

Voluntary Disclosure Information in the Annual Reports of Non Financial Listed Companies: The Case of Vietnam

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This study has involved listening to the gap between Financial Analysts' requirements and Financial Managers' viewpoints of information disclosure with the meeting ability of available information in the Vietnamese non-financial listed companies' annual reports. Investigating annual reports of 199 non-financial listed companies in Vietnam in 2009, the results suggest that both Financial Analysts (F.A) and Financial Managers (F.M) had a high agreement about the important level of items, and the preparers need to disclose much more information in annual reports to meet the requirements of users. The research also finds that the low level of disclosure about the corporations' human resources in a developing country like Vietnam was obviously similar with that in developed countries like Japan and Ireland, since this data was difficult to retain. The results of study may be of interest of those who are concerned with upgrading quality of Vietnamese corporate annual reports to help the users to make a good and timely decision in business and investment basing on the accurate and up-to-date data sources.

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Keywords: *Voluntary disclosures, listed companies' annual reports, Vietnam.*

1. Introduction

Ho and Wong (2003) stated that, how information is shared among the participants deeply affects the function of capital markets. In business activities, investors require timely and correct information to reach effective investment decisions. This kind of information can be collected through many ways, and one of the most important resources is the corporations' annual reports. The most important role of annual reports is to provide relevant, useful and reliable financial information to investors, shareholders and other interested people about the financial position and performance of the business as well as its future prospects to help users in decision-making. The information that has been supplied by annual reports towards their stakeholders includes two types: compulsory and voluntary information and compulsory disclosure is of more importance. Mandatory disclosure is a basic market demand for information that is required by various laws and regulatory bodies and has been ruled at

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national or regional level through professional organizations or government authorities. On the opposite, corporate voluntary disclosure, being in excess of requirements, represents free choices on the part of managers to provide information to users of the annual reports (Yuen et al., 2009). This voluntary information is disclosed to satisfy the users' needs seem to be inadequately supplied by the mandatory disclosure.

There were considerable researches that concerned voluntary disclosure information in annual reports of companies and most of them centered in developed countries. Recently, there were several studies touched upon the voluntary disclosure in annual reports of developing countries. This paper is one of the first researches about the voluntary disclosure information in corporate annual reports of another developing country- Vietnam, follows the calling of Sarikas et al. (2009) for more studies of financial reporting and corporate governance in Vietnamese listed companies on stock market. It aims at examining the gap between Financial Analysts' requirements and Financial Managers' viewpoints of information disclosure with the meeting ability of voluntary disclosure information in the Vietnamese non-financial listed companies through the 2009's annual reports.

2. Literature review

There are numbers of researches which emphasized the importance of disclosure information in published annual reports for accounting and investment. Singhvi and Desai (1971) stated that the quality of corporate disclosure in annual report considerably influences the extent and quality of investment decisions made by investors. Annual reports are commonly regarded as an important means of acquitting accountability in the corporate and government sectors and often are one of the means by which sectors can improve stakeholders' perceptions of their accountability. Flack and Douglas (2007) reported that annual reports were known as the annual reporting behaviors of a corporation and it has ability to improve the perceptions of accountability among stakeholders and the wider community. In addition, information disclosure in annual reports is a strategic tool, which can enhance the company's ability in raising capital at the lowest possible cost (Lev, 1992; Healy and Palepu, 2001). Annual reports are used as a medium for communicating both quantitative and qualitative corporate information to shareholders, investors and other users (Al-Shammari, 2008).

Nevertheless, Baker and Haslem (1973), Chang et al. (1983), Wallace (1988), Yusoff and Henefaf (1995) and Yuen et al. (2009) have shown that, the annual reports have provided inadequate information to the users. They concluded that the available information on the performance of companies' annual reports is poor and the financial information required by different types of users is different. Buzby (1974) also argued that many items were inadequately disclosed and there has been a gap between the users' needs of information and the actual information supplied by companies' annual reports. Ryan (1990) stated that voluntary disclosure information in annual reports has increased. However, Haw et al. (2000) and Hooks et al. (2002) found that in actuality many annual reports introduce limited amount of information. A lot of voluntary items, which stakeholders believe to be important or even essential, are not being disclosed in the actual annual reports. Therefore, the agreement between the importance of relative items ranked by stakeholders and the actual disclosure level was small and there is an opportunity for expanding the extent and improving the quality of voluntary disclosure information in annual reports of listed companies.

This paper has involved listening to the needs of voluntary disclosure information of demanders (Financial Analysts) in comparison with the viewpoints of suppliers (Financial Managers). It has also examined the gap between the Financial Analysts' requirements and

Financial Managers' viewpoints of information disclosure with the meeting ability of available information in the Vietnamese non-financial listed companies' annual reports.

3. Research methodology

Three components were developed to measure the important level of voluntary disclosure: (1) establishing an item list of voluntary disclosure; (2) rating the important level of each disclosure item; and (3) the extent of the actual disclosure of these items.

3.1. The items of voluntary disclosure

Marston and Shrikes (1991) stated that followed Ceft (1961), many studies have measured disclosure quality, but there is no concrete explanation or general guide for the selection of items to measure the extent of voluntary disclosure. Wallace and Naser (1995) defined disclosure as an abstract construct that one could not determine its intensity or quality since it does not possess own inherent characteristics.

