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Governance structure, foreign ownership, audit quality, and firm valuation: Evidence from Vietnam's emerging market

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ABSTRACT

This study examines how governance structure, foreign ownership, and audit quality jointly influence firm value in the context of Vietnam's emerging market, where institutional constraints and information asymmetry remain pronounced over time. Using a panel of 1,603 firm-year observations from listed non-financial companies over the period 2017–2023, the study investigates the impact of board size, foreign ownership, audit opinion, and audit firm rotation on firm value. To address concerns about heteroscedasticity and autocorrelation, the study employs a panel regression model and estimates using feasible generalized least squares (FGLS), thereby enhancing the reliability of the empirical results. The findings indicate that board size, foreign ownership, audit opinion, and audit firm rotation all have a positive and statistically significant impact on firm value. This suggests that both internal monitoring and external audit assurance play complementary roles in fostering investor confidence and enhancing corporate value, particularly in fragile institutional environments. Based on these results, the study recommends coordination between enterprises, management agencies, and investors to improve the market value of enterprises. From a policy perspective, the findings offer actionable insights for regulatory reforms aimed at strengthening corporate governance, disclosure standards, and external audit quality to support the sustainable development of capital markets in Asian emerging economies.

Contribution/ Originality: This study integrates board structure, foreign ownership, and audit quality into a unified framework to examine firm value in emerging markets. From a policy perspective, it highlights that strengthening corporate governance and external audit mechanisms enhances investor confidence and supports sustainable capital market development in emerging Asian economies.

1. INTRODUCTION

Firm valuation remains a central concern in financial economics, shaping the strategic decisions of investors, managers, and regulators. In emerging markets, where institutional frameworks are weak and enforcement is inconsistent (World Bank, 2024), firm value reflects not only intrinsic efficiency but also investor confidence in the reliability of governance and audit assurance. Therefore, understanding the factors that drive firm valuation under such institutional conditions is essential for both corporate decision-making and policymaking aimed at protecting investors and improving capital market efficiency.

The period 2017–2023 saw successive global disruptions, from trade tensions and the COVID-19 pandemic to geopolitical conflicts and persistent inflation, increasing uncertainty and testing the resilience of businesses worldwide (Goldberg & Reed, 2023; Guenette & Yamazaki, 2021). In developing economies, limited fiscal space and fragile governance capacity exacerbate these shocks (International Monetary Fund, 2023). Vietnam, one of the fastest-growing economies in Southeast Asia but still operating within an institutionally evolving framework, is a prime example of these vulnerabilities.

Vietnam's capital markets, led by non-financial listed firms, are under increasing pressure to maintain value in the face of volatile capital flows, rising funding costs, and persistent transparency challenges. Crucially, weak enforcement of governance and audit rules in Vietnam leads to inconsistent compliance and uneven market valuations, undermining pricing efficiency and amplifying information asymmetry in the capital market. These conditions increase the urgency of understanding how internal and external governance mechanisms combine to impact firm value, particularly board structure, foreign ownership, and audit quality, under institutional constraints and global uncertainty.

Theoretically, this study is based on three underlying theories. Agency theory (Jensen & Meckling, 1976) emphasizes the monitoring role of the board of directors and the external audit in mitigating managerial opportunism. Resource dependence theory (Pfeffer & Salancik, 1978) emphasizes the role of the board of directors and foreign shareholders as channels for external legitimacy, expertise, and strategic resources. Signaling theory (Spence, 1973) explains how audit results convey credibility signals to the market, reduce information asymmetry, and enhance investor confidence. Collectively, these theoretical frameworks suggest that internal governance and external audit mechanisms interact to shape market value, especially where external monitoring remains weak (Black & Kim, 2012).

Empirically, the literature provides rich but fragmented insights. Early studies in developed markets (Bennedsen, Kongsted, & Nielsen, 2004; Yermack, 1996) warn that larger boards can reduce decision-making efficiency, while recent evidence from emerging economies (Goel, Dhiman, Rana, & Srivastava, 2022) suggests that larger boards are associated with stronger governance outcomes. Regarding ownership structure, Mishra (2014) and Ahmed and Iwasaki (2021) find that foreign investors are generally associated with higher firm value. The benefits that foreign investors bring to firms may stem from increased monitoring and transparency requirements, but these benefits can also be diminished in markets with weak investor protection policies (Le & Phung, 2013). In the auditing field, modified audit opinions often cause negative market reactions, such as reduced liquidity (Ghorbel & Omri, 2013), while mandatory audit firm rotation increases investor perception and confidence in firm value by enhancing audit independence and quality (Fan, Hu, & Chen, 2024; Montenegro, Meira, & Silva, 2023).

