

THE IMPACT OF IFRS ON THE RELATIONSHIP BETWEEN FINANCIAL REPORTING QUALITY AND INVESTMENT EFFICIENCY: EVIDENCE FROM A TRANSITIONING ACCOUNTING AND REGULATORY ENVIRONMENT

Thanh Nga Doan ^{*}, Chau Thi Hai Dang ^{**}, Nguyen Phuong Chi Le ^{**},
Phuong Thao Nguyen ^{**}, Quang Huy Tran ^{**}

^{*} Corresponding author, National Economics University, Hanoi, Vietnam

Contact details: National Economics University, 207 Giai Phong Road, Bach Mai Ward, Hanoi, Vietnam

^{**} National Economics University, Hanoi, Vietnam



Abstract

How to cite this paper: Doan, T. N., Dang, C. T. H., Le, N. P. C., Nguyen, P. T., & Tran, Q. H. (2026). The impact of IFRS on the relationship between financial reporting quality and investment efficiency: Evidence from a transitioning accounting and regulatory environment. *Journal of Governance and Regulation*, 15(2), 165–177. <https://doi.org/10.22495/jgrv15i2art14>

Copyright © 2026 The Authors

This work is licensed under a Creative Commons Attribution 4.0 International License (CC BY 4.0). <https://creativecommons.org/licenses/by/4.0/>

ISSN Print: 2220-9352

ISSN Online: 2306-6784

Received: 25.08.2025

Revised: 10.12.2025; 05.03.2026

Accepted: 19.03.2026

JEL Classification: G30, M40, M41, O16

DOI: 10.22495/jgrv15i2art14

Financial reporting quality (FRQ) is widely recognized as essential for mitigating information asymmetry and enhancing firms' investment decisions. Yet in emerging economies undergoing major accounting transitions, empirical evidence remains mixed and often inconclusive (Biehl et al., 2024; Alruwaili et al., 2023). This study examines whether FRQ promotes investment efficiency and assesses the role of International Financial Reporting Standards (IFRS) adoption, particularly voluntary early adoption, in shaping this relationship. Using panel data for 130 non-financial listed firms from 2017 to 2023 and estimating fixed-effects models (FEM) with extensive robustness checks, we document a strong positive association between FRQ and investment efficiency, driven by reductions in both overinvestment and underinvestment. Although early IFRS adoption does not mechanically raise FRQ, firms adopting IFRS exhibit a markedly stronger FRQ-investment efficiency relationship, indicating that IFRS enhances the decision-usefulness of credible financial information. These findings underscore that the benefits of IFRS are context-specific and conditioned by institutional transition. The study provides practical insights for regulators and investors by identifying when and how IFRS adoption can reinforce reporting quality and foster more efficient capital allocation.

Keywords: Financial Reporting Quality, Investment Efficiency, IFRS Adoption, Vietnam

Authors' individual contribution: Conceptualization — T.N.D. and C.T.H.D.; Methodology — C.T.H.D.; Validation — C.T.H.D.; Formal Analysis — C.T.H.D.; Investigation — T.N.D., C.T.H.D., N.P.C.L., P.T.N., and Q.H.T.; Resources — T.N.D.; Data Curation — C.T.H.D., N.P.C.L., P.T.N., and Q.H.T.; Writing — Original Draft — C.T.H.D., N.P.C.L., P.T.N., and Q.H.T.; Writing — Review & Editing — T.N.D., C.T.H.D., N.P.C.L., P.T.N., and Q.H.T.; Visualization — P.T.N. and N.P.C.L.; Supervision — T.N.D.; Project Administration — T.N.D.; Funding Acquisition — T.N.D.

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

1. INTRODUCTION

In 2024, global economic recovery is expected to be slow and unstable due to political unrest, geopolitical conflicts, inflation, tight monetary policies, and increasing investor uncertainty (Organisation for Economic Co-operation and Development [OECD], 2024). Corporate investment significantly impacts firm value, but market frictions like information asymmetry and agency costs often lead to inefficient decisions (Shleifer & Vishny, 1997). Chen et al. (2011) confirm that financial reporting quality (FRQ) reduces information asymmetry and improves investment decisions. Research increasingly explores the link between FRQ and investment efficiency. The global adoption of International Financial Reporting Standards (IFRS) enhances transparency and comparability, playing a crucial role in investment performance worldwide (Houcine et al., 2022).

Most studies examining the impact of IFRS on the relationship between FRQ and investment efficiency are conducted in countries with mandatory IFRS implementation. In these settings, IFRS has been shown to enhance transparency, strengthen disclosure practices, and improve the reliability of financial forecasts (Al-Refiay et al., 2023; Garrouch & Omri, 2024). While higher-quality reporting is known to reduce information asymmetry and enhance investment efficiency, most existing evidence originates from mature markets with strong enforcement, such as the United States (US) (Chen et al., 2011). Additionally, findings from the European Union (EU), such as the United Kingdom (UK) and France, demonstrate a consistent and strong link between IFRS, reporting quality, and investment efficiency, but these results may not generalize to emerging markets (Houcine et al., 2022; Peña & Franco, 2017). However, this situation differs from that of emerging markets, where adoption is often partial, and enforcement is uneven (da Silva & Nardi, 2017).

Research in emerging and frontier markets remains less extensive due to the voluntary or partial adoption of IFRS in these regions. Compared with emerging markets such as China or Brazil, where IFRS adoption is already mandatory or highly converged (Hou et al., 2016; da Silva & Nardi, 2017), Vietnam remains a transitional setting with voluntary adoption, a young capital market, and limited transparency and investor protection. Consequently, IFRS may affect reporting quality and investment efficiency differently, offering a novel context to examine whether IFRS-driven improvements translate into real efficiency gains or merely formal compliance.

Vietnam's investment market is hindered by significant information asymmetry, causing moral hazard and poor transparency that complicates investment decisions (Chen et al., 2011). Improving FRQ is essential, as reliable statements reduce risks and enhance investment efficiency (Biddle et al., 2009). Despite growing investment capital, Vietnamese firms show limited investment efficiency (O'Toole et al., 2016), with key partners like the US and EU investing below potential. Recent scandals involving Van Thinh Phat Group (2022) and Tan Hoang Minh Group (2021) have further eroded market trust, underscoring the need for stronger

transparency and regulation to rebuild investor confidence and foster sustainable growth (Ha, 2022; Pham, 2025). The crises revealed limitations in State Bank policies, heightening macroeconomic instability and investment uncertainty (Le & Finch, 2022). In this context, IFRS adoption helps enhance reporting quality, reduce information asymmetry, and support more efficient business investment.

In Vietnam, IFRS adoption is planned to be mandatory from 2025; however, Vietnamese Accounting Standards are in use alongside voluntary IFRS adoption by some companies. Currently, Vietnamese enterprises, especially listed ones, are in the trial application phase of IFRS and are preparing to enter the mandatory application phase of IFRS in 2025. The application of IFRS in enterprises in Vietnam will result in changes in the identification, measurement, and presentation of elements of financial statements and significantly impact the transparency and comparability of financial statements. These changes are expected to profoundly influence FRQ and investment efficiency.

Oubahou and El Ouafa (2024) highlight the importance of integrating multiple theoretical frameworks to offer a comprehensive lens on IFRS and investment efficiency research. Agency theory explains how managers, with superior information (Shehata, 2014), may manipulate earnings to meet bonus targets, undermining financial reliability. Signaling theory (Yasar et al., 2020) highlights how informed managers reduce information asymmetry by signaling to less-informed stakeholders. Positive accounting theory (Watts & Zimmerman, 1978) predicts managerial accounting choices in response to standards. Conservative theory (Chen et al., 2011) constrains managerial optimism, enhancing earnings quality.

This study uses fixed (FEM) or random effects models (REM) to control unobserved heterogeneity and the generalized least squares (GLS) method to address econometric issues like autocorrelation and heteroscedasticity, ensuring reliable and valid results. Additionally, bibliometric analysis and a systematic literature review of 459 Scopus articles (2008–2025) reveal a significant gap in comprehensive research on IFRS's impact on FRQ and investment efficiency in Vietnam, highlighting the study's importance.