In general, voluntary disclosure is considered as the primary importance of disclosure. For the purpose of this research, voluntary disclosure is understood as the financial and non-financial information through annual reports over and above the mandatory requirements, either with regard to the Vietnamese company laws, professional accounting standards or any other relevant regulatory requirements. The prior researches have been checked to develop an item list that company could voluntarily disclose.

In the first step, we establish a checklist of voluntary disclosure items. The checklist is referred to voluntary items in the actual annual reports of previous papers. Afterward, all items of the checklist, if similar with the items of the form CBTT-02 have been excluded. Relevant to establishing the disclosure items of this study, many prior studies on voluntary disclosure have been researched, especially in the developing countries such as India, South Africa, Nigeria, Mexico, Kuwait, Malaysia, Kenya and China (in Singhvi, 1968; Firer and Meth, 1986; Wallace, 1988; Naser et al., 2002; Chow and Boren, 1987; Hassain et al., 1994; Yusoff and Hanefaf, 1995; Barako et al., 2006 and Yuen et al., 2009). Both financial and non-financial items included in the list which listed companies may disclose could be relevant to investment decision-making. These items will be grouped in six categories; general corporate information, audit committee, financial information, forward-looking information, employee information, social responsibility and environmental policy, board structure disclosure, as in appedix 1.

Since this research focuses on voluntary disclosures, the primary list was considered to eliminate all the information that is mandated. All these disclosure items will be checked again to determine whether they are voluntary items or not. The list afterward was sent to some individuals chosen on the basis of their expertise and knowledge of local accounting practices, who work with or are members of institutions that influence corporate financial reporting in Vietnam. Table 1 is the list of voluntary disclosure items (72 items).

3.2. Rating the importance of each disclosure item

The questionnaires were based on the disclosure requirements derived from *Vietnamese Enterprise Law 2005* and *Vietnamese Law on Securities 2006*² (for the listed companies) with the purposes of checking the items of voluntary information to be included in the questionnaires and to add a degree of homogeneity to the items. Then the item list was pre-tested for reliability and validity.

The questionnaires were sent via email to 92 financial analysts (F.A) and 106 financial managers (F.M) to rate the importance level. These officers have indicated the importance of the items on scale from 1 to 5. 1 is “unimportant,” 2 is “slightly important,” 3 is “moderate important,” 4 is “very important,” and 5 is “essential.” Frequency distributions of the preferences of each group were used to compute the overall mean score for each factor.

3.3. Sample selection

The sample period in this study is only for the year of 2009. Vietnam’s Stock Market, before the date of 1st January 2009, there were 457 companies, listed on two stock exchanges: Hanoi Stock Market (HNX) and Hochiminh Stock Market (HOSE). The research excluded 150 firms, those newly listed in 2009 (from 1st January to 31st December 2009), since these firms have been listed on the stock exchange for less than one year (Owusu-Anah, 1998). In addition, ten firms of sample were financial sectors (4 commercial banks, 3 investment funds, and 3 insurance firms), so they were also out of the sample. Hence there was a rest of 297 non-financial listed companies for the whole Vietnam Stock Market. Since the stock market in Vietnam has not been established so long (from the year 2000), and the legal system and penalties have not been carried out strictly in the disclosure of information, many newly listed firms (have just been listed for one or two years) have not disclosed their annual reports. Little information of financial results or annual reports in accordance with the law is found through the website of State Securities Commission of Vietnam (SSC) (Minh, 2011). A huge number of firms did not prepare annual reports to provide information to external users in their websites. The reasons might be that these companies had not gained good business results, and try to hide them, or they actually have no business activity in the fiscal year (for the newly listed firms). In the total of these 297 non-financial listed companies, there are 98 firms those have not announced annual reports in any kind of mass media (companies’ websites, the two stock exchanges’ websites or SSC). This problem will be analyzed and recommendations will be sent to regulatory makers in the last section of this research. The rest of 199 non-financial listed companies will be investigated as the set of sample firms. The sample has been described in Table 1.

Table 1. Sample selection

Listed companies in sample	Total
Total listed companies	457
Deduct	150
Number of companies newly listed from 1 st January 2009 to 31 st December 2009	10
Number of financial listed companies	98
Number of companies that annual reports are not available	199

² Both Vietnamese Enterprise Law 2005 and Vietnamese Law on Securities 2006 had been compiled by Ministry of Finance

4- Results and discussion

4.1. Spearman’s rank correlation coefficients³ between each couple of F.A- F.M- DSL

In this section, we will discuss and compare the differences in the evaluation of the relative relationship between the important levels of items of information ranked by the financial analysts and the financial managers and its actual extent of voluntary disclosure in annual reports of these companies. Of the 92 questionnaires sent to financial analysts and 106 questionnaires sent to financial managers, there were 66 (72%) returned by financial analysts and 42 (40%) returned by financial managers.

Figure 1 shows the Spearman rank correlation coefficients of disclosure index items in the annual reports of the firms between Financial Analysts (F.A) - Financial Managers (F.M) and Actual Disclosure Level (DSL). It can be easily seen that there was a highest correlated level between the ranking of F.A and the ranking of F.M (0.7779). The correlation coefficient between F.A and DSL was medium (0.4881) and the least one was between F.M and DSL (0.4172).

