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Article

Related party transactions and firm value in an emerging market: Does corporate social responsibility matter?

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FINANCIAL ECONOMICS | RESEARCH ARTICLE

Related party transactions and firm value in an emerging market: Does corporate social responsibility matter?

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Abstract: This study investigates the effect of related party transactions (RPTs) on firm value (FV) with moderating role of corporate social responsibility (CSR) in the context of an emerging market. For a sample of 625 listed firms on the Vietnamese Stock Exchange from 2015 to 2019, we do quantitative analysis utilizing the appropriate method for panel data with modification to strengthen the study's robustness. We design a regression model to test the result. According to the findings of the study, RPTs have an effect on corporate value. This is in keeping with the belief that CSR reporting, which represents a company's ethical concerns, might act as a deterrent to opportunism by management. Our study makes recommendations to improve transaction transparency with corporate stakeholders, contributing to the growth of the Vietnamese stock exchange.

Subjects: Finance; Business, Management and Accounting; Industry & Industrial Studies

Keywords: Related party transactions; Firm value; RPT sales; RPT purchases; RPT total; Corporate social responsibility

1. Introduction

Related party transactions (RPTs) are widespread in the business world and a topic of interest and research by many researchers around the world (Diab, 2019; Gordon et al., 2004; Lu, 2017; Zimon et al., 2021). Enterprises need to capture information about RPTs to make sound decisions, and disclosure of information linked to this type of transaction on the financial statements is vital in order for users to have a better understanding and make sensible decisions (Kamyabi, 2017).

We observed that accounting information is only valuable for RPTs decision-making if it accurately reflects business outcomes. RPTs violations have shook financial markets around the world, as shown in the cases of Enron, WorldCom, and Adelphia (Bona-Sánchez et al., 2017; Fazli, 2019). These scandals have wreaked havoc on businesses and are the result of accounting errors and financial fraud. Besides that, Field and Pande (2013) listed numerous scandals involving RPTs worldwide. Fazli (2019) also concurred that RPTs are becoming more widely acknowledged as a potential instrument of fraud. Therefore, RPTs have an effect on the quality of financial reporting and are of interest to scholars through scandals and academic theory.

A significant topic regarding corporate social responsibility (CSR) has been debated over the past decade among experts from various management viewpoints. Numerous hypotheses, concepts, and models have been developed in academic studies. According to Peng et al. (2011), businesses can generate shared value by focusing on CSR practices that concurrently create social and

commercial values. Wahab et al. (2011) argued that the debt financing cost is a significant factor in the firm's external financing and growth by studying the impacts on a major indicator of financial performance. The authors also provided percentage data from several developed nations to demonstrate the connection between the cost of debt financing and CSR. Munir and Gul (2011) insisted that CSR refers to a company's moral behavior toward society, which means a commitment to developing policies that include ethical practices into regular business operations and tracking progress in doing so. In light of these contexts, the majority of CSR research has concentrated on firms in developed countries, and the literature on this topic in emerging markets is still scarce. Even though past studies were mostly undertaken in the framework of developed countries, emerging markets CSR research tends to emphasize particular areas that are relevant to their socioeconomic and political setting (Nguyen et al., 2019). Some of the specific research contexts in a developing country will be mentioned in the following sections.

Previous studies have focused on all relationships between RPTs and FV in both developed and developing nations (Downs et al., 2016; Gordon et al., 2004; Tariq & Mousa, 2020). However, the findings were inconsistent between research, and we discovered three distinct streams of results across studies. The first is that RPTs have a detrimental impact on FV due to a lack of transparency in disclosure (Bona-Sánchez et al., 2017; Hendratama & Barokah, 2020). According to past research, the majority of shareholders can seize assets from minority shareholders using RPTs (Bona-Sánchez et al., 2017; Cheung et al., 2009). As a result, business groups can abuse RPTs to obtain advantages when purchasing assets, commodities, or services from the company (or selling to the company) at a price lower or higher than the market price. In addition, potential conflicts of interest highlighted by Gordon et al. (2004) could jeopardize management's oversight of a board of directors' monitoring duties or its agency's responsibility to shareholders. They discovered that higher quantities of related party transactions are related to corporate governance systems that are less robust. The second is that RPTs have also been reported to be beneficial. Gordon et al. (2004) offers a different perspective that RPTs are effective transactions that logically satisfy other business needs and benefit the shareholders. RPTs will benefit companies through generating profits and reducing transaction costs (Chien & Hsu, 2010). However, the last one, in some studies, the presence of RPTs have no effect on the advantages and disadvantages of FV (Diab, 2019; Pozzoli & Venuti, 2014) since there is no proof to support them. In this view, RPTs will have a negligible effect on FV. Due to conflicting views on this relationship, we perform corporate social responsibility (CSR) to examine the influence of RPTs on FV when declaring CSR. Some scholars suggest that managers may use CSR to cover up their unethical behavior (Muttakin et al., 2015). More precisely, due to the popularity of CSR, many managers have taken advantage of it to abuse RPTs, causing negative impacts for firms. In contrast, according to a study conducted by (Hendratama & Barokah, 2020), when there are more CSR reports, firms become more successful and engaged. The company's financial and operating reports are more transparent and dependable, and managers are less involved in earnings manipulation (Chih et al., 2008; Kim et al., 2012), indicating that CSR disclosure will result in a favorable correlation between RPTs and FV. However, the importance of CSR in this relationship has hardly been mentioned in recent literature. Therefore, additional study is required, and our work seeks to fill that gap based on Vietnamese context.

Several studies conducted all around the world have discovered the relationship between RPTs and FVs. As a result, we contribute to the empirical literature on what the relationship between them might look like in another emerging economic context, Vietnam. Specifically, we will examine this relationship based on three major factors. First, research on RPTs in developing countries is limited, particularly the relationship between RPTs and FV is extremely rare despite the fact that RPTs are widespread in Asia, where a substantial number of listed businesses are part of business groups (Utama & Utama, 2014). Second, Vietnam differs from other nations in institutional and legal terms. As can be observed, the investor protection framework in Vietnam is weak, and the legal structure is unclear. Thus, research in an emerging market is required to give better information about this sort of transaction and improve understanding of the Vietnamese stock market.

