

DISPARITIES IN BANKING INFORMATION TRANSPARENCY IN SOUTHEAST ASIAN COUNTRIES

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Abstract

How to cite this paper: Nguyen, M. P., Hoang, T. T. H., Phan, A., & Tran, M. D. (2022). Disparities in banking information transparency in Southeast Asian countries [Special issue]. *Corporate Governance and Organizational Behavior Review*, 6(2), 236–246. <https://doi.org/10.22495/cgobrv6i2sip8>

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ISSN Online: 2521-1889

ISSN Print: 2521-1870

Received: 14.01.2022

Accepted: 24.05.2022

JEL Classification: G21, M41

DOI: 10.22495/cgobrv6i2sip8

As the banking industry has an inevitable position in the economy, more information transparency is always required (Nguyen, Nguyen, Hoang, & Tran, 2020). Being transparent not only helps the banking system to develop sustainably but also constructs a basis for investors, regulators, and depositors to build their trust in banks (Le & Truong, 2019). This comparative research marks the first attempt in measuring and contrasting information disclosure and transparency within Vietnamese, Thai, and Singapore commercial banks. In doing so, we employ the S&P's transparency and disclosure (T&D) index to investigate the disclosure and transparency of Vietnam, Thailand, and Singapore. The results indicate that there is a clear disparity between the level of Vietnamese commercial banks' information transparency compared with other countries in the region, while the transparency score is the lowest regarding non-financial information including investors' rights, board remuneration, and process. Results of this study call for improvement in information transparency in Vietnamese commercial banks. Another implication is that the size of the bank has a positive relationship with the amount of T&D, with larger banks having better total T&D ratings. This will increase the need for smaller banks to improve their T&D in order to continue to grow sustainably.

Keywords: Information Transparency, Banking, Disclosure, S&P Disclosure Index

Authors' individual contribution: Conceptualization — M.P.N.; Methodology — T.T.H.H.; Validation — M.P.N. and A.P.; Writing — Review & Editing — M.D.T.; Visualization — M.P.N.; Supervision — T.T.H.H.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

1. INTRODUCTION

The current situation of Vietnam's financial market faces significant challenges as a result of international integration, particularly in light of the COVID-19 epidemic's unpredictable developments such as slow economic recovery, sluggish growth in emerging economies, the decline in commodity markets, and unpredictable investment capital movement (Le, Truong, Luong, Hoang, & Do, 2020;

Nguyen & Ha, 2021). In that context, it can be seen that transparency of information in the banking and finance sector is an obligatory requirement under the economic integration and is the basis for enhancing Vietnam's financial market to develop sustainably and reduce risks. Rosengren (1998) argues that transparency reduces the cost of crises. Jordan, Peek, and Rosengren (2000) suggest that transparency improves market discipline in times of crises, Summers (2000) considers transparency as

the best way to prevent crises and effective response to crises, while Vishwanath and Kaufmann (2001), Vo and Thai (2021) regard transparency regulation as a part of the institutional structure that enhances financial stability. Sufficient and timely disclosure of information will increase transparency and from there, the bank can easily attract investment and deposits and develop products and services. Liu, Hsu, and Li (2015) also indicate that information transparency enhances corporate governance. In the area of corporate social responsibility (CSR) reporting, Chan, Huang, Chiou, and Ke (2021) suggest investors hold on to CSR firms because they seemed to be more information transparent and have a good financial performance during a recession. The evidence is that improved liquidity is more significant for firms in the electronics and chemical industries and for firms with a large equity share owned by domestic institutional investors.

Despite occupying an undeniably important role, information transparency in Vietnamese commercial banks is still very limited, voluntary information disclosure remains quite sketchy, passive, and not professional. In 2013, the disclosure and transparency scores of Vietnamese listed firms were the lowest among Southeast Asian participating countries including Singapore, Philippines, Indonesia, Thailand, and Myanmar (Hao, 2015). The cause of this inadequacy comes from the lax state management when the laws are not sufficiently deterrent and the sanctions are still very light, leading to loopholes that make commercial banks easily bypass the law. Specifically, Accounting Law of Statistics, Auditing Law, Law on Enterprises, Law on Securities, Decree No. 48/2014 issued by the State Bank of Vietnam and Decree No. 155/2015 issued by the Vietnam Ministry of Finance are among the laws that governmental regulation of information transparency is mentioned in. However, Accounting Law, Law on Enterprises, and Law on Securities do not stipulate the sanction of organizations that violate information transparency requirements, in other words, the amount of fines prescribed is too small compared to the benefits that credit institutions may earn from violations and frauds in the information disclosure process. Furthermore, Decree No. 48/2014 issued by the State Bank of Vietnam or Decree No. 155/2015 issued by the Vietnam Ministry of Finance neither requires firms to publish financial statements on websites or stock exchanges nor specifies what information should be disclosed. As a result, a little number of banks only publish sufficient information to the public.

According to the ASEAN Statistical Yearbook (The ASEAN Secretariat, 2021), the largest country in ASEAN (Association of Southeast Asian Nations) by both economic size and population is Indonesia (\$1 trillion), followed by Thailand (\$456 billion), Singapore (\$317 billion), and Vietnam (\$224 billion). In terms of GDP per capita, Singapore ranked first in the region with \$57,722 in 2017 — 24 times higher than Vietnam with \$2,390. This paper investigates the transparency and disclosure (T&D) in the Vietnamese banking system and then compares it with Singapore and Thailand's banks to have a multi-dimensional and objective view of the current state of information transparency of Vietnamese commercial banks.