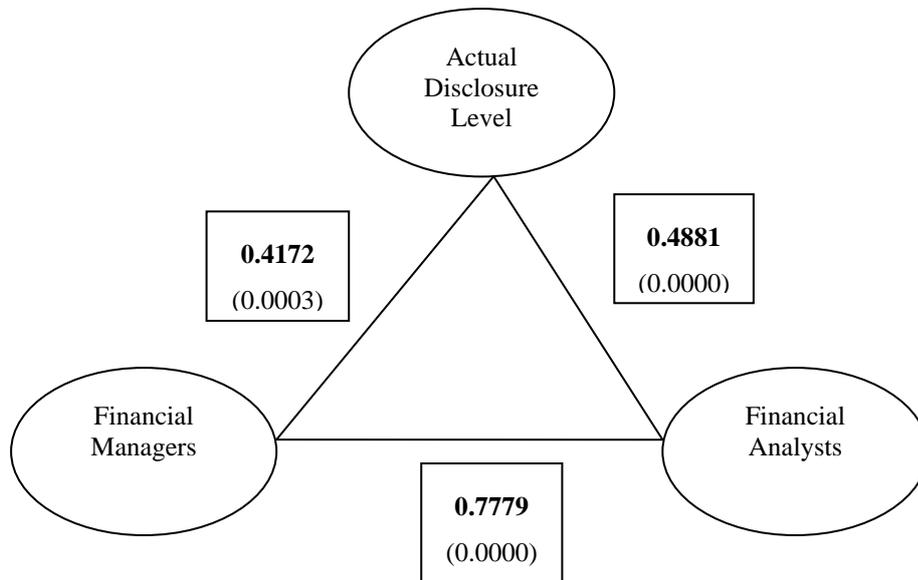


Figure 1. Spearman’s rank correlation coefficients between Actual Disclosure Level of firms and the rankings of disclosure information by Financial Analysts and Financial Managers⁴

The items shown in the following tables are based on data quoted in the annual reports of non-financial companies in the Vietnamese Stock Market. Relevant to the actual disclosure, the score of 100% implies that 100% (199 companies) disclose each information item in their annual reports, whereas 0% indicates that there is no company discloses this item. The actual disclosure of each item was calculated by the following formula:

³ Spearman’s rank correlation coefficients here are between three ranked variables of means of F.A, F.M and DSL (Actual disclosure level) to assess how well the relationship between each couple varies by using Stata-module.

⁴ Numbers in parentheses represent p-values

$$\text{Actual disclosure of each item (\%)} = \left(\sum_{i=1}^n d_i / n \right) \times 100\%$$

where:

$d_i = 1$ if the item d_i is disclosed in the annual report, and otherwise 0.

$n = 199$ (total number of the companies' annual reports in the sample)

Since F.A had an objective role as the outside users of annual reports, their scores had been used to calculate the disclosure score of each item. This score was calculated by the following formula (with the total scores of all 72 items of each company equal to 1):

$$\text{Average disclosure score of F.A for each item index} = \frac{\text{Total scores marked by 66 F.A for each item index}}{\text{Total scores marked by 66 F.A for all 72 items}} = A$$

$$\begin{aligned} \text{Disclosure score of each item (for all companies)} &= \text{Total scores of each item for all companies} \\ &= A * \text{Number of companies those disclosed this item in the total of 199 sample companies} \end{aligned}$$

Example of calculating A has been described in Table 3.

Table 3 Average disclosure score of F.A for each item index

Items	1	2	3	4	5	.....	71	72	Sum (72 Items)
1	3	4	3	5	5	.....	4	4	
2	3	4	2	3	4	.....	3	3	
3	2	3	3	4	5	.....	3	4	
4	3	3	3	4	5	.....	4	5	
5	5	5	4	4	4	.....	5	5	
6	3	3	2	3	3	.....	3	2	
7	3	3	2	3	3	.....	3	2	
8	5	3	5	3	4	.....	2	2	
9	3	3	2	3	3	.....	3	2	
10	3	4	5	5	5	.....	3	3	
11	3	2	3	2	3	.....	3	3	
12	3	3	3	3	3	.....	3	3	
.....	
64	3	3	4	4	4	.....	3	2	
65	3	5	3	5	5	.....	4	4	
66	2	3	3	5	5	.....	4	5	
SUM	47	51	47	56	61	.....	50	49	425
A	0.1105	0.12	0.1105	0.1317	0.1435	.....	0.1176	0.1152	

4.2. The Actual Disclosure Level by the corporations

Table 4 and Table 5 reported that the average voluntary disclosure in the sample companies is at moderate level with the percentage of 43.36%. It also indicated that, in the companies' annual reports, the highest disclosure levels were *General Corporate Information* and *Forward-looking Information* groups (with the percentage of 70.17% and 61.64%, respectively), with TOP 2 disclosure items belonged to "*General Corporate Information*" (*Description of major goods/products* (99.5%) and *Brief history of the corporate* (99%)) (in Table 5). The "*General Corporate Information*" category supplies the overviews of historical data and background of corporations, which are the most important issues that firms perceive to perform for their users and investors. They also showed the routes and the difficulties that companies have overcome to reach their present position. Nevertheless, *General Corporate Information's* data is available, cheap and not of great value in competition, thus competitors do not value this information much. This could be the reason why corporations disclosed these items in a high amount. This trend was also reported in Barako (2007) in Kenya, Al-Shammari (2008) in Kuwait and Hossain and Helmi (2009) in Qatar.

