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Factors influencing policy choice at businesses in an emerging economy: The case of Vietnam

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ABSTRACT

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The technological revolution has been taking place and rapidly changing many activities in social life, and especially in businesses. The benefits of the technological revolution led to changes in policies for businesses and therefore require businesses to change to adapt. In operations, choosing appropriate policies plays a decisive role in the development of enterprises in production and business, optimizing production activities and dominating the market. Conducting a survey of 310 typical enterprises in Vietnam with stable production and business activities, using estimated regression analysis via SPSS software, the regression results show that the factors that influence the decision of the policy choices are: external groups, administrator influence, employee quality, and legal environment.

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1. Introduction

Socio-economic development requires great contributions from the business community. Most businesses are small and medium sized, and only a few are likely to become large enterprises. Therefore, countries should create favorable business environments to enhance businesses and thereby increase their contribution to the economies of countries. To develop a business, the role of choosing appropriate policies is indispensable, especially in choosing accounting policies. Indeed, accounting is the act of recording the finances and operations of a business. When using appropriate accounting methods, the financial situation of the enterprise is expressed most accurately, and therefore can provide reliable and accurate information to the board of directors and shareholders, investors, or state agencies. Choosing an accounting method should be appropriate to the size of the enterprise and its production and business characteristics. In the context of general economic development, Vietnam has achieved several achievements in economic development, especially the contributions of businesses to the general economy. From a closed economic country without much international foreign trade activities, Vietnam has gradually transformed and integrated into the global economy, and at the same time, Vietnam has implemented a policy of liberalizing trade, investment, and developing a market-oriented economy. Accounting policies are also becoming more and more perfect, businesses can use domestic accounting policies but can also use foreign policies that are suitable for the business's operations. This shows that policy choices in businesses are often influenced by many factors, which can be internal factors and external factors, or at the same time factors that affect the choice of accounting policies. That is the reason for this study. In addition to the introduction, the rest of the study is presented as follows: The next section discusses the research overview, then the data and research methods section, followed by the discussion of the results and conclusions. general conclusion of the study.

2. Literature review

The issue of research on factors that influence the decision in choosing policies, especially on accounting policies in businesses, has received the research attention of many scientists and policy makers. Readers can find a summary of the fundamental theory and empirical evidence on accounting choices in Watts (1992). The authors explained the root of such

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fundamental theory and empirical evidence that play an important role for capital markets researchers. A number of capital markets studies such as those on the nexus between earnings and profit margins propose the assumption that accounting choices did not vary with company variables like growth, leverage, etc. Fundamental theory and empirical evidence suggested that such variation really did exist. Theory of accounting choice thus provided competing hypotheses for relationships found in the literature of capital markets such as the relationship between earnings response coefficient and financial leverage. Also mentioned are Lemke and Page (1992), who identified financial characteristics and economics that dignify three groups of firms classified according to the degree to which they meet the UK's mandatory CCA standards. SSAP 16 were staunchly compliant firms, early defectors, and hardline noncompliant firms. Three main dependent variables included "firm size", "emerge – leverage" and "the ratio of fixed assets to total assets". The summarized empirical results showed that the main driver for conformity is lower income reporting, which was especially the case in favor of continued recognition of CCAs for tax and regulatory purposes. In the field of accounting policy choices, DeAngelo et al. (1994) investigated accounting choices for the sample of 76 NYSE companies with dividend reductions and persistent losses. The results showed that the choice of managers' accounting primarily reveals their firms' financial difficulties rather than efforts to increase earnings. In addition, Bowen and Shores (1995) considered the potential ongoing demands between a company and its suppliers, customers, employees, and short-term creditors in order to create motivations for managers to make decisions on accounting methods that increase long-term earnings. The variables chosen to represent the expansion to which a company relies on statements which are proved to be important in interpreting cross-sectional differences in depreciation and inventory methods. Empirically, Fields et al. (2001) reviewed studies from the 1990s that examined the determinants and influences of accounting choice, framing the authors' analysis around three categories: "market imperfections significantly affect managers' choices: agency costs", "asymmetric information", and "external factors that influence non-contracting parties". For a study of the key factors that might impact airlines' choice of accounting practices mentioned in KPMG and IATA accounting guidelines, Tan et al. (2002) considered the level of miscellany found in the airline industry regarding the essential accounting problems determined in the survey. Costly contract theory formed the fundamental theoretical framework which aimed to determine the level of plenty in airline reporting of core accounting practices and to investigate the factors that helped interpret the choice of major accounting practices by airline companies. The dataset included 80 airlines representing the global airline population, collected from 52 countries. Overall, the results indicated that country clustering plays a role in defining the choice of accounting method among international airlines. This factor could be classified into the group of external factors, expressed in the field of similar professional organizations and professional associations.

