THE IMPACT OF FOREIGN OWNERSHIP ON CORPORATE SOCIAL RESPONSIBILITY

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Abstract

Firms around the world are paying great attention to enhancing their corporate social responsibility (CSR) practices and international stakeholders are believed to have the potential to offer significant insight and knowledge to help firms expand their CSR efforts (Tokas & Yadav, 2023). This study is among the few to identify the impact of offshore owners on the CSR activities of publicly traded companies in Vietnam. With 309 firms included in the study during the period of 2015 and 2019, using ordinary least squares (OLS) estimation and robustness tests, the empirical result indicates that greater engagement of foreign owners improves the CSR practices of publicly listed firms in Vietnam. This finding aligns entirely with existing theories on the relationship between foreign ownership (FO) and CSR, such as superior knowledge transfer theory, capital-based linkage theory, legitimacy theory, and stakeholders' theory. Another interesting finding of this research is a significantly positive relationship between FO and CSR of nonenvironmentally sensitive firms while no significant impact is found in environmentally sensitive firms. The implication drawn from this outcome suggests that Vietnamese companies should use the robust backing provided by international stakeholders to effectively implement CSR initiatives, with the ultimate goal of achieving sustainable development.

Keywords: CSR, Foreign Ownership, Global Reporting Initiative (GRI), Vietnam

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1. INTRODUCTION

Corporate social responsibility (CSR) is a significant subject that arises within the context of the business world. CSR refers to the decisions and actions taken by firms to incorporate environmental, social, and economic considerations into their business practices. Firms that embrace CSR are anticipated to be concerned not only with the well-being of their shareholders but also with the welfare of diverse stakeholders as a whole (Suzuki et al., 2010). Numerous studies have provided substantial evidence regarding the favorable effects of CSR such as increasing firm value (Hu et al., 2018), reducing credit risk (Bannier et al., 2022), improving corporate image (Jeong et al., 2018), motivating and entertaining employees or attracting prospective customers (Sprinkle & Maines, 2010).

Given this circumstance, companies around the world are making significant efforts to improve their CSR procedures, with a particular focus on firms in developing economies. However, developing economies can be classified as a distinct set of nations characterized by volatile socioeconomic and political conditions, resulting in a lack of established conventions, business standards, and values. Additionally, these economies often have inadequate legal systems, deficient corporate governance structures, and limited expertise in the implementation of CSR initiatives. For that reason, international stakeholders have the potential to offer significant insight and knowledge to companies seeking to expand their CSR efforts.

The scholarly and research community has shown significant interest in examining the relationship between foreign ownership (FO) and CSR practices, particularly in developing countries where CSR is still in its nascent stages. Nevertheless, the empirical findings exhibit a wide range of outcomes. Several studies have provided evidence to support the notion that FO has a favorable influence on CSR practices (Guo & Zheng, 2021; Lin & Nguyen, 2022; Li et al., 2021; Long et al., 2023; Nyeadi et al., 2021; Tokas & Yadav, 2023). The phenomenon at hand can be explained through the integration of multiple economic theories, including but not limited to superior knowledge transfer theory, capital-based linkage theory, legitimacy theory, and stakeholders' theory. Consequently, the existence of FO has the potential to facilitate the dissemination of information, technology, and management practices from developed to developing nations, thus, gradually improving the performance of CSR in the latter. Moreover, in the pursuit of market development objectives, foreign investors are inclined to prioritize the long-term and sustainable goals of host enterprises, as well as the prosperity of diverse stakeholders. Consequently, they tend to focus on the CSR initiatives undertaken by the host firms.

On the other hand, a negative correlation between FO and CSR practices is found in the research by Zulvina et al. (2017), while Amran and Devi (2008), Gulzar et al. (2019), and McGuinness et al. (2017) do not observe a significant impact of offshore owners on CSR. The inconsistent results regarding the impact of FO and CSR practices pose a theoretical gap and raise the question of whether FO improves or reduces CSR practices.

This study was carried out to investigate the influence of FO on the implementation of CSR in listed Vietnamese companies. The selection of the Vietnam market is driven by several motivations. Firstly, the implementation of CSR is a notable problem in Vietnam. The Vietnamese government has been actively promoting CSR activities and improving information transparency through the formulation and enactment of various policies such as Circular No. 155/2015/TT-BTC issued in 2015, providing instructions for companies to disclose CSR information, or the changes in the Vietnam Law on Securities No. 54-2019-QH14 which has further expanded provisions related to CSR. Furthermore, Vietnam is actively pursuing the 2021–2030 National Action Plan for Sustainable Development (Office of the Prime Minister, 2017) highlighting the importance of the implementation of CSR. Second, Vietnam's dependence on foreign trade is a significant aspect worth mentioning. Foreign investors have emerged as crucial partners for Vietnamese firms due to rapid economic expansion, financial market reform, and capital market deregulation. Therefore, Vietnamese export enterprises are required to comply with a variety of rules and CSR standards imposed by international purchasers to meet the increasing demands of customers in other countries. Therefore, conducting an analysis of the influence of FO on CSR practices in this developing nation, specifically during the period coinciding with the implementation of CSR rules, has the potential to yield significant information.