Table 4 : Perceived importance of voluntary disclosure of 2 groups: Financial Analysts and Financial Managers and Actual Disclosure Level (%) of 6 categories in annual reports

Order	Categories	Average Mean Score		Average Actual Disclosure (%)
		F.A	F.M	
1	Financial Information	3.78	3.75	23.98
2	Forward-looking Information	3.53	3.74	61.64
3	General Corporate Information	3.30	3.32	70.17
4	Audit Committee	3.13	3.12	10.84
5	Board Structure Disclosure	3.03	3.46	42.45
6	Employee Information, Social Responsibility and Environmental Policy	2.58	3.19	18.77

Table 5 The highest actual disclosure by firms' annual reports

Ranks	Index Items	Number of Index	Percentage of firms disclosure (%)
1	Description of major goods/products	4	99.5
2	Brief history of the corporation (the establishment and development)	3	99
3	Name, age and address of directors	58	97
4	Education and professional qualification of directors	59	92.5
5	Significant issues during the year	14	91
6	Skills and experiences of directors	60	89.4
7	Directors' shareholding in the company and other related interests (e.g. stock options)	62	88
8	Analysis of enterprises' market share	5	87.4
9	New product/service development	30	87.4

The second-highest disclosure group is *Forward-looking Information*. In the Top 10-highest information disclosure in Table 5, there are two items concerning future results. They are *New product/service development* (87.4%) and *Factors that may affect future performance* (85%). Forward-looking information is any information that helps to make predictions about the health of management systems and the future performance of the company (Celik et al., 2006). It is evidence of the company's capabilities, and the performance of the leading role of the directors. This kind of information helps external users to investigate the forecasted financial and operational data, thus investors can have perfect decision-making. The considerable importance of forward-looking information was also the viewpoints of Baker and Haslem (1973), Mc Nally et al. (1982) and Firer and Meth (1986).

Board Structure Disclosure is at third-place of the highest level of disclosure categories. However, it has even four items in the top 10-highest information disclosure list, include of *Names and ages of directors* (97%), *Education and professional qualification of directors* (92.5%), *Skills and experiences of directors* (89.4%) and *Directors' shareholding in the company and other related interests (e.g. stock options)* (88%). They are all information relevant to personality of CEO, the most important person who manages companies' capital resources and has highest responsibility in the firms' business effectiveness. It is might be that management find a large demand of shareholders and potential investors about CEO's information, thus they disclose such information in detail.

4.3. Comparison between Financial Analysts' requirements and Financial Managers' view points with the Actual Disclosure Level (DSL) by the corporations

There was a low correlation level between F.A and DSL (the *correlation coefficient* was 0.4881). A considerable gap of information existed between the demanders of the information (F.A) and the voluntary disclosure level of annual reports implicated that there was a lag between the more rapidly changing needs of users (F.A) for data and the slower evolution of company disclosure practice. That seemed the outcome of reluctance to *disclose data that companies consider sensitive* (Preparers of annual reports were wary of providing valuable information, that could reveal companies' business secrets to competitors). Darrough and Stoughton (1990) and Clinch and Verrecchia (1997) argued that the divulging of sensitive information of corporations to the public decreases their competitive ability since corporations' competitors can collect more information on the inner workings of the corporation. In addition, the high cost of releasing information to public is also one of the reasons that companies are reluctant to disclose the information. There are two types of disclosing costs: *the first* is the preparation cost of the financial statements borne by the corporation; *the second* is the analysis cost of the financial statements borne by the users of the information. From the economic perspective, managers only disclose information if the benefit exceeds the cost of disclosure (Maingot and Zeghal, 2008).

The information in Table 6 illustrates that four items ("*Share price information*," "*Summary of financial data for the last 3 years or over*," "*Bank loan, mortgage and their use*," and "*Retained profit*") failed to meet the requirements of F.A (only 7.53%, 25.63%, 35.18% and 42.21% of sample companies supplied this information), whereas these items were in the high orders ranked by F.A and F.M ("1" and "2," "2" and "1," "2" and "4," "4" and "8" respectively). These were all the information of "*Financial Information*" category. The most important reason of a significant gap between the information required by F.A and actual information provided by listed firms might be that, all of *Financial Information* items can be easily reached by the users through available information on security market or in Financial Statements such as "*Balance Sheet*," "*Results of Business Activities*," "*Money circulation*"

in previous annual reports. Therefore, companies' preparers did not disclose all this information in the annual reports.

Table 6 The most important items by the view points of F.A and F.M in comparison with the firms' Actual Disclosure Level

Item numbers	Index Items	F.A		F.M		Ranked by		
		Mean	S.D.	Mean	S.D.	F.A	F.M	Firm (by the orders of percentage)
23	Share price information	4.33	0.69	4.14	0.95	1	2	54 (7.53%)
22	Summary of financial data for the last 3 years or over	4.24	0.79	4.17	0.85	2	1	40 (25.63%)
25	Retained profit	4.24	0.61	4.05	0.94	2	4	34 (42.21%)
26	Bank loan, mortgage and their use	4.21	0.73	3.88	0.83	4	8	37 (35.18%)

The correlation level between F.M and DSL was lowest (0.4172). It could result from the possibility that there was a high cost of disclosure or the disadvantage information in competition. These reasons had been analyzed in detail *in the first paragraph of this section* (section 4.3).