Up to now, Vietnamese researchers have investigated information disclosure and transparency but yet most of the studies focus mainly on firms listed on the stock market. Besides, not many have done in the financial sector, especially in banking firms. Realizing the importance of these above issues, this study marks the first attempt in scoring and evaluating the information disclosure and transparency of Vietnamese commercial banks in comparison with Singapore and Thai banks. Based on the transparency index study developed in 2002 by S&P — a prestigious, global rating and financial services firm that has been carrying out large-scale research to score the T&D practices of a number of large and liquid firms in the US, Europe, Japan, Latin America, Russia, and some emerging Asian markets, we applied and built a scale of 98 attributes that were surveyed in the above countries and at the same time reflected the legal environment, institutions, and economy in Vietnam and other countries in the region. These 98 attributes are divided into 3 sub-categories, including 1) ownership structure and investor rights; 2) financial transparency and information disclosure; 3) board structure and process. Next, the annual report, financial report, bank's website, and information published on the stock exchanges of 9 commercial banks, including 3 commercial banks representing 3 size banks of Vietnam, and 6 commercial banks from 2 neighboring countries — Singapore and Thailand — were searched for the inclusion of these information attributes to provide the most comprehensive and objective assessment of the information disclosure and transparency status of Vietnamese commercial banks. Each bank will then be scored and ranked according to the above 3 subcategories and also the total T&D score to answer 2 main research questions:

RQ1: How is the disparity of information transparency between the three Southeast Asian countries including Vietnam, Singapore, and Thailand?

RQ2: Is there any relationship between the information transparency and the size of banks?

From this, we will analyze and discuss to make appropriate assessments and comments to help Vietnamese commercial banks improve information disclosure and transparency.

The remainder of this paper is structured as follows. Section 2 presents the literature review and hypotheses development. Research methodology is analysed in Section 3. Section 4 presents results and discussions. Conclusions are documented in Section 5.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Information disclosure and transparency

The literature unveils various concepts of information disclosure and transparency. From the governing body perspective, the Basel Accord in the "Corporate Governance Principles for Banks" (Basel Committee on Banking Supervision, 2015) section, Principle 12 has identified that disclosure should include, but not be limited to, material information on the bank's objectives, organizational and governance structures, and policies (in particular,

the content of any corporate governance or remuneration code or policy and the process by which it is implemented), major share ownership and voting rights and related party transactions, as well as risk exposures and risk management strategies. Relevant banks should appropriately disclose their incentives and compensation policy following the Financial Stability Board principles related to board compensation. In particular, an annual report on management board compensation should be disclosed to the public. It should include important content, such as the decision-making process used to determine the bank-wide compensation policy; the most important design characteristics of the compensation system including the criteria used for performance measurement and risk adjustment; and aggregate quantitative information on compensation. Considering transparency from a corporate perspective, Bushman and Smith (2003) and Pham (2019) state that transparency is defined as the availability of company-specific information to the outside of listed firms. The information is divided into 3 groups: financial statements, the acquisition of confidential information, and dissemination of information. Meanwhile, Bushman and Williams (2012) acclaim bank transparency as the availability of trustworthy information. According to Kulzick (2004), studying transparency from the point of view of users of information, the transparency of information includes accuracy, consistency, completeness, relevance, timeliness, and convenience. From the audit perspective, Zarb (2006) defines transparency as the provision of useful and timely financial information that is reliable, comparable, and consistent.

Summarizing the above statements, in this research, transparency in the commercial banking system is the process of guiding and providing information about business activities in a reliable, timely, accurate, and most convenient way for industry management agencies and investors, ensuring that market participants have equal access to information in assessing the bank's performance and risks in order to make an investment decision.

In addition, other studies have illustrated the importance and benefits of information transparency. Nier (2005) attempts to clarify this potential trade-off by examining for a large sample of banks, whether transparency increases or decreases the chance of severe banking problems. The results suggest that to the extent that such a trade-off exists, the benefits of transparency for bank stability outweigh its costs, and banks that disclose more information are less at risk of falling into crisis. Bushman (2016) claimed a lack of transparency can induce investor uncertainty about banks' intrinsic value, weaken market discipline over risk-taking behavior, and provide opportunities for banks to suppress negative information that can generate future capital inadequacy concerns when ultimately revealed. Baumann and Nier (2004) suggest that banks that disclose more information on key items of the disclosure have lower measures of stock volatility than do banks that disclose less information. Phan and Archer (2020) also show that corruption might cause "a sand in the wheels" impact in hindering a firm's dynamics and growth as well as the transparency.

In contrast, not much research has attempted to measure firms' information disclosure and transparency levels. One of the most remarkable studies is the study by Patel and Dallas (2002), which evaluated the disclosure patterns of more than 1500 firms from all over the US, Europe, Latin America, Japan, and emerging Asian countries. The S&P index, which was first developed and launched in 2001, has identified that for most US S&P 500 firms, the strongest, most uniform disclosure is provided in the area of financial information. Meanwhile, the least commonly reported items are included in ownership structure and investors' rights, and board and management structure and process information.

In the context of Vietnam, although there have been some studies on the measurement of information transparency, these studies put emphasis only on listed firms on the stock exchange market. For example, "Building transparency index and disclosing information for firms listed on the stock market in Vietnam" by Truong and Nguyen (2016, p. 34). Meanwhile, there is hardly any research that investigated and evaluated the information disclosure and transparency of Vietnamese commercial banks.

