THE INFLUENCE OF EARNING MANAGEMENT AND SURPLUS FREE CASH FLOW ON THE BANKING SECTOR PERFORMANCE

Thai V. H., Dinh V. T., Nguyen V. S., Nguyen M. H., Nguyen C. T., Pham T. L. P.[*]

Abstract: The banking sector is considered as the backbone of the economy and needs to examine its performance frequently and get the attention of recent studies and regulators. Therefore, the purpose of the present research is to examine the impact of earnings management and surplus free cash flow on the state-owned banks of Vietnam. This study has used secondary data collection methods and used the financial statements of the twenty-five commercial banks in Vietnam. This study extracted the data from 2009 to 2020 banks' financial statement. This study has executed the fixed effect model (FEM) and robust standard error to analyze the nexus among the variables. The results have revealed that earnings management and surplus free cash flow have a positive association with the banking sector of Vietnam. This research provides the guidelines to the regulators while formulating policies related to the banking sector performance and earning management.

Key words: earnings management, banking sector, fixed effect model, financial performance.

Introduction

Today, global capital markets are deeply intertwined, and trades are more and more complicated. Financial markets contribute to the productive flow of economic savings and consumption in ways that facilitate capital accumulation and goods and services output. Vietnam and other countries continuously worked towards stimulating economic growth, inflationary control, and price stability through structural change and sector improvement. In order to ensure a useful role to provide the economy with resources, to promote economic growth, and sustain macro-stability, the Government is focusing on financial production. Under the framework of convergence, Vietnam attracted more and more investors in a variety of fields including supplying Vietnamese commercial banks with financial services. Vietnam's financial market should concentrate in the coming time on depth rather than general developments. The financial market in Vietnam has a

[*] **Thai Van Ha, Dinh Van Tien,** Ha Noi University of Business and Technology (HUBT), Ha Noi, Vietnam. **Nguyen Van Song, Nguyen Minh Hien, Nguyen Cong Tiep,** Vietnam National University of Agriculture (VNUA), **Pham Thi Lan Phuong,** Ha Noi, Vietnam. College of Agricultural Mechanics (CAM), Vinh Phuc, Vietnam.
✉ corresponding author: dinhvantien.hubt@gmail.com;
✉ vanha280182@gmail.com; nguyensonghua@gmail.com; nthiminhien@gmail.com; nctiep@vnua.edu.vn; phuongcknn@cam.edu.vn

2021
Vol.23 No.1

POLISH JOURNAL OF MANAGEMENT STUDIES
THAI V. H., DINH V. T., NGUYEN V. S., NGUYEN M. H., NGUYEN C. T., PHAM T. L. P.

balance between the monetary market and the stock markets, which continues to be an integral part of the commercial banking system. Commercial banks play a vital part in the production of capital that is vital to a country's economic development (Dang, 2020; Giao, Vuong, Huan, Tushar, & Quan, 2020). Over the years, the corporate banking system has played the role of capital supply for the whole country, and hence, the banking system plays a crucial role in the economy. In terms of a different form of services that the offers - in particular credit, insurance, and payment services - financial services and serves several roles in the economy. Banking has been regarded as the central topic of the economy because of the growing role of banking services. Banking depth, particularly in developed countries, is a key driver of economic development. In addition, the banking sector has been instrumental in stimulating economic prosperity, facilitating the transfer of financial resources, and gaining efficient resource allocations to improve the economy (Liang & Nguyen, 2018).