The level of company's disclosure is much lower than the external users' desirability. However, the interestingly specific finding here is, out of the 9 items that were not disclosed by any individual company in Table 7, only item "*Supplementary inflation adjusted financial information*" has been ranked quite high by F.A (in order of "10"). The other 8 items have been low valued by both F.A and F.M. That means, although there was a considerable difference in the assessment of almost disclosure items, the high agreements in the ranking of the least important information between F.A, F.M and the preparers of annual reports (DSL) had also existed.

4.4. Comparison between Financial Analysts' requirements and Financial Managers' view points

In Chart 1, the Spearman correlation coefficient between Financial Analysts' ranking and Financial Managers' ranking was very high (0.7779). It stated the high agreement level in the requirements of F.A (the demanders of disclosure information) and F.M's viewpoints (the suppliers of disclosure information) in the assessment of the importance of index items. In other words, the F.As' demands of voluntary disclosure information were fully satisfied by the suppliers. The high agreement was also indicated in Table 5 through the calculation of the average mean scores of 6 categories: *Financial Information, Forward-looking Information, General Corporate Information, Audit Committee, Employee Information, Board Structure Disclosure* and *Social Responsibility and Environmental Policy*. With the information supplied in this table, it can be easily seen that the two most important categories in both view points are *General Corporate Information* and *Forward-looking Information*. This trend were also indicated in Singhvi and Desai (1971), Buzby (1974), Chow and Boren (1987), Mc Nally et al. (1982), Firer and Meth (1986) and Yusoff and Hanefaf (1995). These factors ranked highest by 2 types of users explicitly showed that F.A and F.M primarily concerned

the historical establishment and the development of the firms, relying on that they hold the reasonable foundation to estimate correctly the future expectations of corporations.

In Table 6, both F.A and F.M agreed that *Financial Information* items are the most important items in the voluntary disclosure information. It is understandable and reasonable, since the items of *Financial Information* often have been used as the key factors to make the business and investment decisions. The significant differences were realized at the less important ones as follows (from the list of items in *Appendix*):

- i) “*Supplementary inflation adjusted financial statement,*” “*Corporate mission statement,*” and “*Corporate contribution to the national economy*” with the ranking of 10, 28 and 32, respectively by F.A, but only 35, 60 and 56 by F.M. This information is mainly referred to the general and financial information of corporations. For information demanders (F.A), this is extremely important information to cover background and all-sided views about the firms’ financial ability. That would probably be the reasons why they were highly ranked by the F.A. However, for the F.M, these items were just the basic and had no value in competing; therefore they have been put on a low level of importance.
- ii) To the contrary, three items “*Information about safety policy,*” “*Cost of safety measures,*” and “*Environment protection programs*” were higher valued by F.M than F.A (in the rank of 35, 40, and 32 in comparison with 58, 61, and 61). This information reported the full of cares of F.M for environment problems and employees’ safety.

Table 8 also showed the high agreements in the assessment of the least important level of the voluntary disclosure index items. All the items were information in the categories of Human Resources: “*Employee Information,*” and “*Board of Directors*”. The *Human Capital information* has been also disclosed at low level, which is indicated in *Appendix*. This situation in a developing country like Vietnam is totally agreed with the cases in developed countries like Japan (Johanson et al., 2006; Sakakibara et al., 2010) and Ireland (Brennan, 2001). It is stated that there were only few references to employees and entrepreneurial spirit and some companies even provided no information about employees (Brennan, 2001). In addition, Sakakibara et al. (2010) also indicated that human resources- the important elements for the firms’ performance (including top management quality and top executive succession policies, employee participation, employee satisfaction, employee training and customer satisfaction) were difficult to reach. It required “*considerable experience and good contacts*” with companies to measure the connecting level between human capital and value creation in different companies.

The goal of *Corporate Social Responsibility (CSR)* information of corporations is to declare the responsibility as well as to encourage positively-impacted activities on the environmental and to protect consumers, employees, communities, stakeholders and all other members of the public sectors. Companies also have ability to assess, minimize its potential impact on the environment and improve its environmental performance and as a result continue to implement its wide environmental policy during a fiscal year. The reasons of low level disclosure of these items in the Table 8 could be that these firms stated that this information is not considerably important for themselves as well as not relevant to the investors’ business decision-making.

Table 7 The items with no actual disclosure by any firm (no mention by any firms)

Number of items	Name of items	Ranked by F.A	Ranked by F.M
24	Supplementary inflation adjusted financial statements	10	35
27	Advertising and publicity expenditure	55	55
36	Planned advertising and publicity expenditure	39	30
48	Qualification of the accountants	51	40
49	Data on workplace accidents	67	54
51	Redundancy policy	67	59
64	Qualification of the company's secretary	70	65
66	Director's analysis of the remuneration-performance-based compensation	51	43
67	Director's analysis of the remuneration-non-performance-based compensation	58	60

Table 8 The least important items ranked by F.A

Item numbers	Index Items	F.A		F.M		Ranked by	
		Mean	S.D.	Mean	S.D.	F.A	F.M
47	Reasons for change in employee numbers	2.55	1	2.81	1.09	65	68
68	Role and function of the remuneration committee	2.52	1.03	2.83	0.93	66	65
50	Disclosure of welfare policy	2.39	0.99	3.17	0.93	67	50
51	Redundancy policy	2.39	0.96	3.00	1.04	67	59
49	Data on workplace accidents	2.33	1.01	3.12	0.92	67	54
64	Qualification of the company's secretary	2.27	1.09	2.83	0.96	70	65
43	Amount of employee remuneration, remuneration policies and bonus	2.55	1	2.83	0.99	71	65
42	Category of employees by sex	2.52	1.03	2.33	0.87	72	72

5. Conclusion

This chapter examines the requirements of information in the annual reports of Vietnam's financial analysts, illustrates the viewpoints of financial managers and measures the actual voluntary level in Vietnamese corporations' annual reports. The study is one of the first examining the level of voluntary disclosure among non-financial Vietnamese listed firms. Investigating annual reports of 199 non-financial listed companies in Vietnam in 2009, the results extend the existing literature about voluntary disclosure in prior studies in Vietnam as well as in other developing countries.