In order to fill this knowledge gap, by applying the S&P's T&D index, we first assess the quality of information disclosure and transparency of 3 Vietnamese representative commercial banks by bank size. Next, for a more comprehensive and objective view, we also conduct a survey for comparison on the six representative banks from Singapore and Thailand, thereby giving out an appropriate evaluation of Vietnamese commercial banks' current situation of information disclosure and transparency.

2.2. Bank size

Is there any relationship between bank size and T&D? That is a very interesting question, so the next intention is reviewing what is the relationship between bank size and transparency. Aladwan (2015) aims to investigate how the bank size affects the profitability of Jordanian-listed commercial banks. The banks were classified into three categories according to their asset size in respect of a significant difference in the profitability between the different sized banks. In order to determine and evaluate the effects of bank size on the profitability of commercial banks in Nepal, Tharu and Shrestha (2019) adopt 8 sample banks from 28 banks using simple random sampling. They also used total assets as the proxy for the bank size. In another existing literature, the size of a business is also defined as the ability it possesses, the variety and number of production capabilities, or the quantity and multiplicity of services or business it can offer concomitantly to its customers. In a simpler way, the best indication of the bigness of a firm is the size of its management group or the number of assets it possesses compared to others in the same industry (Sriharan, 2015). Uyar, Kilic, and Bayyurt (2013), in their study, when testing the banks' effectiveness in the UK also used the bank size as a key factor and categorized UK banks into two types — large and small — according to assets

volume. The results of their study concluded that small banks showed higher performance in comparison to large ones. Netti (2018) also investigates the relationship between firm characteristics and risk disclosure in the Italian context and the findings showed a positive relationship between firm size and the extent of risk disclosure. Nguyen, Nguyen, Hoang, and Tran (2020) make a survey to test the determinants influencing information transparency in Vietnamese commercial banks with seven determinants, including the bank's performance which can be represented in bank size, bank profit, operating performance, and found out that in Vietnam, there is the positive relationship between the bank's performance and their intention to disclose and be transparent since the banks are normally willing to show their good performance.

2.3. Bank size and information disclosure and transparency

It's very hard to find a paper that mentions the relationship between banks' T&D and bank size in terms of total assets. Srairi and Douissa (2013) examine the determinants that help explain the different levels of transparency across banks in the period 2006-2009. The result showed that there was a positive correlation between transparency and government ownership, as well as the macroeconomic and juridical indicators. Furthermore, there was only the association between transparency and profitability (ROA, ROE), meanwhile, the size of the bank, deposits, and debt ratio did not serve to determine the level of transparency of banks.

Currently, most studies research the relationship between firm size and T&D. Nguyen and Nguyen (2020) investigate the effect of the factors on the disclosure of sustainable development information of 120 manufacturing firms listed on the Vietnam stock market in 2019 to show that five variables have a statistically significant positive effect on disclosure of sustainable development information of manufacturing firms, including firm size, independence of the board of directors, foreign ownership, return on equity, and financial leverage. With the same study's result, it is found that the larger the firms are, the more financial and non-financial information disclosed by the firms. The reason is that large-scale firms often have many and diverse investors, so the demand for information disclosure is higher (Ho & Taylor, 2007). In another empirical research conducted by Habbash (2016), he found a positive correlation between firm size and the level of disclosure of sustainable development information of enterprises. For large firms with a large number of shareholders, shareholders often have concerns about environmental and social activities as well as the disclosure of information about these activities. Based on these studies, it is proposed to expect a positive relationship between firm size and the disclosure of sustainability information. Uyar et al. (2013) also show a positive association between firm size and the level of voluntary disclosure. So, we design the hypothesis as follows:

H1: Generally, larger banks have the intention to be more transparent.

There are many ways to determine how is transparency and disclosure, including transparency on ownership and ownership concentration; transparency on procedures of voting and shareholder meeting; transparency on business focus; disclosure information on auditors; on board structure and board composition; disclosure information on executive compensation and evaluation; disclosure information on executive compensation and evaluation.

2.4. Bank size and information disclosure and transparency on ownership structure and investor rights

The results of Srairi and Douissa's study (2013) suggest that ownership concentration is negatively related to transparency, which means a higher level of transparency occurs in a bank when the part of capital owned by major shareholders is decreasing. The higher the concentrated bank capital, the lower level of its transparency. In fact, when the part of capital owned by major shareholders is increasing, the bank is less motivated to show its transparency since these shareholders would have direct access to information via the board of directors. However, Haniffa and Cooke (2002) conclude that was no effect of ownership concentration or investor right to transparency of the firms. Actually, a few studies have investigated the relationship between bank size and transparency of ownership structure and investor rights, so the proposed hypothesis is:

H2: Larger banks have the intention to be more transparent on ownership structure and investor rights.

2.5. Bank size and information disclosure and transparency on their financial transparency

Financial transparency includes transparency and disclosure on business focus, accounting policy review and details, related party structure, and transaction, information on auditors, etc. Adiloglu, Gungor, and Yuçel (2018) find that there was a relationship between the firm's T&D score and financial performance, and each group's means of key financial ratios had their own level of transparency. Besides, auditing has an important influence on the information transparency of commercial banks. External audit results are reliable information for information users to make appropriate management decisions. Although the preparation and presentation of the financial statements are the responsibility of the entity's manager, the external auditor may influence the amount of information disclosed to the public through the audit process (Hao, 2015).