Earning Management Behavior (EMB) is the intentional intervention to inform consumers in order to accomplish their own management objectives. EMB is the use of information. In the financial statements of the business, EMB affects the accuracy of the details. Research reveals that there are several reasons for EMB, for example, salaries and incentives for managers, so managers can enforce EMB in order to change income where the incentive occurs (Lassoued, Ben Rejeb Attia, & Sassi, 2017). Many studies and most companies concentrate on the EMB. Banking is one of the crucial sectors of any country as it pertains financial information of its customers. The banking management as well as always remains at stake due to the sensitivity of the information they pertain to. Keeping this study in view this study was conducted on the banking sector in Vietnam. In Vietnam, EMB was interested in monitoring the quality of information for government regulators regarding the banking system. The government recently amended Vietnam's State agency to adhere to international norms, including corporate governing (CG) and relevant rules on accounting practices and the presentation and disclosure of information (EM) requirements of the Law on Credit Institutions and Law on Enterprises (Alhadab & Al-Own, 2019; Lassoued, Attia, & Sassi, 2018). In the Vietnamese banking market, due to pressures on competition and economic indicators, the EMB is still operating by a variety of commercial banks. The condition of EMB in listed firms still exists, according to some researchers in the state securities commission of Vietnam. This impacts investors' and stakeholders' trust. But, as the listing banks require transparency in compliance with the Vietnam State Securities Commission rules, the information content of the business banks and the listing banks remain separate. This study thus explores the subjects as listed banks in order to get an overall view of the EMB.

In the Vietnam banking system, the loan and deposit rate were slowed down over the same period in 2017 in the first 10 months of 2018. The interest rate on deposits has shown signs of rising, while the interest rate on loans has remained steady since September. There has been no money deficit on the interbank market.

Regulations that guarantee the stability of the financial system are closely watched. In addition, banking itself had positive actions in providing for loan losses, write-offs, and NPL recovery. The operating results of the listed banks remain diversified in 2019. In addition, it is tough for most banks to increase NIM and pre-tax earnings to retain the fast growth rate as in 2018. The outcomes of banks' activities over 9M.2018 are diversified. Some banks sustained a high rate of growth over the same timeframe last year, although others reported lower results (Kurnianto, Titisari, & Puspitasari). Credit growth expectations for 2018 are 14-15 percent smaller than for the previous year. Credit growth of more than 15% is projected in 2019. The interest rates of deposits may also be under strain, while the interest rates of lending may not rise due to the loan rates (Matthews & Mokoena, 2020). In 2019, therefore, most banks' NIM could not develop. However, the consumer credit segment is notable for the high probability of expansion in the retail credit industry. In the coming time we also consider that, not only by providing for NPL and VAMC but also for secret loans that are not explicitly expressed in their accounts, more banks will be accelerating their management of the NPL. According to the SBV, economic credit growth hit 9.89 percent by the beginning of October. This is the lowest growth rate in the last three years as the credit growth in 2017 amounted to 11.02%, 10.46% in 2016, and 12.12% in 2015. Moreover, the credit increase is very far from the 17% development objective of the SBV in 2018 for the entire year. Term loans constituted 52.7% of the overall remaining loans at the end of 2017 and remained unchanged.

As mentioned above, the banking sector is the backbone of the economy and significant contribution in the GDP motivates the researchers to examine its performance. Moreover, a study conducted by Ahmad, Naveed, Ahmad, and Butt (2020) who also recommended that the banking sector performance should be investigate frequent due to frequent changes in the financial environment. Thus, the present study is conducted to fulfil this gap and the prime aim is to examine the earning management and surplus free cash flow on the banking sector performance in Vietnam. This research provides the guidelines to the regulators while formulating policies related to the banking sector performance and earning management.

Literature review

Decision-making is the fortunate element for any organization and is ultimately proceeded after the extraction of information from financial statements (Matthews & Mokoena, 2020). These statements are majorly used by the organizations to place their strategies and effectiveness toward decision making. This portion of amounts retains the specific proportion of earning management with the relevance of surplus-free cash flows (Chien et al., 2021). Earning management with wide change in sales revenue of the banking sector of Vietnam is elaborated by return on equity. Return on equity is the primary aim of every organization, especially in the banking sector. Banking sector of Vietnam has endorsed the return on equity by

**2021
Vol.23 No.1**

POLISH JOURNAL OF MANAGEMENT STUDIES
**THAI V. H., DINH V. T., NGUYEN V. S., NGUYEN M. H., NGUYEN
C. T., PHAM T. L. P.**

possible change in sale revenue associated with earning management. Sales and lease are considered as major elements in the organizations which changes with organizational atmospheres and global impacts of yields (Sanderson, Shakurina, & Lim, 2019). Change in revenues is concurrent in nature and has positive as well as negative impacts on the return on the equity-wide performance of the organization. The banking sector of Vietnam certainly depicts the slight changes in revenues which are associated with many other factors of earning management. Performance of the banking sector in the emerging markets is ascertained with the due role of return on equity with a prominence of change in sales-wide earning management (Mora-Valencia, Perote, & Arias, 2017). The portion of banking return is predicted by the important role of fluctuating sales which have been extracted due to the earning management.