Despite significant progress, previous studies have often considered governance and audit attributes separately. Most studies treat corporate governance and audit quality as two separate streams of research, focusing on board and ownership structure or audit assurance, but rarely consider their combined effects. This fragmented approach ignores the possibility that internal and external monitoring mechanisms may interact in shaping a firm's market value. Furthermore, few studies have empirically modeled these relationships simultaneously in emerging markets where institutional enforcement is inconsistent. Studies have also often focused on accounting-based performance measures rather than market-based indicators, thereby limiting understanding of how investors perceive governance signals in fragile institutional contexts. This gap is particularly evident in Vietnam, an economy that exhibits all the hallmarks of an emerging market: a maturing legal framework, weak enforcement of regulations, low investor protection, expanding foreign ownership, and strengthening independent audit requirements. Vietnam thus provides a well-suited institutional context to examine these linkages from a theoretical and policy perspective.

Accordingly, this study examines how board structure, foreign ownership, and audit quality (through audit opinions and audit firm rotation) jointly influence firm valuation in the emerging market of Vietnam. The study moves beyond the fragmented approach in previous studies on governance and auditing by integrating these aspects into a unified empirical framework, while focusing on market-based valuations rather than accounting outcomes. This allows for reflection of investor perceptions of both formal disclosures and informal governance signals.

The results of this study contribute to the corporate governance and auditing literature by demonstrating the interaction between internal monitoring mechanisms (board structure, foreign ownership) and external assurance (audit quality) affecting firm value in the emerging market of Vietnam. Specifically, the study extends the application of agency theory, resource dependence theory, and signaling theory to the frontier market context where institutional enforcement is evolving. On the policy side, the findings provide timely insights for regulators and policymakers to strengthen governance frameworks, audit oversight, and disclosure standards as part of Vietnam's capital market development roadmap.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

An overview of previous research indicates that corporate governance and external audit quality are two mechanisms that significantly impact firm value. Factors of corporate governance, such as board size and foreign ownership structure, along with factors of audit quality, including audit opinions and audit firm rotation, influence how investors assess firm value. Each mechanism affects firm valuation through distinct roles. Board characteristics reflect internal monitoring capacity and strategic advisory functions for the company. Foreign investors contribute resources, advanced technology, and impose strict requirements on operational discipline and information transparency. Audit opinions serve as official confirmation of the quality of financial statements, while audit firm rotation enhances the independence of external audits. However, the impact of corporate governance and audit quality on firm value varies between developed and emerging markets due to differences in legal frameworks, enforcement quality, information environments, and ownership structures. Therefore, integrating these impact mechanisms into a unified conceptual framework is essential to better understand their effects on market-based valuation, especially across different market contexts, and to establish a solid theoretical foundation for the formulation of study hypotheses.

2.1. Board Size and Firm Value

Board size is a core structural attribute of corporate governance and can influence firm value through its impact on the quality of monitoring and access to external resources. Agency theory (Jensen & Meckling, 1976) suggests that larger boards enhance monitoring and reduce managerial opportunism. Resource dependence theory (Pfeffer & Salancik, 1978) also emphasizes the role of boards in providing value to firms through legitimacy, expertise, and strategic alignment. However, the benefits that boards bring to firms also depend heavily on the institutional context. In business environments where external monitoring, investor protection, and regulatory enforcement are weak, boards often act as a compensation for these underdeveloped governance institutions. Conversely, in institutionally developed environments, board expansion may not add value to the firm because it may increase coordination costs and reduce accountability.

A large number of studies in emerging economies have shown that larger boards are associated with higher firm value. This is quite appropriate because a board with more members can provide more value to the company through their experience, skills, relationships, and independence. Large boards will partly compensate for institutional constraints. For example, in India, broader boards are linked to stronger performance and enhanced governance capacity (Bansal & Singh, 2022; Goel et al., 2022; Jackling & Johl, 2009; Pandey & Chaturvedi Sharma, 2025). This is also the case in Nigeria, Bangladesh, and Pakistan (Akinwumi & Onmonya, 2025; Rafique, Al-Mamun, & Rodrigs, 2017; Rashid, 2018). This suggests that larger boards enhance monitoring and thus increase firm value in markets characterized by limited regulatory enforcement. However, the evidence from emerging markets is not entirely consistent. Studies have found a negative, U-shaped, or no relationship between board size and firm value. Studies in Sri Lanka have found a slight negative relationship between board size and firm value (Guo & Kga, 2012). In contrast, studies in Ghana and Indonesia have found a U-shaped relationship between board size and firm value (Andoh, Abugri, & Anarfo, 2023; Hidayat & Utama, 2015). This suggests that either excessive expansion or contraction of board size can reduce firm value in transition markets. Some studies in Southeast Asia have shown that board size is not a decisive governance mechanism when other factors influence corporate governance outcomes (Bahari, 2024; Jamaludin, Abdul Rahman, Abdul Hamid, Hashim, & Nik Abdul Majid, 2018; Rahman, Tamala, & Hanggraeni, 2025). Thus, studies in emerging markets indicate that while large boards often provide compensating governance benefits, their effectiveness varies depending on ownership structure, management incentives, and institutional maturity.