Auditors can provide management consulting services to help commercial banks improve their business operations. This is one of the functions that auditors, especially internal audits, bring to banks. Internal audit helps the organization to achieve its goals by creating a systematic, disciplined approach to evaluate and improve the effectiveness of the business performance, control, and risk management processes (Institute of Internal Auditors [IIA], 2009), thereby helping to increase information transparency in businesses in general and private commercial banks. However, there are

a few studies investigating the relationship between bank size and transparency on financial indicators. We hypothesise that:

H3: Larger banks have the intention to be more transparent in their financial transparency.

2.6. Bank size and information disclosure and transparency on board structure and process

The principles of accountability and transparency have always been applied to best practices for good corporate governance. As investors, shareholders have the right to know how firms are being managed by the board. In which, board structure and process are important when it comes to the understanding of how they make decisions and oversee management. The board structure is defined as the distinction between those directors who hold management positions in the company and those who do not. Two aspects that are normally used to measure board structure are CEO-chairman duality and insider versus outsider directorship. Board processes refer to the decision-making activities of directors. Larger firms often disclose these norms better due to the higher pressure from shareholders.

Torchia and Calabrò (2016) examine the link between the board of directors’ composition (independent directors’ ratio, board size, CEO duality) and financial T&D, and the results showed that there was a significant link between board composition and the level of financial T&D. So, the next hypothesis has been developed as follows:

H4: Larger banks have the intention to be more transparent on information on board structure and process.

3. RESEARCH METHODOLOGY

Annual reports of banking institutions provide stakeholders with relevant information, operational and strategic information. Lack of information may mislead investors to make unsound decisions, therefore, many stakeholders of the bank look for different information disclosed in the bank’s annual reports. Firstly, we intend to investigate the trend of T&D in banks in Vietnam for a period of time, however, we find much more interest in assessing the T&D scores between some countries related to Vietnam. Secondary data from the full annual reports of Vietnamese, Singaporean, and Thai commercial banks were collected. The list of the banks is selected based on the banks’ owners’ capital levels. We selected three large banks, three medium banks, and three small banks in terms of the banks’ total asset size. The annual reports have been obtained from the bank’s websites.

As the research focuses on comparing the level of transparency and disclosure of the banks, we have calculated the T&D scores of each of these banks using content analysis. The units of analysis used are words and sentences for examining the qualitative disclosure while the index is reflecting a checklist of disclosed items in our sample banks in which we can measure the level of T&D. We expect to observe some differences in terms of T&D between the chosen banks.

The T&D score assesses the level of transparency by searching company annual reports for the inclusion of 98 possible information items

(“attributes”) broadly divided into three sub-categories: 1) Ownership structure and investor rights (28 attributes); 2) Financial transparency and information disclosure (35 attributes); 3) Board structure and process (35 attributes).

For each attribute: “1” is assigned if the commercial bank discloses the corresponding information, and “0” is assigned if the commercial bank doesn’t disclose the corresponding information. For example, with category 1, attribute No. 1 “Provide a description of share classes?”, the notes to the financial statement of the existing 9 banks should be examined in Vietnamese bank or annual reports for Singaporean and Thai banks. Vietnamese banks normally disclose the number of shares without a description of share classes, so they are marked “0” whereas the other foreign banks are marked “1” because they describe in detail the share classes.

The T&D index is then calculated by summing up unweighted all the scores as follows:

$$T\&D\ Index_n = \sum Xi_n / \sum Yi_n \tag{1}$$

where,

$T\&D\ Index_n$ = T&D index for bank n ;

$\sum Xi_n$ = disclosed items by bank n ;

$\sum Yi_n$ = full items expected to be disclosed by bank n .

Again, it is important to recognize the scope of this research. Because the S&P’s T&D index is very complicated and difficult to apply, especially for opaque firms as banks, and also due to the limited time, we selected 3 banks from each country with different asset sizes as representatives. The list of the banks is presented below.

Table 1. List of the banks

No.	Country	Code of the bank	Size
1	Singapore	S1	Large
2		S2	Medium
3		S3	Small
4	Thailand	T1	Large
5		T2	Medium
6		T3	Small
7	Vietnam	V1	Large
8		V2	Medium
9		V3	Small

Source: Compilations by the authors.

There are a few caveats that should be noted. First, this study focuses on the existence of disclosure for individual items; it does not attempt to assess the quality of the information provided. Also, the study does not aim to identify forensically any disclosure that may be incorrect or counterfeit. Second, this study is based on the information disclosed in key public documents; it does not include all of the different types of bank disclosure that may exist. The report for major shareholders may provide additional information; however, as per the purpose of being consistent, objective, and nationwide comparison, this research focuses on the core public disclosure documents, which include the annual reports, financial statements, company websites, and other disclosures on the stock exchange.

4. RESULTS AND DISCUSSION

Table 2 shows the T&D index for the banks in Vietnam, Singapore, and Thailand. As shown above, the T&D score is developed for each bank from an objective and binary evaluation of the number of attributes present in the bank's annual report. As can be seen in Table 2, there are three categories, C1: "Ownership structure & investor rights", C2: "Financial transparency and information

disclosure", and C3: "Board structure and process". In which, C1 combines three subcategories, C2 with three subcategories, and C3 with two subcategories.

It can be seen that there is variation in the T&D score for the three countries: Thailand ranks the highest score with 71.3, 4 points higher than Singapore's total average. Vietnam has the lowest T&D score of 39.7/89. The T&D scores possibly reflect the level of development in terms of transparency of the three countries.