The main purpose of financial statements is to endorse the effectiveness of information that concerns a change in financial positioning as well as the performance of the banking sector. Although, it is also the main cause of investors to view the performance of the organization through the earning management and their surplus. This depicts considerably uplifts the instance of collecting more revenue from the competitive markets. There is a significant amount invested by the investor which collects surplus on their invested amounts. Some new developments of entities are illustrated with the importance of accounts receivable that insert vital impact on the financial performance of organizations (Bello, 2020). Earning management-wide change in account receivable renders the number of sales and uncollected amounts retaining the markets. This dominancy provides feasible support to the earning management with a certain impact on the return on equity-wide performance of organizations. With the certain effects of account receivable changes, the return on equity asserts possible fluctuations which could be disrupting the performance of the banking sector. The predictive values of the financial statements are asserted with the concepts of financial accounting that could be effective for information on earning management. The amount invested deserves the return with the effective recovery of receivables. Financial management comprises the management of a company and the profits are reported by proper information conveyed to the companies (Olanrele et al., 2020). This state the elements associated with earning management contributes a significant portion toward the return on equity.

Earning management is the primary element for the organization but the dominancy of accruals also insert a vital role. Different components of earning management are an indication of the performance of organizations. It is clear that transactions of sales are not always in the form of cash, but they could be placed on credit though. Therefore, when the accrual element prevails in the organization, the stake of the business could be at risk. This prevalence of risk sometimes could be eminent in uplifting the return on equity with higher recovery or could be resulting in bad debts. Earning management with account payable is the significant cooperation between parties comprising customer as well as organization.

Organizations are significantly enrolled with the perspectives of earning management that impacts the return on equity wide performance of banking and many other sectors (Zheng, Xie, & Yuan, 2019). The banking sector of Vietnam has emerged the role of accounts payable over the return on equity with numerous other scenarios. These scenarios are beneficial for the companies to assert financial forecasting of the companies. In organizations that have the channels of purchases, the elements of accruals would be dominant. This dominancy is consistent with the rates of interests. It results in reducing the financial performance and could be uplifting the increment in financial expenses of an organization. The capital account described the elements of account deficit which is related with the payables and have certain effects on return on equity (Çalışkan & Karimova, 2017). Companies have obligations payable toward their debts and products which have been purchased from other companies. These debts are dominant in the banking sector of Vietnam where banks have taken loans from state banks and are paying interest on their receipts. This is mentioned by the importance of return on equity wide performance of industries to assert the impact of account payables.

Managers of the banking sectors are engaged in various earning managements due to numerous reasons (Rahman, Rozsa, & Cepel, 2018). The surplus free cash flows use increasing income accruals which places negative and low earnings that highlights inevitable investments. Studies have focused on many countries like Malaysia, Indonesia, and many European countries. Therefore, Vietnam is the elected country in this study that states the importance of surplus free cash flows over the return on equity (Săseanu, Zurub, Ohanyan, & Bob, 2014). The opportunistic fewer cash flows are negative toward the performance of the banking sector. It is prevalent in the managers which are associated with earning management as well as retained earnings. A strong linkage of corporate governance with the earning management and surplus free cash flows are depicting influence on the performance of the banking sector. In Vietnam, the banking sector has faced many problems of free cash flows with cash holdings (Meyer & Hamilton, 2020). These problems have positively predicted the positive performance of the banking sector of Vietnam's wide return on equity. Many returns have been destroyed by the enhancing activities of investment locally due to immeasurable equity (Anderson, Guirguis, & Harris, 2020). It is clear that earning management, as well as surplus cash flows with plenty of other variables, have a strong impact on the performance of the banking sector of Vietnam.