The empirical results of our study suggest that the greater involvement of foreign owners enhances the CSR practices of publicly listed firms in Vietnam. The findings of this research align entirely with existing theories on the relationship between FO and CSR, as well as corroborating the findings of numerous other studies. This result is also confirmed by various robustness tests. An interesting discovery of this study is the absence of a statistically significant correlation between FO and CSR among environmentally sensitive firms. However, a significantly positive relationship is observed for non-environmentally sensitive firms. This can be explained by the fact that environmentally sensitive firms have to allocate huge funds in the initial stages to meet the minimum environmental requirements, and additional costs related to CSR activities or CSR reporting are not considered necessary.

Moreover, to the best of our knowledge, there is a limited body of literature that examines the effects of FO on CSR in the Vietnamese market. Therefore, this study aims to address this research gap by offering empirical evidence on the impact of FO and CSR in Vietnam. Among very few studies with similar topics in Vietnam, the research data used in this article are comparatively more recent. In particular, the data cover the year 2015, a significant period during which legislation was introduced mandating the publication of CSR information for listed corporations. Furthermore, an additional distinctive aspect of this research is that the CSR information was obtained using the Global Reporting Initiative (GRI) methodology, employing a binary scale for evaluation. The GRI framework is widely recognized and used worldwide for the assessment of CSR scores, as it is considered to provide a comprehensive and reliable measure of CSR performance.

After this introduction, the remaining sections of this paper are organized as follows. Section 2 represents the Vietnamese context of the implementation of CSR and FO and deals with the literature review, while Section 3 explains the research methodology and describes the data used. The empirical results are then illustrated in Section 4 with the discussion. The conclusion is made in the final Section 5.

2. LITERATURE REVIEW

2.1. Background

The disclosure of information about CSR in Vietnam has garnered significant attention in recent years, reflecting its growing importance. In collaboration with numerous organizations and stakeholders, the Vietnamese government has actively promoted CSR activities and increased transparency through the formulation and implementation of various policies. In particular, on October 6, 2015, Circular No. 155/2015/TT-BTC which was issued by the Ministry of Finance, has increasingly disclosed CSR-related information a near-mandatory component in companies' annual reports. This circular underscores the concerns of relevant parties on the matter and provides guidelines for firms on disclosing CSR information, focusing on three primary areas: environmental protection, employee benefits, and community activities. Furthermore, the circular highlights the requirement to provide CSR details in annual reports or CSR reports for listed companies on the stock exchange. Furthermore, to emphasize the importance of CSR, the Vietnam Enterprise Law has further expanded the provisions related to CSR. This law requires that businesses actively contribute to the betterment of the community, society, and environment. To help businesses better adhere to disclosure requirements, the Vietnam Law on Enterprises No. 59/2020/QH14 has laid out more detailed and specific instructions for public companies on the disclosure of environmental and social activities in their annual reports. Beyond just legislating, the government also strives to launch initiatives to promote CSR in Vietnam. Among them, the National Action Plan for Sustainable Development (Office of the Prime Minister, 2017) is considered a specific plan for CSR in the period 2021–2030. The government has incorporated CSR principles of CSR into its sustainable development plan, highlighting the importance of responsible business practices.

In the context where CSR is increasingly respected and has become a key factor for the sustainable growth of businesses in Vietnam, the surge in foreign direct investment (FDI) serves as a testament to the appeal of the Vietnamese market to international investors. According to statistics from the Foreign Investment Agency, part of the Ministry of Planning and Investment in Vietnam, the first half of 2023 saw foreign investors contributing nearly \$16.24 billion through newly registered capital, capital adjustments, share purchases, and capital injections, marking a 4.5% increase compared to the same period in 2022. Furthermore, FDI project investments surged by 38.6%, newly registered capital increased by 4.5%, and the number of projects expanded by 75.5%. This increase in FDI has led to a rise in the number of overseas-owned enterprises in Vietnam. Simultaneously, within the backdrop of globalization and the growing emphasis on CSR in Vietnam, adherence to CSR standards has evolved into not just a mere obligation, but a pivotal determinant of a company's reputation and market standing (Hummel & Schlick, 2016). Companies with foreign capital are no exception to this trend and are progressively establishing elevated CSR benchmarks. This strategic move aims to protect and strengthen its investment foothold within the Vietnamese landscape.

Furthermore, another reason Vietnam was selected as the research location is due to its distinctive economic landscape and corporate culture. Kabir and Thai (2021) argue that Vietnam, an emerging nation, has recently implemented novel corporate governance standards and regulations to ensure enhanced participation of shareholders, boards of directors, and top management in shaping the company's strategies and CSR initiatives. In the context of rapid economic progress, financial market transformation, and capital market liberalization, foreign investors have become vital stakeholders for Vietnamese businesses. They play a significant role in Vietnam's steady shift towards a market-oriented economy. Another noteworthy feature is Vietnam's reliance on foreign trade. Hence, Vietnamese export companies must adhere to various regulations and CSR standards demanded by international buyers to satisfy the high expectations of customers in those countries.

For the above reasons, determining the impact of FO on the CSR of Vietnam-listed firms is increasingly necessary. This research article enriches the broader realm of CSR studies and importantly informs business strategies and CSR decisions for foreign-owned enterprises operating in Vietnam.