Table 2. Transparency and its disclosure index

Items	Bench mark points	Vietnam			Singapore			Thailand		
		Large V1	Medium V2	Small V3	Large S1	Medium S2	Small S3	Large T1	Medium T2	Small T3
		BIDV	MBB	MSB	DBS	OCBC	UOB	Krungthai	SCB	Krungri
C1: Ownership structure and investor rights	28	12	6	7	17	16	16	20	19	16
C1.1: Transparency of ownership	11	4	3	4	4	4	4	7	6	3
C1.2: Concentration of ownership	8	4	0	1	7	7	7	7	7	7
C1.3: Voting and shareholder meeting procedures	9	4	3	2	6	5	5	6	6	6
C2: Financial transparency and information disclosure	35	18	15	12	23	20	23	28	25	24
C2.1: Business focus	15	7	5	3	4	4	5	8	8	6
C2.2: Accounting policy review	9	4	4	4	9	9	9	9	9	9
C2.3: Related parties and auditing	3	3	3	3	3	3	3	3	3	3
C2.4: Related party structure and transactions	4	2	1	0	3	2	2	4	1	2
C2.5: Information on auditors	4	2	2	2	4	2	4	4	4	4
C3: Board structure and process	35	18	15	16	29	31	27	29	26	27
C3.1: Board structure and composition	8	7	7	6	8	8	8	8	7	8
C3.2: Role of the board	12	7	6	6	12	11	12	11	11	10
C3.3: Director training and compensation	6	2	0	1	5	6	5	5	4	4
C3.4: Executive compensation and evaluation	9	2	2	3	4	6	2	5	4	5
Total	98	48/98	36/98	35/98	69/98	67/98	66/98	77/98	70/98	67/98
Percentage	%	49%	37%	36%	70%	68%	67%	79%	71%	68%
Average		39.7 (44.6%)			67.3 (75.6%)			71.3 (72.8%)		

Source: Compilations by the authors.

Results in Table 2 confirm *H1* — generally, larger banks tend to be more transparent. This is true in each of the three countries with the largest bank having a higher T&D score. In Vietnam, the largest bank size (V1) is also the bank with

the highest T&D score 48 (49%), while the medium bank (V2) ranks second with a mere half of the score of 36 (37%), and the smallest bank (V3) stands the third with the score of 35 (35%). This pattern is also correct for Thailand and Singapore.

Figure 1. Assessment of final measurement scales of S&P index for nine banks

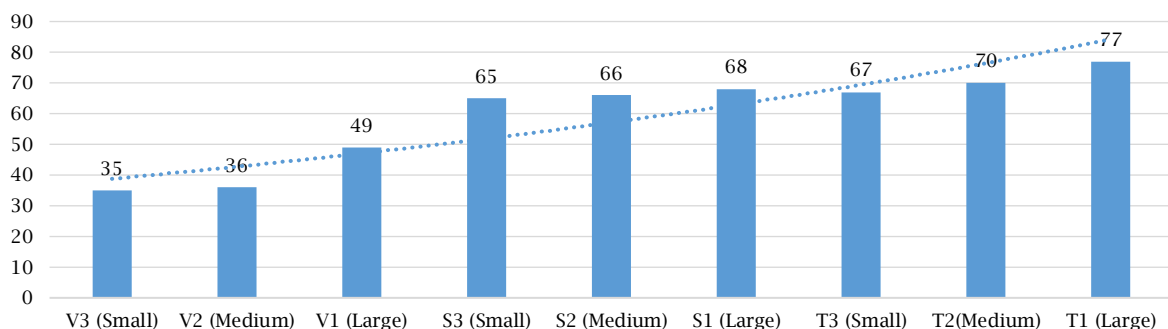


Figure 1 shows a clear difference in the total number of disclosure and information transparency scores of different commercial banks in 3 countries. Thailand has the highest scores in terms of T&D, the second is Singapore and the third is Vietnam. In Vietnam, V1 and V2 have nearly the same score with 36 points for V2 and 35 points for V3. V1 publishes more information and is more transparent than the other two banks with a total of 49 points. Singaporean and Thai banks have relatively equal scores for disclosure and transparency, with

Singapore's results being: 68 points for S1, 65 points for S3, and 66 points for S2. Transparency rankings for Thai commercial banks are still slightly better than for Singaporean with the highest score out of the surveyed banks — 77 points for T1, followed by 70 points for T2, and 67 points for T3.

Concerning the subcategories, the larger bank, the more transparent it is; *H1* is confirmed for the subcategories C1 and C2, while the same pattern is not repeated for C3.

Item 1 (C1: Ownership structure and investor rights): Regarding Transparency of ownership (C1.1), it is noted that both V2 (medium bank) and V3 (small bank) did not mention deferred shares in their reports and only published information about the quantity, face value, and voting rights of issued ordinary shares. The only bank that publishes information about ordinary and deferred shares is V1 (the largest bank in the Vietnamese sample). In addition, all 3 banks have announced the voting rights of each type of stock. However, we can find only information on issued shares but not on non-issued ones.

