

BOARD OF DIRECTORS AND FINANCIAL PERFORMANCE IN LISTED ENTERPRISES IN VIETNAM

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GENERAL INFORMATION

Received date: 10/03/2024

Revised date: 23/05/2024

Accepted date: 16/07/2024

KEYWORD

Board of Directors;

Board Characteristics;

Corporate Governance;

Financial Performance;

Listed Enterprises.

ABSTRACT

The board of directors plays a crucial role in corporate governance, overseeing strategic planning, executive management, risk assessment, financial decision-making, and ensuring transparency and accountability. This study investigates the relationship between board of directors' characteristics and financial performance of listed enterprises in Vietnam. This study utilizes data envelopment analysis to determine the efficiency of firms and panel regression method to assess the proposed relationships among 900 observations of 60 publicly listed companies in Vietnam between 2007 and 2021. The results demonstrate that board size, diversity, and independence have significant impacts on a firm's financial performance, with a correlation between board independence and financial performance. Both board size and independence are found to have significant effects on financial performance. The study underscores the importance of effective corporate governance and the role of the board in driving financial success for listed enterprises in Vietnam.

1. INTRODUCTION

The Board of Directors is of paramount importance in the realm of corporate governance, as it plays a crucial role in ensuring that the company operates effectively, transparently, and for the benefit of all stakeholders, particularly shareholders (Jiang, 2022). The Board of Directors is accountable for formulating long-term strategic plans, supervising the operations of the executive board, authorizing important financial decisions, and managing risks (Ali et al., 2023). Furthermore, they are responsible for safeguarding the interests of shareholders and guaranteeing that the company adheres to legal

regulations and standards (Sudiyatno & Suwarti, 2022; Thien et al., 2023).

The growth of a company depends on the provision of financial resources for its operations. Financial efficiency is the utilization of financial resources such as capital, assets, and human resources to achieve company objectives, particularly the objective of generating profits (Broadbent & Cullen, 2012; Jiang, 2022). This reflects the company's ability to optimize its financial operations to achieve the highest profitability at the lowest cost. In today's competitive environment, many private enterprises seek large and sustainable sources of capital to expand their business

activities. Listing on the stock market allows them to access capital from the public effectively instead of relying on their own capital or bank loans (Jiang, 2022; Sudiyatno & Suwarti, 2022). The issuance of shares in the stock market usually has a lower capital cost, especially when the company has a solid financial foundation and good reputation. Companies must comply with strict regulations regarding information disclosure and financial statements. This not only improves internal governance, but also builds trust with investors and other stakeholders (Thien et al., 2023; Zeb et al., 2016). Privately listed companies are subjected to periodic audits by independent auditing firms, which helps ensure that financial statements honestly and reasonably reflect the financial situation of the company. This transparency adds to investors' trust in the market (Hongli et al., 2019; Jiang, 2022; Sudiyatno & Suwarti, 2022).

Prior studies collectively highlight the complex interplay between liquidity management, financial leverage, capital structure, and board characteristics in the financial performance of manufacturing companies in various contexts. Hongli et al. (2019) found that liquidity positively impacts ROE, while higher financial leverage also boosts performance, though they caution against excessive debt to avoid financial distress. In contrast, liquidity negatively affects performance in Indonesian manufacturing firms, with operating assets and company size having positive effects and capital structure having a negative impact (Sudiyatno & Suwarti, 2022). Amedi and Mustafa (2020) revealed that larger board sizes negatively correlate with performance in companies, while independent and female board members enhance efficiency (Amedi & Mustafa, 2020). In the cement industry, capital structure variables such as debt ratios negatively impact

financial performance, whereas liquidity measures positively influence it, suggesting the need for better liquidity management and cautious capital structure decisions by boards (Zeb et al., 2016).

Despite the inadequacies of contemporary governance theories in explaining and predicting the actions of the board, they are useful in shedding light on the board's individual roles. However, these theories do not fully capture the diversity of the board's overall functions (Chen & Zhang, 2014; Jiang, 2022; Muravyev, 2017; Tsene, 2017).