Finally, recent studies in Asian markets such as China (Chien & Hsu, 2010) and Indonesia (Hendratama & Barokah, 2020) reveal that RPTs have a negative impact in the majority of situations. However, the findings of our study revealed the inverse. Because of disparities in the relationships, our contribution is needed to examine the relationship between RPTs and a firm's financial performance to highlight the reasons. Therefore, our last contribution to this paper is whether CSR disclosure improves RPTs transparency or remains a threat to business operations. Recent research in Vietnam on CSR has been limited to a few studies, most of which have concentrated on topics such as corporate governance (Thuy et al., 2022), life cycle (Khuong, 2022), and stock price crash risk (Thuy et al., 2022). On the other hand, it is unclear how CSR and RPTs are related and how this impacts the value of the company. Given this, our research team needs to include CSR in order to shed light on the consequences of it.

In this study, we use a sample of 625 firms listed on the Ho Chi Minh Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX) from 2015 to 2019. We gather data on three types of RPTs: RPTs on sale, RPTs on purchase, and total RPTs. RPTs are measured using a dummy variable and using ratios of RPTs related to sales, purchases and total related RPTs, as in previous studies.

The remainder of the paper is structured as follows. Section 2 presents a background in Vietnam. Section 3 mentions the theoretical framework and hypothesis development. Section 4 illustrates the research design of the research. In section 5, we describe empirical results and a discussion of RPTs on FV. Then, we offer conclusions and implications in section 6.

2. Background

Vietnamese stock exchange has two main locations in Ho Chi Minh City and Hanoi capital: Hose and HSX. The State Securities Commission of Vietnam was established under Decree No. 75/CP of the Government, on 28 November 1996. Two years later, on 11 July 1998, based on Decree No. 48/CP of the Government, the Vietnamese stock market was officially born. At this time, the Stock Exchange Center of Ho Chi Minh City. Ho Chi Minh City (formerly known as Ho Chi Minh Stock Exchange—HOSE) was established. In 2005, the Vietnam Securities Depository (VSD) was established. Along with that was the establishment of the Hanoi Stock Exchange Center (the predecessor of the Hanoi Stock Exchange—HSX) on 8 March 2005. However, at this time, the stock market did not familiar with businesses. In the period 2000–2005, the market capitalization was only about 1% of GDP and almost did not change much. Starting in 2006, the Law on Securities was promulgated by the National Assembly and officially took effect from the beginning of 2007. This time marks a strong leap when the market capitalization reached 22.7% of GDP. By 30 September 2021, the State Securities Commission of Vietnam reported that there were 2133 enterprises listed on the stock market. This is a process of continuous rise of the Vietnamese stock market.

In the Securities Act, all the companies listed on the Vietnamese stock exchange must comply with the disclosure rules required by it and it is clearly stated that a public company must disclose audited annual financial statements including all reports, appendices and explanations in accordance with the law on corporate accounting (Chapter II, Article 8, Clause 1a of the Securities Act). Mandatory information includes balance sheet, statement of business results of the enterprise, notes to financial statements, financial statements submitted to tariffs, and balance of accounts. RPTs and their effects are among the voluntary information to be disclosed. This unique context has influences on RPTs' disclosures. Theoretically, Vietnam's securities laws are quite strict. Notwithstanding, the reality is that negative situations still exist. Directors and board members of the company get involved in RPTs for appropriating company resources. For example, the Vinashin scandal of 2010 which involved the use of RPTs to conceal the company's financial problems (Nguyen, 2021). Or another scandal involving RPTs conducted by the top officials of the Asia Commercial Bank (ACB; Nguyen, 2021). Although RPT has an important position, there are

relatively few studies related to RPT in Vietnam. Thus, it is interesting to address the impact of RPTs on firm values in this particular kind of context.

3. Theoretical framework and hypothesis development

In this research, we use agency theory as the background theories for analyzing the impact of related party transactions for the firm value listed on the Vietnamese stock exchange. The agency theory is the model theory that analyzes the principal (business owners) and the agent (managers) relationships. It is built on the economic theory of Ross (1973) and then is developed by Jensen and Meckling (1976). Many studies are performed to explain RPT and firm value relationships. Accordingly, the results of these studies show that RPT has an impact on firm value in two aspects: type (I) agency issues and type (II) trade cost.

Agency issues (agency type 1) arise when parties have a conflict of interest between business owners and agents. Jensen and Meckling (1976) argue that business owners (shareholders) will empower the agents (managers) to represent the management and make decisions for the benefit of the business owners. However, the agent does not always make executive decisions that are the most beneficial of the business. The reason is both always want to have the most benefit themselves. In this case, managers can abuse RPT to transfer company assets and profits to them. According to agency theory, agency cost is a conditional need with the aim to maintain good relationships between business owners and managers if the manager is not only the sole owner of the company. In addition, the owners will be responsible for this cost. Jensen and Meckling (1976) argue that agency cost is calculated equally the total three types of cost: monitoring cost, bonding cost and residual loss. Monitoring cost help to decrease the interest rate of the manager, auditing cost is a particular example. Bonding costs help to ensure that agency action will not influence the benefit of owners, for example for the cost of making reports, costs of making activity disclosures. Finally, residual loss only occurs when managers abuse business resources with the aim of self-interest. In other words, the costs of the agency will cover tasks such as developing effective corporate governance, increasing management staff welfare and binding management's interest in the company (Maigoshi et al., 2016). Besides, business owners may increase incentives in order to increase the loyalty of managers.