In contrast, in developed markets, the evidence is quite consistent and shows a negative relationship between board size and firm value. In the United States, Yermack (1996) noted a negative relationship between board size and Tobin's Q, suggesting that this was due to coordination costs and weakened accountability. Similarly, in the United Kingdom, Guest (2009) also found a negative effect between board size and firm value after addressing endogeneity. Studies in Ireland and Denmark also show that board size expansion provides only limited marginal benefits in an already strong governance environment (Bennedsen et al., 2004; O'connell & Cramer, 2010). Studies with consistent results in developed markets show that in these markets, firms benefit from strong legal systems, effective external monitoring, and mature capital markets. Therefore, the level of influence and role of the Board of Directors in minimizing conflicts of interest, reducing information asymmetry, or creating a signal of prestige to the market is no longer important; even a larger size of the Board of Directors can cause costs, reduce efficiency, and create a negative impact on firm value.

Overall, the findings show that the impact of board size on firm value is clearly contrasted across different markets: in emerging markets, large board size often improves firm value by compensating for incomplete legal frameworks and weak institutional enforcement, while in developed markets, board size may reduce firm value because the coordination costs exceed the governance benefits. Therefore, in the emerging market of Vietnam, this study proposes the following hypothesis:

Hypothesis 1 (H_1): Board size has a positive relationship with firm value.

2.2. Foreign Ownership and Firm Value

Foreign ownership plays an important role in many aspects of corporate operations. Foreign shareholders, unaffected by internal relationships, with high analytical capabilities and governance standards, less susceptible to management manipulation and international reputational pressures, will help strengthen corporate monitoring (Agency Theory), supplement external resources for the firm (Resource Dependence Theory), and transmit credible signals to the market due to higher requirements for information transparency (Signaling Theory). However, the level of foreign investors' impact on firm value depends significantly on institutional strength, enforcement quality, and investor participation, factors that differ significantly between developed and emerging markets.

In emerging markets, where external monitoring is limited and governance institutions are still developing, a large body of research finds that foreign ownership is positively related to firm value. Evidence from MENA economies suggests that foreign investors can enhance firm performance (Lutz, Hegazy, Mohamed, & Basuony, 2020). In Southeast Asia, research in the Indonesian market also shows that foreign investors strengthen governance and increase transparency, thereby improving performance outcomes (Nofal, 2020). Similarly, in the Vietnamese market, Nguyen, Huynh, and Huynh (2024) also show that abnormal foreign investment predicts higher future firm value, although its effect varies with firm-specific conditions and the degree of information asymmetry. These findings generally support the theoretical expectation that foreign shareholders play a governance-enhancing role and positively influence firm value in developing markets. However, in emerging markets, the evidence on the impact of foreign ownership on firm value is also inconsistent. Some studies show that, in some cases, foreign ownership does not improve firm value and may even reduce it. In Brazil, Caixe, Pavan, Maganini, and Sheng (2024) note that foreign institutional ownership can reduce firm value during periods of political instability, when short-term performance pressures drive management decisions that reduce firm value. Similarly, in Vietnam, Le and Phung (2013) show a comparable pattern, finding that fragmented foreign ownership, combined with weak enforcement, reduces monitoring effectiveness and may lead to neutral or even negative valuation outcomes. In Thailand, Attarit (2023) reports weak or insignificant effects after controlling for endogeneity and differences between types of foreign investors. These results suggest that where enforcement is weak, foreign investors may not always play an effective monitoring role. In addition to studies showing a linear effect with inconsistent directions of impact of foreign ownership on firm value, evidence from emerging markets also suggests a nonlinear relationship between foreign ownership and firm value. In India, Kansil (2021) shows that foreign ownership has a nonlinear relationship with firm value at various threshold levels, but its overall impact remains insignificant. Foreign investors in this market invest for financial gain rather than to improve corporate governance, and they do not play an effective monitoring role in Indian companies. Accordingly, the above findings indicate that the impact of foreign ownership on firm value in emerging markets is not entirely uniform. Its impact depends not only on the type of investor and the level of ownership but also on the quality of enforcement and the objectives of foreign investors.

Research from developed markets suggests more stable positive relationships between foreign ownership and firm value. Mishra (2014), studying Australian firms, finds that both traditional and "free-float" foreign ownership significantly improve firm valuation, consistent with strong external monitoring and a transparent regulatory system. Evidence from Japan (Ahmed & Iwasaki, 2021) also suggests that foreign shareholders promote better governance and performance outcomes. Alternatively, in developed markets, there is also evidence that foreign ownership has a nonlinear relationship with firm value. Ferris and Park (2005) show that in Japan, firm value increases with foreign ownership up to a threshold of about 40%, after which firm value begins to decline. However, this study still suggests that foreign investors play an effective monitoring role and pursue a long-term strategic orientation. These results are consistent with the expectation that in an environment of strong investor protection and high disclosure standards, foreign investors can monitor effectively and contribute positively to firm value.

Overall, previous studies have demonstrated that the impact of foreign ownership on firm value depends on the institutional context. In emerging markets, foreign investors generally enhance firm value through monitoring and resource channels, but their effectiveness varies with regulatory enforcement, ownership fragmentation, and political stability. In contrast, in developed markets, strong legal protections and high information transparency support a positive stability effect. In Vietnam's evolving institutional environment, with an orientation towards improving the investment environment and attracting quality foreign investors, foreign ownership continues to serve as both an effective governance mechanism and a signal of prestige. Therefore, understanding the role of foreign ownership is key to assessing how foreign investors contribute to the creation of firm value in transition economies. In this study, the authors hypothesize the impact of foreign ownership on firm value as follows:

Hypothesis 2 (H_2): Foreign ownership has a positive relationship with firm value.