2.2. Theoretical framework

The link between FO and the CSR implementation of firms can be explained by several theoretical frameworks. The superior knowledge transfer theory contends that effective knowledge transfer is crucial for the successful operation of multinational companies (Nyeadi et al., 2021). When foreign owners invest directly in the subsidiary of a host country, they will try to transfer their superior practices and knowledge accumulated over time to the host firms. This knowledge, which is frequently filled with CSR techniques, will be valuable for the implementation of social and environmental activities in host firms (Long et al., 2023). Lehnert et al. (2013) argue that foreign investors efficiently integrate financial resources and trained labor, as well as introduce professional managerial techniques and governance practices to their host firms. However, it is noted that the effectiveness of this knowledge transfer is largely based on the quality of the CSR practices of the parent company. Investment from a country with higher requirements and standards regarding social and environmental responsibilities might benefit CSR, while investment from poor CSR practice countries will not make any significant change in the CSR activities of host firms (Li et al., 2021).

With the same view, capital-based linkage theory suggests that there is a connection between FO and CSR activities in developing nations (Nyeadi et al., 2021). Foreign investment from countries that strongly believe in the value of CSR can serve as the primary motivation for CSR appliances and disclosures in developing countries. The argument once again contends that FO can lead to the transfer of knowledge, technology, and management practices that will gradually improve CSR performance (Tokas & Yadav, 2023).

Furthermore, foreign investors are more vulnerable to political and social risks, since they are strangers to the regulatory and social circumstances of the host company. These unexpected cultural and regulatory challenges can cause foreign owners a loss of legitimacy (Han, 2021). Empirical findings demonstrate that with the help of CSR commitment in their activities, foreign investors are able to increase the legitimacy of their environmental and social activities (Kabir & Thai, 2021; Li et al., 2021; Nyeadi et al., 2021). In this case, CSR is taken as "a shield for legitimacy reasons" (Kabir & Thai, 2021, p. 3).

Another reason to explain the FO-CSR linkage comes from stakeholder theory. According to stakeholder theory, in their operations, firms are responsible for taking into consideration the interests of their stakeholders, including labors, investors, suppliers, customers, and the whole society (Kabir & Thai, 2021). Therefore, foreign investors can put great pressure on firms to implement CSR activities due to increasing expectations from stakeholders. In this way, implementing CSR activities and releasing CSR information can act as a sign to stakeholders about responsibility and reliability.

Supporting the view of a complex linkage between FO and CSR practices (Nyeadi et al., 2021) argue that multinational companies have two major motives to invest abroad, which are market expansion and resource search. In terms of market expansion, foreign investors will be more likely to care about the long-term and sustainable goals of host firms and, for that reason, concentrate on the CSR activities of host firms. On the other hand, when the reason for foreign investment is resource search, foreign owners will focus mainly on utilizing the needed resources with minimum cost rather than implementing innovative activities for the host firms. In that case, FO does not necessarily have to do with improving CSR practices.

In general, despite different explanations of the mentioned theories on the influence of foreign owners on CSR, it is widely accepted that FO improves CSR practice and disclosure of host firms.

2.3. Empirical research on foreign ownership and CSR

The discussion of how FO affects CSR practices has attracted great attention from scholars and researchers, especially in developing nations where CSR practice is still in its initial stages of development. However, the empirical findings are diverse.

There are a number of studies supporting the positive impact of FO on CSR practices (Guo & Zheng, 2021; Lin & Nguyen, 2022; Li et al., 2021; Long et al., 2023; Nyeadi et al., 2021; Tokas & Yadav, 2023). Research by Tokas and Yadav (2023) observes a significant positive impact of FO on CSR investment and concludes that listed firms in India with foreign owners spend more on CSR activities than local firms do. This finding is in line with the argument put forth by Thuy et al. (2021) that offshore owners tend to invest a great sum in CSR practices in host countries to enhance their business image and earn creditability among stakeholders. Guo and Zheng (2021) confirm the result of the positive link between FO and CSR and add that investors from more distant and developed nations will have a greater impact on the quality of CSR implementation in China. This view is explained by the fact that legal compliance is considered the most fundamental duty in developed countries and obviously better than in developing ones. For that reason, the legal institutional distance will promote the substantial influence of FO on CSR practices. Another research implemented on the South African market takes a deeper look at the relationship between FDI and CSR when it investigates not only the relationship of FDI with the total CSR score but also the subsections of CSR activities. Nyeadi et al. (2021) find that while FDI shows a strong and positive correlation with the total score of CSR performance and remains in the same direction of impact with the social and environmental components, it shows a weak relationship with governance practices. Since South African companies have a long history of enterprise governance, they are deemed to already have a better, robust, and comprehensive governance structure. Therefore, their institutions are not affected by outside owners. This idea is proved by Corredoira and McDermott (2014) that the influence of FDI on host firms' CSR activities decreases in the context of a country with already high-quality corporate governance structures.