Based on the above reasons, the authors decided to conduct the research. This study offers new evidence from a weak emerging market with high information asymmetry and an ongoing IFRS transition. In Vietnam, the benefits of IFRS may be undermined by inconsistent implementation and weak enforcement (Nguyen et al., 2015; Phan et al., 2014). Vietnam's legal framework remains compliance-oriented, with key laws such as the Law on Accounting 2015, Vietnam Accounting Standards (VAS), and the Securities Law 2019 providing limited incentives for professional judgment, transparency, and enforcement. Unlike emerging markets such as Malaysia, Brazil, and Turkey, where IFRS adoption is mandated by dedicated statutes, Vietnam lacks a strong legal basis and enforcement mechanisms to ensure high-quality financial reporting. The study findings, therefore, extend existing literature by revealing how the FRQ-investment efficiency relationship operates in institutional environments that differ markedly from developed economies and other emerging markets.

The research will focus on answering the following questions:

RQ1: How is the quality of financial statements measured? What effect does it have on the listed businesses' investment efficiency on the Vietnamese Stock Exchange?

RQ2: Do IFRS play a regulatory role in the relationship between financial reporting quality and investment efficiency of listed companies on the Vietnamese Stock Exchange?

RQ3: What should relevant parties do to improve investment efficiency and the quality of financial statements?

The rest of the research is structured as follows. Section 2 explains the theoretical basis for studying the regulatory role of IFRS in the relationship between FRQ and investment efficiency. Section 3 presents the research methodology to test the hypotheses developed in the previous section. Section 4 analyzes the results. Finally, Section 5 provides recommendations for future research in Section 5, and Section 6 concludes the paper.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Overview of financial reporting quality and investment efficiency

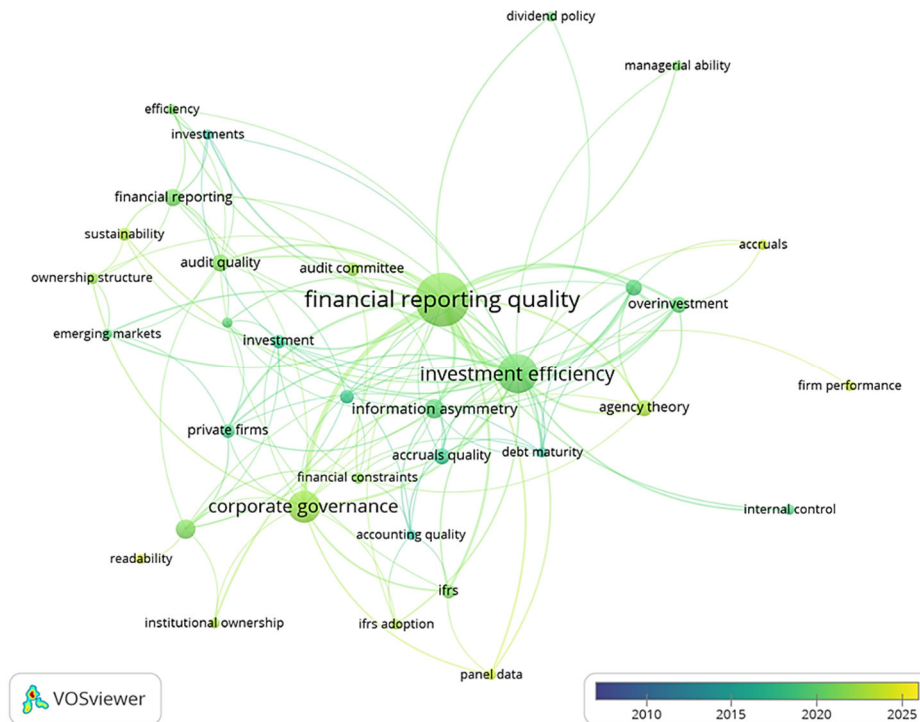
This research adopts a systematic literature review combined with bibliometric analysis to examine the relationship between FRQ and investment

efficiency. Bibliometric analysis has become increasingly prominent in business research (Iqbal & Khan, 2020). It serves as a key method for evaluating scientific output across dimensions such as publications, authors, keywords, journals, institutions, and countries. Mapping the intellectual, social, and conceptual evolution of a research domain, it reveals how these elements interact and develop over time (Donthu et al., 2021).

Based on 459 research articles retrieved from the Scopus database during the period 2008–2025, a bibliometric analysis was conducted using Microsoft Excel and VOSviewer. Within the scope of this research, the most frequently cited research is highlighted. Notably, the research “How does financial reporting quality relate to investment efficiency?” by Biddle et al. (2009) stands out with 1,671 citations. Following this is “Financial reporting quality and investment efficiency of private firms in emerging markets” by Chen et al. (2011), with 637 citations. Also noteworthy is the research “Financial reporting quality, debt maturity and investment efficiency” by Gomariz and Ballesta (2014), cited 270 times, and “Financial reporting quality and labor investment efficiency” by Jung et al. (2014), with 240 citations.

When examining the research themes, bibliometric analysis indicates that the strong connection between FRQ and investment efficiency received considerable academic attention from 2008 to 2025 (see Figure 1). This finding suggests that two components are tightly related and function as core research focuses in recent scholarly works.

Figure 1. The link strength between financial reporting quality and investment efficiency



Source: Authors' elaboration using Scopus databases and VOSviewer.

The chart reveals that FRQ and investment efficiency are closely associated with core theoretical constructs such as information asymmetry, overinvestment, and agency theory. In addition,

emerging clusters such as IFRS adoption, internal control, and sustainability reflect the growing complexity of the research landscape. These trends imply that while FRQ directly affects investment

efficiency, it also interacts with broader institutional and regulatory factors. Hence, investigating IFRS as a moderating variable could enhance the understanding of how FRQ influences corporate investment decisions.

The literature review further supports this strong association. Drawing on bibliometric data from Scopus, the most frequently cited studies are selected for in-depth analysis. This research is grounded in agency theory and other relevant frameworks identified through the bibliometric mapping.

2.2. The impact of financial reporting quality on investment efficiency

Financial reporting quality has been widely recognized as a determinant of investment efficiency. Chen et al. (2011) indicate that one of the main objectives of FRQ is to enhance investment decisions and facilitate more efficient capital allocation. Leilina (2015) notes that earnings management, frequently driven by performance-based incentives, compromises the reliability of financial reports. In this context, accounting conservatism is considered an effective mechanism to constrain managerial opportunism and reduce information asymmetry, thereby improving earnings quality (Ahmed & Duellman, 2007).

On a signaling theory basis, information asymmetry can be mitigated when well-informed parties provide credible signals to the market. McNichols and Stubben (2008) highlight that investment decisions hinge on expected returns tied to growth prospects and product demand. High FRQ facilitates more accurate forecasts and better identification of investment opportunities, even absent adverse selection or moral hazard (Bushman et al., 2004). Empirical evidence from Diamond and Verrecchia (1991) and Leuz and Wysocki (2016) shows that FRQ reduces selection, liquidity, and information risks. These findings align with agency theory, emphasizing that high FRQ curtails information asymmetry and opportunism, thereby enhancing investment efficiency by mitigating moral hazard and adverse selection effects.

Empirical evidence from developed and emerging markets confirms the association between FRQ and investment efficiency. Biddle et al. (2009) examine private firms in emerging US markets and find that higher FRQ is associated with improved investment efficiency, mitigating over- and under-investment. Addressing the research gap on emerging markets, Houcine (2017) finds that lower FRQ increases information asymmetry and exacerbates underinvestment among public firms in Tunisia; however, higher FRQ does not appear to mitigate agency-driven overinvestment. Similarly, Shahzad et al. (2019) confirm a positive relationship between FRQ and investment efficiency in Pakistan. Assad et al. (2023) document that FRQ and audit quality jointly enhance investment efficiency in the Gulf Cooperation Council economies, while Ellili (2022) shows that FRQ improves investment efficiency in the United Arab Emirates (UAE) when examined alongside environmental, social, governance (ESG) disclosure. More recent evidence from Vietnam, an emerging market with similar

information asymmetry concerns, also reinforces this pattern. Building on this, Dinh (2022) and Anh et al. (2018) highlight the relevance of ownership structures in explaining the FRQ-investment efficiency link. The literature continues to expand with newer studies. Assad et al. (2023) confirm that in the US context, high FRQ remains positively associated with more efficient investment. In the Vietnamese setting, Le et al. (2024) show that the FRQ-investment efficiency relationship is moderated by firm-specific factors such as debt maturity, financial strength, firm size, and taxes. Given that Vietnam is also a transitional emerging market with high information asymmetry and evolving institutional quality, it is important to reassess whether these relationships hold in the Vietnamese context.