Firstly, the most important finding of the study is, both F.A and F.M have a high agreement about the important level of voluntary items. In addition, there are significant gaps between Financial Analysts' requirements, Financial Managers' viewpoints of information disclosure and the meeting ability of available information in the Vietnamese non- listed companies' annual reports. This result is similar with several studies in other developing countries, such as Firer and Meth (1986) in South Africa and Barako (2007) in Kenya that illustrate a high agreement between F.A and F.M, meanwhile there are low correlation coefficients between F.M and DSL and F.A and DSL. That means the preparers need to disclose much more information in annual reports in the future to meet the requirements of F.A. There is a considerable divergence between the F.A's level of perceived disclosure and the degree of disclosure practiced by companies. In other words, many items are inadequately disclosed in the sample companies' annual reports and the correlated level between F.A's requirements and the extents of disclosure is very low. In fact, a remarkable increasing of the number of listed companies as well as investor accounts through years can lead to a significant enhancing of users' needs about information disclosure, and the disclosure should meet the requirements. However, actual information released in Vietnamese sample firms is far from the demands. The gap between demanders' (F.A) viewpoints and prepares (F.M) of annual reports is also very large. Meanwhile *Financial Information* category is the most highly assessed by F.A and F.M, and *Forward-looking Information* category is ranked at 2nd place by both groups, the actual disclosure in annual reports appreciates the most important role of *General Corporate Information*, and underestimates the role of Financial Information, since annual reports preparers consider that the calculation of financial indicators was easy through available items in disclosed available financial reports.

Secondly, *General Corporate Information* is highest disclosed in the annual reports and *Forward-looking Information* category is disclosed at 2nd place. This result is similar with some previous studies in other developing countries, such as Chow and Boren (1987) in Mexico, Yusoff and Hanefaf (1995) in Malaysia, Al-Sammari (2008) in Kuwait and Barako (2007) in Kenya, which appreciate the importance of *General Corporate Information* and *Future Expectations*.

Thirdly, although there are a big gaps between Financial Analysts' requirements, Financial Managers' viewpoints of information disclosure and the meeting ability of available information in the Vietnamese non- listed companies' annual reports, the study finds that F.A and F.M have a high agreement that, 8 out of 9 items which have not been disclosed in annual reports were dispensable (low ranking of importance). It confirms the fact that it is not necessary to disclose these items in annual reports in future.

Fourthly, the low level of disclosure about the corporations' human resources in a developing country like Vietnam was obviously similar with that in developed countries like Japan and Ireland, since this data was difficult to retain. It required rich experience and good relationships with companies to reach.

In conclusion, this study indicated that there is a big opportunity for an expansion of the extent disclosed in the annual reports to meet the F.A's requirements and balance the gap of supplied information between F.M and preparers of annual reports. The results of study may be of interest of those who are concerned with upgrading quality of Vietnamese corporate annual reports. The research reported that, corporate annual reports should be disclosed more about *Financial Information*, *Forward-looking* and *General Corporate Information* to help Financial Analysts, Financial Managers and other users to make a good and timely decision in business and investment basing on the accurate and up-to-date data sources.

Further research is needed to determine the factors that may influence voluntary information disclosure level in annual reports. These elements could be included corporate governance characteristics, ownership structure and company characteristics. Especially, corporate governance and other relevant issues have become more and more important and have been widely researched in many countries, both developed and developing ones.

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Appendix:

Note 1: Annual report form of public-listed company about the mandatory disclosure of information on the security market had been provided by Vietnam's Ministry of Finance. It was issued together with Circular 38/2007/TT-BTC dated 18/4/2007 of Vietnam's Minister of Finance, and had been revised in 2010 (Circular 09/2010/TT-BTC) - *guide the disclosing information on the securities market*.

Note 2: Both *Vietnamese Enterprise Law 2005* and *Vietnamese Law on Securities 2006* had been compiled by Ministry of Finance.

Note 3: Spearman's rank correlation coefficients here are between three ranked variables of means of F.A, F.M and DSL to assess how well the relationship between each couple varies by using Stata- module.

Note 4: Numbers in parentheses represent *p*-values.