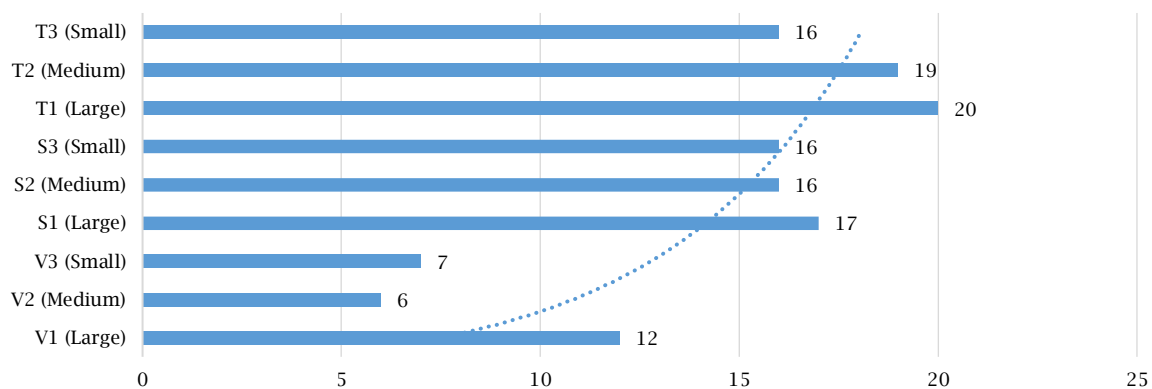
Regarding Concentration of ownership (C1.2), all three Vietnamese commercial banks have not disclosed information clearly, specifically regarding the composition of the ownership structure, with a concentration of ownership scores of 1 point for V3, 0 point for V2, and 4 points for V1. V1, the large bank, has concentration ownership scores higher than the other 2 banks in the same country because it is a state-owned bank, with a holding rate up to 80%. V2, the medium, on the other hand, has

disclosed the shareholders who own more than 5% of the shares, but this data only stops at the number of shareholders, without specifying which individual or which businesses they are among those shareholders. Therefore, in this case, V2 is not scored.

Regarding the Voting and shareholder meeting procedures (C1.3) when reviewing the minutes and resolutions of the bank's annual shareholder meeting, it is found that the minutes only stated the approved meeting's contents without going into specifically how the election and the meeting process will take place, as well as how the extraordinary meeting is convened. In addition, only V1 stated whether shareholders have the right to elect a director to the board of directors or not.

Figure 2 shows the points for C1: Thai commercial banks, especially T1 and T2, provide the most information on ownership structure and investor rights, with scores of 20 and 19 out of 28 points. T3 and three other Singaporean banks ranked lower with transparency scores ranging from 15 to 16 points.

Figure 2. C1 scores



Regarding share classes, it is noteworthy that three Singaporean banks do not mention deferred shares in their reports, but only publish information about the issued ordinary shares including the quantity, face value, and voting rights. This is also true in the case of T3 of Thailand.

Apart from the above shortcoming, transparency is highly evident in the Concentration of ownership and Voting and shareholders meeting procedures when 6 surveyed banks have fully disclosed their top 10 major shareholders and the percent of shares these shareholders hold. Moreover, the annual reports of Singaporean and Thai banks both disclose quite detailed and complete procedures as well as the rights and obligations of shareholders in the shareholders meeting.

Overall, within C1, Thai banks have higher points than Singaporean banks and Vietnamese banks. Another thing is that the large banks in all three countries have the highest points in this category. The medium bank in Vietnam unexpectedly has lower points than the smaller bank whereas the medium one in Singapore has the same scores as the smaller one. A different story can be seen in Thailand where the medium bank has higher scores than the smaller bank.

Item 2 (C2: Financial transparency and information disclosure): In Vietnam, the transparency ranking of V3 takes the lowest position with 12/35 points. V2 and V1 have scores of 15 and 18 points, respectively. To be more detailed, for Business focus (C2.1), the S&P scale evaluates based on the level of a bank's disclosure of information about development strategies, business models, products, financial indicators, revenues, profits, and investment plans.

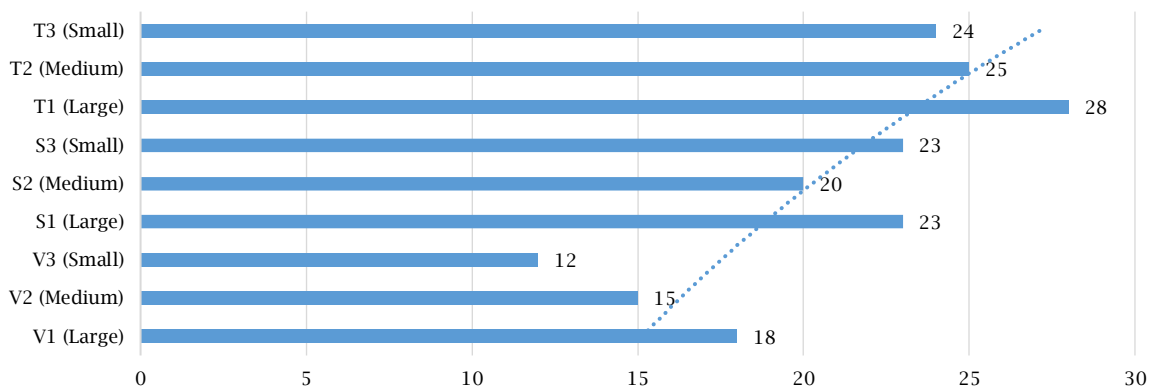
According to the assessment, all the three Vietnamese banks have published corporate strategy, type of business, and financial ratios (ROA, ROE); however, they all fail to give information about earnings forecasts, or output forecasts of any kind. The only bank out of the three that announced investment plans for the coming years in their annual reports is V2. Besides, a very interesting question on the scale in this section is whether the bank discloses its market shares for any or all of its business. However, none of these banks have managed to publish this information. In general, the Vietnamese bank with the highest transparency in business focus is V1 (7/15 points). The other two banks have scores of 3/15 and 5/15 points, respectively.