Based on the above discussion, this research proposes the following hypotheses:

H1: Higher financial reporting quality increases firms' investment efficiency.

H1a: Higher financial reporting quality reduces corporate under-investment.

H1b: Higher financial reporting quality reduces corporate over-investment.

2.3. The moderating role of IFRS in the relationship between financial reporting quality and investment efficiency

Several researchers have explored the link between IFRS adoption and investment efficiency. Lenger (2019) found that IFRS adoption by both public and private firms in Europe is positively associated with higher FRQ and improved investment efficiency. According to signaling theory, clearly communicated information benefits the receiver (Kirmani & Rao, 2000). By enhancing FRQ, IFRS provides more reliable information for investors, thereby facilitating more efficient investment decisions. The theory also suggests that firms use high-quality financial information to signal value to the market (Ross, 2014). Glaum et al. (2013) showed that IFRS adoption enhances analysts' forecast accuracy, largely due to improved narrative disclosures. Supporting this, Tiron-Tudor and Achim (2019) provided cross-country evidence that IFRS strengthens the information content of stock prices and increases forecast precision. As Vietnam is in the process of transitioning toward IFRS, it is important to examine whether these documented effects of IFRS adoption similarly apply to Vietnamese firms. These findings form the basis for the following hypothesis:

H2: The adoption of IFRS enhances the financial reporting quality of firms.

IFRS offers a unified framework that enhances FRQ through principles such as comparability, substance over form, and materiality. By increasing transparency and reducing information asymmetry, IFRS adoption is expected to improve investment efficiency. Sun et al. (2011) show that cross-listed US firms experienced improved profitability after IFRS adoption. André et al. (2014) find that while pre-adoption conservatism constrained over- and under-investment in France, its post-adoption role in enhancing investment efficiency declined. Gao and

Sidhu (2018) confirm that IFRS helps reduce under-investment, though its effect on over-investment is weaker. These impacts diminish under weak legal enforcement and institutional quality, suggesting IFRS is just one among several factors influencing investment efficiency.

Houcine et al. (2022) demonstrate that the FRQ-investment efficiency relationship strengthens with effective governance and IFRS implementation. In this context, IFRS adoption is expected to enhance investment efficiency by improving FRQ and reducing information asymmetry between firms and investors.

Although most studies find a positive IFRS-investment efficiency link, its significance depends on adoption type (mandatory vs. voluntary) and country-specific legal and institutional contexts. Since IFRS enhances FRQ and FRQ improves investment decisions, it is expected to improve investment efficiency. Given that Vietnam is in the early stages of IFRS implementation with evolving regulatory capacity, examining whether IFRS strengthens the FRQ-investment efficiency

relationship in the Vietnamese setting becomes particularly relevant. Based on this, we propose the following hypotheses:

H3: The impact of financial reporting quality on investment efficiency is stronger for firms that have adopted IFRS.

H3a: The impact of financial reporting quality on investment efficiency is stronger for under-investing firms that have adopted IFRS.

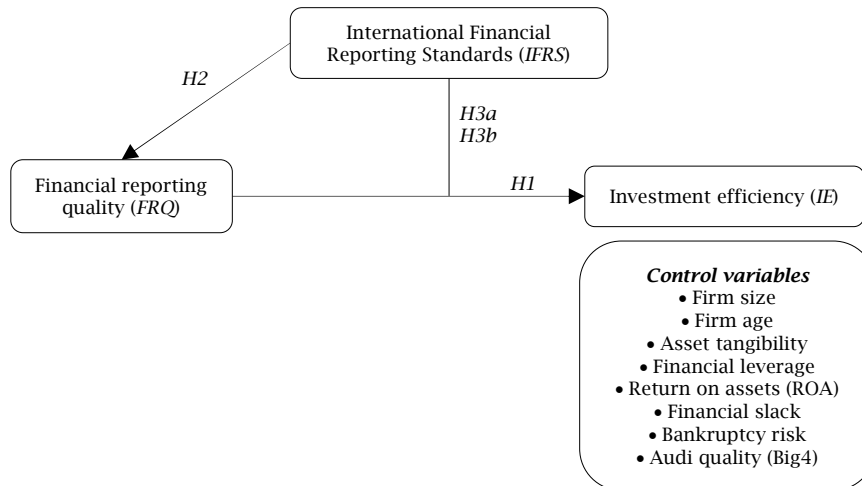
H3b: The impact of financial reporting quality on investment efficiency is stronger for over-investing firms that have adopted IFRS.

3. RESEARCH METHODOLOGY

3.1. Research model

A conceptual model is developed to illustrate the hypothesized relationships (H1-H3) between independent and dependent variables (see Figure 2). This model guides data collection and empirical analysis.

Figure 2. Proposed research model



Source: Authors' elaboration.

3.2. Research approach

This study employs a quantitative panel data regression to examine the effect of FRQ on investment efficiency (IE) among non-financial listed firms in Vietnam. This approach controls unobserved heterogeneity and captures temporal dynamics. It follows prior studies (Biddle et al., 2009; Chen et al., 2011) suggesting FRQ enhances capital allocation by reducing information asymmetry. The moderating role of IFRS adoption is included to reflect regulatory influence, consistent with institutional theory and Vietnam's IFRS roadmap.

In addition to the fixed-effects panel regression used in this study, several alternative methods could also be applied to analyze the relationship between FRQ and IE. The system-generalized method of moments (GMM) (Blundell & Bond, 1998) can address endogeneity arising from reverse causality or omitted variables. Causal inference techniques such as propensity score matching (Rosenbaum & Rubin, 1983) and difference-in-differences (Angrist &

Pischke, 2009) help isolate the effects of IFRS adoption by creating comparable groups. Quantile regression (Koenker & Bassett, 1978) captures heterogeneous effects across efficiency levels. While these alternatives offer useful extensions, the fixed-effects specification remains the most appropriate for the current unbalanced panel and moderate sample size. This approach is also consistent with prior research on FRQ and investment efficiency (Biddle et al., 2009; Chen et al., 2011).

A potential empirical concern in this setting is self-selection into IFRS adoption. During most of our sample period, IFRS adoption in Vietnam was voluntary rather than mandatory. Firms that choose to adopt IFRS early may systematically differ from non-adopters in terms of size, profitability, leverage, governance quality, audit quality, or risk. These differences may simultaneously affect both FRQ and IE, giving rise to endogeneity. To mitigate this concern, we complement our baseline panel regressions with a Heckman (1979) two-stage selection model as a robustness check.

3.3. Data collection and sample selection

Secondary data were obtained from FiinPro-X and cross-verified with firms' audited reports. The full dataset spans 2015-2023, but the analysis focuses on 2017-2023, using earlier data to construct lagged variables.

The final sample includes 130 non-financial firms listed on the Ho Chi Minh City Stock Exchange (HOSE) and Vietnam's Hanoi Stock Exchange (HNX), yielding 910 firm-year observations. Firms with incomplete data, abnormal entries, or fewer than three consecutive listing years were excluded. Financial firms were also omitted due to structural and regulatory differences, ensuring comparability of financial variables.

3.4. Selection and measurement of variables

3.4.1. Measures of investment inefficiency

Consistent with prior studies (Biddle et al., 2009; Hou et al., 2016; Houcine, 2017), *IE* is measured as the negative absolute residual from the following model.

$$Investment_{i,t} = \beta_0 + \beta_1 SalesGrowth_{i,t-1} + \varepsilon_{i,t} \quad (1)$$

$$TAccr_{i,t}^0 = \beta_0 + \beta_1 \left[\frac{1}{Total\ assets_{i,t-1}} \right] + \beta_2 \Delta REV_{i,t} + \beta_3 PPE_{i,t} + \beta_4 ROA_{i,t} + \varepsilon_{i,t} \quad (2)$$

where,

- $TAccr_{i,t}^0$ represents total accruals;
- $Total\ assets_{i,t-1}$ — total assets at the end of year $t - 1$;
- $\Delta REV_{i,t}$ is the annual change in revenue;
- $PPE_{i,t}$ is the value of property, plant, and equipment;
- $ROA_{i,t}$ represents return on assets.