Thus, this study aims to explore the relationship between the characteristics of the board of directors and financial performance of listed enterprises in Vietnam. The results of this study illustrate that (1) various characteristics of the board, including size, diversity, and independence, have significant impacts on a firm's financial performance; (2) there is a correlation between board independence and financial performance; and (3) both board size and independence have significant effects on financial performance.

2. THEORETICAL BASIS

2.1. Role of the board of directors

The board of directors plays a significant role in the operations of a company, especially in large enterprises and those listed on the stock market. Their main responsibilities include the following (Chen & Zhang, 2014; Hongli et al., 2019; Jiang, 2022; Muravyev, 2017):

Setting and overseeing the company's long-term strategy: The board of directors is accountable for ensuring that the company is on track to achieve its strategic goals and optimize shareholder value.

Overseeing executive management: The board supervises the activities of executive

management, such as the CEO and other executives, to ensure that they execute their duties in accordance with the intended strategy and adhere to legal regulations. The board also has authority to appoint or dismiss executive management.

Assessing and mitigating risks: The board of directors evaluates the risks that may impact the company's operations and devises measures to mitigate those risks. This involves establishing internal control policies and ensuring that a company adheres to corporate governance regulations.

Making significant financial decisions: The board of directors is involved in major financial decisions such as budget approvals, dividend allocations, stock issuances, and significant investment decisions. They guarantee that these decisions are made in the interests of shareholders and do not compromise a company's financial stability.

Representing shareholders: The board of directors serves as a link between shareholders and a company's management. They defend shareholder interests and ensure that a company's decisions provide maximum value to shareholders.

Ensuring transparency and accountability: The board of directors guarantees that a company maintains a high level of transparency and accountability to shareholders and other stakeholders in its operations and financial reporting.

Promoting sustainable development: The board of directors also ensures that the company operates in a sustainable manner, balancing economic returns and social responsibility, protecting the environment, and supporting community development.

2.2. The financial performance

A company's financial performance is a crucial aspect that signifies its profitability and overall health over a specific period. A company's financial performance is significant for managers, investors, and stakeholders (Hongli et al., 2019; Jiang, 2022; Thien et al., 2023).

To evaluate financial performance and formulate a financial plan for a company, various indicators and methods can be used. Each indicator and method has its own set of advantages and disadvantages and is suitable for different types of companies (Agustina et al., 2020; Jiang, 2022; Koapaha & Supit, 2022; Thien et al., 2023). Commonly used indicators include the following:

ROA (Return on Assets): This ratio compares the profit before tax and interest to the total assets of the company, indicating the potential profit that can be generated from each asset. ROA also reflects the efficiency of a company's asset utilization.

ROS (Return on Sales): This ratio compares the net profit to the revenue of the company, illustrating the potential profit that can be attained from each dollar of revenue. ROS also reflects a company's level of business performance.

ROE (Return on Equity): This ratio compares the net profit to the equity of the company, indicating the potential profit that can be generated from each equity. ROE also reflects the efficiency of capital mobilization and utilization by enterprises.

EPS (Earnings Per Share): This ratio is a crucial financial metric for evaluating a company's profitability per share. To determine EPS, the company's net earnings are divided by the number of outstanding shares in its common stock. It offers insights into a company's capacity to generate profits for its shareholders.

Furthermore, there are various other indicators that must be considered, such as return on capital (ROI), return on cost (ROCE), return on market value (ROIC), and others. To accurately and comprehensively assess an enterprise's financial performance, it is essential to select indicators that are appropriate for the type of company being evaluated and relevant to measuring financial efficiency. It is important to note that not all targets are relevant or meaningful for every company (Agustina et al., 2020; Koapaha & Supit, 2022).

Three key financial ratios are chosen: return on assets (ROA), return on equity (ROE), and earnings per share (EPS). These ratios are widely accepted in the business world and can demonstrate a company's profitability, efficiency of capital utilization, and competitiveness. By reporting these ratios, companies can attract investors' interest and confidence, thereby increasing opportunities for capital mobilization and cooperation (Hongli et al., 2019; Thien et al., 2023; Tsene, 2017).