Trade cost (agency type 2) arises when agreements between the owners and management fail to consider future uncertain events. It indicates that there is a conflict between the majority (controlling) and minority (non-controlling) shareholders (Villalonga & Amit, 2006). In the stock exchange, shareholders are business owners. However, ownership is separate from management rights, shareholders authorize managers—representatives of shareholders, to use the capital for business. Therefore, agency theory argues that large shareholders will have greater than power and stronger than motivation and have a better chance to maximize benefits through abusing RPT to expropriate shareholders' asset minority, this adversely affects the firm's value. Consistent with this idea, Gordon et al. (2004) in America, Wahab et al. (2011) in Malaysia, Lin et al. (2010) in Taiwan found that minority shareholders' interests are harmed because majority shareholders abuse RPT to gain their interests. Chen et al. (2009), Bona-Sánchez et al. (2017) found that minority shareholders in publicly listed Chinese companies are likely to suffer benefits when the majority of shareholders dominate control in order to abuse money from the company, which negatively affects the value of the business. Chen et al. (2009) found that in companies listed in Hong Kong, the majority of shareholders who have controlling rights will sell assets to minority shareholders at a higher price in the market but buy assets from them at a lower price. Specifically, shareholders will abuse RPT by making transactions with unfair terms (Utama & Utama, 2014); loans with interest rates higher than current yield (Manaligod & Del Rosario, 2012). All will harm the interests of shareholders who do not hold control of the business. Consistent with this idea, Bona-Sánchez et al. (2017), Zimon et al. (2021), and Rahman and Nugrahandi (2021) argued that RPT has a negative impact on firm value. Wulandari et al. (2022) found that enterprises carried out RPT for opportunistic aims, leads a negative relationship between RPT and firm value in Indonesia. This was explained due to the centralized nature of Indonesian corporations, disagreements arise

between controlling and non-controlling shareholders (class 2 bodies). As a result, controlling/majority owners employ RPTs to seize the assets of minority shareholders.

In contrast, Anderson and Reeb (2003) argue that the majority of shareholders can use RPT effectively to the maximum benefit of the company. In this case, RPT is understood as a business transaction that is reasonable and suitable for the economic needs of the company (Djankov et al., 2008; Peng et al., 2011). Therefore, it leads to an increase in firm value. Chang and Hong (2000), Chien and Hsu (2010), and Chen et al. (2009) showed that RPT may decrease transaction cost and use resources effectively. Friedman et al. (2003) found that RPT may increase shareholder wealth by creating incentives to allocate resources to underperforming companies. Bănabou and Tirole (2010) argued that CSR may be the reason for reduced opportunity behavior of managers. Consistent with this idea, Pratama (2018); Downs et al. (2016) argue that RPT has a positive impact on firm value.

Meanwhile, Kuan et al. (2010), Pozzoli and Venuti (2014), and Diab (2019) point out that RPT has a negligible effect on firm values. According to this approach, various hypotheses put forward for the relationship between RPT and firm value. In this study, we are based on agency theory as well as study the data of audited financial statements of enterprises from an emerging market—Vietnamese stock market. Like most other developing nations, Vietnamese economy will have both similarities and distinctions because of variations in the rates of economic development and economic characteristics. Therefore, we propose the following hypothesis:

Hypothesis 1: Total RPT may have an effect on firm value.

According to agency theory, tunneling is a common form of RPT abuse by controlling shareholders. Some common types of tunneling are RPT that involve the buying and selling of assets/services with higher or lower prices from controlled companies; the payment of excessive operator compensation; and the transfer of company capital into guaranteed loans and internal loans (Cheung et al., 2006). In this study, we investigate the relationships between RPT sales, RPT purchases, and firm value. Wong et al. (2015) pointed out that firm value increases as sales transactions with related parties increase. Also, in this study, Wong et al. (2015) also found that efficient resource allocation is due to the contribution of RPT sales. Similarly, RPT involves selling that will create facilitated payments (Ge et al., 2010). Tsai et al. (2015) argue that related party sales and related party purchases have a positive effect on firm value in Taiwan. Meanwhile, Y.-L. Cheung et al. (2009) point out that companies make purchases with related parties at a higher price and also sell at a lower price than in a similar transaction. This may lead to expropriation occurring, especially when the selling channel is unreliable. Management can take advantage of this RPT with the aim of benefiting themselves. In China, Aharony et al. (2010) discovered a link between post-IPO tunneling and higher earnings management via irregular linked party sales during the pre-IPO period. According to Arens et al. (2016), management uses RPT to underreport the value of financial activities such as sales and purchases, which raises the likelihood of RPT fraud and has a detrimental impact on corporate value. Hendratama and Barokah (2020) point out related party sales have a negative effect on firm value, and related party purchases have a negligible effect on firm value. Meanwhile, Tariq and Mousa (2020) argue that both RPT sales and RPT purchases have a negligible influence on firm value. In conclusion, the research presented shows that business representatives use RPT as a tool to serve their objectives, specifically to alter the details of sales or purchase transactions. This leads to false information, adversely affects the value of the company and harms the interests of the shareholder. Therefore, for a developing stock market like that in Vietnam, boosting RPT transparency will help to ensure that RPT accurately reflects the situation of the firm, which raises the company's value. This is significant, particularly at a time when Vietnamese Accounting Standards (VAS) have not been updated to reflect modern International Accounting Standards (IAS). Therefore, we propose the following two hypotheses

under here to see the effect of RPT purchased and sales on firm value in the stock market in Vietnam.

Hypothesis 2: RPT on purchases may have an effect on firm value.

Hypothesis 3: RPT on sales may have an effect on firm value.

This research also looks into whether CSR reports, which reflect corporate ethical concerns, has a good impact on RPT, and boosts the company's worth. Jensen and Meckling (1976) argue that CSR is the result of conflicts of interest between shareholders and managers. Prior et al. (2008) point out that firms might utilize CSR to conceal their value-destroying operations, lowering corporate value. This suggests that in the presence of relative information asymmetries, business managers who have the intention of misappropriating company assets are more inclined to engage in CSR activities for their own benefit, causing bad effects on the stockholders. Besides that, the agency problem occurs when a person or group with decision-making authority in the business purposefully creates circumstances that allow them to make choices that are detrimental to the company's interests and serve their own personal objectives. Khuong (2022) argued that information asymmetry between the internal and external parties of a firm is the main factor that allows managers to conduct CSR activities opportunistically.