This specification is considered performance-adjusted because *ROA* is included directly in the regression to control for firm performance, instead of matching each firm to a peer portfolio as in performance-matched approaches. According to Chen et al. (2011), all variables — except for *ROA* — are scaled by lagged total assets.

The second proxy for *FRQ* is based on the model developed by McNichols and Stubben (2008), which considers abnormal revenue recognition as an indicator of earnings management.

$$\Delta AR_{i,t} = \beta_0 + \beta_1 \Delta REV_{i,t} + \varepsilon_{i,t} \quad (3)$$

The final measure, following Dechow and Dichev (2002) and its modification by Francis et al. (2005), captures earnings quality via alignment with cash flows.

$$WCA_{i,T} = \beta + \beta_1 CFO_{i,t-1} + \beta_2 CFO_{i,t} + \beta_3 CFO_{i,t+1} + \varepsilon_{i,t} \quad (4)$$

where,

- $WCA_{i,T}$ is working capital accruals.
- $CFO_{i,t-1}$, $CFO_{i,t}$, $CFO_{i,t+1}$ denote cash flows from operations in years $t - 1$, t , and $t + 1$, respectively.

All accrual-based *FRQ* models are estimated separately by industry-year groups. This approach controls for industry-specific and time-varying

where, *Investment* is the net change in (tangible + intangible) fixed assets scaled by lagged total assets, and sales growth is the two-year percentage change in sales.

Following Biddle et al. (2009), firms are classified into overinvestment and underinvestment groups based on the sign of the residuals from Eq. (1). Observations with positive residuals are defined as overinvestment (*OVI*), while observations with negative residuals are defined as underinvestment (*UNDI*). We estimate the investment-efficiency regressions separately for these two subsamples to examine potential asymmetric effects of *FRQ*.

3.4.2. Measures of financial reporting quality

Financial reporting quality (*FRQ*) is proxied by three accrual-based measures — *DISACCR*, *ACCRQUA*, and *DISCREV* — each calculated as the negative absolute residual from its respective model, capturing different dimensions of earnings quality.

Specifically, the first measure is derived from the performance-adjusted discretionary accrual model proposed by Kothari et al. (2005), see Eq. (2).

differences in firms' normal accrual-generating processes and follows the common practice in prior literature.

Finally, the fourth measure, the aggregated indicator (*AGR*), is the average of the three proxies above, representing an overall measure of *FRQ*.

3.4.3. Measures of control variables

Consistent with signaling theory (Biddle et al., 2009), we include the following control variables in our regression model:

- *LnTA*: firm size (log of total assets);
 - *LnAge*: firm age since listing;
 - *Tang*: tangible assets ratio;
 - *Lev*: financial leverage;
 - *ROA*: return on assets;
 - *Slack*: cash holdings / total assets;
 - *Big4*: dummy = 1 if audited by Big Four;
 - *Z-score*: bankruptcy risk (Altman, 1968);
- The *Z-score* is computed as follows:

$$Z = 1.2x_1 + 1.4x_2 + 3.3x_3 + 0.6x_4 + 1.0x_5 \quad (5)$$

where,

- x_1 = working capital / total assets;
- x_2 = retained earnings / total assets;
- x_3 = earnings before interest and taxes / total assets;
- x_4 = book value of equity / total liabilities;
- x_5 = sales / total assets.

To mitigate the influence of extreme observations, all continuous variables are winsorised at the 1st and 99th percentiles. All variable constructions follow well-established prior literature, ensuring comparability with existing studies on *IE* and *FRQ*.

3.5. Empirical models

We estimate panel regression models using Stata 17, applying both FEM and REM with the Hausman test for model selection, and use feasible generalized least squares (FGLS) after diagnostic checks to address autocorrelation and heteroskedasticity.

$$IE_{i,t} = \beta_0 + \beta_1 FRQ_{i,t-1} + \beta_2 LnTA_{i,t-1} + \beta_3 LnAGE_{i,t-1} + \beta_4 Tang_{i,t-1} + \beta_5 ROA_{i,t-1} + \beta_6 Lev_{i,t-1} + \beta_7 Zsc_{i,t-1} + \beta_8 Slack_{i,t-1} + \beta_9 Big4_{i,t-1} + \varepsilon_{i,t} \quad (6)$$

$$FRQ_{i,t} = \beta_0 + \beta_1 IFRS_{i,t} + LnTA_{i,t} + \beta_j LnAGE_{i,t} + \beta_j Tang_{i,t} + \beta_j ROA_{i,t} + \beta_j Lev_{i,t} + \beta_j Zsc_{i,t} + \beta_j Slack_{i,t} + \beta_j Big4_{i,t} + \varepsilon_{i,t} \quad (7)$$

where, $IFRS_{i,t} = 1$ if firm i adopts $IFRS$ in year t , and 0 otherwise.

To test $H1$, we estimate the following model from Eq. (6), drawing on the empirical frameworks of Biddle et al. (2009) and Houcine (2017).

Next, to test hypothesis $H2$, this study employs a regression model based on the research by Hou et al. (2016), see in Eq. (7).

$$IE_{i,t} = \beta_0 + \beta_1 FRQ_{i,t-1} + \beta_2 IFRS_{i,t-1} + \beta_3 FRQ_{i,t-1} * IFRS_{i,t-1} + LnTA_{i,t-1} + \beta_j LnAGE_{i,t-1} + \beta_j Tang_{i,t-1} + \beta_j ROA_{i,t-1} + \beta_j Lev_{i,t-1} + \beta_j Zsc_{i,t-1} + \beta_j Slack_{i,t-1} + \beta_j Big4_{i,t-1} + \varepsilon_{i,t} \quad (8)$$

Finally, following Chen et al. (2013), we incorporate the interaction effects of $IFRS$ with FRQ measures to test hypothesis $H3$.

4. ANALYSIS OF RESULTS

4.1. Descriptive statistics

The sample characteristics are consistent with typical emerging-market firm profiles, with relatively young firms, moderate profitability, and heterogeneous FRQ .

Table 1 reports the descriptive statistics of the key variables. On average, firms exhibit a moderate level of IE , with noticeable variation across the sample (mean $IE = -0.045$, Std. dev. = 0.076). Overinvestment accounts for approximately 28% of observations, while underinvestment is more prevalent, implying a cautious investment stance likely shaped by financial constraints or conservative management behavior.

Table 1. Descriptive statistics

Variables	N	Mean	Std. dev	Min	Max
<i>IE</i>	910	-0.0451949	0.0759523	-1.047641	-0.0001764
<i>OVI</i>	257	-0.0801702	0.1268156	-1.047641	-0.0002664
<i>UNDI</i>	653	-0.0314297	0.0324993	-0.3486901	-0.0001764
<i>DISACCR</i>	910	-0.1176337	0.2563509	-2.562448	-5.27e-06
<i>ACCRQUA</i>	910	-0.0758561	0.1212633	-0.9418431	-0.0000631
<i>DISCREV</i>	910	-0.0407412	0.0593656	-0.8471462	-7.66e-06
<i>AGR</i>	910	-0.078077	0.0990512	-0.8884285	-0.0001333
<i>IFRS</i>	910	0.2857143	0.4520024	0	1
<i>LnTA</i>	910	15.22081	1.501004	11.62225	20.31928
<i>LnAge</i>	910	2.03304	0.7965291	0	3.135494
<i>Tang</i>	910	0.2032564	0.1866892	0.0000429	0.8690286
<i>Lev</i>	910	0.525897	0.1811416	0.055721	1.294471
<i>ROA</i>	910	0.0556608	0.0641706	-0.3642	0.3215
<i>Slack</i>	910	0.0374941	0.0319069	0.0000599	0.2214776
<i>Zsc</i>	910	2.133132	1.400926	-2.558642	11.13994
<i>Big4</i>	910	0.4637363	0.4989574	0	1

Regarding FRQ , all proxies — $DISACCR$, $ACCRQUA$, and $DISCREV$ — show substantial variation, indicating heterogeneous earnings management practices among firms. AGR reflects a moderate FRQ level overall. Only 28.6% of firms have adopted $IFRS$ during the study period, reflecting the early stage of $IFRS$ implementation in Vietnam.

Control variables show that most listed firms are relatively young, highly leveraged, and low in profitability. Cash reserves are limited, and the sample includes diverse levels of financial stability. Approximately 46% of firms are audited by Big Four auditors, reflecting uneven audit quality across firms.