3. RESEARCH METHOD

3.1. Research design

This research was conducted by the author employing two main methodologies: qualitative and quantitative analysis.

The qualitative method involves constructing the characteristics of the board of directors and financial efficiency of enterprises listed on the stock market using the results and research models from previous studies.

The quantitative method entailed analyzing secondary data from enterprises listed on the Vietnamese stock market. The author utilized regression models such as Pooled OLS, FEM, REM, FGLS, and F and Hausman tests, as well as the magnification index (VIF), to examine multi-contour phenomena, variance variance,

correlated errors, and autocorrelation phenomena.

Research data on the characteristics of the board of directors and their impact on financial performance were primarily collected from the financial statements and annual reports of 60 enterprises listed on the Vietnamese stock market between 2007 and 2021. These enterprises were selected based on the criterion that they provide adequate information for research purposes.

3.2. Research model

Dependent variables are assessed using three indicators: return on total assets (ROA), return on equity (ROE), and earnings per share (EPS). The calculation is as follows:

$$\text{ROA} = \text{Net Profit} / \text{Total Assets}$$

$$\text{ROE} = \text{Net Profit} / \text{Equity}$$

$$\text{EPS} = \text{Profit after tax} / \text{Shares outstanding}$$

Independent variables

Liquidity: When companies struggle to fulfill their payment obligations, they can negatively impact their efficiency and profitability. Research has demonstrated a positive relationship between liquidity and financial performance. Organizations with adequate liquidity are more capable of fulfilling financial commitments, investing in growth prospects, and ultimately reaching higher levels of profitability and success (Hongli et al., 2019; Jiang, 2022). However, other studies also acknowledge the negative relationship between liquidity and business efficiency. Companies with higher liquidity levels may not necessarily be more efficient, as several other factors may influence this relationship. Companies must carefully evaluate their liquidity positions and adopt effective management strategies to ensure efficient and effective operations (Sudiyatno & Suwarti, 2022). Additionally,

some studies suggest that liquidity has no impact on financial performance (Salim & Ary, 2020).

Board Size and financial performance: The relationship between board size and company efficiency has been debated. One perspective suggests that larger boards may hinder performance because of increased hesitancy in oversight, coordination challenges, and slower decision-making (Naim & Aziz, 2022; Palaniappan Shanmugam, 2017). Conversely, another perspective posits that larger boards offer better support and advice to managers in complex and diverse business environments, potentially enhancing operational efficiency (Hongli et al., 2019). Empirical studies also indicate a positive correlation between board size and corporate performance (Naim & Aziz, 2022).

As stated by the Ministry of Finance (2007), the proportion of independent members on the Board of Directors (BOARD1A) is governed by the model charter of a listed company. This charter dictates that at least one-third of the total number of boards of directors must be independent non-executive members. The corporate charter delineates the organizational structure and governance of the company, detailing the responsibilities of the board, its committees, and management. A well-defined charter ensures a harmonious balance between inside and independent directors, thereby introducing diverse perspectives and expertise in the boardroom. This arrangement ultimately promotes the company's growth and fortifies its capacity to navigate a dynamic business environment. While some studies have found a negative correlation between independent board members and financial performance (Amedi & Mustafa, 2020), others have suggested that such a relationship does not exist (Naim & Aziz, 2022).

Frequency of Board of Directors meetings (BOARD2A): Regular meetings have a favorable impact on monitoring financial performance, suggesting that the frequency of Board of Directors meetings is positively associated with enterprise performance (Naim & Aziz, 2022). A greater number of Board of Directors meetings can contribute to more productive decision making and better organizational performance. Additionally, it is crucial for the Board of Directors to spend most of their time during these meetings. Proper preparation and a well-defined agenda can help optimize the impact of meetings and guarantee that the board can effectively supervise the company's progress.