On the contrary side, while foreign board members play a crucial role in improving the CSR information of listed firms in Russia, the higher percentage of FO decreases the firm's CSR performance. This is because the primary motivation for foreign investors to invest in Russian firms is effective tax allocation. This view is supported by research by Zulvina et al. (2017), the authors also discovered a negative correlation between FO and CSR in Indonesia.

Certain context-specific factors are shown to reduce the impact of offshore owners on CSR practices in emerging nations. Kang et al. (2019) conducted research in the Korean market to identify the link between different ownership structures and CSR in a non-Western country. They find that shareholders from Anglo-American contexts lower the CSR practices, while those from non-Anglo-American contexts improve the CSR practices of the firm. Similarly, when analyzing the impact of Arab and non-Arab owners on the social activities of companies in the United Arab Emirates (Al-Gamrh et al., 2020) came up with a result of a positive sign with non-Arab investors and a negative sign with Arab investors.

Although several researches found a significant relationship between foreign owners and CSR, some do not observe a substantial connection (Amran & Devi, 2008; Gulzar et al., 2019; McGuinness et al., 2017). Meutia et al. (2017) discovered that, since the percentage of FO in Indonesia is relatively small, foreign owners cannot improve the host firm's CSR disclosure. Additionally, the majority of foreign investors in Indonesia are from Asian countries that are assumed to have lower expectations of transparency in environmental and social information. Sharing the same view, Gulzar et al. (2019) argue that there is less incentive for foreign institutional investors to become more involved with the host companies, so there is no correlation between the two variables.

The literature on the correlation between FO and CSR activities in Vietnam is relatively scarce. Most research focuses on the impact of CSR on the financial results of the firms (Nguyen et al., 2021) or analyzes the implementation of CSR in the Vietnamese market (Oanh et al., 2021; Thanh & Podruzsik, 2018; Vu & Buranatrakul, 2018). Several researchers seek the determinants of CSR practice that include FO (Kabir & Thai, 2021; Lin & Nguyen, 2022).

Research conducted by Lin and Nguyen (2022) investigated the correlation between various forms of ownership structure and the CSR practice of companies in Vietnam and found that while the percentage of foreign and managerial ownership positively affects the implementation of CSR, state ownership does not. However, one limitation of this study is the small number of research samples with only 65 listed companies, which does not cover the majority of listed companies in Vietnam. Our study will bridge this gap by expanding the research sample to 309 publicly listed companies on the Vietnamese Stock Exchange. The chosen research period spans from 2015 to 2019, making a total of 1,545 firm-year observations. It is believed that a larger size of observations will be able to produce better regression results (Sedlmeier & Gigerenzer, 1997).

A large number of observations (Kabir & Thai, 2021) found a positive impact of FO, chief executive officer (CEO) education, and women on board on CSR disclosure of listed firms in Vietnam. This research has successfully applied different theories to explain the findings of determinants in CSR. However, the CSR data in this research were obtained from 2008 to 2013, before Circular No. 155/2015/TT-BTC of the Ministry of Finance was issued (October 6, 2015). The issuance of this circular has disclosed CSR-related information a nearly mandatory component in company annual reports. Our study is implemented for the research period from 2015 to 2019 to see the impact of this circular on the CSR practice of listed firms.

In conclusion, the direction of the relationship between FO and CSR practices found in empirical research is inconsistent, and there is a lack of empirical research on the relationship between FO and CSR activities of firms in developing nations such as Vietnam. Additionally, research on the implementation of CSR has garnered considerable attention, particularly in response to recent legislative rules that require listed companies on the stock exchange to disclose their CSR activities.

3. RESEARCH METHODOLOGY AND DATA

3.1. Data sample

To examine the influence of FO on CSR, this study uses a dataset consisting of companies that are publicly listed on the Hanoi Stock Exchange (HNX) and the Ho Chi Minh Stock Exchange (HOSE), covering the period from 2015 to 2019. Data for a total of 86 standards from the GRI were found through the analysis of annual reports spanning the years 2015–2019, obtained from a sample of 309 non-financial companies. The unavailability of data from the GRI Standards before 2015 constitutes the principal reason for our selection of the research period. The period from 2020 to 2022 was excluded from the study mainly due to the crisis caused by the COVID-19 pandemic, which was initially reported in Wuhan, People's Republic of China in December 2019 and spread globally. The economic consequences of the pandemic have resulted in income reductions, increased unemployment, decreased aggregate demand, increased import and export costs, and decreased international trade on a global scale. Since then, global economic development has slowed significantly, influencing the trend of global FDI flows, particularly FDI inflows into Vietnam. In terms of CSR, COVID-19 presents problems to corporations and organizations. The financial difficulties produced by the outbreak, both short-term and long-term, may considerably push enterprises to pursue short-term advantages, perhaps even through fraud and misconduct, and diminish long-term CSR investment, most likely due to a lack of slack resources and mounting pressure for survival (He & Harris, 2020).

The final sample for our study includes 309 non-financial enterprises from Vietnam listed on the Vietnam stock markets between 2015 and 2019. This selection process yields a total of 1,545 firm-year observations. The financial data are sourced from the Bloomberg database. Financial enterprises, such as banks, insurance companies, and financial institutions, are excluded from our analysis. This decision is based on divergent accounting rules and practices, as well as distinct business characteristics that distinguish these entities from non-financial organizations. Throughout the research period, all companies under investigation were listed on both HNX and HOSE. The final sample comprises a balanced panel dataset, with a total of 1,545 observations representing firm-year combinations. To mitigate the influence of outliers on the results of our study, we employ a technique known as winsorization, in which we truncate the data at the 1st and 99th percentiles.