The operational performance of the banking sector is measured by the total assets as well as the services-wide earning management. Overall performance-wide return on equity of the banking sector is bifurcated through many other factors which are related to the log of assets. Although, the size of a company is measured by the number of assets and financial allocation of assets to the companies in competitive markets (Majerová & Pražák, 2020). The assessment of the international performance of the banking sector in many countries is extracted from the financial information. With the emergence of total assets, many other ratios are also

elaborating the significance toward manufacturing companies (Park, 2017; Shadmehri, Khansalar, Giannopoulos, & Dasht-Bayaz, 2017). The sets of operational performance are dependent on the asset management which is reluctant with the complexity of the portfolio. Return on equity wide performance of the organization is related to turnover as well as equity and total asset ratios (Chandra, Wijaya, & Hayati, 2020). While asserting the performance of the banking sector of Vietnam, the practices of total assets with operational activities are placing an important role. The changing global circumstances of financial management are significantly positive clear different of amounts due to expensive assets selling. Studies examined the earnings ratios and surplus free cash flows with the predictor of total assets on return on equity (Chandra et al., 2020; Hashed & Almaqtari, 2021). Return on equity is a major element for the banking sector which places effective measures for the performance. The anomaly return with performance persistence is ascertained in frontier markets with certain independent components of total assets (Budhathoki & Rai, 2020). Along with the earning management and surplus free cash flows, the log of total assets is vital in measuring the performance of banking sector-wide return on equity.

H1: These is positive association among the earning management and banking performance in Vietnam.

H2: These is positive association among the surplus free cash flow and banking performance in Vietnam.

Research methods

This research investigates the impact of earnings management and surplus free cash flow on the state-owned banks of Vietnam. This study has used secondary data collection methods and used the financial statements of the twenty-five commercial banks in Vietnam based on their size that is measured as the total assets of the banks. This study extracted the data from 2009 to 2020 banks' financial statement. Based on variables, this study has developed the following equation:

$$ROE_{it} = \alpha_0 + \beta_1 CSR_{it} + \beta_2 CAR_{it} + \beta_3 SFCF_{it} + \beta_4 LTA_{it} + \beta_5 CAP_{it} + e_{it} \quad (1)$$

Where;

ROE = Return on Equity

t = Time Period

I = Bank

CSR = Change in Sale Revenue

CAR = Change in Account Receivable

CAP = Change in Account Payable

SFCF = Surplus Free Cash Flow

LTA = Log of Total Assets

This study has taken the return on equity as the dependent variable while earning management that is measured as the change in sale revenue, change in account receivable and change in account payable and used as the independent variable.

This study also used the surplus free cash flow as the independent variable, and the log of total assets is used as the control variable. These variables with measurement are shown in Table 1.

Table 1. Measurements of variables

S#	Variables and Measurements	Sources
01	Return on Equity	(Batubara, 2017)
02	Change in Sale Revenue	(Bukit & Iskandar, 2009)
03	Change in Account Receivable	(Bukit & Iskandar, 2009)
04	Change in Account Payable	(Bukit & Iskandar, 2009)
05	Surplus Free Cash Flow	(Rusmin, Astami, & Hartadi, 2014)
06	Log of Total Assets	(Vo, 2018)

This research has examined the descriptive statistics of the variables that show the mean along with minimum and maximum values and standard deviation of all the variables used by this research. In addition, the present study also executed the correlation matrix that shows the correlation among the variables. This study also runs the Hausman test to check the appropriate model for the study. Finally, the present study examines the nexus among the variables by using FEM and robust standard error.