Holding a dual role on the Board of Directors (BOARD3A) affects financial performance. Jensen (1993) argues that chairing the Board simultaneously can undermine its independence and effectiveness in overseeing management. Some studies indicate that part-time roles may weaken supervisory capabilities, indicating a negative link between concurrent positions and financial performance. Conversely, other studies reveal a positive correlation between dual roles and financial performance, while some find no correlation at all (Amedi & Mustafa, 2020; Naim & Aziz, 2022).

Control variables

Financial leverage, often denoted as LEV, is a crucial financial metric calculated by dividing total debt by total assets. Financial leverage plays a vital role in the performance of listed companies. Companies utilize financial leverage to create a tax shield and fulfill their capital requirements when their resources are inadequate. Previous studies including those conducted by Hongli et al. (2019), Sudiyatno & Suwarti (2022), and Amedi and Mustafa (2020)

demonstrated a positive correlation between financial leverage and enterprise efficiency.

Regression equation

$$Y = \beta_0 + \beta_1 LIQ + \beta_2 BOARDSIZE + \beta_3 BOARD1A + \beta_4 BOARD2A + \beta_5 BOARD3A + \beta_6 LEV + \mu$$

In which:

The dependent variable, Y, assesses the efficiency of financial performance and the characteristics of the Board of Directors along with liquidity, which is measured using three variables: ROA, ROE, and EPS.

The independent variables were as follows.

BOARDSIZE, representing the size of the Board of Directors, was calculated using the number of members in the year of calculation. BOARD1A represents the independent membership rate. BOARD2A represents monthly average board meetings. BOARD3A represents the concurrent holding of a title, with a value of 1 if the Chairman of the Board of Directors resigns from the position of General Director/Director of the company, and equal to 0 if the opposite is true. LEV, which represents the financial leverage.

The regression equations are as follows:

$$ROA = \beta_0 + \beta_1 LIQ + \beta_2 BOARDSIZE + \beta_3 BOARD1A + \beta_4 BOARD2A + \beta_5 BOARD3A + \beta_6 LEV + \mu$$

$$ROE = \beta_0 + \beta_1 LIQ + \beta_2 BOARDSIZE + \beta_3 BOARD1A + \beta_4 BOARD2A + \beta_5 BOARD3A + \beta_6 LEV + \mu$$

$$EPS = \beta_0 + \beta_1 LIQ + \beta_2 BOARDSIZE + \beta_3 BOARD1A + \beta_4 BOARD2A + \beta_5 BOARD3A + \beta_6 LEV + \mu$$

4. RESULTS AND DISCUSSION

The table below provides a comprehensive overview of the research variables.

Table 1. Descriptive analysis of variables

Items	Mean	Std. Dev	Min	Max
ROA (%)	4.7611	19.2405	-56.09	534
ROE (%)	9.1789	23.0961	-175.5021	224
EPS	1808.792	3191.585	-19937	46762.7
BOAR DSIZE	5.3655	1.1382	3	11
BOAR D1A	0.2217	0.2070	0	0.8571
BOAR D2A	0.6281	0.8388	0.25	11.0833
BOAR D3A	0.2655	0.4418	0	1
LIQ	1.2076	1.5303	0.01	16.5130
LEV	0.6350	0.1915	0.03109	1

Note: Number of observations equal to 900

The Return on Total Assets (ROA) metric for the 60 companies operating in Vietnam between 2007 and 2021 had an average value of 4.7611%, with a minimum value of -56.09% and a maximum value of 534%. The standard deviation for this period was 19.2405%. The ROA variable for these companies was highly volatile, with a significant difference in values.

On Equity (ROE) variable had a value of 9.1789%, with a minimum value of -175.5021% and a maximum value of 224%. The standard deviation of this variable is 23.0961%. These results indicate that the profitability of listed enterprises is highly volatile with a wide range of variances, reflecting intense competition in the globalized economy.

EPS (Earnings per Share) variable: This variable has an average value of 1808,792 Vietnamese Dongs (VND), which suggests that the stock value of listed companies is quite high. The standard deviation of 3191,585 VND is quite large, ranging from a minimum of -19,937 VND to a maximum of 46,762.7 VND. This indicates significant fluctuations in the book value of the stocks.