The correlation patterns among the main variables are broadly consistent with expectations. The FRQ proxies display low to moderate correlations with each other, and AGR — constructed as the average of the three measures —

shows a strong positive correlation with $DISACCR$, reflecting internal consistency. All FRQ measures are positively correlated with IE , supporting the premise that better reporting quality is associated with more efficient investment behavior. $IFRS$ adoption exhibits only weak correlations with other variables, which is reasonable given its voluntary and early-stage adoption in Vietnam. $Tang$ shows strong negative correlations with both FRQ and IE , consistent with prior literature. No correlation coefficient (apart from the mechanical relationship between AGR and $DISACCR$) approaches levels that would raise multicollinearity concerns. The variables, therefore, appear appropriate for regression analysis.

4.2. Regression analysis and hypothesis testing

Regression analyses were conducted to examine the relationships among FRQ , IE , and the adoption of $IFRS$. Panel data estimations were applied using FEM,

REM, and GLS models. Model specification followed Hausman tests, while assumptions of heteroscedasticity and autocorrelation were addressed via Breusch-Pagan, Wooldridge, and Wald tests. Where violations occurred, GLS estimators were used to ensure robust results. Complete regression outputs are provided in Table 2 and Appendix (Table A.1, Table A.2).

4.2.1. The impact of financial reporting quality on investment efficiency

The results indicate that *FRQ* has a positive effect on *IE*. Specifically, the aggregate measure *AGR* and the discretionary accrual-based measure *DISACCR* are statistically significant ($p < 0.01$ and $p < 0.05$, respectively), suggesting that better reporting quality helps firms allocate capital more efficiently. In contrast, *ACCRQUA* and *DISCREV* are not statistically significant, implying weaker links between specific accrual or revenue-based components and *IE*.

Among control variables, asset *Tang* consistently shows a significant negative effect, indicating that firms with more fixed assets tend to have lower flexibility in investment decisions. Other controls — including firm size, profitability, and Big Four auditing — are largely insignificant in this model.

Further estimation for over- and under-investment (*H1a* and *H1b*) reveals that *FRQ*

positively affects both types. *DISCREV* significantly increases both overinvestment and underinvestment, while *DISACCR* reduces underinvestment ($p < 0.05$). *AGR* is positively associated with both investment forms, suggesting that *FRQ* influences capital allocation regardless of direction. *Tang* and *Zsc* again emerge as strong predictors across models.

4.2.2. The impact of IFRS adoption on financial reporting quality

International Financial Reporting Standards adoption does not have a statistically significant effect on any *FRQ* measure during the sample period. Although the coefficients show mixed directions — positive for accrual-based indicators (*DISACCR*, *ACCRQUA*) and negative for revenue-based ones (*DISCREV*, *AGR*) — none reach conventional levels of significance. This outcome suggests that the implementation of IFRS in Vietnam is still at an early stage, and its influence on improving reporting quality is limited, possibly due to gradual firm-level adoption or compliance issues.

Nonetheless, some patterns are notable. Larger firms tend to have lower discretionary accruals (negative coefficient for *LnTA*), and Big Four audits are positively associated with *FRQ*, particularly with *DISACCR* and *AGR*, supporting the role of audit quality in enhancing reporting standards.

Table 2. Estimation results of the impact of IFRS on financial reporting quality

Variables	DISACCR	ACCRQUA	DISCREV	AGR
<i>IFRS</i>	0.0030	0.0008	-0.0066	-0.0006
<i>LnTA</i>	-0.0050*	0.0072	-0.0147	0.0005
<i>LnAge</i>	-0.0000	-0.0000	0.0038	0.0001
<i>Tang</i>	-0.1767***	-0.1476	-0.2294	-0.1944***
<i>Lev</i>	-0.0395	-0.0303	-0.2026	-0.0232*
<i>ROA</i>	0.1314*	-0.0098	0.3303	0.0458
<i>Slack</i>	-0.1207	-0.0570	0.0971	-0.0331
<i>Zsc</i>	-0.0078	-0.0001	-0.0412	-0.0025
<i>Big4</i>	0.0213***	0.0026	0.0251	0.0081**
Wald test		0.0000		0.0000
Breusch Pagan test	0.0000		1.0000	
Wooldridge test	0.6046	0.3662	0.0183	0.3526
Wald chi2	86.62	113.22	22.48	272.08***

Note: * $p < 0.1$; * $p < 0.05$; ** $p < 0.01$.

4.2.3. The moderating role of IFRS in the relationship between financial reporting quality and investment efficiency

The interaction term (*FRQ* * *IFRS*) is introduced to test whether *IFRS* strengthens the effect of *FRQ* on *IE*. The results reveal a significant moderating effect in limited cases. Specifically, for the model using *DISCREV*, the interaction term is positive and statistically significant ($p < 0.1$), indicating that *IFRS* adoption can enhance the positive impact of *FRQ* on *IE* through improved revenue recognition practices.

However, this moderation effect is not consistent across all *FRQ* measures. For *DISACCR*, *ACCRQUA*, and *AGR*, the interaction terms are not statistically significant, suggesting that *IFRS* has yet to substantially improve the overall effectiveness of *FRQ* in enhancing *IE*.

A separate analysis of over- and under-investment models confirms this trend. *IFRS* significantly strengthens the negative effect of *FRQ* on overinvestment, particularly when measured by *DISACCR* and *DISCREV* ($p < 0.01$ and $p < 0.1$,

respectively). This suggests that *IFRS* may help reduce inefficient capital allocation due to overinvestment under conditions of high *FRQ*. However, no such moderating effect is observed for underinvestment.

These findings support the hypothesis that *IFRS* improves the value relevance of *FRQ*, but only partially and mainly through curbing excessive investment (Appendix, Table A.2).

5. DISCUSSION

This study explores the relationship between *FRQ* and investment efficiency among Vietnamese listed companies, examining how *IFRS* adoption influences this relationship. It investigates whether better *FRQ* reduces sub-optimal investments, like over- and underinvestment, using three standard accrual-based measures as proxies for *FRQ*. Set in Vietnam's transitional emerging market, dominated by Civil Law but not fully aligned with Common or Civil Law systems, it uniquely explores *FRQ*'s impact on sub-optimal investments amid partial *IFRS* convergence.

The findings reveal that firms with higher FRQ exhibit greater investment efficiency and lower over-investment, with a stronger effect in reducing underinvestment. This aligns with prior research (Houcine et al., 2022; Laux & Ray, 2020; Hou et al., 2016) showing that high-quality reporting reduces information asymmetry and agency costs, enabling better investment decisions. This effect is especially critical in Vietnam's emerging market, where weak investor protection and information gaps limit external financing (La Porta et al., 1998; Bushman et al., 2004). Transparent reporting builds investor confidence and capital flow (Bushman et al., 2004; Leuz & Wysocki, 2016). Evidence from other emerging economies (Gomariz & Ballesta, 2014) supports FRQ's critical role in easing financing constraints and improving capital allocation, particularly mitigating underinvestment.

Second, while prior studies (Alsaeed, 2006) highlight IFRS adoption's positive impact on accounting quality, this study finds a different result in Vietnam. Since IFRS implementation began in 2020 and remains voluntary through 2025, Vietnamese firms still struggle to apply IFRS effectively, delaying expected improvements in FRQ. This outcome aligns with the arguments of Hou et al. (2016), who argue that IFRS impacts vary across countries due to differing economic and institutional contexts. Local factors in Vietnam, such as low market transparency and weak investor oversight, limit IFRS's effectiveness, causing inconsistent effects on reporting quality and economic outcomes. Consequently, lessons from developed markets do not fully translate to transitional economies, where institutional constraints significantly hinder IFRS's practical benefits despite its theoretical promise.

Finally, the results indicate that the impact of FRQ on investment efficiency is more pronounced among firms that have adopted IFRS. As global trade and economic integration increase, IFRS adoption allows Vietnamese firms to align their financial statements with international standards, promoting comparability, transparency, and credibility. This, in turn, attracts foreign investment. However, the findings also reveal that IFRS adoption does not significantly alleviate overinvestment behavior. This outcome aligns with the empirical evidence presented in previous studies, such as Laux and Ray (2020) and Houcine et al. (2022). Moreover, the study finds that investment adjustments driven by improved disclosure under IFRS are economically meaningful and positively linked to firm value. This effect depends on legal enforcement, ROA, and internal cash reserves, highlighting IFRS's reliance on firm-specific and institutional factors (Alsaeed, 2006; Chen et al., 2013).