Studying the case of listed companies in the Asia Pacific region including Hong Kong, Australia, Singapore, Indonesia and Malaysia, Emita and Greg (2006) hypothesized that a particular set of characteristics of the company involved. Costly Contract Theory explained the accounting policy choices of the management of these firms. The income-increasing or decreasing aspect of accounting policy choice was focused. The four main accounting policies considered in this study included: Inventory method, Depreciation method, Treatment of goodwill and Asset valuation workshop and equipment. The three-part criterion was used to select four essential accounting policies. Aitken and Loftus (2009) explained accounting policy choices in the Australian real estate industry thanks to costly contract theory. In the study, the influence of policy options on equity and income was mentioned. The results showed the importance of compensation arrangements but there was no evidence to show that debt constraints or political costs to be important factors in choosing accounting policies. Cairns et al. (2011) studied the application of fair value measurement on the choice of accounting policies in the United Kingdom (UK) and Australia around the adoption of International Financial Reporting Standards (IFRS). In addition, UK listed companies were required to use IFRS in their consolidated financial statements. They also had the option to use IFRS in their parent and individual firm financial statements. In Australia, all reporting entities were required to prepare consolidated financial statements and a firm's financial statements in accordance with the Australian equivalent of IFRS. In both countries, IFRS adoption was part of a global trend favoring IFRS over national GAAP and represented the biggest shift ever in financial reporting. This was the factor in information requirements that affected the accounting policy choices of companies.

Another factor mentioned as having an influence on the choice of accounting policy was the potential impact of international trade. Cullinan (1999) identified many factors that have been proved to be useful in interpreting cross-sectional differences in accounting methods in public companies. The authors proposed that international trade activities could promote businesses in choosing accounting policies that increased income. The results showed that importers were more likely to choose an income-increasing accounting method rather than non-importers, while exporters were not found to have a relationship with this accounting choice. These different results might be due to the decline in the value of the Canadian dollar, which tended to benefit exporters but disadvantages importers. McDonough and Yan (2023) discussed the evolution of capital asset accounting policies of U.S. state and local governments from the initial adoption of Major Accounting Standards Board Statement No. 34 government until the end of 2016. The authors documented significant temporal and horizontal variation in capital assets accounting policies, especially reducing the comparability of the information capital asset accounting across governments. Capital investment decisions and capital asset rationing could also be seen as representing the influence of the regulatory environment on the choice of accounting policy. Recently, Grzybek (2023) asserted that common opportunistic motives could not interpret the accounting choices of companies with low market-to-book value using research data including 117 companies listed in the US. Poland in 2018 in a context very vulnerable to managerial opportunism. In the Vietnamese context, Nguyen and Nguyen (2014) studied the factors impacting the choice of accounting policies in Vietnamese businesses, in which tax was one of the most important factors affecting behavior to choose the type of accounting policy of the manager. And finally,

Do et al. (2020), in their study on accountants' commitment to Vietnamese FDI enterprises, believed that the level of knowledge and experience of accountants affects their ability to choose appropriate accounting policies to maximize business benefits.

Pham and Phi (2020) explored factors affecting the choice of accounting policies in small and medium-sized enterprises in Vietnam by synthesizing relevant documents to build a research model. The model included a dependent variable which is accounting procedures that reduce income and six independent variables which are “business size”, “financial leverage”, “incentives”, “auditors”, “accountants” and “tax policy”. The data from more than 200 questionnaires during the period from 2018 to 2019 was collected. Then the Ordinary Least Squares regression method was applied for data analysis. The results showed that there were four key factors affecting the choice of accounting policy which auditors associate with accounting policies that increase income; and there were three key factors related to accounting policies that reduce income including: “company size”, “taxes” and “accounting”. In particular, the empirical results showed that firm size significantly impacted on the choice of accounting policies in small and medium enterprises. Tax factors could be classified as regulatory environment variables.

The accounting factor or in general was the accountant in the business. It can be seen that research results on developed countries and even the Asia-Pacific region might not be suitable for Vietnam due to certain environmental differences due to economic position, political system, culture and society. Therefore, the purpose of this study is to provide important implications for business managers in Vietnam in defining the flexibility of accounting practices and the necessary explanations to support users of financial reports. Moreover, this research also has important implications for investors in analyzing financial statements when making investment decisions.