In contrast, Servaes and Tamayo (2013); Harjoto and Laksmana (2018) found that CSR has an impact on RPT in order to increase business value. Choi and Moon (2016) point out that companies that are socially responsible in Korea have more reliable financial reporting. This research found that businesses will have a high corporate value and will avoid opportunistic actions with the aim to protect their reputation. According to Waddock and Graves (1997), businesses seek to boost FV and improve sales by cultivating a favorable reputation through CSR activities. According to Hendratama and Barokah (2020), when there are more CSR reports, enterprises become more efficient and dynamic, meaning that CSR disclosure will lead to a favorable relationship between RPT and FV. Khuong (2022) argued that FV has a favorable effect on CSR because many startups invest in CSR to make a difference from the competition in the market and display different ethical behavior to build a competitive advantage. According to this approach, firms that disclose CSR are less likely to engage in activities that use RPTs to devalue the company and more likely to engage in RPT activities that build value. In Vietnam, only voluntary CSR disclosure is encouraged, and there is no compulsory requirement applied to all companies. Therefore, Vietnam in the context of emerging markets economy is drawing more attention in studies on the relationship between CSR and RPT. Therefore, this study proposes the following hypothesis:

Hypothesis 4: CSR reporting moderates the relationship between related party transactions (RPT total, RPT sales, RPT purchases) and firm value.

4. Research design

We introduce the dependent variable (FP—Firm value), the independent variable (RPT—Related Party Transactions), four control variables (SIZE—Asset Size, LEV—Debit Rate, REV_GROW—Revenue Growth Rate, TANG—Tangible Fixed Asset Rate), and two dummy variables (INDUSTRY, YEAR). The formulae to calculate these variables and the expected relationship between Firm value and Related Party Transactions are discussed below.

We gathered and evaluated data from 625 businesses registered on the HOSE and HNX exchanges in Vietnam. The Vietnamese market might be represented by this sample. Although there are 3062 firms listed on HOSE and HNX, we have excluded all businesses in the banking and insurance sectors due to differing operating methods and financial reporting system features. Furthermore, we will continue to eliminate companies who are unfamiliar with the research principles. Additionally, the Covid-19 pandemic has caused a temporary suspension in business

operations, and as a result, we have decided not to use company data in 2020 and 2021. Financial statement information serves several purposes: it records the current situation of the company, it reflects the state of the stock market, and it can be analyzed to reveal the broader market's sentiment. Economic conditions shift during this time, and as an outcome, some previous accounting estimates, such as those made for doubtful receivables or purchase and sale transactions, may no longer be accurate. Financial statements need to be prepared on an alternative basis due to the fact that many businesses are at risk of dissolution or having to cease operations in some areas. If data from these 2 years were included in the report, the study's findings would change. Therefore, we only looked at organizations that had complete financial statements from 2015 to 2019. A total of 625 firms were chosen in the end.

The current study examines the effect of RPTs on the market value of the firm. To achieve this objective, we use a simple regression model to analyze the data and test each of the hypotheses (Ching & Yuang, 2015; Munir & Gul, 2011). To determine the study's findings, the authors make use of the OLS estimation technique. However, OLS estimation will now no longer be efficient when there has the presence of heteroskedasticity issues. Furthermore, autocorrelation makes the t-value (or P-value) to be higher than normal, and the regression coefficients are statistically significant. If this event occurs concurrently with fluctuating variance, the estimates become increasingly imprecise even when applied to large samples. Therefore, we use linear regression with panel-corrected standard errors (xtpcse) or fit panel-data models using generalized least squares (xtgls) to process data with heteroskedasticity and/or autocorrelation issues. We also use the logit model with the binary measure of the dependent variable in the study and analyze the data grouping to assess the stability of the research results. In conclusion, the regression model is used due to fitting the panel data and overcomes two phenomena: heteroscedasticity and autocorrelation. The study tests the independent variables (RPTs) and how it influences the value firm (FP). The regression model to test the moderation hypotheses is as follows:

$$FP_{it} = \delta_0 + \delta_1 RPT_{it} + \delta_2 SIZE_{it} + \delta_3 LEV_{it} + \delta_4 REV_GROW_{it} + \delta_5 TANG_{it} + INDUSTRY_i + YEAR_i + \varepsilon_{it}$$

$$FP_{it} = \delta_0 + \delta_1 RPT_{it} * CSR_{it} + \delta_2 SIZE_{it} + \delta_3 LEV_{it} + \delta_4 REV_GROW_{it} + \delta_5 TANG_{it} + INDUSTRY_i + YEAR_i + \varepsilon_{it}$$

4.1. Firm value

Based on previous authors' research on markets with economies similar to Vietnam such as Indonesia, China, etc., we use to output measure based on value of the firm (Bona-Sánchez et al., 2017; Diab, 2019; Hendratama & Barokah, 2020; Rahman & Nugrahanti, 2021). In this study, we depict the dependent variable firm value (FP) to represent enterprise value on the Vietnamese Stock Exchange during the research period from 2015 to 2019, which is measured by 3 variables: ROE, ROA, and Tobin's Q. First, we use ROE—which is calculated as Profit After Tax, divided by the equity, similar to Anastasia and Onuora (2019), Fazli (2019). Second, we use ROA—which is calculated as the net income scaled by the average total assets (Abdullatif et al., 2019; Fazli, 2019; Hendratama & Barokah, 2020). However, according to Subramanyam (2014) and Ahmad and Jusoh (2014), accounting-based valuation methods are more likely to contain management manipulations and distortions as personal goals and interests may depend on the reported accounting data. Therefore, they proposed to value the Firm value on the market-based measures. Consistent with Subramanyam (2014), we use Tobin's q—The ratio between a physical asset's market value and its replacement value.