The firm's industry categorization is determined using the Industry Categorization Benchmark (ICB), which is a dummy variable. According to previous research in the fields of real estate and construction, industrial operations, energy production, materials extraction, and manufacturing have been classified as industries with a high degree of environmental sensitivity. Certain sectors have greater social pressure to participate in CSR initiatives compared to other businesses (Seguí-Mas et al., 2018).

The categorization of the ICB-based industry for the sample is shown in Table 1. It is seen that the industrial sector comprises the biggest number of businesses (71), while the manufacturing sector has the fewest number of firms, with each industry having only 3 firms.

Table 1. Industry classification

Industry	*Environmental sensitivity*	*No. of firms*	*Proportion*
Real estate and construction	High	69	22.3%
Industrial		71	23.0%
Energy		29	9.4%
Materials		20	6.5%
Manufacturing		3	1.0%
Technology	Low	4	1.3%
Services		37	12.0%
Consumer goods		31	10.0%
Health care		14	4.5%
Agriculture		31	10.0%
Total		**309**	**100%**

3.2. Variable measures

3.2.1. Dependent variable

This study uses CSR disclosure as the representation of CSR practices in Vietnam, which is the same measure applied in several previous researches. The collection of CSR disclosure data is a manual process in which information is extracted from the annual reports of firms listed on HNX and HOSE.

This data collection adheres to the requirements set out by the GRI. According to the GRI guidelines, there are four distinct categories, including a total of 86 indicators for the disclosure of GRI. These categories include general corporate information disclosure (*GRI-1*), economic disclosure (*GRI-2*), corporate environmental practice disclosure (*GRI-3*), and corporate social practice disclosure (*GRI-4*). The adoption of the dichotomous process, often known as the binary scale system, was implemented. A binary value of 1 was assigned to indicate the disclosure of the item, while a value of 0 was assigned to indicate the non-disclosure of the item. This approach assigned equal significance and value to all disclosures. Prior research has also employed this particular methodology (Haniffa & Cooke, 2005).

$$CSR_{ij} = \sum_{t=1}^{86} \frac{X_{ij}}{86} \quad (1)$$

where, CSR_{ij} = corporate social disclosure index j firm at i year; $X_{ij} = 1$ if i item disclosed; $X_{ij} = 0$ if i item is not disclosed.

3.2.2. Independent variable

The chosen independent variable examined in this study is foreign ownership (*FO*). The utilization of the percentage of shares held by foreign investors serves as a surrogate indicator for assessing the extent of *FO*.

3.2.3. Control variables

In terms of control variables, we opt to employ return on equity (*ROE*) as a metric for assessing the company's profitability, and financial leverage (*LEV*) as a metric for evaluating the company's long-term solvency. The existing body of academic research asserts a substantial correlation between the aforementioned factors and CSR reporting, therefore, justifying our selection of these variables. Previous research has established a clear and direct correlation between the degree of corporate social disclosure and the scale of the organization. Additionally, this implies that larger firms engage in a greater number of CSR initiatives, therefore, exerting a more significant influence on society (Li & Zhang, 2010; Nyeadi et al., 2021).

In line with the findings of McGuinness et al. (2017), which suggest that improved governance and larger managerial size (*SIZE*) play a crucial role in facilitating effective CSR initiatives, our model specification incorporates a range of corporate governance variables. These variables encompass the natural logarithm of dual authority members and the number of the board (*BOARDSIZE*) of the CEO dual authority (*CEO_DUAL*). Petrenko et al.'s (2016) study used a coding system to represent CEO dual authority. Specifically, a value of 1 was assigned as a dummy variable to indicate cases where the executive directorship and chairperson positions were held by the same individual. Alternatively, it was encoded as 0.

Meanwhile, we consider the possible influence of year and industry on CSR and incorporate year and industry-fixed effects into our analysis. Variables *Year* and *Industry* serve as dummy variables of year and industry, respectively, to account for temporal effects and mitigate the influence of unobserved variations across different industries.

Table 2. Variable descriptions

Variable	*Definition*	*Label*	*Explanation*
Dependent variable	Corporate social responsibility	*CSR*	Total GRI score/86
Independent variable	Foreign ownership	*FO*	Percentage of shares owned by foreign investors
Control variables	Profitability	*ROE*	The ratio of net profit to equity
	Financial leverage	*LEV*	The ratio of total liabilities to total assets
	Size	*SIZE*	Natural logarithm of total asset
	Board size	*BOARDSIZE*	Natural logarithm of the number of the board of directors
	CEO duality	*CEO_DUAL*	Equal to 1 when the CEO holds the position of chair of the board and 0 otherwise
	Year	*Year*	Dummy variables
	Industry	*Industry*	Dummy variables

3.3. Model specification

To examine the correlation between *FO* and *CSR* performance, we establish the ordinary least squares (OLS) estimation with fixed year and industry, as outlined in the studies conducted by (Boubakri et al., 2016; Li et al., 2020).

$$CSR_{i,t} = \alpha + \beta_1 FO_{i,t} + \beta_2 Control_{i,t} + D_{year} + D_{industry} + \varepsilon_{i,t} \quad (2)$$

4. EMPIRICAL RESULTS AND DISCUSSION

4.1. Summary statistic

Table 3 presents the summary statistics. The data reveal a significant disparity in the overall *CSR* ratings, ranging from 5.8% to 90.7%. The average rating, or mean, is calculated to be 34.8%, with a standard deviation (STD) of 21.7.