3. Data and research methods

In this study, we collected 320 businesses to evaluate factors affecting accounting policy choices. However, the sample size returned was about 310 enterprises, because 10 enterprises' response sheets did not meet the requirements, so we used a sample of 310 enterprises for statistical analysis. The research uses a quantitative analysis method using SPSS software. First, we analyzed the descriptive statistics of the variables, then analyzed the reliability and EFA analysis. Next, we analyze the correlation matrix to evaluate the degree of correlation between variables, and finally do regression analysis. On the basis of the above studies and a number of related studies, we propose the following research model:

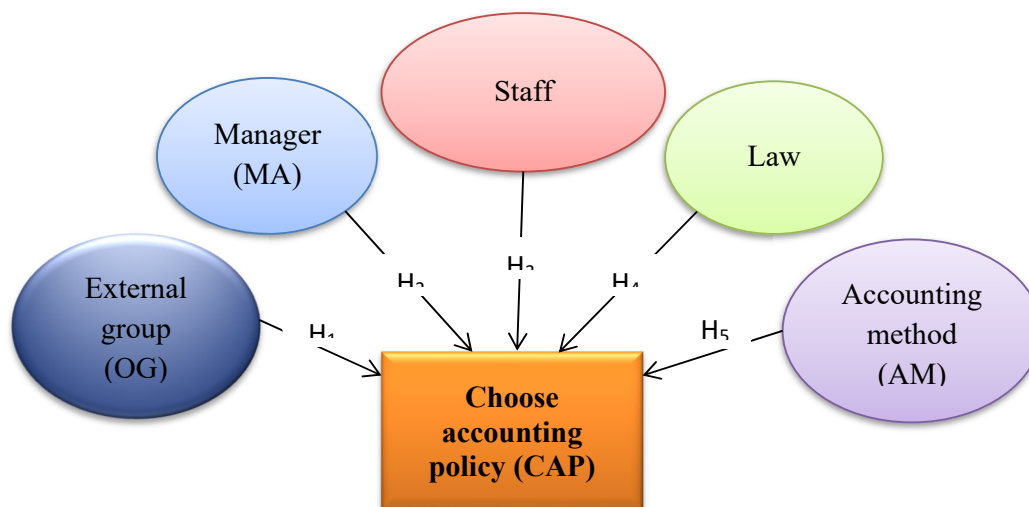


Fig. 1. Research model and research hypotheses

Source: Recommended by the authors

The regression equation of the study is written as follows:

$$CAP = \beta_0 + \beta_1 OG + \beta_2 MA + \beta_3 STAFF + \beta_4 LAW + \beta_5 AM + \varepsilon$$

- Dependent factor: CAP;
- Independent factors include::
 - + OG: External group;
 - + MA: The influence of the managers;
 - + STAFF: The accounting staff in the business;
 - + LAW: The legal environment;

+ AM: The accounting method in the business;

- β_i : Regression coefficient corresponding to the independent variable;
- ε : white noise.

4. Results

4.1. Descriptive statistics

The authors received 310 survey forms. Survey results show that most of the surveyed enterprises are private enterprises, accounting for 67.74%, of which very few FDI enterprises are in the survey sample. Furthermore, 71.61% of businesses are small-scale, the number of large-scale businesses with over 100 employees accounts for only 1.93%. Regarding business lines, 39.03% of businesses are trading, of which 35.16% are service businesses, and 14.51% are manufacturing businesses. Regarding the qualifications of leaders and legal representatives in businesses, 70.32% of leaders have a university degree, while 16.77% of leaders have a graduate degree or higher, only 12.90% of leaders have a university degree.

Table 1

Descriptive statistics

No.	Quantity	Ratio %	No.	Quantity	Ratio %
JSC business	50	16.12%	Manager's degree	Quantity	Ratio %
Private enterprise	210	67.74%	Master and more	52	16.77%
100% foreign capital	40	12.90%	Undergraduate	218	70.32%
Others	10	3.22%	Others	40	12.90%
Total	310	100.00%	Total	310	100.00%
Employment status	Quantity	Ratio %	Sectors		
20 employees and less	222	71.61%	Retailing	121	39.03%
21-50 employees	38	12.25%	Service business	109	35.16%
51-100 employees	44	14.19%	Manufacturing business	45	14.51%
100 employees and more	6	1.93%	Others	35	11.29%
Total	310	100.00%	Total	310	100.00%

Source: Authors' analysis

4.2. The test of Cronbach's Alpha

Previous studies suggest that Cronbach's Alpha ranges from 0.8 to 1 for the measurement scale is good, from 0.7 to nearly 0.8 is usable. However, there are also some studies that suggest that Cronbach's Alpha of 0.6 or higher is usable.