LIQ (liquidity) variable: This variable has an average value of 1.2076, which is slightly lower than expected, and a standard deviation of 1.5303, which is quite high. The variation for this variable ranges from 0.01 to 16.5130, indicating that there are many illiquid businesses as well as companies with very good liquidity. These results suggest that companies with high liquidity are better equipped to finance investments and meet their short-term financial obligations.

The *BOARDSIZE* variable had an average value of 5.3655 and a standard deviation of 1.1382, indicating a relatively high level of variability from a minimum value of 3 to a maximum value of 11. Studies have shown that the size of the Board of Directors has a positive impact on financial performance, meaning that enterprises with larger boards of directors may have an advantage over those with smaller boards.

BOARD1A had an average value of 0.2217 and a standard deviation of 0.2070. The range from the minimum value of 0 to the maximum value of 0.8571 is considerable. In line with

prior research, the percentage of independent board members positively affects financial performance.

BOARD2A had an average value of 0.6281 and a high standard deviation of 0.8388. The difference between the minimum value of 0.25 and the maximum value of 11.0833 is considerable. Previous studies have indicated that the frequency of board meetings positively influences financial performance. This suggests that companies with more frequent board meetings are better able to effectively execute their supervisory role and that the expansion of corporate relationships is crucial for achieving better future financial performance.

Variable *BOARD3A* (Dual Position): This variable demonstrates a mean value of 0.2655 and a relatively high standard deviation of 0.4418. The extensive variation ranges from a minimum of 0 to a maximum of 1, indicating that holding dual positions on the Board of Directors can centralize leadership. However, other studies suggest that this may promote longer tenures and reduce the effectiveness of board supervision.

Control variable: Financial Leverage (*LEV*) variable: This variable has a relatively high average value of 63.50%, indicating that listed enterprises primarily use borrowed capital. The acceptable standard deviation of 0.1915 and the range of variation from a minimum of 3.1% to a maximum of 100% suggest that some companies use high levels of borrowing capital, whereas others have low loan ratios at 3.1%.

Table 2. Regression Analysis

Depend variable	Model	BOARDSIZE	BOARD1A	BOARD2A	BOARD3A	LIQ	LEV	_CONS	Adj R-squared (F)
ROA	Pooled OLS	0.9693	-0.0344	5.6773	0.9138	-0.0571	-10.9803***	3.5517	0.0282
		0.114	0.992	0.248	0.238	0.902	0.006	0.438	0.0001
	FEM	0.0496	-9.1954*	-0.3923	0.7829	0.3775	-7.1919	10.8934	0.0126
		0.962	0.059	0.964	0.565	0.546	0.250	0.136	0.5957
	REM	0.9711	-1.8238	5.0342	1.0555	0.0685	-11.3212***	4.4049	0.02851
		0.154	0.612	0.362	0.223	0.891	0.009	0.386	0.0061
	FGLS	0.9693	-0.0344	5.6773	0.9138	-0.0571	-10.9803***	3.5517	Prof > chi2
		0.111	0.992	0.245	0.235	0.902	0.005	0.435	0.0000
ROE	Pooled OLS	2.5782***	-0.8693	7.0064	1.5516*	-0.1306	-17.7552***	1.0927	0.0840
		0.000	0.822	0.221	0.085	0.810	0.000	0.838	0.0000
	FEM	1.3883	-5.6705	-0.8728	-0.0398	-0.6513	-17.5405***	17.8321**	0.0126
		0.214	0.272	0.924	0.978	0.326	0.008	0.022	0.0345
	REM	2.4695***	-3.5123	3.3166	1.1960	-0.4091	-20.9756***	9.0430	0.2243
		0.007	0.440	0.660	0.310	0.503	0.000	0.180	0.0007
	FGLS	2.5782***	-0.8693	7.0064	1.5516*	-0.1306	-17.7552***	1.0927	Prof > chi2
		0.000	0.821	0.218	0.083	0.808	0.000	0.838	0.0000
EPS	Pooled OLS	586.2719***	-832.8541*	2891.674***	306.7236***	10.9256	-3676.918***	-87.9788	0.2146
		0.000	0.092	0.000	0.008	0.875	0.000	0.837	0.0000
	FEM	37.4525	-413.4734	-5.6268	120.9759	-190.6153**	-3347.498***	4195.669***	0.0538
		0.788	0.520	0.996	0.501	0.021	0.000	0.000	0.0006
	REM	358.8937***	-379.1857	1513.295	289.3459*	-120.8941	-4112.32***	2116.064**	0.4526
		0.002	0.512	0.116	0.055	0.119	0.000	0.014	0.0000
	FGLS	586.2719***	-832.8541*	2891.674***	306.7236***	10.9256	-3676.918***	-87.9788	Prof > chi2
		0.000	0.090	0.000	0.007	0.874	0.000	0.897	0.0000