4.2. Independent variable

4.1.1. CSR. The authors created a set of CSR disclosure scales using content analysis based on the criteria of the Global Reporting Initiative (GRI) 2016. The statistics were amassed from the Annual Report and the Sustainability Report. The following is the content analysis approach used to determine the quantity of CSR disclosure of listed firms within the sample. If every standard

withinside the GRI, Parts GRI 200, GRI 300, and GRI 400, has a qualitative and/or quantitative occurrence, that criterion obtains equal to 1, in any other case equal to 0.

$$CSR_ALL_i = \frac{\sum X_i}{n_i}$$

- If the firm satisfies criteria i , X_i is equal to 1.
- Conversely, if the firm does not satisfy criterion i , the value is 0.

The number of expected criteria for the firm is denoted n_i :

- An economic dimension (GRI 200): n_i is defined from 1 to 6.
- An environmental dimension (GRI 300): n_i is defined from 1 to 8.
- Social dimension (GRI 400): n_i is defined from 1 to 19.

4.2.2. RPT

The independent variables include three types of RPTs. Following previous studies Hendratama and Barokah (2020), Rahman and Nugrahanti (2021), and Tariq and Mousa (2020), this study uses related party sales (RPT_Sales), purchases (RPT_Purchases), a total of transactions (RPT_Total). Each type of RPT is measured by the total of transactions (i.e., sales, purchases, total) scaled by total assets (Hendratama & Barokah, 2020). Many previous studies, such as that of Diab (2019) have proposed a way to measure the dummy variable RPT, receiving two values of 0 or 1.

- Coded 1 if the firm disclosed RPT;
- Otherwise, it is coded as 0.

In addition, we also use the ratio scale to calculate the ordinal distance of the variables and use the calculation for comparison.

Wang and Yuan (2012) suggest that related party transactions (RPT) negative influence the firm value in the Chinese market. Contrariwise, Kahle and Shastri (2004) reported a positive impact of RPT. The authors of other studies have proposed an insignificant relationship between RPTs and firm value (Anastasia & Onuora, 2019; Pozzoli & Venuti, 2014). In this study, we seek to prove if related-party transactions (RPT_Total; RPT_Sales; RPT_purchase) have a significant relationship with firm value in the Vietnam's stock market.

4.3. Control variables

4.3.1. Firm size. Firm size (SIZE) is calculated as the natural logarithm of the book value of total assets (Bona-Sánchez et al., 2017; Fazli, 2019; Hendratama & Barokah, 2020; Rahman & Nugrahanti, 2021). Fazli (2019) suggests that the firm's size is one of the factors affecting firm performance. The bigger the firm size, the larger the assets of the firm, and the higher the market value of the portion of ownership of the shareholder. Hence, firm size can increase firm value. However, minority shareholders are likely to be less involved in the management of the firm with increasing firm size. Consequently, firm size can decrease firm value. Therefore, firm size is a significant control variable included in this study, with positive expectation.

4.3.2. Debt ratio

Leverage (LEV) is calculated as total liabilities divided by total assets at the end of the year. Leverage is any ratio that is used to calculate the financial leverage of a company to get an idea of the company's methods of financing or to measure its ability to meet financial obligations (Burki, 2018; Murtala et al., 2018). Financial leverage is used as a control variable because firms with high debt ratios are more likely to experience financial problems and risk bankruptcy (Ohlson, 1980). It has the effect of reducing firm value. Therefore, in this study, we expect a negative correlation between leverage and firm value.

4.3.3. Revenue growth

REV_GROW is calculated as the ratio of this year's revenue to the previous year's revenue. REV_GROW represents the growth rate of the company's profit, as a result of this action predicting the business's investment opportunities in the future (Tsang et al., 2020). Therefore, we expect a negative sign of this variable.

4.3.4. Tangible asset

Tangible Asset (TANG) is calculated as Tangible Asset scaled by total assets. We use TANG as the fourth control variable. According to Somoye (2009), Kodongo et al. (2015), the more tangible-fixed assets a company has, the more likely it is to produce more products, and generate more revenue. That will lead to enhanced firm value. Therefore, under all other conditions being equal, a positive correlation is expected between the ratio of tangible-fixed assets and firm value.

4.3.5. Dummy variables

It is widely recognized that firm values may differ industry wise and with time. So we use dummy variables. They are included to take into account industry and year effects, similar to the studies of Diab (2019) and Bona-Sánchez et al. (2017).

5. Empirical results and discussion

5.1. Descriptive statistics

The results of the variables shown in Table 1 show the descriptive statistics of the independent and dependent variables. Accordingly, it reflects the average return on assets ROA of the sample is 7.3%. The average return on equity is 11%, reflecting the weak financial position of Vietnamese enterprises in recent years. However, the results of Tobin's Q ratio with 1.1 and more excellent values show that Vietnamese firms can use their assets efficiently. From the results of descriptive statistics, about 44% are sales transactions, 43% are purchase transactions, and about 87% of the enterprises have total trades with related parties. According to the study of Abdullatif et al. (2019), many businesses in Jordan demonstrate 72% of the complete transactions with associated parties, similar to Diab (2019), which shows that there are 60% related party transactions of businesses in the United States. This shows that Vietnamese firms have high related party transactions in the period 2015–2019. The average of total assets SIZE as measured in the logarithm of total assets is 27,239. The mean and standard deviation of economic leverage is 2.3% and 1.9%, respectively. The ratio of this year's sales to last year's Rev_Grow is 1.8%. Total tangible-fixed assets to total assets of enterprises in Vietnam are 2.61%.