Appendix 1. List of voluntary disclosure items in Vietnamese listed companies' annual reports

General Corporate Information

- 1 General information about the economy
- 2 Corporate mission statement
- 3 Brief history of the corporation (the establishment and development)
- 4 Description of major goods/products
- 5 Analysis of enterprises' market share
- 6 Advantages and disadvantages in the development of customers and markets
- 7 Business environment (economics, politic...)
- 8 Statement disclosure relating to competitive position in the industry
- 9 Description of marketing networks for finished goods/products
- 10 Information of member companies
- 11 Methods of quality control
- 12 Company's achieved awards
- 13 Corporate contribution to the national economy
- 14 Significant issues during the year

Audit Committee

- 15 The role and function of the audit committee
- 16 Names and qualifications of the members of audit committee
- 17 Number of members on audit committee
- 18 Number of committee meetings
- 19 Attendance at committee meetings
- 20 Statement of independence
- 21 Report on completed work

Financial Information

- 22 Summary of financial data for the last 3 years or over
- 23 Share price information
- 24 Supplementary inflation adjusted financial statements
- 25 Retained profit
- 26 Bank loan, mortgage and their use
- 27 Advertising and publicity expenditure
- 28 Foreign currency fluctuation information during the year

Forward-looking Information

- 29 Factors that may affect future performance
- 30 New product/service development
- 31 Marketing plan, distribution system expanding plan

32	Sale expanding plan
33	Effect of business strategy on future performance
34	Projection of research and development expenditure
35	Project of cash flows
36	Planned advertising and publicity expenditure
37	Earnings per share forecast
38	Future sales forecast
39	Planned capital expenditure
40	Future profit forecast
Employee Information, Social Responsibility and Environmental Policy	
41	Total amount of employees for the last two or more years
42	Category of employees by sex
43	Amount of employee remuneration, remuneration policies and bonus
44	Categories of employees trained
45	Policy on employee training
46	Expenses for employee training
47	Reasons for change in employee number
48	Qualification of the accountants
49	Data on workplace accidents
50	Disclosure of welfare policy
51	Redundancy policy
52	Recruitment policy
53	Factors of corporate culture
54	Information about safety policy
55	Cost of safety measures
56	Company's contributions to the community
57	Environment protection programs
Board Structure Disclosure	
58	Name, age and address of directors
59	Education and professional qualification of directors
60	Skills and experiences of directors
61	Directors' interests in competing businesses
62	Directors' shareholding in the company and other related interests (e.g. stock options)
63	Number of meetings per year
64	Qualification of the company's secretary
65	Director's analysis of the fee and other benefits disclosure
66	Director's analysis of the remuneration-performance-based compensation
67	Director's analysis of the remuneration-non-performance-based compensation
68	Role and function of the remuneration committee
69	Directors' current accounts/loans to officers
70	Directors' interests in significant contracts
71	A statement of the interests of each director and CEO of the company in equity or debt securities of the company or any associated corporation (class and number of such securities)
72	Commentary on the quality of the company's key relationships with investors, employees, customers, creditors, suppliers, and other significant parties

The rank of important level of the voluntary disclosure items by Financial Analysts-
Financial Managers and Firms

- The items was ranked from 1 to 5 scale, with 1 is "unimportant," 2 is "slightly important," 3 is "moderate important," 4 is "very important," and 5 is "essential."

- A space indicates that the mean was statistically significant different from the one above belongs to F.A's viewpoints.

Appendix 2

Index Number	Items	F.A		F.M		RANK		
		Mean	SD	Mean	SD	F.A	F.M	Firm
23	Share price information	4.33	0.69	4.14	0.95	1	2	54(7.5%)
22	Summary of financial data for the last 3 years or over	4.24	0.79	4.17	0.85	2	1	40 (25.6%)
25	Retained profit	4.24	0.61	4.05	0.94	2	4	34 (42.2%)
26	Bank loan, mortgage and their use	4.21	0.73	3.88	0.83	4	8	37 (35.3%)
5	Analysis of enterprises' market share	3.91	0.76	3.69	0.92	5	17	8 (87.5%)
4	Description of major goods/products	3.82	0.84	3.76	0.79	6	15	1 (99.4%)
6	Advantages and disadvantages in the development of customers and markets	3.76	0.9	3.60	0.96	7	25	12 (83.4%)
32	Sale expanding plan	3.73	0.97	3.79	0.75	8	14	11 (83.9%)
33	Effect of business strategy on future performance	3.7	0.94	3.67	0.85	9	19	22 (64.3%)
24	Supplementary inflation adjusted financial statement	3.67	0.95	3.50	0.97	10	35	64 (0%)
40	Future profit forecast	3.64	0.82	4.10	0.69	11	3	13 (80.9%)
21	Report on completed work	3.61	1.11	3.57	0.86	12	26	54 (7.5%)
31	Marketing plan, distribution system expanding plan	3.61	1.08	3.64	0.93	12	21	15 (77.4%)
39	Planned capital expenditure	3.61	0.78	3.95	0.73	12	7	45 (19.6%)
30	New product/service development	3.58	0.93	3.67	0.90	15	19	8 (87.4%)
37	Earnings per share forecast	3.58	0.86	3.86	0.72	15	10	16 (76.4%)