According to the regression results presented in Table 2, it appears that the financial index ROA is influenced by only one variable, LEV, and the direction of this impact is opposite to the findings of previous research conducted by Hongli et al. (2019), Sudiyatno & Suwarti (2022), and Amedi and Mustafa (2020). This may be attributed to the negative correlation between profitability and debt financing, which suggests inefficiency in leveraging (Nehrebecka & Xing, 2015). Furthermore, the financial index ROE is most strongly influenced by LEV, followed by BOARDSIZE, and BOARD3A has the weakest impact. Meanwhile, the financial index EPS is

affected by all the variables in the model, with the exception of LIQ, and the impact level of the variables is in descending order: LEV, BOARD2A, BOARD1A, BOARDSIZE, and BOARD3A.

The study reveals that the board of directors and governance systems play a significant role in affecting performance indicators such as return on assets (ROA). Specifically, research shows that leverage (LEV) has a significant impact on ROA. This finding suggests that how a corporation uses debt to finance its operations can affect its ability to generate revenue from its assets (Hongli et al., 2019). If a company faces high leverage, it may experience

increased debt servicing costs, which can reduce net income and ROA (Hongli et al., 2019; Sudiyatno & Suwarti, 2022). On the other hand, if leverage is effectively used to fund productive investments, it can improve asset utilization and increase ROA (Amedi & Mustafa, 2020; Sudiyatno & Suwarti, 2022). Therefore, it is crucial for companies to effectively manage leverage to maintain optimal asset performance.

The research revealed that Return on Equity (ROE) is significantly influenced by both the size of the board, referred to as **BOARDSIZE**, and a specific board characteristic called **BOARD3A**. A larger board size can bring diverse perspectives and expertise, potentially leading to more effective governance and decision making that benefits shareholder returns (Amedi & Mustafa, 2020; Naim & Aziz, 2022).

BOARD3A's positive influence on ROE suggests that specific attributes or practices of the board, possibly related to independence, expertise, or engagement, contribute to increased returns on equity (Hongli et al., 2019). Competent and active board members likely strengthen strategic oversight and ensure better alignment with the interests of shareholders, thereby enhancing ROE (Hongli et al., 2019; Naim & Aziz, 2022).

This study evaluates the influence of board characteristics and leverage on Earnings Per Share. With regard to the board, the following findings emerged. **BOARDSIZE**: A larger board was found to have a positive effect on EPS, likely due to enhanced governance and strategic direction, which resulted in improved financial performance and increased shareholder value (Hongli et al., 2019; Tsene, 2017).

BOARD1A (negative impact): A negative relationship with EPS was established,

indicating that certain board characteristics, possibly related to board composition, such as the presence of insiders or less independent members, may not align with shareholders' interests, potentially leading to dilution of EPS (Amedi & Mustafa, 2020; Naim & Aziz, 2022).

BOARD2A and **BOARD3A**: These variables have a positive impact on EPS, suggesting that specific board qualities such as independence, expertise, or proactive oversight may contribute to better financial performance and higher earnings per share (Amedi & Mustafa, 2020; Naim & Aziz, 2022).