Table 3. Summary statistic

Variable	*Obs.*	*Mean*	*STD*	*Min*	*Max*
CSR	1,545	0.348	0.217	0.058	0.907
FO	1,545	0.131	0.156	0.000	0.586
ROE	1,545	0.129	0.133	-0.360	0.590
LEV	1,545	0.485	0.212	0.040	0.922
SIZE	1,545	12.166	0.579	10.818	13.724
BOARDSIZE	1,545	0.770	0.099	0.602	1.041
CEO_DUAL	1,545	0.290	0.454	0	1

The variable *FO* exhibits a range of values from 0 to 0.586, with a mean value of 0.131. This suggests that on average, the proportion of shares owned by foreign investors amounts to around 13.1% of the total shares.

4.2. Correlation matrix

Table 4 displays the results of a Pearson's correlation study. The research findings do not provide any statistical evidence on the issue of multicollinearity, as indicated by the absence of figures in the correlation coefficient values. Furthermore, variance inflation factors (VIFs) were used to assess the presence of multicollinearity within our research dataset. The model exhibited a VIF score of 2.47, suggesting the absence of multicollinearity issues. This finding aligns with Baccouche et al.'s (2013) research, where a VIF value below 5 is considered acceptable.

Table 4. Correlation matrix

Variables	*CSR*	*FO*	*ROE*	*LEV*	*SIZE*	*BOARDSIZE*	*CEO_DUAL*
FO	0.240***	1					
ROE	0.109***	0.129***	1				
LEV	-0.0905***	-0.138***	-0.130***	1			
SIZE	0.307***	0.335***	0.0277	0.287***	1		
BOARDSIZE	0.117***	0.271***	0.0129	-0.0319	0.192***	1	
CEO_DUAL	0.118***	0.0220	-0.0177	0.0315	-0.0210	-0.0254	1
CSR	1						

*Note: ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.*

4.3. Univariate test

The use of a 10% benchmark is used as a proxy for *FO*, as stated by Nyeadi et al. (2021). Consequently, observations exhibiting a *FO* greater than 10% may be classified as having high *FO*, whereas those with *FO* below this threshold may be categorized as having low *FO*. Table 5 shows the outcomes of the t-test conducted to assess the disparity in mean values for each variable between observations with high and low levels of *FO*. Our analysis reveals that firms with high and low levels of *FO* exhibit considerably higher levels of *CSR* performance compared to firms with low levels of *FO*. The t-statistic indicates that the observed disparities in average *CSR* performance exhibit statistical significance at a significance level of 1%. The findings presented align with the initial evidence provided in Table 5, suggesting a positive correlation between *FO* and improved *CSR* performance. Nevertheless, these assessments fail to account for additional elements that might potentially influence *CSR*. Next, we proceed with the implementation of multivariate analysis.

Table 5. Univariate test

Variable	*Firms with high FO*		*Firms with a low FO*		*Mean difference*	*t-value*
	N	*Mean*	*N*	*Mean*		
CSR	620	0.389	925	0.320	0.069***	6.14

*Note: ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.*

4.4. Main regression results

Table 6 below summarises the findings of the above research regarding the relationship between *FO* and *CSR* disclosure.

Table 6. Baseline regression

Variable	*CSR*
FO	0.164***
	(-4.54)
ROE	0.154***
	(-4.14)
LEV	-0.125***
	(-4.96)
SIZE	0.101***
	(-9.92)
BOARDSIZE	0.0875*
	(-1.72)
CEO_DUAL	0.0599***
	(-5.61)
Year-fixed effects	Yes
Industry-fixed effects	Yes
N	1535
R-square	0.28

*Note: All regressions control for industry and year-fixed effects. The t-statistics (or Z-statistics) are shown in parentheses. The symbols ***, **, and * are used to denote statistical significance at the significance levels of 1%, 5%, and 10%, respectively.*

The findings indicate that the coefficient of *FO* is statistically significant and positively correlated ($p < 0.01$), suggesting that foreign investors tend to demand higher levels of CSR disclosure. Vietnamese listed companies are expected to improve the quality of their CSR disclosures in response to the influence exerted by foreign owners and the prevailing institutional environment. This strategic move aims to garner legitimacy and support and enhance their corporate reputation.