Analyze the impact of whether or not RPT-related disclosures affects firm value in order to assess the role of RPT-related disclosures in changing corporate financial positions. As a result,

Table 1. Descriptive statistics of all variables

Variable	Obs	Mean	Std. Dev.	Min	Max
roa	3,051	0.073	0.083	−0.296	0.589
roe	3,054	0.109	0.288	−7.715	8.332
tobinq	2,859	1.136	1.249	−25.96	17.06
rpt_sales	3,062	0.435	0.495	0	1
rpt_purchases	3,062	0.428	0.494	0	1
rpt_total	3,062	0.869	0.337	0	1
size	3,062	27.239	1.524	23.440	32.253
lev	3,014	0.232	0.190	0	0.798
rev_grow	3,002	0.177	0.733	−0.948	9.421
tang	3,056	0.261	0.222	0	0.970

total related party RPT has a positive relationship, but this is not significant. At the same time, no multicollinearity problem occurred in this study, as none of the coefficients were more effective than 80% (Field & Pande, 2013). Control variables of the study, including size, lev, rev-grown, positively affect firm value. Regarding the tangent variable, the effect is not significant. Regression results show that the total RPT has a negligible impact on ROA, ROE of the firm, while Tobinq is only at $p < 0.05$, so we find that RPT is not related to the firm value. This result is not consistent with hypothesis H1, and RPT does not affect substantial values. Regression results show that the total RPT has a negligible impact on the ROA and ROE of the firm, while Tobinq is only at $p < 0.05$ so that we find that RPT is not related to the firm value.

In addition, the study of Diab (2019) gave similar results to the results of this study. However, Diab (2019) did not mention the influence of sales and purchase RPTs on related parties. Over time, Table 2 and 3 shows that sales and purchase RPTs have a negligible effect on firm value. Regression results show that sales RPT has a positive influence on ROE of the enterprise but only at $p < 0.05$ and has no significant effect on ROA, Tobin's Q. Meanwhile, purchasing RPT negatively affects Tobinq with $p < 0.1$ and has no impact on ROA or ROE. In short, RPT purchases and sales do not affect the value of the business. This means that not publishing the RPT will have no effect on the firm value. Therefore, how RPT disclosure affects firm value needs to be clarified through the ratio variables of companies having RPT disclosure under all three aspects.

To clarify the effect of RPT on firm value, we ran the same data with Dummy. Total RPT, RPT of sales, RPT of purchases will be measured by the total RPT/RPT of sales/RPT of investments to total assets. In this way, the total number of RPTs must be non-zero and generated samples to be performed. This is performed similarly to RPT sales and purchases.

Table 3 shows that with this approach the number of observed samples will be smaller than the one done above. Similarly, the results of mean, standard deviation, min, max of the independent variable and the dependent variable are similar to the above research results

Table 4 shows the effect of sales-related transactions on firm value. Accordingly, RPT sales positively affect ROA, ROE with $p < 0.01$, and have a negligible impact on Tobin's Q. Collectively, RPT sales have a positive effect on firm value. Similarly, RPT purchase (Table 5) has a positive impact on firm value. This is consistent with hypotheses H2, H3 of this study. This study is consistent with the results of Tsai et al. (2015) in Taiwan. In contrast, Hendratama and Barokah (2020) argue that firms in Indonesia have sales RPTs that negatively affect firm value while purchasing RPTs have a negligible effect on firm value. With the results of this study.

Table 6 shows the same effect of the total RPT on ROA with $p < 0.01$, ROE with $p < 0.05$ level, and has no significant impact on Tobinq. Collectively, total RPT has a positive effect on firm value. This research result is consistent with the research results of Pratama (2018); Downs et al. (2016) and is compatible with the study's hypothesis H1.

Meanwhile, the study of Bona-Sánchez et al. (2017), Zimon et al. (2021) suggested that RPT harms firm value. The authors claim that there is a correlation between RPT and business value. They also confirmed that improved CSR has a beneficial impact on the connection between RPT and company value. R^2 is, however, reported to be quite low in the majority of the examined models. A low R^2 means that the independent variable does not account for much of the variation in the dependent variable. These businesses therefore do not report their CSR as their primary method for informing the public with this information. Since it is satisfactory when the adjusted R^2 is equal to or better than 20%, the models' lower than 20% value shows that the variables are inconclusive.

CSR in Vietnam provides firms with the tools and strategies necessary to become innovative, remains proactive, and achieves a substantial competitive edge. In this context, CSR increases

transparency through adherence to regulatory frameworks, bolsters the reliability of reporting processes, and is always of great interest to investors and auditors. Some studies in the same context have found that integrating CSR into corporate models is an effective way to address economic, social, and environmental concerns while also increasing a company's competitive advantage (Anastasia & Onuora, 2019; Thuy et al., 2022; Khuong, 2022a). Additionally, CSR plays an important role in creating long-term value for the firm by improving efficiency, lowering costs and enhancing customer relationships. Companies that make a strong commitment to CSR are also more likely to attract top talent, reduce staff turnover and develop strong community bonds. This not only helps to promote sustainable practices but also strengthens the connection between a company and its stakeholders.

According to this approach, it is found that in different countries, there will be additional regulations and characteristics of RPT, leading to further research results. In Vietnam, RPT tend to have a positive effect on firm value. At the same time, Tables 4,5,6 all give control variables: size, lev, tang, rev-grown similar to the research results in Table 2. From the results of this study, related party transactions have not had much impact on the capital market.