This study has executed the FEM to analyze the nexus among the variables. It assumes the variables that are constant across individuals; these variables, like sex, age, or ethnicity, don't change or change at a constant rate. The estimation equation of FEM is given as under:

$$Y_{it} = \beta_{1i} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + u_{it} \qquad (2)$$

Subscript (i) represented the different countries according to their characteristics. This model is an appropriate model when the Hausman test probability value is higher than 0.05. Based on understudy variables FEM equation is as follow:

$$ROE_{it} = \beta_{1i} + \beta_2 CSR_{it} + \beta_3 CAR_{it} + \beta_4 SFCF_{it} + \beta_5 LTA_{it} + \beta_6 CAP_{it} + u_{it} \qquad (3)$$

Finally, this study has also run the robust standard error to examine the relations among the variables because it adjusts the model's heterogeneity issues that generally exist. This is also used because the cross-sectional are more than the time series. This study has developed the robust standard error equation by using understudy variables as under:

$$ROE_{it} = \beta_1 CSR_{it} + \beta_2 CAR_{it} + \beta_3 SFCF_{it} + \beta_4 LTA_{it} + \beta_5 CAP_{it} + \varepsilon_{it} \qquad (4)$$

Findings

This research has examined the descriptive statistics of the variables that show the mean along with minimum and maximum values and standard deviation of all the variables used by this research. The total observation is 300, while ROE has 1.700 mean value while CSR has 2.149 mean value. In addition, CAR has 2.658 mean

value, and SFCF has 2.174 mean values. Moreover, the average log of total assets is 5.568, while the average CAP is 0.553. These values are shown in Table 2.

Table 2. Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROE	300	1.700	0.505	1.028	2.733
CSR	300	2.149	0.126	1.905	3.593
CAR	298	2.658	0.446	0.767	3.128
SFCF	300	2.174	0.201	1.021	3.761
LTA	300	5.568	0.410	4.099	6.399
CAP	300	0.553	0.374	1.940	4.892

The present study also executed the correlation matrix that shows the correlation among the variables. The results highlighted that all the variables have a positive association with ROE in the banking sector of Vietnam because the positive sign exists with all the values. These values are shown in Table 3.

Table 3. Correlation matrix

Variables	ROE	CSR	CAR	SFCF	LTA	CAP
ROE	1.000					
CSR	0.324	1.000				
CAR	0.292	0.336	1.000			
SFCF	0.075	0.452	-0.561	1.000		
LTA	0.187	-0.252	0.276	0.510	1.000	
CAP	0.546	-0.221	-0.130	-0.426	0.328	1.000

Firstly, the FEM model is used to test the nexus among the variables, and the results have revealed that earnings management and surplus free cash flow have a positive association with the banking sector of Vietnam. The results also exposed that the R-square value is 0.436, which means 43.6 per cent variation in ROE are due to the understudy variables. These values are mentioned in Table 4.

Table 4. Fixed effect model (FEM)

CO_2	Beta	S.D.	t-value	p-value	L.L.	U.L.	Sig
PFS	1.622	0.327	4.96	0.002	2.974	0.270	***
BMFS	0.862	0.167	5.17	0.002	1.194	0.531	***
BFP	0.742	0.366	2.03	0.046	1.468	0.016	**
EG	0.277	0.145	1.91	0.057	2.011	0.565	*
PG	0.014	0.003	4.66	0.002	1.003	0.010	***
Constant	5.899	1.187	4.97	0.001	3.544	8.254	***
R-squared		0.436	Number of obs				298.000
F-test		9.447	Prob > F				0.000

*** $p<.01$, ** $p<.05$, * $p<.1$

POLISH JOURNAL OF MANAGEMENT STUDIES
THAI V. H., DINH V. T., NGUYEN V. S., NGUYEN M. H., NGUYEN
C. T., PHAM T. L. P.

2021
Vol.23 No.1

Secondly, the present study also used the robust standard error to test the nexus among the variables because the study is cross-sectional dependent. The results have also revealed that earnings management and surplus free cash flow have a positive association with the banking sector of Vietnam. These values are mentioned in Table 5.