Table 2

Evaluate reliability of Cronbach's Alpha

Factor	Scale	Average scale if variable selected	Scale variance if variable selected	Correlation with total variable	Cronbach's alpha if variable selected
OG (Cronbach's Alpha = 0.878)	OG1	18.32	10.65	.687	.854
	OG2	18.21	10.54	.645	.843
	OG3	17.98	10.21	.621	.833
	OG4	17.54	10.43	.632	.812
MA (Cronbach's Alpha = 0.865)	MA1	16.66	10.86	.645	.798
	MA2	16.43	10.87	.633	.787
	MA3	16.56	10.65	.623	.782
	MA4	16.34	10.44	.643	.776
STAFF (Cronbach's Alpha = 0.862)	STAFF1	24.54	21.12	.687	.842
	STAFF2	23.89	21.32	.677	.813
	STAFF3	24.82	21.54	.644	.875
	STAFF4	24.81	21.45	.641	.841
	STAFF5	24.54	21.12	.623	.852
LAW (Cronbach's Alpha = 0.834)	LAW1	16.56	9.44	.687	.798
	LAW2	16.23	9.64	.664	.795
	LAW3	16.43	9.23	.654	.756
	LAW4	16.21	9.44	.633	.767
AM (Cronbach's Alpha = 0.821)	AM1	15.76	7.23	.676	.756
	AM2	15.77	7.55	.643	.733
	AM3	15.35	7.32	.655	.752
	AM4	15.12	7.56	.677	.767

Source: Authors' analysis

Table 2 shows that the Cronbach's Alpha coefficient of the variables is greater than 0.7 and therefore it can be confirmed that the selected scales are appropriate, since the scales ensure reliability and are therefore suitable for analysis.

4.3. Exploratory factor analysis (EFA) and multivariate regression

Table 3

The test of KMO và Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.887
Bartlett's Test of Sphericity	Approx. Chi-Square	1871.32
	Df	305
	Sig.	.000

Through factor analysis, the factors achieve a total variance extracted of 65.24% and higher than 50% and thus confirm the suitability of the research model. Through the analysis of KMO and Bartlett's test in Table 3, it is found that KMO result = 0.803 > 0.5, sig Bartlett's Test = 0.000 < 0.05, so it is confirmed that EFA exploratory factor analysis is appropriate. The ANOVA test results give the sig value for the F test equal to 0.000 < 0.05 and thus confirm that the regression model is significant.

Table 4

Variance analysis of ANOVA

	Model	Sum of Squares	Mean Square	F	Sig.
1	Regression	18.42	3.431	52.870	.000
	Residual	7.44	.059		
	Total	25.86			

Table 5

Results of multiple linear regression analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics
	B	Std. Error	Beta			Tolerance
(Constant)	.212	.223		.965	.348	
OG	.222	.054	.321	5.678	.000	.965
MA	.265	.043	.365	8.224	.000	.943
STAFF	.204	.033	.344	5.765	.000	.912
LAW	.245	.046	.312	9.432	.000	.911
AM	.154	.045	.188	0.224	.420	.875

From the regression results in Table 5, it shows that all variables have positive impacts, reflecting the positive impact of each factor on accounting policy choices in enterprises. Based on the results we can offer the following:

First: external groups have a positive impact on the quality of accounting policy choices. That means the participation of outside groups will help businesses choose appropriate accounting policies. Indeed, when a business has the participation of an outside group, it helps the business make more contributions to its operations and therefore the business can choose appropriate accounting policies. Choosing appropriate accounting policies can help administrators accurately grasp the business's operations, and at the same time investors and shareholders can easily evaluate the business's operations.

Second: the influence of managers has a positive impact on the choice of accounting policy and this influence is the largest. This reflects that accounting policies are most influenced by administrators, who represent the owners of the business and therefore have great authority in deciding to choose accounting policies.

Third, accountants have a positive influence on accounting policy choices. That is, when the quality of accounting staff increases, it is likely to help businesses be more inclined to choose better accounting policies. This can be explained that the higher quality of accounting staff can help them have enough capacity to pursue advanced, modern and high-quality accounting policies, and thus be a motivation for businesses to choose advanced accounting policies.

Fourth, the legal environment has a positive impact on accounting policy choices. The legal environment is where the legal foundation is created to help businesses operate, and when the legal environment can help businesses operate effectively, businesses increase their ability to choose appropriate accounting policies. Businesses always operate and choose accounting policies based on the law and where it is governed.

5. Conclusion

This paper has performed research on influencing factors that determine policy choices in businesses by surveying 310

businesses operating in production and business activities in Vietnam known as a developing country with rapid socio-economic changes. Using quantitative analysis methods through SPSS software, the research results have shown that outside groups, the influence of administrators, the image of accountants and the legal environment could determine policy choices in businesses. However, accounting methods in businesses did not affect policy choices.

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