29	Factors that may affect future performance	3.55	0.93	3.57	0.74	17	26	10 (84.9%)
35	Project of cash flows	3.55	1.14	3.57	0.83	17	26	42 (23.1%)
10	Information of member companies	3.52	0.79	3.48	0.77	19	37	20 (65.3%)
15	The role and function of the audit committee	3.52	1.06	3.62	0.94	19	23	48 (18.1%)
38	Future sales forecast	3.48	0.71	4.00	0.66	21	6	14 (79.9%)
62	Directors' shareholding in the company and other related interests (e.g. stock options)	3.48	1.11	3.86	0.98	21	10	7 (87.9%)
60	Skills and experiences of directors	3.39	1.02	4.02	0.92	23	5	6 (89.4%)
11	Methods of quality control	3.33	0.92	3.52	0.80	24	32	23 (62.3%)
58	Name, age and address of directors	3.33	0.92	3.57	1.06	24	26	3 (97%)
59	Education and professional qualification of directors	3.33	0.95	3.81	0.89	24	12	4 (92.5%)
71	A statement of the interests of each director and CEO of the company in equity or debt securities of the company or any associated corporation (class and number of such securities)	3.33	1.23	3.71	0.81	24	16	17 (75.9%)
2	Corporate mission statement	3.27	0.69	2.98	0.68	28	60	18 (70.9%)
20	Statement of independence	3.27	1.12	3.48	0.97	28	37	53 (8.5%)
34	Projection of research and development expenditure	3.27	0.87	3.48	0.97	28	37	24 (61.8%)
61	Directors' interests in competing businesses	3.27	0.94	3.69	0.90	28	17	29 (52.8%)
13	Corporate contribution to the national economy	3.24	0.96	3.07	0.89	32	56	30 (51.3%)

72	Commentary on the quality of the company's key relationships with investors, employees, customers, creditors, suppliers, and other significant parties	3.24	1.16	3.81	0.74	32	12	33 (44.2%)
65	Director's analysis of the fee and other benefits disclosure	3.18	0.98	3.88	0.86	34	8	38 (34.2%)
8	Statement disclosure relating to competitive position in the industry	3.15	0.93	3.36	0.73	35	44	26 (57.3%)
70	Directors' interests in significant contracts	3.15	1.17	3.52	0.89	35	32	31 (30.8%)
1	General information about the economy	3.12	0.71	2.88	0.71	37	64	34 (42.2%)
9	Description of marketing networks for finished goods/products	3.12	1.1	3.64	1.03	37	21	25 (58.3%)
28	Foreign currency information	3.09	0.97	3.40	0.94	39	40	26 (57.3%)
36	Planned advertising and publicity expenditure	3.09	0.87	3.55	0.97	39	30	64 (0%)
3	Brief history of the corporation (the establishment and development)	3.03	0.72	3.07	0.95	41	56	2 (99%)
7	Business environment (economics, politic...)	3.03	0.68	3.21	0.87	41	47	53 (8.5%)
16	Names and qualifications of the members of audit committee	3.03	1.01	3.36	0.85	41	44	46 (18.6%)
12	Company's achieved awards	2.97	0.76	3.19	0.83	44	48	32 (47.2%)
45	Policy on employee training	2.97	0.94	3.62	0.82	44	23	36 (41.7%)
14	Significant issues during the year	2.94	0.96	3.02	0.72	46	58	5 (91%)
17	Number of members of audit committee	2.94	0.96	2.64	0.85	46	69	46 (18.6%)
19	Attendance at committee meetings	2.85	0.93	2.60	0.96	48	70	59 (2.5%)
44	Categories of employees	2.85	0.96	3.14	1.03	48	52	20 (65.3%)

	trained							
69	Directors' current accounts/loans to officers	2.85	1.14	2.98	0.81	48	60	62 (0.5%)
48	Qualification of the accountants	2.79	1.1	3.48	0.83	51	40	64(0%)
66	Director's analysis of the remuneration-performance-based compensation	2.79	0.92	3.38	1.06	51	43	64(0%)
46	Expenses for employee training	2.73	0.97	3.55	0.86	53	30	51 (9.5%)
56	Company's contributions to the community	2.73	1.09	3.24	0.88	53	46	39 (33.2%)
27	Advertising and publicity expenditure	2.7	0.98	3.10	1.03	55	55	64 (0%)
53	Factors of corporate culture	2.7	1.04	3.17	0.76	55	50	49 (16.1%)
63	Number of meetings per year	2.7	0.84	2.95	0.88	55	63	56 (7%)
18	Number of committee meetings	2.67	0.98	2.55	0.86	58	71	60 (2%)
54	Information about safety policy	2.67	1.13	3.50	0.83	58	35	51 (9.5%)
67	Director's analysis of the remuneration-non-performance-based compensation	2.67	1.07	2.98	1.07	58	60	64 (0%)
52	Recruitment policy	2.64	1.08	3.19	0.92	61	48	28 (55.3%)
55	Cost of safety measures	2.64	1.05	3.40	0.96	61	40	60 (2%)
57	Environment protection programs	2.64	1.05	3.52	0.92	61	32	41 (25.1%)
41	Total amount of employees for the last two or more years	2.61	0.86	3.14	0.98	64	52	43 (21.6%)
47	Reasons for change in employee number	2.55	1	2.81	1.09	65	68	58 (3.5%)
68	Role and function of the remuneration committee	2.52	1.03	2.83	0.93	66	65	57 (5.5%)
50	Disclosure of welfare policy	2.39	0.99	3.17	0.93	67	50	62 (0.5%)
51	Redundancy policy	2.39	0.96	3.00	1.04	67	59	64 (0%)

49	Data on workplace accidents	2.33	1.01	3.12	0.92	67	54	64 (0%)
64	Qualification of the company's secretary	2.27	1.09	2.83	0.96	70	65	64 (0%)
43	Amount of employee remuneration, remuneration policies and bonus	2.24	0.86	2.83	0.99	71	65	44 (21.1%)
42	Category of employees by sex	2	0.82	2.33	0.87	72	72	50 (14.6%)