The study also revealed a negative effect of leverage on EPS, consistent with the idea that high debt levels can strain a company's finances and reduce the earnings available to shareholders. As debt obligations increase, companies may encounter difficulties in maintaining profitability, leading to a lower EPS (Agustina et al., 2020; Koapaha & Supit, 2022).

5. CONCLUSION

Most companies typically have complex management structures, comprising numerous departments and distinct tasks. Many studies have been conducted on the characteristics of the Board of Directors and their impact on the efficiency of enterprises. In particular, this study confirms the positive influence of the size of the Board of Directors on financial performance. Enterprises with a larger Board of Directors can increase their control over the Board of Directors. However, the results indicate that if the size of the Board of Directors is larger, the percentage of independent members will decrease. Consequently, the benefits of independent members on financial performance are more clearly reflected in enterprises with smaller boards of directors. Moreover, companies with better financial performance tend to have more frequent Board

of Directors meetings, which allows them to develop more suitable strategies and operational plans for each period. This study also reveals that financial leverage has the opposite effect on financial performance. To improve the financial performance of listed companies in the current challenging economic conditions and establish a solid foundation for the future, it is crucial to concentrate on the characteristics of the Board of Directors, particularly the role of the size of the Board of Directors and the frequency of meetings, which serves as a representative measure of evaluation of the performance of the Board of Directors.

Enterprises with large boards of directors are valuable resources that can affect efficiency and other resources in a company. It is essential to utilize the relationships and expertise of board members to enhance a company's financial performance. However, for companies with small boards of directors, concurrent positions can be leveraged to reduce costs and improve financial performance. For companies with low financial performance, the Board of Directors must prioritize exchanges and provide orientation and strategies to improve financial performance through meetings.

Enhancing the quality of the Board of Directors is essential for improving the efficiency of listed enterprises' activities. In Vietnam, the rights and responsibilities of the Board of Directors have been clearly defined, including basic rights and obligations, such as deciding on strategies, medium-term development plans, and annual business plans of enterprises, approving investment plans and investment projects within their competence, and limits as prescribed by law. The findings indicate that the size of the Board of Directors and frequency of meetings have a positive impact on the financial performance of enterprises. Moreover, the structure of the

Board of Directors is crucial for management activities in the enterprise and is related to the motivation and ability of the Board of Directors to supervise and make recommendations to leaders.

The findings of this research provide crucial insights for future amendments concerning the attributes of boards of directors in Vietnam. Effective policymaking necessitates a thorough evaluation of the board's traits, particularly in relation to enhancing business productivity and bolstering the competitive edge of domestic firms against their foreign counterparts. These modifications can potentially spur economic expansion by fostering the input of listed enterprises.

This research underscores the significance of the Board of Directors' characteristics on the performance of listed firms. However, this study has several limitations. First, the findings depend on the accuracy of the annual reports and financial statements of listed firms. Any discrepancies due to nontransparent data in the accounting system could have affected the results. Second, the research data and samples are not representative of all listed firms. Third, this study did not consider other variables that may represent the characteristics of the Board of Directors that influence financial performance. This omission is a limitation of the present study. Fourth, this study does not examine the impact of the characteristics of the Board of Directors on financial performance in firms with varying growth rates and sizes. It also omits factors such as enterprise size, age, and number of state capital representatives. Future research should address these aspects to enhance our understanding of how the characteristics of the Board of Directors affect the performance of listed enterprises.

Despite significant contributions to our knowledge of the role of the board of directors

in the financial performance of listed companies, this study has certain limitations that should be noted for future research in this area. First, the sample size of the 60 listed companies is limited, and future studies should aim to include a more representative sample of the entire market. Additionally, this study does not consider other variables that may impact financial performance, such as company size, industry, or macroeconomic conditions. Therefore, future studies should expand the research sample and incorporate control variables into the research model to better understand the impact of the board of directors on listed companies' financial performance.

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