Table 5. Robust standard error

CO2	Beta	S.D.	t	P>t	L.L.	U.L.
PFS	1.622	0.402	4.040	0.004	1.713	0.530
BMFS	0.862	0.093	9.280	0.002	1.073	0.652
BFP	0.742	0.097	7.650	0.001	2.961	0.522
EG	0.377	0.189	1.995	0.075	1.150	0.704
PG	0.014	0.004	3.500	0.006	1.005	0.012
_cons	5.899	0.838	7.040	0.002	4.003	7.795

Results Discussion

The study results have indicated that the measure of earning management, the change in the sales revenue has a positive impact on the banking sector performance. The study states that the increase in the sales revenue leads to an increase in return on equity and help drive higher banking performance in the economy. These results are in line with the past study of Asghar, Sajjad, Shahzad, and Matemilola (2020), which analyzes the change in the financial performance of the banking sector of an economy. This study states that when the earning management of the bank is effective, and there is an excellent increase in the revenue from sales, the banking organizations make higher performance. These results are in line with the past study of Religiosa and Surjandari (2021), which shows that the organizations in the banking sector have high returns on equity and, thus, higher performance when the earning management drives higher sales revenues. The study results have also indicated that the measure of earning management, the change in accounts receivable has a positive association with the banking sector performance. These results are supported by the past study of Frankel, Kim, Ma, and Martin (2020), which analyzes the performance of different banks on account of the change in the accounts receivable and concludes that the organizations where there is an increase in the accounts receivable at the end of the year have more net income, more returns, and higher performance. These results are also supported by the past study of Acikgoz and Demirkol (2019). This study analyses the banking institutions must face a decrease in the returns on the equity and performance when the earning management performance is weak as in case there is a decrease in the total accounts receivable at the end of the years. The study results have shown that the measure of earning management, the change in accounts payable has a positive association with the banking sector performance.

2021
Vol.23 No.1

POLISH JOURNAL OF MANAGEMENT STUDIES
THAI V. H., DINH V. T., NGUYEN V. S., NGUYEN M. H., NGUYEN C. T., PHAM T. L. P.

These results are approved by the previous study of Lin and Qiao (2021). This study has been conducted with the aim to analyze the actual financial position of the banking institutions in the market. This study analyzes that the change in the accounts receivable and accounts payable affects the net income and returns on equity. In these ways, the favorable change improves the banking performance and vice versa. These results are also supported by the past study of Norden, Udell, and Wang (2020), which shows that the increase in the accounts payable at the end of the years shows a decrease in the net income and the return on the equity—the lower ratio of return on equity drives lower operational and financial performance. The study results have also indicated that the surplus free cash flow has a positive association with the banking sector performance in the country. These results are in line with the past study of Shadmehri et al. (2017), which shows that the surplus free cash flow indicates profits in the given period. In case the banking organizations have a high surplus cash flow, they have more funds that can be used in the operations to get higher returns on equity and higher performance. The study results have indicated that the log of total assets of the banking institutions has a positive association with the performance of the banking sector of the economy. These results are in with the literary investigation of Ferri and Pesic (2017)into the performance of the banking institutions states that the log of total assets states determines the financial position of the banking organization. This study concludes that the organizations in the banking sector of the economy which have a high log of total assets have a high scope of banking activities. The high stimulation in the operations shows more capacity of the banking institutions to bring higher returns on equity. The higher the log of total assets, the higher the size of the business and more chances of profitability. These results are also in line with the past study of Ahamed and Mallick (2017), which shows that the banking organizations which higher more assets than liabilities have a strong financial position and wide business. Such banking organizations have more opportunities to hive higher returns on equity and higher financial performance. Thus, a higher log of total assets determines higher banking performance.

Conclusion

The study throws light on the performance of organizations within the banking sector of the economy in Vietnam, a developing country. For this purpose, the study examines the return on equity on account of the earning management effectiveness such as a change in sales revenue, accounts receivable, and accounts payable, change in the surplus free cash flow, and log of total assets. The study implies that earning management measure, the change in the sales revenue brings a change in the returns of equity and determine the performance of banks. In the banking organizations where the earning management is effective and achieves an excellent increase in the sales revenue, the return on equity (capital and liabilities) high and higher profitability derives higher performance. The study also states that earning management measure, the change in the accounts receivable affects the

POLISH JOURNAL OF MANAGEMENT STUDIES
THAI V. H., DINH V. T., NGUYEN V. S., NGUYEN M. H., NGUYEN
C. T., PHAM T. L. P.

