as only stocks and governmental bonds plus several investment funds are available, the investment portfolio is thus not diversified. There is also a shortage of professional credit rating agencies, such as professional long-term investors (investment funds, retirement funand ds, insurance services) (Vo, 2016). In addition, the market discipline is weak, especially in terms of executing the information disclosure obligamarketthe market's participants, which is attributed to the weak form efficiencythe of the Vietnamese stock market (Vo, 2016).

3   Methodology

3.1   Survey Design

In line with choosing a quantitative method, this study adopted s cross-sectional survey questionnaire to collect the data, the design of this questionnaire is provided in Appendix. In addition to some categorical questions, continuous questions that capture information disclosure are rated on 5-point Likert (1 = extremely unnecessary, 5 = extremely necessary). The online questionnaire was distributed from 1st to 25th April 2021 using the combination of convenience sampling and referral sampling techniques, which are both fallen into non-probability sampling. The online survey link was first distributed to some known investors at local stock exchanges like SSI or VN Direct (with the help of some brokers, i.e., convenience sampling stage), these initial subjects were then asked to assist to distribute the survey further to other investors within their network (i.e. referral sampling stage). Eventually, a total of 50 valid responses were collected for the data analysis.

3.2   Data Analysis Approach

Regarding data analysis, SPSS software, which is commonly used in management research, is used for analyzing the survey data. Concerning the analytical approach, this study considers both descriptive statistics and inferential statistics (Berenson, Levine, and Krehbiel, 2012). Descriptive statistics are used to describe mean and standard deviation for all continuous instruments while t-test and one-way ANOVA as two inferential statistical analyses to help explore the perception of information disclosure among surveyed investors.

3.3   Company Performance Disclosure Index

As mentioned in the literature review, the research is focusing on the disclosure of company performance including the performance results and future-oriented business plans/ activities of listed companies. Hence, two disclosure indices are built up to measure investors' perception about the necessity of business performance information from listed companies. The details are as follows

4   Results

4.1   Profile of Sample

The survey has implemented investors who are customers of local security companies. Regarding the gender composition of the sample, thereby up to 72% are female respondents and only 28% are male respondents. Overall, female investors dominate the sample and are more popular in the stock exchange in Vietnam. Among them, up to 80% indicate they are individual investors and only 4% said that they are institutional investors and just 10% are financial experts (see Fig. 3). Next, 52% of sampled respondents are focused on short-term investment to gain quick profitability while the rest of 48% are focused on

Table 1. Information disclosure index 1: Current business performance information

Information disclosure index 1	Measurement (Likert scale)				
Structure of organization and management	1 – Completely unimportant	2	3	4	5 Completely important
Portfolio of ongoing investment projects					
The practice of management of investment projects	1	2	3	4	5
Risk & risk management	1	2	3	4	5
Societal responsibility	1	2	3	4	5
Market research	1	2	3	4	5
Market share and competitors	1	2	3	4	5
Human resource management	1	2	3	4	5
Business changes information	1	2	3	4	5
Up-to-date business activities information	1	2	3	4	5
Transactions information of main shareholders	1	2	3	4	5
Legal changes information	1	2	3	4	5

Source: Authors, 2022

long-term investment in the stock market. Briefly, the sample is mainly female respondents who are mostly individual investors and focus on both short-term and long-term investments.

4.2 Descriptive Statistics

Table 3 and Table 4 provide descriptive statistics for 12 items in the information disclosure index 1 and 15 items for information disclosure 2. On the Likert scale (1–5), the mean values for all instruments are relatively higher, which are all above the mid-point of 2.5. Therefore, it can be preliminarily stated that all instruments related to information disclosure are perceived as important for investors in the sample. However, items with higher mean values will be perceived as more valuable information.

