

# The impact of ownership structure, financial distress on earnings management: The case of Vietnam

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## Abstract

The paper examines the effect of ownership structure on profit management in Vietnam. In this study, we explore how three components of ownership structure - the degree of ownership concentration of managers, foreign ownership ratio and state ownership ratio - affect earnings management. In addition, we also consider whether ownership structure affects profit management during financial constraints. We used REM, FEM, GLS, and GMM regression methods. The study results have shown that ownership structure with foreign ownership has a positive effect on earnings management, whereas one with a proportion of state ownership has a contradicting effect. While the degree of ownership concentration does not affect the profit management, in the context of financial restrictions, the ownership ratio has an impact on the management of earnings. Controllable variables in the model, such as firm size, financial leverage, growth rate, profitability and audit quality, all have an impact on earnings management. The results could, potentially, be the basis to help businesses in restricting earnings management behaviour.

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