4.5. Robustness tests

4.5.1. Alternative measures of dependent and independent variables

To assess the robustness of our findings, we use alternative indicators of *FO* and *CSR* as independent and dependent variables, respectively, and subsequently repeat the initial regression analysis. In this study, we employ two more distinct indicators to assess *CSR*. Firstly, we incorporate a binary variable denoted as *CSR_REPORT*, which takes a value of one if the company has released a separate CSR report, and zero otherwise. Second, we consider the length of CSR reports, denoted as *PAGES*, which is defined as the natural logarithm of the total number of pages containing CSR information from the firms' report, plus one. This measure aligns with the approach used in a previous study (Li et al., 2020), providing an additional perspective on CSR. In relation to the proxy for *FO*, as discussed by Nyeadi et al. (2021), a binary variable is used. It takes a value of 1 if foreign businesses or investors possess a minimum of 10% of the entire equity of the firm and 0 otherwise (referred to as *FO_Dummy*).

Table 7. Sensitivity test using alternative indicators of *FO* and *CSR*

Variables	1	2	3	4	5	6
	CSR (BASELINE)	CSR_REPORT	PAGES	CSR	CSR_REPORT	PAGES
FO	0.164***	0.315***	0.693***			
	(-4.54)	(-5.32)	(-4.15)			
FO_Dummy				0.018*	0.0805***	0.144**
				(-1.72)	(-4.49)	(-2.85)
ROE	0.154***	0.054	0.799***	0.156***	0.0442	0.789***
	(-4.14)	(-0.89)	(-4.67)	(-4.17)	(-0.72)	(-4.59)
LEV	-0.125***	-0.128**	-0.0515	-0.145***	-0.142***	-0.102
	(-4.96)	(-3.10)	(-0.44)	(-5.79)	(-3.48)	(-0.88)
SIZE	0.101***	0.178***	0.440***	0.114***	0.191***	0.478***
	(-9.92)	(-10.72)	(-9.35)	(-11.56)	(-11.9)	(-10.51)
BOARDSIZE	0.0875*	0.142	-0.474*	0.121*	0.177*	-0.379
	(-1.72)	(-1.7)	(-2.01)	(-2.38)	(-2.14)	(-1.62)
CEO_DUAL	0.0599***	0.00823	0.105*	0.0624***	0.0107	0.112*
	(-5.61)	(-0.47)	(-2.13)	(-5.82)	(-0.61)	(-2.26)
N		1535	1523	1535	1535	1523
Year-fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry-fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
N	1535	1535	1523	1535	1535	1523
R-square	0.28	0.23	0.31	0.27	0.23	0.31

*Note: All regressions control for industry and year-fixed effects. The t-statistics (or Z-statistics) are shown in parentheses. The symbols ***, **, and * are used to denote statistical significance at the significance levels of 1%, 5%, and 10%, respectively.*

The results of the sensitivity test for the dependent variables *CSR_REPORT* and *PAGES* are presented in columns 2 and 3 of Table 7, respectively. The regression results indicate that the *FO* coefficients are positive and statistically significant at a level of 1%. This provides more support for our primary conclusion, which suggests a positive relationship between *FO* and *CSR*, even when considering different measures of *CSR*. In a similar vein, it can be observed from columns 4, 5, and 6 of Table 7 that the coefficients associated with the *FO_Dummy* exhibit consistent positive effects, which are statistically significant at the levels of 1%, 10% and 5% levels, respectively.

4.5.2. Two-stage least squares regressions

The issue of endogeneity may arise in our study due to the potential influence of unobserved factors on both *FO* and *CSR*. If this scenario holds, the use of OLS for estimation may result in biased coefficients. This problem is addressed by utilizing various econometric methodologies. Initially, we employ the two-stage least squares (2SLS) regression technique, which has been used in previous research works (Gulzar et al., 2019). In the initial phase, the use of one-year lagged values of the *FO* variable as instruments is used to derive the projected value of *FO* (Gulzar et al., 2019). Subsequently, this projected value is incorporated as an independent variable in the second-stage regression model to assess the consistency of the findings with the previous analysis.

The results of the second-stage regressions are displayed in Table 8. The findings indicate a direct relationship between *FO* and *CSR*, as observed by regression analysis. The coefficients of this model are statistically significant and are similar to the OLS regressions conducted on the factors affecting *CSR*.

Table 8. Two-stage least squares (the second stage of 2SLS)

Variable	CSR
FO	0.167***
	(-3.77)
ROE	0.180***
	(-4.21)
LEV	-0.142***
	(-4.79)
SIZE	0.108***
	(-9.03)
BOARDSIZE	0.0835
	(-1.4)
CEO_DUAL	0.0637***
	(5.11)
Year-fixed effects	Yes
Industry-fixed effects	Yes
N	1535
R-square	0.26

*Note: All regressions control for industry and year-fixed effects. The t-statistics (or Z-statistics) are shown in parentheses. The symbols ***, **, and * are used to denote statistical significance at the significance levels of 1%, 5%, and 10%, respectively.*

4.5.3. Sub-sample analysis

Upon partitioning the sample into two distinct categories, namely, sensitive and non-sensitive environmental enterprises, it is seen that the outcome of the non-sensitive environmental firms' sample closely resembles that of the baseline regression. The findings obtained from the sample carried out by environmentally conscious firms do not exhibit statistical significance in relation to *FO*. This can be explained by the fact that environmentally sensitive companies that are used as samples in this research are primarily in sectors such as industry, energy, raw materials, and manufacturing. In these sectors, substantial investment is required, and governmental policy changes have a significant impact. Therefore, to mitigate risks, foreign investors tend to invest capital in stages and adjust their investments according to the prevailing economic circumstances.