Table 2. Information disclosure index 2: future-oriented business performance information

| Information disclosure index 2	Measurement (Likert scale)				
Business environment risks	1 – Completely unimportant	2	3	4	5 Completely important
Business opportunities					
Planned projects	1	2	3	4	5
Planning for capital raising	1	2	3	4	5
Planning for research and development (R&D)	1	2	3	4	5
Planning for launching new products & services	1	2	3	4	5
Predicted growth for market share	1	2	3	4	5
Predicted revenue	1	2	3	4	5
Predicted profitability	1	2	3	4	5
Predicted cash flow	1	2	3	4	5
Planning for marketing & advertising	1	2	3	4	5
Planning for quality control	1	2	3	4	5
Predicted dividend pay	1	2	3	4	5
Predicted P/E (price/earnings) ratio	1	2	3	4	5
Planning for public and social activities	1	2	3	4	5

Source: Authors, 2022
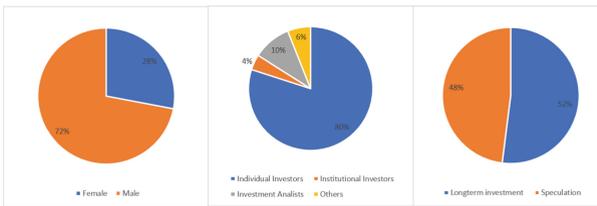
Fig. 3. Research sample's characteristics Source: Authors, 2022.

According to Table 3, the portfolio of ongoing investment projects (M = 4.14), the practice of management of investment projects (M = 4.10), and up-to-date business activities information (M = 4.18) are the most important pieces of information for investors. Meanwhile, the structure of organization and management (M = 3.54), human

Table 3. Descriptive statistics for the information disclosure index 1

Code	Items	Min	Max	M	SD
ID1.1	Structure of organization and management	1	5	3.54	1.014
ID1.2	Portfolio of ongoing investment projects	2	5	4.14	0.904
ID1.3	The practice of management of investment projects	2	5	4.10	0.909
ID1.4	Risk & risk management	1	5	3.88	0.940
ID1.5	Societal responsibility	1	5	3.42	1.052
ID1.6	Market research	2	5	3.66	1.002
ID1.7	Market share and competitors	1	5	3.94	0.978
ID1.8	Human resource management	1	5	3.54	1.054
ID1.9	Business changes information	1	5	4.06	0.890
ID1.10	Up-to-date business activities information	1	5	4.18	0.919
ID1.11	Transactions information of main shareholders	1	5	4.06	0.978
ID1.12	Legal changes information	1	5	3.88	0.982

Source: Authors, 2022

resource management (M = 3.54), and societal responsibility (M = 3.42) are the least important pieces of information expected from investors. Moreover, each investor has a different perspective than the average, which is about 1. Based on the data, just 25% of investors consider that the information is crucial, while 50% of investors believe that the information is vital for 4 or higher. Thus, the evaluation of the level of necessity varies amongst various investors.

According to Table 4, planned projects (M = 4.14), planning for capital raising (M = 4.22), predicted dividend pay (M = 4.14) and predicted P/E (price/earnings) ratio (M = 4.14) are the most important pieces of information that investors expect from listed companies. Meanwhile, planning for public and social activities (M = 3.46) is the least important sort of information for investors. Following the results of the description of the evaluation of the 50 investors on the information about the enterprise's forecast, the point of each investor's prediction of the enterprise's forecast is approximately 1, but the average of all investors asked for the important point of the enterprise's forecast information in the range of 3.46 to 4,22. However, the table illustrates that only 25% of investors are interested in the enterprise's forecasting information, whereas roughly 50% of investors are concerned about the business's prediction information for scores of 4 or more. As a consequence, there are different stages of interest among investors.