Regarding Accounting policy (C2.2), all three banks have published the full and valid consolidated financial statements, as well as quarterly financial statements. Accounting policies and standards, as well as methods of asset valuation and depreciation, are clearly and legally published according to the local accounting standard. However, when evaluating the question of whether banks publish their financial statements according to internationally recognized accounting standards, none of the three banks meet this criterion. Specifically, the three surveyed Vietnamese banks apply the Vietnamese Accounting Standards (VAS) and this standard is recognized only domestically.

Related parties and Auditing (C2.3): The three Vietnamese banks have published the ownership structures of the associated, joint venture firms in their annual reports. However, none of these three banks has disclosed any information about the firms it holds minority stakes. For audit information, transparency is evident when all three banks publish audit reports on their financial statements.

However, when evaluating the audit fees and non-audit fees, the author noticed a remarkable fact that all the Vietnamese commercial banks surveyed have not published this item.

Figure 3. C2 scores



In the assessment of Thai and Singaporean banks, the results show that the financial transparency ranking of the Thai commercial banks is at the top with a score of 24 points for T3, 25 points for T2, and 28 points for T1. Singaporean banks publish less financial information than Thai banks, resulting in a score of 23/35 points for S1 and S3 and S2 points for OCBC.

Information transparency of six commercial banks about business focus is the weakest when very few banks disclose little information about earnings forecast or output forecast of any kind. The only banks that announce their investment plans for the coming years in their annual reports are T1 and T2. Besides, a very interesting question on the scale in this section is whether the bank discloses its market shares for any or all of its business. The result is surprising because only two banks mentioned this item in their report which are T1 and T2.

Regarding accounting policy, both Singaporean and Thai banks have met all the questions in the S&P scale. Moreover, Singapore Financial Reporting Standards, and Thailand Financial Reporting Standards have fully adopted their criteria according to the International Financial Reporting Standards (IFRS) so their accounting standards are internationally recognized.

Other information about related parties' transactions and audit fees are highly transparent and disclosed in a specific and flagrant manner by most of these commercial banks. In addition, two banks that disclose information about the firms it holds minority stakes are T1 and T3.

Overall, within C2, Thai banks still have higher points than Singaporean banks and Vietnamese

banks. Large banks in all three countries also have the highest points in this category. The medium banks in Vietnam and Thailand have higher scores than the smaller banks. A different story can be seen in Singapore where the medium bank has lower points than the smaller bank.

Item 3 (C3: Board structure and process): In Vietnam, it is clear that all Vietnamese banks in the sample publish more information about the Board structure and process than any other kinds of information. Specifically, V1 has the highest transparency score with 18/35 points. V2 and V3 have slightly lower rankings with 16 and 15 points, respectively. However, similarly to the financial transparency, there are still many rooms for improvement in this criteria.

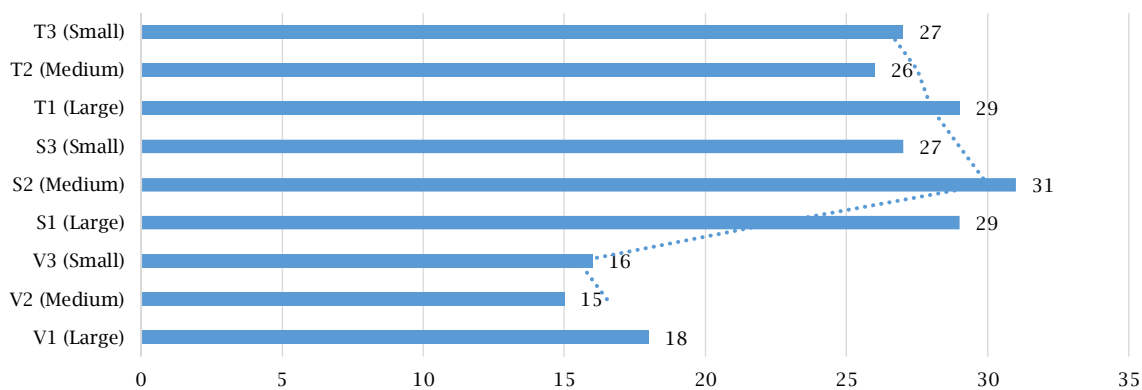
In C3.1, S&P assesses the bank's transparency in detail about the information of its board members, namely positions, personal information, education, year of appointment, etc. along with the role of the board of directors and committees in the bank. From the survey data, we find that generally, three banks have provided quite complete and transparent information related to board members. These details can all be found easily by investors in the bank's annual report. However, information related to the roles and issues reserved for the board of directors was not disclosed by the two banks V2 and V3. The corporate governance charter on the annual report of these two banks only introduces the members of the board but does not specify what their roles and responsibilities are for the bank. In general, of the three Vietnamese banks, Bank for Investment and Development of Vietnam (BIDV) still discloses more information when it comes to the activities and duties of the board of

directors. Regarding the committees in the bank, the most notable point is that all three Vietnamese banks do not have a remuneration committee or nomination committee. The absence of this committee leads to the decision of the salary and bonus of the members of the board of directors and the executive board is not publicly and transparently disclosed by the bank, but will be analyzed more closely by the author in the following section

Role of the board (C3.2): for this subcategory, the first information we find is whether the bank discloses the number of shares held by the board members and executives. Our survey suggests that V1 and V3 do disclose this information in their annual report or minutes of the shareholders' meeting, only V2 did not disclose this matter in the past year. According to the authors' findings,

the bank only announced the number of shares held by people related to the bank. In addition, regarding the training of directors, V2 and V3 only provided information in their management reports that there was training but did not clearly disclose the schedule of those training sessions and the number of shareholders attending. V1 has announced more specifically. Regarding the remuneration of the board of directors and executives, as mentioned above, it is partly because Vietnamese banks do not set up a board of remuneration, so the transparency in this criterion is very poor. The announced information only stops at the total salary and bonus that the bank pays to the board and executives, but the specific number each member receives is not available. In addition, the form of payment in cash or shares is not mentioned.