Empirical results from Table 7 show support for the censorship impact of CSR reporting on the relationship between types of RPTs on the measure of firm value. Accordingly, CSR affects RPT_total on ROA with $p < 0.01$, Tobinq with $p < 0.05$, and does not significantly affect ROE. CSR affects RPT_sales on ROA and ROE with $p < 0.1$ and has no significant impact on Tobinq. However, we found no support for the moderation effect of CSR reporting on the relationship between RPT_purchased on the firm value measure. In general, the publication of corporate CSR reports has a positive impact on stakeholder relationships and corporate value. That is, firms that publish

Table 2. Regression results with independent variable in the form of dummy variable

Variables	Model 1	Model 2	Model 3
	roa	roe	tobinq
rpt_salesdummy	0.004	0.041**	-0.079
	[1.12]	[2.25]	[-1.09]
rpt_purchasedummy	-0.001	0.003	-0.159*
	[-0.22]	[0.13]	[-1.79]
rpt_totaldummy	0.006	-0.009	0.146**
	[1.51]	[-0.59]	[2.21]
size	0.006***	0.019**	0.195***
	[3.97]	[2.49]	[4.78]
lev	-0.179***	-0.218**	-1.504***
	[-17.07]	[-2.48]	[-4.15]
rev_grow	0.008***	0.031***	0.035
	[5.11]	[4.08]	[0.72]
tang	0.007	-0.015	0.26
	[0.77]	[-0.35]	[1.53]
_cons	0	-0.369*	-3.500***
	[.]	[-1.79]	[-3.19]
Industry	Yes	Yes	Yes
year	Yes	Yes	Yes
N	2939	2941	2790
Adjusted R2	0.201	0.031	0.089

t statistics in brackets, * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 3. Descriptive statistics of the RPT variable by ratio measure

Variable	Obs	Mean	Std. Dev.	Min	Max
roa	2,651	0.076	0.085	−0.296	0.589
roe	2,653	0.114	0.301	−7.715	8.332
tobinq	2,520	1.151	1.289	−25.960	17.060
rpt_total	2,661	0.439	1.150	0.000	15.320
rpt_purchase	2,661	0.229	0.965	0.000	11.090
CSR_all	1,124	0.281	0.146	0	0.939
size	2,661	27.260	1.492	23.441	32.209
lev	2,616	0.233	0.190	0.000	0.798
rev_grow	2,622	0.168	0.701	−0.949	9.421
tang	2,661	0.259	0.220	0.000	0.970

Table 4. Regression results of RPT Sales

Variables	Model 1	Model 2	Model 3
	roa	roe	tobinq
rpt_sales	0.013*** [2.99]	0.025*** [2.71]	0.052 [1.07]
size	0.005*** [2.59]	0.020*** [2.88]	0.237*** [3.99]
lev	−0.168*** [−12.41]	−0.272*** [−3.00]	−1.814*** [−3.08]
rev_grow	0.006** [2.41]	0.044*** [2.89]	0.159* [1.68]
tang	0.005 [0.42]	−0.027 [−0.46]	0.374 [1.46]
_cons	0.017 [0.30]	0 [.]	0 [.]
Industry	yes	yes	yes
year	yes	yes	yes
N	1263	1263	1219
Adjusted R2	0.227	0.06	0.114

t statistics in brackets, * p < 0.1, ** p < 0.05, *** p < 0.01

more CSR reports will increase the impact of related party transactions on corporate value than companies that do not. This research result is consistent with Hendratama and Barokah (2020), Khuong (2022). This is consistent with the hypothesis H4 of the study. This result has shown that the impact of CSR on the relationship between related party transactions (RPTs) and corporate value in Vietnam is a positive influence. Research results show that CSR disclosure improves the relationship between RPT and firm value. This shows that CSR disclosure plays a role in promoting and showing more transparency about company information, thereby improving financial performance. This result is consistent with the context of voluntary information disclosure in Vietnam.

6. Conclusions and implications

This study examines the relationship between transactions with related parties and the corporate value of companies listed on the Vietnamese stock exchange. This study uses two methods, which

Table 5. Regression results of RPT purchase

Variables	Model 1	Model 2	Model 3
	roa	roe	tobinq
rpt_purchase	0.003**	0.004	−0.003
	[2.13]	[1.22]	[−0.17]
size	0.005***	0.018***	0.211***
	[3.33]	[2.71]	[3.63]
lev	−0.173***	−0.299***	−1.792***
	[−13.03]	[−2.99]	[−2.80]
rev_grow	0.008***	0.039***	0.162*
	[3.16]	[2.96]	[1.73]
tang	0.016	−0.017	0.241
	[1.40]	[−0.25]	[0.95]
_cons	−0.03	−0.327*	−4.464***
	[−0.70]	[−1.89]	[−2.89]
Industry	yes	yes	yes
year	yes	yes	yes
N	1261	1259	1207
Adjusted R2	0.248	0.051	0.097

t statistics in brackets, * p < 0.1, ** p < 0.05, *** p < 0.01

Table 6. Regression results of RPT Total

Variables	Model 1	Model 2	Model 3
	roa	roe	tobinq
rpt_total	0.004***	0.007**	−0.013
	[2.98]	[2.35]	[−0.74]
size	0.007***	0.023***	0.210***
	[4.36]	[2.84]	[4.86]
lev	−0.179***	−0.233**	−1.627***
	[−15.54]	[−2.37]	[−4.19]
rev_grow	0.008***	0.032***	0.039
	[4.46]	[3.41]	[0.69]
tang	0.016	0.018	0.249
	[1.53]	[0.41]	[1.37]
_cons	0	−0.462**	0
	[.]	[−2.13]	[.]
Industry	yes	yes	yes
year	yes	yes	yes
N	2568	2569	2463
Adjusted R2	0.204	0.028	0.092