6. CONCLUSION

This study provides fresh evidence on how FRQ shapes investment efficiency within a transitional emerging economy, and how voluntary IFRS adoption moderates the FRQ-investment efficiency relationship. Rather than mechanically replicating prior findings in a new setting, our analysis uncovers characteristics of economies undergoing evolving institutions, uneven regulatory enforcement, and pronounced information asymmetries, which

are common in many developing markets. By situating Vietnam within this broader category of transitional economies, the study yields insights that transcend a single-country context and clarify how reporting quality operates when formal governance frameworks are still maturing.

Theoretically, the findings enrich the literature in several ways. First, by integrating agency, signaling, positive accounting, and conservatism theories, the study shows that high-quality financial reporting becomes especially valuable where monitoring channels are weak. In such environments, FRQ more effectively reduces information asymmetry and curbs both under- and over-investment, reinforcing its amplified economic role in emerging markets. Second, the results extend prior work by demonstrating that voluntary IFRS adoption strengthens the FRQ-investment efficiency relationship, indicating that IFRS functions not only as a technical standard but also as a credible commitment mechanism. This aligns with signaling theory, as voluntary adoption reflects stronger reporting discipline (Glaum et al., 2013; Tiron-Tudor & Achim, 2019). Third, evidence from Vietnam illustrates how FRQ can act as an institutional substitute, partially offsetting weak enforcement and offering insights relevant to other emerging economies.

The findings also offer practical implications. For firm managers, improving FRQ should be viewed as a strategic investment that enhances transparency, reduces financing frictions, and supports more effective resource allocation. Strengthening internal controls, investing in robust information systems, and ensuring high-quality auditing can materially improve the credibility of financial statements (Ashraf, 2024; Hussain et al., 2021). For policymakers, the results indicate that voluntary IFRS adoption alone is unlikely to yield consistent improvements in reporting outcomes. Effective convergence requires a clear regulatory roadmap, stronger enforcement, sustained capacity building for preparers and auditors, and robust support from professional bodies such as the Vietnam Association of Certified Public Accountants (VACPA). For investors and financial institutions, systematically incorporating FRQ considerations into investment evaluation and credit assessments can reinforce market-based incentives for transparency, thereby complementing regulatory oversight.

Despite its contributions, this study has several limitations. First, it does not capture industry-level differences that may shape how firms translate reporting quality and IFRS adoption into investment decisions. Second, the sample, firms listed on HOSE and HNX from 2017 to 2023, may limit generalizability. Third, relying solely on secondary quantitative data restricts insights into managerial practices, and the absence of institutional variables prevents direct assessment of enforcement effects. Finally, endogeneity concerns also remain, as the voluntary and limited IFRS adoption precludes robust selection models. Future research could address these gaps by incorporating industry classifications, extending the sample scope and timeframe, considering institutional factors, and employing mixed methods for a more comprehensive analysis.

REFERENCES

- Ahmed, A. S., & Duellman, S. (2007). Accounting conservatism and board of director characteristics: An empirical analysis. *Journal of Accounting and Economics*, 43(2-3), 411-437. <https://doi.org/10.1016/j.jacceco.2007.01.005>
- Al-Refaiy, H. A. N., Al-Shaikh, S. S. K., & Abdulhussein, A. S. (2023). The International Financial Reporting Standards (IFRS) adoption and value relevance. *Corporate & Business Strategy Review*, 4(1), 69-86. <https://doi.org/10.22495/cbsrv4i1art7>
- Alruwaili, W. S., Ahmed, A. D., & Joshi, M. (2023). IFRS adoption, firms' investment efficiency and financial reporting quality: A new empirical assessment of moderating effects from Saudi listed firms. *International Journal of Accounting and Information Management*, 31(2), 376-411. <https://doi.org/10.1108/IJAIM-10-2022-0226>
- Alsaeed, K. (2006). The association between firm-specific characteristics and disclosure: The case of Saudi Arabia. *Managerial Auditing Journal*, 21(5), 476-496. <https://doi.org/10.1108/02686900610667256>
- Altman, E. I. (1968). Financial ratios, discriminant analysis and the prediction of corporate bankruptcy. *The Journal of Finance*, 23(4), 589-609. <https://doi.org/10.1111/j.1540-6261.1968.tb00843.x>
- André, P., Baccigalupi, C., Banday, A., Barbosa, D., Barreiro, B., Bartlett, J., Bartolo, N., Battistelli, E., Battye, R., Bendo, G., Benoît, A., Bernard, J.-P., Bersanelli, M., Béthermin, M., Bielewicz, P., Bonaldi, A., Bouchet, F., Boulanger, F., Brand, J., ... Withington, S. (2014). PRISM (polarized radiation imaging and spectroscopy mission): An extended white paper. *Journal of Cosmology and Astroparticle Physics*, 2014(2). <https://doi.org/10.1088/1475-7516/2014/02/006>
- Angrist, J. D., & Pischke, J.-S. (2009). *Mostly harmless econometrics: An empiricist's companion*. Princeton University Press. <https://doi.org/10.1515/9781400829828>
- Anh, H. T. P., Hà, V. M., & Hồng, N. T. T. (2018). Ảnh hưởng của chất lượng báo cáo tài chính và nợ ngắn hạn đến hiệu quả đầu tư của các doanh nghiệp niêm yết tại sở giao dịch chứng khoán Thành phố Hồ Chí Minh (HOSE) [The impact of financial reporting quality and short-term debt on investment performance of companies listed on the Ho Chi Minh City Stock Exchange (HOSE)]. *Ho Chi Minh City Open University Journal of Science – Economics and Business Administration*, 13(1), 66-82. <https://doi.org/10.46223/HCMCOUJS.econ.vi.13.1.529.2018>
- Ashraf, M. (2024). Does automation improve financial reporting? Evidence from internal controls. *Review of Accounting Studies*, 30, 436-479. <https://doi.org/10.1007/s11142-024-09822-y>
- Assad, N., Jaafar, A., & Zervopoulos, P. D. (2023). The interplay of financial reporting quality and investment efficiency: Evidence from the USA. *Journal of Financial Reporting and Accounting*. <https://doi.org/1.1108/JFRA-04-2023-0199>
- Biddle, G. C., Hilary, G., & Verdi, R. S. (2009). How does financial reporting quality relate to investment efficiency? *Journal of Accounting and Economics*, 48(2-3), 112-131. <https://doi.org/10.1016/j.jacceco.2009.09.001>
- Biehl, H., Bleibtreu, C., & Stefani, U. (2024). The real effects of financial reporting: Evidence and suggestions for future research. *Journal of International Accounting, Auditing and Taxation*, 54, Article 100594. <https://doi.org/10.1016/j.intaccudtax.2023.100594>
- Blundell, R., & Bond, S. (1998). Initial conditions and moment restrictions in dynamic panel data models. *Journal of Econometrics* 87(1), 115-143. [https://doi.org/10.1016/S0304-4076\(98\)00009-8](https://doi.org/10.1016/S0304-4076(98)00009-8)
- Bushman, R., Chen, Q., Engel, E., & Smith, A. (2004). Financial accounting information, organizational complexity and corporate governance systems. *Journal of Accounting and Economics*, 37(2), 167-201. <https://doi.org/10.1016/j.jacceco.2003.09.005>
- Chen, C., Young, D., & Zhuang, Z. (2013). Externalities of mandatory IFRS adoption: Evidence from cross-border spillover effects of financial information on investment efficiency. *The Accounting Review*, 88(3), 881-914. <https://doi.org/10.2308/accr-50384>
- Chen, F., Hope, O.-K., Li, Q., & Wang, X. (2011). Financial reporting quality and investment efficiency of private firms in emerging markets. *The Accounting Review*, 86(4), 1255-1288. <https://doi.org/10.2308/accr-10040>
- da Silva, R. L. M., & Nardi, P. C. C. (2017). Full adoption of IFRSs in Brazil: Earnings quality and the cost of equity capital. *Research in International Business and Finance*, 42, 1057-1073. <https://doi.org/10.1016/j.ribaf.2017.07.041>
- Dechow, P. M., & Dichev, I. D. (2002). The quality of accruals and earnings: The role of accrual estimation errors. *The Accounting Review*, 77(1), 35-59. <https://doi.org/10.2308/accr.2002.77.s-1.35>
- Diamond, D. W., & Verrecchia, R. E. (1991). Disclosure, liquidity, and the cost of capital. *The Journal of Finance*, 46(4), 1325-1359. <https://doi.org/10.1111/j.1540-6261.1991.tb04620.x>
- Dinh, T. H. T. (2022). *Financial reporting quality, ownership structure and investment efficiency: An empirical analysis of Vietnamese listed firms* [Doctoral dissertation, Lincoln University]. <https://researcharchive.lincoln.ac.nz/entities/publication/29175e11-a809-4a2d-b968-970ab4ec27e1>
- Donthu, N., Kumar, S., Mukherjee, D., Pandey, N., & Lim, W. M. (2021). How to conduct a bibliometric analysis: An overview and guidelines. *Journal of Business Research*, 133, 285-296. <https://doi.org/10.1016/j.jbusres.2021.04.070>
- Ellili, N. O. D. (2022). Impact of ESG disclosure and financial reporting quality on investment efficiency. *Corporate Governance. The International Journal of Business in Society*, 22(5), 1094-1111. <https://doi.org/10.1108/CG-06-2021-0209>
- Francis, J., LaFond, R., Olsson, P., & Schipper, K. (2005). The market pricing of accruals quality. *Journal of Accounting and Economics*, 39(2), 295-327. <https://doi.org/10.1016/j.jacceco.2004.06.003>
- Gao, R., & Sidhu, B. K. (2018). The impact of mandatory International Financial Reporting Standards adoption on investment efficiency: Standards, enforcement, and reporting incentives. *Abacus*, 54(3), 277-318. <https://doi.org/10.1111/abac.12127>
- Garrouch, H., & Omri, A. (2024). IFRS adoption, information asymmetry and stock liquidity: Moderating effects of corporate governance mechanisms. *Corporate Governance and Sustainability Review*, 8(1), 20-31. <https://doi.org/10.22495/cgsrv8i1p>