2.3. Audit Opinion and Firm Value

Audit opinions provide independent assurance on the reliability of financial statements and play an important role in building investor confidence. Theoretically, signaling theory (Spence, 1973) suggests that unmodified audit opinions send positive signals about the quality of financial reporting, the effectiveness of internal governance, corporate transparency, and reduced information asymmetry. Agency theory (Jensen & Meckling, 1976) emphasizes the role of auditors in limiting managerial opportunism. However, the extent to which audit opinions affect firm value depends on the institutional context. In environments where regulatory enforcement is weak, unmodified audit reports can serve as an important substitute for underdeveloped monitoring systems, whereas in developed markets, their value and role may be more limited.

Empirical research in emerging markets generally emphasizes the informational value of audit opinions, although findings are mixed. A number of studies have shown that in emerging markets where institutional enforcement is weak, audit opinions play an important role in confirming the reliability of financial statements and increasing investor confidence in firm value. In Tunisia, Ghorbel and Omri (2013) show that modified audit opinions are associated with negative abnormal liquidity, reflecting reduced investor confidence in firms receiving modified audit opinions. Similarly, evidence from Iran also shows that investors react more positively and increase trading volume in firms receiving unmodified audit opinions (Hajieha, Ebrahimi, Yang, & Bazaz, 2023). In contrast, some studies in emerging markets have found that audit opinions do not have a significant impact on firm value. Al-Thuneibat, Khamees, and Al-Fayoumi (2007) found no significant market reaction to modified audit opinions in Jordan. The systematic review by El Badlaoui, Cherqaoui, and Er-Rami (2023) highlights that market reactions to modified audit opinions in many developing economies are often statistically insignificant, reflecting low market efficiency, weak investor sophistication, or limited reliance on audit information. These mixed results suggest that the impact of audit opinions on firm value in emerging markets depends on the quality of regulatory enforcement, the credibility of auditing institutions, and investors' perceptions of the rigor of auditing regulations.

Studies in developed markets have also shown similar results to those in emerging markets. El Badlaoui et al. (2023) found a consistently negative stock price reaction to modified audit opinions. This suggests that in highly regulated and information-rich environments, a departure from an unqualified audit opinion is viewed as a strong negative signal, and investors place high confidence in audit opinions. However, some previous studies have also found a weak or insignificant relationship between audit opinions and market reactions. Dodd, Dopuch, Holthausen, and Leftwich (1984) found no significant market reaction to modified audit opinions in the United States, and the same result was reported by Shevlin and Whittred (1984) in Australia. These findings suggest that in markets with strong disclosure systems, investors have strong confidence in audit opinions and can also rely on a variety of alternative information sources when making decisions.

Accordingly, although the institutional contexts of emerging and developed markets differ, the impact of audit opinions on firm value remains broadly similar. In general, modified audit opinions trigger strong negative reactions from investors. In other words, unqualified audit opinions serve as a reliable signal of the integrity of financial statements and enhance investor confidence in firm value. Given Vietnam's transitional institutional environment and its progress in auditing reforms, the authors hypothesize that unqualified audit opinions are likely to serve as an important signal in maintaining investor confidence and enhancing firm value.

Hypothesis 3 (H_3): Unmodified audit opinions are positively associated with firm value.

2.4. Audit Firm Rotation and Firm Value

Audit firm rotation is intended to enhance auditor independence by mitigating the familiarity threat. According to agency theory, periodic rotation enhances monitoring credibility, while signaling theory suggests that rotation conveys management's commitment to transparency. The extent to which these mechanisms affect firm value varies significantly between developed and emerging markets.

In emerging economies, where monitoring capacity is weak and auditor–client relationships pose a familiarity threat, rotation often serves as a substitute for underdeveloped external monitoring systems. Empirical evidence supports this role: in China, mandatory auditor rotation reduces the risk of future stock price crashes by improving audit quality and constraining managerial opportunism (Fan et al., 2024). These findings suggest that rotation can significantly enhance perceptions of independence in fragile institutional contexts. Despite concerns about audit efficiency when audit firm rotation occurs, such as new auditors lacking experience and understanding of clients, studies in emerging markets generally view rotation as a mechanism to enhance credibility, especially when enforcement is weak.

In developed markets with stronger enforcement mechanisms, audit firm rotation still has a positive impact on firm value, although its incremental benefits are generally smaller than in emerging markets. This is because, in developed markets, where external monitoring is effective and auditing standards have established relatively high levels of discipline, audit rotation can still enhance audit independence and quality, but concerns remain about increased audit costs, disruption of client knowledge, and reduced audit continuity. Montenegro et al. (2023) found in Portugal that mandatory auditor rotation is associated with higher Tobin's Q, indicating more positive market perceptions of audit reliability.