Figure 4. C3 scores



It shows that all six commercial banks disclose more information about the board structure and process than any other kind of information. Specifically, Singapore's S2 has the highest transparency score with 31/35 points. T1 and S1 rank second with a score of 29 points for each bank. S3, T2, and T3 have transparency scores ranging from 26 to 27 points. These scores indicate that the transparency in this section is very high, as most banks have fully published information about the board members and their duties, as well as the remuneration on which each member of the board and the executives received. However, a point worth noticing is that very few banks can give information about the number of shares each board members hold or the performance-related pay for the board.

Generally, the points of T&D in this category as well as the previous categories show the predominance of Thai and Singaporean banks and not always the medium banks have higher scores than smaller banks but the large banks always are the leaders in the category. The same pattern can be seen in the final ranking in each country, the large banks normally get the highest T&D score (V1, T1, S1). However, we cannot draw the pattern across the countries because the Singaporean banks have a bigger size than Thai banks but their T&D scores are still lower.

According to Patel and Dallas (2002), smaller firms generally provide less information. It is true in the case of Vietnamese commercial banks: V3 with the smallest market capitalization has the lowest

total score of 35/98, while the medium V2 and the largest V1 with 1, 14 points higher, respectively. In addition, S&P also pointed out that big firms can provide more robust information as a best practice — not just because it is required by law. This is also true for the case of V1 of the fact that the bank provides voluntary sustainability reports, which is not required in the disclosure guidelines of the Vietnam Ministry of Finance. In contrast, the other two Vietnamese banks in our sample lack a lot of information according to the guidelines of the Vietnam Ministry of Finance. This certifies the fact that larger banks have the intention to provide better transparency and have more market power.

In addition, our paper suggests that there is a similarity in the three Vietnamese banks for the subcategory 3. The Vietnamese banks do not disclose information on salaries and bonuses paid to the board and the executives. Also, the executives' audit committee does not reveal audit fees, activities of the board of directors to the stakeholders.

In comparison with two other countries' commercial banks, it can be seen that there is a fairly clear disparity between the information transparency among the countries. The transparency score of the Thai and Singaporean banks ranges from 65 to 77/98 points, which is higher than that of the Vietnamese banks. The Vietnamese banks release much less information, with transparency scores just merely half of their Singaporean and Thai peers. This shows an alarming situation for the Vietnamese commercial banks, which requires

more effort from the banks in particular and the State Bank to close the gap between Vietnam and other countries in the region.

5. CONCLUSION

Information disclosure and transparency are always the goals towards creating a healthy, civilized, law-abiding competitive environment, and promoting a sustainable banking market. The authors applied the S&P T&D measurement scale to score, analyze and evaluate the information transparency and the results show that Vietnamese commercial banks' T&D is still weak and much more limited compared to other countries in the same region. Furthermore, bank size has a link with T&D ratings, emphasizing the necessity for smaller banks to maintain compliance with legal obligations when sharing information. In comparison to other neighboring nations, even the large bank in Vietnam still has a very low T&D rating. There are many causes regarding these problems, such as the state management is still loose, the bank itself and in

particular, the senior leaders are not or incorrectly aware of the effect of information transparency, moreover, the quality issues of auditing, credit rating, or human resources all affect the current information transparency of Vietnamese commercial banks. From the above important results, our intention is to start research to investigate the main drivers to reduce the T&D of Vietnamese commercial banks and how to improve their T&D in the near future.

Despite many efforts, we also found that this research still has some limitations, such as if we can increase the number of observed samples, the comments and assessments will increase the objectivity. In addition, the study only focuses on commercial banks that publish annual reports and are listed on the stock exchange, if the scope is further expanded, the representativeness will be higher. In summary, although there are certain limitations, our topic still ensures to solve the original research objectives and brings to light the current situation of Vietnamese commercial banks' information disclosure and transparency.

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APPENDIX

Table A.1. List of the surveyed commercial banks

No.	Names	Code	Founded year	Total assets (billion USD)	Sources
1	Bank for Investment and Development of Vietnam	BIDV (Large_V1)	1957	63.33	https://www.bidv.com.vn
2	Military Commercial Bank	MBB (Medium_V2)	1994	21.49	https://www.mbbank.com.vn
3	Vietnam Maritime Commercial Bank	MSB (Small_V3)	1991	7.67	https://www.msbank.com.vn
4	The Development Bank of Singapore	DBS (Large_S1)	1968	491.21	https://www.dbs.com.sg
5	Oversea — Chinese Banking	OCBC (Medium_S2)	1932	391.43	https://www.ocbc.com
6	United Oversea Bank	UOB (Small_S3)	1935	304.33	https://www.uob.com.sg
7	Krungthai Commercial Bank	Krungthai (Large_T1)	1966	111.16	https://www.krungthai.com
8	Siam Commercial Bank	SCB (Medium_T2)	1907	104.54	https://www.scb.co.th
9	Bank of Ayudhya	Krungsri (Small_T3)	1945	86.11	https://www.krungsri.com