- Glaum, M., Schmidt, P., Street, D. L., & Vogel, S. (2013). Compliance with IFRS 3- and IAS 36-required disclosures across 17 European countries: Company- and country-level determinants. *Accounting and Business Research*, 43(3), 163-204. <https://doi.org/10.1080/00014788.2012.711131>
- Gomariz, M. F. C., & Ballesta, J. P. S. (2014). Financial reporting quality, debt maturity and investment efficiency. *Journal of Banking & Finance*, 40, 494-506. <https://doi.org/10.1016/j.jbankfin.2013.07.013>
- Ha, H. H. (2022). Audit committee characteristics and corporate governance disclosure: Evidence from Vietnam listed companies. *Cogent Business & Management*, 9(1), Article 2119827. <https://doi.org/10.1080/23311975.2022.2119827>
- Heckman, J. J. (1979). Sample selection bias as a specification error. *Econometrica*, 47(1), 153-161. <https://doi.org/10.2307/1912352>
- Hou, Q., Jin, Q., Wang, L., & Zhang, G. (2016). Mandatory IFRS adoption, accounting quality, and investment efficiency: Evidence from China. *China Journal of Accounting Studies*, 4(3), 236-262. <https://doi.org/10.1080/21697213.2016.1218632>
- Houcine, A. (2017). The effect of financial reporting quality on corporate investment efficiency: Evidence from the Tunisian stock market. *Research in International Business and Finance*, 42, 321-337. <https://doi.org/10.1016/j.ribaf.2017.07.066>
- Houcine, A., Zitouni, M., & Srairi, S. (2022). The impact of corporate governance and IFRS on the relationship between financial reporting quality and investment efficiency in a continental accounting system. *EuroMed Journal of Business*, 17(2), 246-269. <https://doi.org/10.1108/EMJB-06-2020-0063>
- Hussain, B. M., Mirdana, Z. A., & Abdal Hamza, W. S. (2021). Continuous quality improvement of financial reporting using total quality management. *Akkad Journal of Contemporary Management Studies*, 1(1), 49-65. <https://doi.org/10.55202/ajcms.v1i1.36>
- Iqbal, J., & Khan, A. (2020). The impact of financial reporting quality on investment efficiency in non-financial firms. *Paradigms*, 14(1), 140-147. <https://surl.li/inbdzh>
- Jung, B., Lee, W.-J., & Weber, D. P. (2014). Financial reporting quality and labor investment efficiency. *Contemporary Accounting Research*, 31(4), 1047-1076. <https://doi.org/10.1111/1911-3846.12053>
- Kirmani, A., & Rao, A. R. (2000). No pain, no gain: A critical review of the literature on signaling unobservable product quality. *Journal of Marketing*, 64(2), 66-79. <https://doi.org/10.1509/jmkg.64.2.66.18000>
- Koenker, R., & Bassett, G., Jr. (1978). Regression quantiles. *Econometrica*, 46(1), 33-50. <https://doi.org/10.2307/1913643>
- Kothari, S. P., Leone, A. J., & Wasley, C. E. (2005). Performance matched discretionary accrual measures. *Journal of Accounting and Economics*, 39(1), 163-197. <https://doi.org/10.1016/j.jacceco.2004.11.002>
- La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. W. (1998). Law and finance. *Journal of Political Economy*, 106(6), 1113-1155. <https://doi.org/10.1086/250042>
- Laux, V., & Ray, K. (2020). Effects of accounting conservatism on investment efficiency and innovation. *Journal of Accounting and Economics*, 70(1), Article 101319. <https://doi.org/10.1016/j.jacceco.2020.101319>
- Le, H. T. M., Lai, C.-P., Phan, V. H., & Pham, V. T. (2024). Financial reporting quality and investment efficiency in manufacturing firms: The role of firm characteristics in an emerging market. *Journal of Competitiveness*, 16(1), 62-78. <https://doi.org/10.7441/joc.2024.01.04>
- Le, T. H., & Finch, N. (2022). Effects of trend inflation on monetary policy and fiscal policy shocks in Vietnam. *Journal of Economics and Development*, 24(2), 158-175. <https://doi.org/10.1108/JED-04-2021-0052>
- Leilina, B. (2015). *The determinants of external audit quality evidence from manufacturing share companies of Addis Ababa Ethiopia* [Doctoral dissertation, Addis Ababa University]. <https://etd.aau.edu.et/items/a851a306-60c3-40c7-a1d6-ccd3872c8e>
- Lenger, S. (2019). *Essays zum mittelstand — Auswirkungen von finanzierungsbeschränkungen, IFRS und CSR-RLUG* [Essays on SMEs — Effects of financing restrictions, IFRS and CSR directive implementation act] [Doctoral dissertation, Technical University Dortmund]. <https://doi.org/10.17877/DE290R-20211>
- Leuz, C., & Wysocki, P. D. (2016). The economics of disclosure and financial reporting regulation: Evidence and suggestions for future research. *Journal of Accounting Research*, 54(2), 525-622. <https://doi.org/10.1111/1475-679X.12115>
- McNichols, M. F., & Stubben, S. R. (2008). Does earnings management affect firms' investment decisions? *The Accounting Review*, 83(6), 1571-1603. <https://doi.org/10.2308/accr.2008.83.6.1571>
- Nguyen, T., Rahman, A., & Nguyen, L. (2015). *Goodwill relevance and disclosure practice in Vietnam*. <https://doi.org/10.2139/ssrn.2668414>
- O'Toole, C. M., Morgenroth, E. L. W., & Ha, T. T. (2016). Investment efficiency, state-owned enterprises and privatisation: Evidence from Viet Nam in transition. *Journal of Corporate Finance*, 37, 93-108. <https://doi.org/10.1016/j.jcorpfin.2015.12.011>
- Organisation for Economic Co-operation and Development (OECD). (2024). *OECD economic outlook*. <https://doi.org/10.1787/d8814e8b-en>
- Oubahou, Y., & El Ouafa, K. (2024). The effect of adopting IFRS on the relevance of information: The case of Moroccan companies listed on the Casablanca Stock Exchange. *Investment Management and Financial Innovations*, 21(2), 389-399. [https://doi.org/10.21511/imfi.21\(2\).2024.32](https://doi.org/10.21511/imfi.21(2).2024.32)
- Peña, H. F. P., & Franco, J. B. (2017). Impact of IFRS on the quality of financial information in the United Kingdom and France: Evidence from a new perspective. *Intangible Capital*, 13(4), 850-878. <https://doi.org/10.3926/ic.939>
- Pham, T. D. (2025). Quản trị nhóm công ty tại Việt Nam: Vấn đề và khung pháp lý theo thông lệ quốc tế [Corporate group governance in Vietnam: Issues and legal framework according to international practice]. *Journal of Financial — Marketing Research*, 16(6). <https://jfm.edu.vn/index.php/jfm/article/view/1125>
- Phan, D. H. T., Mascitelli, B., & Barut, M. (2014). International Financial Reporting Standards (IFRS) adoption in Vietnam: If, when and how? *Corporate Ownership & Control*, 11(4), 428-436. <https://doi.org/10.22495/cocv11i4c4p6>
- Rosenbaum, P. R., & Rubin, D. B. (1983). The central role of the propensity score in observational studies for causal effects. *Biometrika*, 70(1), 41-55. <https://doi.org/10.1093/biomet/70.1.41>