The Vietnamese market exhibits similar characteristics: auditors are susceptible to influence from familiar and long-standing clients, making audit firm rotation both a governance tool and a policy signal to reduce the likelihood of collusion and bolster investor confidence. Therefore, this study proposes the following hypothesis:

Hypothesis 4 (H_4): Audit firm rotation is positively associated *with firm value.*

In conclusion, prior literature suggests that board structure, foreign ownership, audit opinions, and audit firm rotation affect firm value through distinct monitoring and signaling channels, but their effects depend strongly on the institutional context. In emerging markets, these mechanisms tend to have a stronger impact on firm value. By contrast, in developed markets, the same mechanisms tend to have a weaker, neutral, or even negative impact. Importantly, these mechanisms do not operate independently. Evidence from Gul, Kim, and Qiu (2010) indicates that stronger audit quality can amplify the effects of governance structures by enhancing the credibility of corporate information, suggesting that governance and audit attributes interact to shape market value. Overall, these insights underscore the importance of considering governance and audit mechanisms simultaneously, particularly in transitional environments like Vietnam, where institutional reform, ownership restructuring, and audit regulation continue to evolve. Based on these theoretical and empirical insights, the next section describes the research design, data, and estimation strategies used to test the hypotheses.

3. DATA AND METHODOLOGY

3.1. Data and Estimation Strategy

To conduct the research, we used secondary data collected from the financial statements and annual reports of listed companies on the Ho Chi Minh City Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX) during the period from 2017 to 2023. The data provider for us is Vietstock, a reputable data provider in Vietnam. This unit is trusted to provide data for many reputable studies because of the high reliability of its collected data and its wide coverage.

Our sample is limited to non-financial companies. Banks, insurance companies, and other financial institutions are excluded from this study because they have different financial management regimes and reporting requirements than other types of businesses. In addition, their financial leverage patterns, financial risk tolerance, and valuation models make their financial information incomparable with that of non-financial companies (Fama & French, 1992; La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2002). Therefore, studies in the field of corporate governance and capital markets often exclude this type of business.

To ensure data consistency and comparability, the study retained only companies with complete data. All continuous variables were Winsorized at the 1st and 99th percentiles to minimize the impact of extreme outliers. This approach aligns with previous studies (e.g., (Dechow, Ge, & Schrand, 2010; Francis, LaFond, Olsson, & Schipper, 2005)). Observations with missing variable values were excluded from the final sample. After cleaning the data as described, the authors obtained 1,603 observations, which is sufficient to support the empirical analysis.

To conduct the empirical analysis, the authors first used three models, including the fixed effects model (FE), the random effects model (RE), and the FGLS model. Then, the Hausman test was performed to select the appropriate model. Additional tests included the Wald test and the Wooldridge test. All test results indicated that the authors' choice of the FGLS model for analyzing the final results was appropriate.

3.2. Variable Measurement and Model Specification

Our study focuses on the relationship between corporate governance, audit characteristics, and firm value through the following regression model.

$$FV_{it} = \beta_0 + \beta_1 BSIZE + \beta_2 FOWN + \beta_3 OPINION + \beta_4 ROTATE + \beta_5 LNSIZE + \beta_6 LEV + \beta_7 GROWTH + \varepsilon_{it} \qquad (1)$$

In this analysis, the dependent variable FV represents the firm value, measured by the natural logarithm of the market capitalization value of the enterprise (stock price multiplied by the number of outstanding shares). Independent variables related to corporate governance include: board size (BSIZE), measured through the number of members in the board of directors; foreign ownership ratio (FOWN), measured by the percentage of shares held by foreign investors. Independent variables related to audit characteristics include audit opinion (OPINION) and rotation of the auditing company (ROTATE). The variable OPINION is a dummy variable, which takes the value of 1 if the audit opinion is unqualified and 0 otherwise. The ROTATE variable is also a dummy variable, taking the value of 1 if the company changes its audit firm compared to the previous year, and 0 if the audit firm remains the same.

The control variables included in the model are as follows: LNSIZE, which is determined by the natural logarithm of total assets; LEV, calculated by the ratio of liabilities to total assets; and GROWTH, which is calculated by the rate of change in revenue next year compared to the previous year. Additionally, the study also tested the results using another scale of the dependent variable, Tobin's Q, determined by the ratio of market value of equity to book value of equity.

This research model enables the authors to evaluate the combined impact of internal governance mechanisms and audit characteristics on enterprise value in emerging market conditions such as Vietnam.

4. RESULTS AND DISCUSSION

4.1. Descriptive Statistics

Table 1 presents the descriptive statistics of the variables used in the model.

Table 1. Descriptive statistics.

Variable	Obs.	Mean	Std. Dev.	Min.	Max.
FV	1603	26.984	1.894	22	34
TOBINS'Q	1603	11.494	0.72	7.274	16.096
BSIZE	1603	3.876	1.489	1	10
FOWN	1603	0.251	0.434	0	1
OPINION	1603	0.947	0.224	0	1
ROTATE	1603	0.283	0.45	0	1
LNSIZE	1603	27.883	1.74	24	34
LEV	1603	1.998	6.085	-6	123
GROWTH	1603	0.331	4.681	-24	127

The dependent variable, firm value (FV), has a mean of 26.984 (Standard deviation = 1.894; min = 22; max = 34), indicating a significant difference in market value among listed companies. Tobin's Q, which was included to test the robustness of the results, has a mean of 11.494 (Standard deviation = 0.72; min = 7.234; max = 16.096), also indicating a significant difference in market value among the companies studied in the sample. This also reflects the difference in growth prospects among the companies.