Therefore, in the short term, improving CSR disclosure is not their top priority. Second, the costs incurred by companies to minimize environmental impacts and comply with CSR reporting standards remain considerably high. Consequently, environmentally sensitive businesses allocate funds in the initial stages to meet the minimum environmental requirements, often refraining from additional investments in CSR-related activities. They prioritize directing their capital toward regular business operations.

Table 9. Sub-sample analysis

Variables	*Sensitive environmental industry*	*Non-sensitive environmental industry*
	CSR	***CSR***
FO	0.00575	0.406***
	(-0.13)	(-6.59)
ROE	0.206***	0.0723
	(-4.45)	(-1.22)
LEV	-0.112***	-0.107*
	(-3.75)	(-2.45)
SIZE	0.0900***	0.111***
	(-7.58)	(-6.23)
BOARDSIZE	-0.00857	0.234**
	(-0.14)	(-2.9)
CEO_DUAL	0.0785***	0.0386*
	(-6.03)	(-2.18)
Year-fixed effects	Yes	Yes
Industry-fixed effects	Yes	Yes
N	960	585
R-square	0.26	0.37

*Note: All regressions control for industry and year-fixed effects. The t-statistics (or Z-statistics) are shown in parentheses. The symbols ***, **, and * are used to denote statistical significance at the significance levels of 1%, 5%, and 10%, respectively.*

In contrast to environmentally sensitive businesses, *FO* does have an impact on *CSR* disclosure in the case of non-sensitive businesses. This group operates primarily in the service and agriculture sectors. These two industry segments typically do not require substantial expenditures to address environmental issues, as their core focus revolves around products and services. Non-sensitive businesses do not necessarily allocate significant resources to CSR announcements related to the environment. However, both foreign and domestic stakeholders tend to emphasize the disclosure of other aspects of social responsibility, such as labor rights, business ethics, community development, product quality, and service quality. During this phase, the dissemination of these CSR components is considered crucial for gaining a competitive edge, attracting customers, expanding market reach, and pursuing long-term business development.

5. CONCLUSION

After analyzing the collected data, the main findings derived from the research model indicate that a higher degree of foreign capital ownership positively affects the degree of CSR disclosure. Companies with a higher share of foreign capital exert a more significant and impactful influence on their CSR performance scores compared to companies with a lower proportion of foreign capital. The findings of this study align with both theoretical frameworks and empirical results (Guo & Zheng, 2021; Lin & Nguyen, 2022; Li et al., 2021; Long et al., 2023; Nyeadi et al., 2021; Tokas & Yadav, 2023). Firstly, in accordance with the superior knowledge transfer theory and capital linkage theory, when foreign owners invest in the subsidiary of a host country, they will try to transfer their superior practices and knowledge, including CSR techniques to the host firms (Long et al., 2023). In addition, CSR is taken as an effective shield of legitimacy and a tool for information asymmetry reduction of foreign investors (Kabir & Thai, 2021).

When foreign investors decide to allocate a substantial amount of capital to Vietnamese businesses, their interests extend beyond mere profit goals. They also prioritize aspects related to the company's risk management and sustainable development. They acknowledge that maintaining a sustainable and compliant business is essential to avoid legal and financial issues while simultaneously enhancing long-term investment prospects in Vietnam. Therefore, when the proportion of foreign investment capital is greater, foreign investors tend to set higher CSR standards for the companies they invest in. They view this as a specific criterion to ensure and safeguard their investment positions in Vietnam. Furthermore, this discovery also suggests that policymakers should promote the participation of international stakeholders in the ownership composition of Vietnamese companies as a means to encourage the enhancement of their CSR initiatives.

Furthermore, another intriguing result obtained from the research model is that, in the case of environmentally sensitive businesses, the level of *FO* does not significantly impact CSR disclosure, while a notable positive correlation between these two factors is found with the samples of non-environmentally sensitive industries. This result can be explained by differences in the characteristics of each industry group that can lead them to different CSR strategies.

Despite the intriguing findings documented, the authors acknowledge several remaining limitations in the research. Firstly, the use of secondary data collected between 2015 and 2019 limits the applicability and timeliness of the findings within the study's context, encompassing Vietnam's economic, political, and societal landscape from 2019 onwards. Secondly, excluding financial companies from the study may introduce bias, as these entities follow distinct accounting regulations and practices, along with unique business characteristics. This exclusion might yield significantly different outcomes compared to examining solely non-financial companies. Therefore, the analyzed findings might not comprehensively represent the entire business environment.

Recognizing the acknowledged limitations, future research can extend this study beyond 2019 to offer a more comprehensive understanding of how FO impacts CSR in companies. Furthermore, applying the findings in the current business environment enhances their practical relevance. To enrich the study, consideration of additional data from financial enterprises is recommended. Moreover, future research should delve into a more detailed analysis of the impact of FO on CSR, distinguishing between specific industries and firm sizes. This approach will enable the study to provide more targeted and specific recommendations.

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