t statistics in brackets, * p < 0.1, ** p < 0.05, *** p < 0.01

Table 7. Regression results with the moderate role of CSR

Variables	Model 1 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
	roa	roa	roa	roe	roe	roe	tobinq	tobinq	tobinq
csr_all*rpt_totaldummy	0.062*** [4.15]			0.156 [1.61]			0.963** [2.36]		
csr_all*rpt_salesdummy		0.021* [1.82]			0.119* [1.88]			0.167 [0.52]	
csr_all*rpt_purchasedummy			0.008 [0.60]			0.077 [1.22]			-0.396 [-1.15]
size	-0.011*** [-3.46]	-0.010*** [-3.25]	-0.010*** [-3.21]	-0.001 [-0.04]	0 [0.03]	0 [0.02]	0.207* [1.95]	0.209** [2.01]	0.218** [2.06]
lev	-0.178*** [-9.80]	-0.177*** [-9.47]	-0.177*** [-9.43]	-0.202 [-1.05]	-0.206 [-1.04]	-0.203 [-1.03]	-2.670*** [-2.74]	-2.619*** [-2.77]	-2.658*** [-2.78]
rev_grow	0.006** [2.40]	0.006** [2.50]	0.006** [2.49]	0.041** [2.21]	0.042** [2.22]	0.042** [2.23]	0.033 [0.31]	0.036 [0.33]	0.033 [0.30]
tang	-0.009 [-0.61]	-0.01 [-0.71]	-0.009 [-0.64]	-0.027 [-0.36]	-0.03 [-0.41]	-0.023 [-0.31]	0.226 [0.67]	0.22 [0.66]	0.212 [0.63]
_cons	0 [.]	0.411*** [4.29]	0.415*** [4.31]	0 [.]	0.119 [0.28]	0.139 [0.33]	0 [.]	0 [.]	-4.748 [-1.56]
Industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	1095	1095	1095	1100	1100	1100	1091	1091	1091
Adjusted R2	0.284	0.276	0.274	0.028	0.028	0.027	0.104	0.1	0.101

t statistics in brackets, * p < 0.1, ** p < 0.05, *** p < 0.01

are the Dummy method and the ratio method between rpt sell, rpt buy and rpt total. For the dummy method, RPT Sale, RPT Purchase and RPT Total all give results that have a negligible influence on the business value. It has similar results to Kuan et al. (2010), Pozzoli and Venuti (2014), and Diab (2019). In terms of the ratio measurement method, all three values of RPT Sale, RPT Purchase and RPT total have an impact on business value along with the regulatory role of CSR. This shows the effect of CSR reporting on firm value, whereby socially responsible companies tend to be less likely to abuse RPT which leads to a negative impact on corporate governance positive on firm value. This shows that the CSR improves transparency through the regulatory framework in Vietnam. It is consistent with the research of Hendratama and Barokah (2020) and Khuong (2022). Besides, this research pointed out that the quantity and quality of CSR reporting have a moderate impact on the relationship between RPTs and firm value. Companies that produce a large number of high-quality CSR reports, in particular, are less likely to abuse RPTs. As a result, investors, policymakers, and other stakeholders are urged to consider both the quantity and quality of CSR reporting. More importantly, a support service and standard can be established to provide guidance for CSR report preparation and to ensure the credibility of a company's CSR reports. Similarly to this study, Ran et al. (2017) used the method of far regression analysis and Zhao et al. (2018) used the GMM estimation method given that CSR has an impact on RPT.

Based on the direct results from the research we have just collected, it shows that RPTs have a positive impact on the firm value of companies listed on the Vietnamese stock market, so to manage RPTs practically and quality way, the author proposes specific recommendations for listed companies as follows:

The management and supervision of RPT must be based on a closed system of standards and transparent policies. Ensure the presentation is detailed and specific for each transaction situation presented so that no risk is allowed. It is necessary to clearly define and assign tasks to those responsible for assessment and management.

In recording the value of RPTs, it is essential to ensure that the transaction is recorded accurately to the nature of the transaction, establish the form and specify the necessary recording documents and develop a to-do list for the transaction. The transaction, from transaction proposal, approval through the transaction, documents proving transaction performance, documents on transaction checking and review, are made based on the original records and kept consistent and complete to serve the inspection and supervision.

It enhances the independence of the board of directors and the supervisory board. This independence will reduce the opportunity for managers to commit fraud in transactions with related parties. When the freedom of the board of directors and supervisory board increases, it will help improve the effectiveness of monitoring the board of directors' activities and financial reporting. To enhance this independence, the company should stipulate that the board of directors and the supervisory board must have more than half of the independent members, regardless of the company's board of directors or more than half of the independent members from outside the company.

In addition, when choosing the right auditing company, listed companies need to remove the concept that audit services are mandatory to ensure compliance with the law and the requirements of the public. Audits to detect and prevent the risk of errors to improve the company's performance

Enhance the quality of audit evidence obtained from related party sales or service transactions. When auditing each item, make sure to be honest, and objective. Auditing firms need to organize courses to improve their professional knowledge and understanding of types of fraud in affiliate transactions, especially transfer pricing and reporting beautification techniques. Financial statements so that the auditors can identify and avoid the risks of fraud in these transactions and effective audit procedures.

First and foremost, our research group only uses quantitative methods to solve the problems, such as descriptive statistics, testing, and regression estimation of correlation coefficients. Due to the time constraints and conditions, we could not conduct qualitative research to identify and discover new factors that may influence the stock market value of listed companies' securities from Vietnam. In addition, the study was conducted with 625 companies from 2015 to 2019 so that the research results cannot comprehensively reflect the impact of party transactions related to the enterprise value of companies listed on the Vietnamese stock market. The second limitation of the group's research is that the RPT is widely varied; there are numerous scales based on revenue, expenses, loans/loans (including account leaders), liabilities to related parties, purchases, real estate sales, financial remuneration, financial costs, and so on. In this case, we only analyze the effect of sales transactions on relatedness but do not consider the impact on value enterprises through arising economic transactions.

Firstly, the study only focuses on enterprises listed on the Vietnamese stock market. Future research can cross-compare the Vietnam study with other studies in the ASEAN Economic Community (AEC) with countries in Southeast Asia or it can also be compared with research from developed countries and other developing countries so that the differences between political institutions and socio-economic conditions will also be explained. Secondly, future research not only considers RPT but also can study many other factors affecting firm value such as cash turnover, business diversification, liquidity of the enterprise stocks or other issues in order to evaluate more comprehensively and accurately the enterprise value on the Vietnamese stock market.

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