The board size variable BSIZE has a value ranging from 1 to 10, indicating that board size also has significant differences among companies. The foreign ownership ratio variable FOWN has an average value of 25.1%, indicating a moderate level of participation of foreign investors in Vietnamese enterprises. For the audit-related variables, the mean value of the OPINION variable is 0.947 (close to 1), indicating that most of the financial statements of listed companies received an unqualified audit opinion. The audit firm rotation variable has a mean value of 0.283, indicating that about 28.3% of listed companies have changed their audit firm during the fiscal year.

For the control variables, the LNSIZE variable has a mean value of 28.883 (Min = 24, Max = 34), indicating that there are quite a few medium and large-sized companies in the sample. The LEV leverage variable exhibits fairly high dispersion, suggesting that the companies in the sample have significantly different capital structures. The GROWTH revenue growth rate also fluctuates greatly, ranging from -24% to 127%, reflecting the fluctuations in the performance of businesses operating in an emerging market.

Overall, the descriptive statistics show that no variable is too skewed or extremely dispersed, indicating that the study data is suitable for econometric analysis.87

4.2. Correlation Matrix

Table 2 presents the Pearson correlation coefficients between all variables in the model. Pearson analysis provides us with an initial understanding of the linear relationship between the variables, as well as an initial assessment of potential multicollinearity in the model.

Table 2. Matrix of correlations.

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) FV	1.000								
(2) TOBINS'Q	0.484***	1.000							
	(0.000)								
(3) BSIZE	0.361***	0.128***	1.000						
	(0.000)	(0.000)							
(4) FOWN	0.239***	0.123***	0.246***	1.000					
	(0.000)	(0.000)	(0.000)						
(5) OPINION	0.108***	0.119***	0.012	0.002	1.000				
	(0.000)	(0.000)	(0.629)	(0.935)					
(6) ROTATE	0.455***	0.174***	0.221***	0.129***	0.081***	1.000			
	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)				
(7) LNSIZE	0.305***	-0.035	0.124***	0.089***	-0.011	0.095***	1.000		
	(0.000)	(0.160)	(0.000)	(0.000)	(0.655)	(0.000)			
(8) LEV	0.002	0.059**	-0.061**	-0.036	-0.012	0.064**	0.067***	1.000	
	(0.931)	(0.018)	(0.014)	(0.152)	(0.632)	(0.010)	(0.007)		
(9) GROWTH	-0.002	-0.012	-0.017	-0.030	0.019	0.018	0.011	0.039	1.000
	(0.949)	(0.625)	(0.509)	(0.238)	(0.459)	(0.483)	(0.650)	(0.117)	

Note: The symbols ***/** indicate statistical significance at the 1% and 5% levels, respectively. *** $p<0.01$, ** $p<0.05$.

The analysis results show that the FV variable has a positive relationship with a number of variables reflecting internal governance and auditing, such as BSIZE, FOWN, and ROTATE. In addition, the Tobin's Q variable, which was included to test the robustness of the results, also shows a positive relationship with FV, indicating the consistency of the dependent variables in the study. These correlations are completely consistent with agency theory and signaling theory, demonstrating that strong internal governance combined with external control contributes to increasing the market value of the enterprise.

The correlation coefficient between each pair of variables in the model is generally less than 0.5, indicating that multicollinearity may not occur. However, to be certain, the authors performed a VIF (Variance Inflation Factor) test. The results showed that all VIF values were significantly lower than the critical threshold of 10, indicating that multicollinearity is not a concern in the model.

In addition, the control variables in the model also show the expected trend. LNSIZE has a moderate correlation with FV, while LEV does not show a relationship with the market value of the enterprise. The GROWTH variable has a weak correlation with FOWN and ROTATE, suggesting that companies with foreign investors and changes in auditing companies may have higher growth momentum.

These preliminary analysis results will serve as the basis for further regression analysis and will reinforce the results discussed in section 4.3.

4.3. Regression Results and Discussion

Table 3 presents the recovery results obtained from three value models. Fixed effects model (FEM), random effects model (REM), and FGLS model. The Hausman test results show that the selected model is the FEM model; however, the expected robustness tests indicate that the FEM model exhibits heteroscedasticity and autocorrelation. Therefore, the research team will use the FGLS model to discuss the results, as this model addresses the shortcomings of the previous models.

Table 3. Regression results.