- Ross, D. G. (2014). An agency theory of the division of managerial labor. *Organization Science*, 25(2), 494-508. <https://doi.org/10.1287/orsc.2013.0853>
- Shahzad, F., Rehman, I. U., Hanif, W., Asim, G. A., & Baig, M. H. (2019). The influence of financial reporting quality and audit quality on investment efficiency: Evidence from Pakistan. *International Journal of Accounting and Information Management*, 27(4), 600-614. <https://doi.org/10.1108/IJAIM-08-2018-0097>
- Shehata, N. F. (2014). Theories and determinants of voluntary disclosure. *Accounting and Finance Research*, 3(1), 18-26. <https://doi.org/10.5430/afr.v3n1p18>
- Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. *The Journal of Finance*, 52(2), 737-783. <https://doi.org/10.1111/j.1540-6261.1997.tb04820.x>
- Sun, J., Cahan, S. F., & Emanuel, D. (2011). How would the mandatory adoption of IFRS affect the earnings quality of U.S. firms? Evidence from cross-listed firms in the U.S. *Accounting Horizons*, 25(4), 837-860. <https://doi.org/10.2308/acch-50049>
- Tiron-Tudor, A., & Achim, A. M. (2019). Accounting quality and stock price informativeness: A cross-country study. *Economic Research*, 32(1), 2481-2499. <https://doi.org/10.1080/1331677X.2019.1650655>
- Watts, R. L., & Zimmerman, J. L. (1978). Towards a positive theory of the determination of accounting standards. *Accounting Review*, 53(1), 112-134. <https://surl.lu/aivryl>
- Yasar, B., Martin, T., & Kiessling, T. (2020). An empirical test of signalling theory. *Management Research Review*, 43(11), 1309-1335. <https://doi.org/10.1108/MRR-08-2019-0338>

APPENDIX

Table A.1. Estimation results of the impact of financial reporting quality on investment efficiency

Variables	IE				OVI				UNDI			
	DISACCR	ACCRQUA	DISCREV	AGR	DISACCR	ACCRQUA	DISCREV	AGR	DISACCR	ACCRQUA	DISCREV	AGR
FRQ	0.0056**	0.0007	0.0295	0.0218***	0.0021	-0.0229	0.2887**	0.0958**	0.0030*	-0.0020	0.0188*	0.0080*
LnTA	0.0001	-0.0001	-0.0001	0.0001	7.03e-06	-0.0009	-0.0008	0.0003	0.0014***	0.0014***	0.0014***	0.0014***
LnAge	-0.0009	-0.0009	-0.0008	-0.0009	-0.0027	-0.0040	0.0038**	-0.0051	-0.0009	-0.0008	-0.0009	-0.0009
Tanq	-0.0854***	-0.0861***	-0.0800***	-0.0839***	-0.2223***	-0.2221***	-0.1630***	-0.2211***	-0.0604***	-0.0613***	-0.0575***	-0.0593***
Lev	-0.0004	-0.0002	-0.0009	-0.0001	0.0339**	0.0415***	0.0504***	0.0340**	-0.0047	-0.0056	-0.0056	-0.0047
ROA	0.0153	0.0157	0.0188	0.0159	-0.0766**	-0.0682*	-0.0597*	-0.0381	0.0326***	0.0336***	0.0338***	0.0327***
Slack	0.0193	0.0193	0.0157	0.0221	0.1649**	0.1920***	0.1622**	0.1700**	-0.0071	-0.0059	-0.0059	-0.0073
Zsc	-0.0005	-0.0006	-0.0007	-0.0006	0.0120***	0.0113***	0.0135***	0.0074**	-0.0015***	-0.0017***	-0.0017***	-0.0015***
Big4	-0.0021	-0.0014	-0.0012	-0.0025	-0.0101	-0.0131**	-0.0129**	-0.1222*	-0.0030**	-0.0028**	-0.0029**	-0.0030**
Breusch Pagan test	0.0000	0.0000	0.0000	0.0000								
Wald test					0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Wooldridge test	0.0016	0.0036	0.0019	0.0042	0.3502	0.1947	0.3970	0.1720	0.0411	0.0393	0.0415	0.0432
Wald chi2	166.54***	175.59***	170.10***	166.68***	122.52***	154.79***	241.67***	142.39***	343.58***	339.28***	346.27***	343.12***

Note: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$.

Table A.2. Estimation results of the moderating role of IFRS in the financial reporting quality investment efficiency relationship

Variables	IE				OVI				UNDI			
	DISACCR	ACCRQUA	DISCREV	AGR	DISACCR	ACCRQUA	DISCREV	AGR	DISACCR	ACCRQUA	DISCREV	AGR
FRQ	0.0025	0.0089	0.0265	0.0156	-0.0327***	0.0668	0.2995**	0.0412	0.0019	0.0008	0.0093	0.0061
IFRS	-0.0029**	-0.0052***	0.0006	0.0007	0.0070	-0.0145	-0.0006	-0.0018	-0.0005	-0.0011	-0.0004	-0.0005
FRQ * IFRS	0.0035	-0.0152	0.1060*	0.0148	0.1306***	-0.0927	0.4061*	0.0403	0.0015	-0.0087	0.0217	0.0020
LnTA	0.0005	0.0005	0.0001	0.0002	0.0006	-0.0022	-0.0003	-0.0006	0.0015***	0.0014***	0.0014***	0.0014***
LnAge	0.0001	1.15e-06	-0.0007	-0.0009	-0.0005	-0.0083***	0.0045***	-0.0055*	-0.0007	-0.0007	-0.0006	-0.0007
Tanq	-0.0906***	-0.0912***	-0.0764***	-0.0857***	-0.2282***	-0.2231***	-0.1475***	-0.2182***	-0.0607***	-0.0615***	-0.0570***	-0.0598***
Lev	-0.0001	-0.0043	-0.0012	0.0004	0.0286**	0.0184	0.0382***	0.0268	-0.0047	-0.0058	-0.0055	-0.0045
ROA	0.0110	0.0070	0.0201	0.0181	-0.1192***	-0.0413	-0.0766**	-0.0697	0.0318***	0.0323***	0.0341***	0.0323***
Slack	0.0245	0.0263	0.0170	0.0212	0.2055***	0.2016**	0.1520*	0.1710**	-0.0067	-0.0062	-0.0050	-0.0067
Zsc	-0.0004	-0.0007	-0.0008	-0.0007	0.0139***	0.0068*	0.0118***	0.0088***	-0.0014**	-0.0016***	-0.0017***	-0.0014**
Big4	-0.0023	-0.0031*	-0.0012	-0.0027	-0.0066	-0.0068	-0.0089	-0.0082	-0.0029**	-0.0027**	-0.0026**	-0.0028**
Breusch Pagan test	0.0000	0.0000		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Wald test			0.0000		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Wooldridge test	0.0016	0.0008	0.0003	0.0005	0.3526	0.1591	0.3838	0.1699	0.0341	0.0000	0.0360	0.0341
Wald chi2	180.62***	169.82***	165.94***	165.56***	521.29***	105.92***	251.42***	125.54***	342.85***	340.99***	330.33***	340.38***

Note: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$.