Table 4. Descriptive statistics for the information disclosure index 2

Code	Question	Min	Max	M	SD
ID2.1	Business environment risks	2	5	4.00	0.782
ID2.2	Business opportunities	2	5	4.08	0.900
ID2.3	Planned projects	3	5	4.14	0.756
ID2.4	Planning for capital raising	3	5	4.22	0.737
ID2.5	Planning for research and development (R&D)	2	5	3.98	0.769
ID2.6	Planning for launching new products & services	2	5	3.96	0.968
ID2.7	Predicted growth for market share	1	5	3.80	0.990
ID2.8	Predicted revenue	1	5	3.86	0.926
ID2.9	Predicted profitability	1	5	3.84	0.912
ID2.10	Predicted cash flow	1	5	3.88	0.872
ID2.11	Planning for marketing & advertising	1	5	3.70	0.886
ID2.12	Planning for quality control	1	5	3.80	0.990
ID2.13	Predicted dividend pay	2	5	4.14	0.833
ID2.14	Predicted P/E (price/earnings) ratio	2	5	4.14	0.808
ID2.15	Planning for public and social activities	1	5	3.46	0.994

Source: Authors, 2022

5   Discussion

5.1   Theoretical Contributions

The present study would contribute to the existing finance scholarship in several ways. Firstly, although information disclosure has been a dominant topic within the scholarship of the finance field, this topic is relatively new in the context of Vietnam when considering Vietnam is still a young and emerging market for the stock exchange (Hoang et al., 2020). Thus, the current study is among the first to empirically tap into information disclosure topics in the business context in Vietnam, thus providing a fresh perspective on this topic from an Asian perspective. Secondly, as compared to past research on this topic, this study approaches and addresses both current information and predicted information that is provided by listed companies in the Vietnamese stock exchange, hence broadening the conceptualization of information disclosure as previously done studies on information disclosure have focused on current information but overlooked predicted information. Societal responsibility information is highly interesting to both financial experts and long-term investors. In pace with the transformation into corporate social responsibility (CSR), listed companies thus need to shift their business strategy more sustainably and focus on positing themselves as a socially responsible enterprise as investors are very interested in the societal aspect of their business performance. In addition, the structure of organization and management, market research, planning for launching new products & services, planning for marketing & advertising, and planning for quality

control are strongly interested by long-term investors who are the main segment for listed companies. This kind of information thus must be disclosed properly to attract these long-term investors.

5.2 Managerial Recommendations

From empirical findings in the previous sector, a general recommendation is that companies that are listed on HOSE and HNX must attend more to the issue of information disclosure. In a dynamic financial market that is strongly influenced by external factors (e.g. Russia-Ukraine war, high oil price) and macroeconomics, investors heavily rely on information from companies' side to make their investment decisions. Information becomes a key to help investors succeed and thus information disclosure becomes more important than ever for listed companies to attract more investors to purchase their stocks and subsequently increase the stock price. This study proves that investors are interested in both current information (12 items of Q4) and predicted (future) information (15 items of Q5), which means locally listed companies need to focus on providing these sorts of information quickly and transparently in a public way to wider potential investors. A portfolio of ongoing investment projects, the practice of management of investment projects, up-to-date business activities information, planning for capital raising, predicted dividend pay and predicted P/E (price/earnings) ratio are the most important sorts of information that listed companies should provide to investors.

5.3 Limitations and Future Research Directions

The current study is subject to several drawbacks which should be considered for future research. Firstly, given time and resource constraints, this study is only able to collect a sample of 50 respondents, this small sample size might limit the generalizability of this study and reduce the statistical power. It is recommended that future research expand the sample size by extending the data collection time or using other probability sampling approaches to collect more responses. This will help to improve the statistical power of future analyses. Second, the nature of this study is still descriptive, and thus data are only analyzed and interpreted descriptively, this restricts the in-depth exploration of the data and thus limits the insights derived from the data. As part of future research, other more advanced quantitative methods, such as an experiment or structural equation modeling (SEM), are highly recommended to deeply unravel key factors of information disclosure that are important for investors. Finally, another exciting direction for future research is to consider the role of information disclosure from a cultural perspective. Vietnam's business environment is centered around a high level of power distance (high hierarchy) in the company, this hierarchical structure restricts the public spread of information because many top managers are still conservative. Therefore, future scholars might explore the impact of cultures on information disclosure among listed companies in Vietnam.

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