	(1)	(2)	(3)
	FV	FV	FV
BSIZE	0.0365^{*}	0.0711^{***}	0.136^{***}
	[1.86]	[3.64]	[8.29]
FOWN	-0.147^{**}	-0.0660	0.172^{***}
	[-2.47]	[-1.10]	[3.49]
OPINION	0.175^{**}	0.204^{**}	0.183^{**}
	[2.20]	[2.49]	[2.55]
ROTATE	0.0637	0.281^{***}	0.935^{***}
	[0.84]	[3.77]	[16.13]
LNSIZE	0.304^{***}	0.310^{***}	0.257^{***}
	[8.10]	[9.75]	[14.15]
LEV	0.00195	0.00138	0.00151
	[0.64]	[0.44]	[0.40]
GROWTH	-0.00440	-0.00434	-0.00715^{**}
	[-1.27]	[-1.22]	[-1.98]
_cons	18.22^{***}	17.82^{***}	18.73^{***}
	[17.31]	[19.86]	[36.92]
N	1603	1603	1603
R^2	0.057		

Note: The symbols ***/**/* indicate statistical significance at the 1%, 5%, and 10% levels, respectively. The values in square brackets [] represent the corresponding t-ratios. t-statistics in brackets. * p < 0.1, ** p < 0.05, *** p < 0.01.

The BSIZE variable has a positive and statistically significant relationship with the FV variable, which supports hypothesis H1. This result is also consistent with Resource Dependence Theory, which emphasizes the role of the board of directors in making strategic and technical decisions (Pfeffer & Salancik, 1978). In emerging markets like Vietnam, where governance-related institutions are weak, a larger board size can help strengthen internal monitoring as well as provide strategic direction for the company. This research result is also consistent with the research results of Goel et al. (2022) in India, which argues that Large boards will improve performance through an enhanced advisory role. Evidence from Pakistan, Nigeria, and Bangladesh (Akinwumi & Onmonya, 2025; Rafique et al., 2017; Rashid, 2018) also shows similar results.

The Foreign Ownership (FOWN) variable shows a positive and statistically significant relationship with the FV variable, strongly supporting Hypothesis H2. This result is consistent with Agency Theory (Jensen & Meckling, 1976), which argues that foreign shareholders play an effective monitoring role, helping to reduce major opportunities in management. This is also consistent with Signaling and Resource Dependence theories, which strongly promote the role of foreign consultants in enhancing the reputation, management discipline, and access to resources of the enterprise. The results of the FOWN variable are also consistent with a growing body of research from advanced and emerging markets. Mishra (2014) shows that foreign ownership significantly increases firm value in Australia, highlighting the monitoring and market discipline effects of international investors. Ahmed and Iwasaki (2021) also find that foreign institutional ownership in Japan improves transparency and governance efficiency, thereby enhancing firm performance. Additional evidence from Nofal (2020) in Indonesia and Lutz et al. (2020) in MENA economies also shows that firms with higher foreign ownership benefit from greater firm tightness, increased resource mobilization, and thus improved market value.

The OPINION variable has a positive and significant relationship with the FV variable, confirming hypothesis H3. This result is consistent with Signaling Theory, which suggests that positive audit opinions reduce information asymmetry and enhance investor confidence. Empirical evidence indicates negative market reactions to unmodified audit opinions, such as abnormal liquidity reductions in Tunisia (Ghorbel & Omri, 2013) or stock price declines in developed markets (El Badlaoui et al., 2023), which implies that unmodified audit opinions provide more truthful and reasonable information. In Vietnam, where audit monitoring and enforcement mechanisms are still limited, transparent audit opinions can be considered reliable indicators of the transparency and reliability of financial information. The ROTATE variable has a positive and significant impact on the FV variable, confirming hypothesis H4 and demonstrating that the rotation of the audit firm functions as a trust governance mechanism, thereby strengthening investors' confidence in the auditor's independence. This finding aligns with the study by Montenegro et al. (2023), which argues that mandatory rotation of the audit firm can help improve enterprise performance. In transitional environments like Vietnam, mandatory rotation of the audit firm is considered a potential solution to enhance market confidence, support higher management objectives, and ensure the sustainability of the capital market. Among the control variables, the LNSIZE variable showed a positive and statistically significant relationship with the FV variable, reflecting that large enterprises will have economies of scale, thereby having stronger competitive advantages and higher enterprise value. The financial leverage variable LEV had an insignificant effect, indicating that the capital base did not significantly affect the market value of enterprises in the study sample. However, the revenue growth variable (GROWTH) showed a negative and statistically significant relationship with the FV variable, finding that short-term fluctuations in operating performance may be considered less relevant to the market value of enterprises. Overall, the regression results show that internal governance mechanisms (ownership and board size) and external monitoring mechanisms (audit opinions and auditor rotation) have significant and complementary effects on firm value. The significant role of board size and auditor rotation suggests that credible monitoring, whether internal or external, plays an important role in shaping firm value.

4.4. Robustness Checks

Table 4 presents the results of the reliability test of the model with the dependent variable using Tobin's Q as an alternative measure.

Table 4. Robustness check.

	FEM	REM	FGLS
	TOBINS'Q	TOBINS'Q	TOBINS'Q
BSIZE	0.00391	0.0219	0.0239**
	[0.25]	[1.59]	[2.52]
FOWN	-0.0811*	-0.00907	0.0608**
	[-1.72]	[-0.21]	[2.04]
OPINION	0.212***	0.233***	0.191***
	[3.36]	[3.77]	[4.07]
ROTATE	-0.0518	0.0664	0.146***
	[-0.86]	[1.32]	[4.48]
LNSIZE	0.0314	-0.00416	-0.0111
	[1.06]	[-0.24]	[-1.20]
LEV	0.00992***	0.00954***	0.00775***
	[4.15]	[4.08]	[4.46]
GROWTH	-0.00183	-0.00185	-0.00237
	[-0.67]	[-0.68]	[-1.50]
_cons	10.42***	11.27***	11.44***
	[12.52]	[22.92]	[44.19]
N	1603	1603	1603
R^2	0.024		

Note: The symbols ***/**/* indicate statistical significance at the 1%, 5%, and 10% levels, respectively. The values in square brackets [] represent the corresponding t-ratios. t-statistics in brackets. * p < 0.1, ** p < 0.05, *** p < 0.01.

To confirm the stability of the results, robustness tests were performed using Tobin's Q as an alternative measure of firm value to the FV variable in the model. As shown in Table 4, the FGLS model confirmed that the key governance and audit-related variables remained in the expected direction and were statistically significant. This suggests that the relationships in the research results are independent of the measure of the dependent variable of firm value used in the main analysis.

Overall, the results of the robustness tests provided strong evidence for the validity of the primary study results. The consistency of the results when using different alternative measures strengthens confidence in the study's conclusions.

5. CONCLUSION AND IMPLICATIONS

This study contributes to the literature by integrating three variables – corporate governance, ownership structure, and audit characteristics – into a unified model to explain the factors affecting firm value in the context of emerging markets. Unlike previous studies that considered these aspects separately, this study provides a comprehensive view of how internal and external governance mechanisms together affect the market price of firms.

The authors' research findings have once again confirmed the validity of three fundamental theoretical perspectives. Agency Theory is confirmed through the monitoring role of board size, foreign ownership, and audit firm rotation, all of which together reduce managerial opportunism and enhance monitoring. Resource Dependence Theory is confirmed by the strategic advantages provided by larger and more diverse boards, thereby expanding access to important resources. Signaling Theory is reinforced by the credibility and transparency conveyed through unmodified audit opinions and the presence of reputable foreign investors. Together, these perspectives explain how governance mechanisms operate effectively in an environment with limited investor protection regulations and developing regulatory institutions like Vietnam.

From the research results, the authors suggest a number of policy and practical implications. First, the positive association between board size and firm value emphasizes the strategic importance of promoting board diversity, independence, and capacity building to improve monitoring effectiveness. Second, the significant valuation impact of unmodified audit opinions highlights the need for enhanced audit oversight and audit quality assurance. This factor can be considered a market signal about the fair value of financial statements. Third, the strong impact of audit firm rotation confirms its role in strengthening auditor independence and minimizing the risk of contracting with one audit firm for too long, thereby supporting recent regulatory reforms in Vietnam. Fourth, sustainable and reliable foreign investment will strengthen governance quality and investor confidence, thereby promoting transparent and stable foreign participation in domestic capital markets.

Based on these results, the authors suggest that there should be coordination between enterprises, management agencies, and investors in enhancing the market value of enterprises. Enterprise managers should enhance the effectiveness of the board of directors, maintain audit quality, and build long-term partnerships with foreign investors. Management agencies should issue policies to promote auditor rotation, enforce compliance with information disclosure, and improve institutional capacity for auditing and governance supervision. In turn, investors should integrate governance signals, such as board composition, audit results, and ownership structure, into their valuation framework to better assess reputation and risk at the enterprise level.

Despite its contributions, this study still has some limitations, opening up promising directions for future research. First, although Tobin's Q is used as a measure to check the robustness of the results, the main measure for firm valuation is still based on market capitalization, which may not fully capture long-term market expectations. Future studies may consider using Tobin's Q as the main dependent variable or incorporating additional valuation metrics such as Enterprise Value or Economic Value Added (EVA). Second, the sample is limited to non-financial companies listed in Vietnam, which may limit generalizability; comparative studies across ASEAN countries or other emerging markets may enhance the value of the study. Third, the study has not addressed potential endogeneity concerns; instrumental variable approaches or dynamic panel models (e.g., GMM) could be used in future studies to address this issue. Finally, several major global shocks occurred during the study period (2017–2023), most notably the COVID-19 pandemic, which may have influenced corporate behavior and investor sentiment. Future research could examine the differential effects of such shocks or conduct separate analyses for the pre- and post-pandemic periods.

Overall, the authors' findings highlight that reliable governance and audit mechanisms are not only effective corporate tools for enhancing a firm's market value but also policy levers for institutional consolidation and market development. More broadly, the findings enrich the literature on corporate governance in emerging markets by illustrating how internal governance and independent audit interact in a weak institutional environment. For Vietnam and other emerging economies in Asia, a sustained commitment to governance reform, transparent auditing practices, and stable investment policies will be essential to building strong capital markets and promoting long-term economic growth.

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