2021
Vol.23 No.1

returns on equity and leads to a change in the performance of banking organizations. Under effective earning management, the increase in the accounts receivable denotes higher net income and higher returns on equity. In this situation, the banking organizations have higher performance. This literary investigation elaborates that a favorable change in the accounts payable brings a rise in the returns on the return on equity and drives higher financial performance of the banking institutions. The study states that the surplus free cash flow shows higher returns on the equity and higher net income. When the banking institution has surplus free cash flow, their financial position is high, and there is high performance. Similarly, the higher log of total assets determines the larger size of the banking business, the higher scope of banking activities, and more chances of higher performance.

The study has great theoretical and empirical implications. This study has vital theoretical implications as it contributes a lot to the banking literature. This study gives a detailed description of the financial performance of the organizations in the banking sector. This has analyzed the relationship between earning management measurements such as a change in sales revenue, change in accounts receivable, and change in accounts receivable, and the banking sector performance. This study also analyzes the influences of surplus free cash flow and log for total assets of the bank on the return on equity and the performance of the banking sector. This study is a distinction in the past literature in the sense that though many studies have dealt with the influences of earnings management measures and control measures on the performance of banks, a very small number of studies have addressed them simultaneously. This study also has great empirical importance in the emerging economy like Vietnam because it gives a theoretical guideline to the banking management that they can make good managerial decisions to maintain banking performance. This research provides the guidelines to the regulators while formulating policies related to the banking sector performance and earning management. This study also helps the upcoming studies who want to examine this area in future. This study suggests that when the earning management works effectively, and there is a positive change in the revenue from sales, effective changes in the accounts receivable and accounts payable, there are more returns on the equity of the bank and thus, the banking sector performance is high. Moreover, the study suggests that the banking organizations can have more returns on equity and achieve higher performance among the competitors by enhancing surplus free cash flow and log of total assets.

Although the present study makes both theoretical and empirical implication, it has several limitations which must be filled by the upcoming scholars. This study analyzes just three earning management measures such as a change in sales revenue, change in accounts receivable, change in account payable, surplus free cash flow, and log of total assets to determine the return on equity. The use of a limited number of measurements to determine the return on assets has made the scope of the study. For the conduct of a comprehensive study, the author must

increase the number of measurements of return on equity. This study has used return on equity as an indicator of banking sector performance. At the same time, there are some more significant indicators of banking sector performance that have been neglected by the author in this study. Thus, it is recommended to the author to use some appropriate indicator of banking sector performance. The data to support the concepts of this study has been collected from the banking sector of the economy of Vietnam, a developing country that has specific economic conditions, government policies, and where the banking sector has a specific share in the economy. Therefore, the study based on the performance of Vietnam banking cannot be equally valid in some developed or other developing countries. Thus, the academics in future must analyze the banking sector performance in more than one developing and developed countries.

References

Acikgoz, A. F., Demirkol, C., (2019). Bank Credits and Their Influence on Accounts Receivable: The Case of the Forestry Products Sector in Turkey. *Journal of Economics, Management and Trade*, 23(3), 1-15.

Ahamed, M. M., Mallick, S. K., (2017). House of restructured assets: How do they affect bank risk in an emerging market? *Journal of International Financial Markets, Institutions and Money*, 47, 1-14.

Ahmad, N., Naveed, A., Ahmad, S. and Butt, I., (2020). Banking sector performance, profitability, and efficiency: a citation- based systematic literature review. *Journal of Economic Surveys*, 34(1), 185-218.

Alhadab, M., Al-Own, B., (2019). Earnings management and equity incentives: evidence from the European banking industry. *International Journal of Accounting & Information Management*, 27(2), 244-261.

Anderson, R. I., Guirguis, H. and Harris, J. A., (2020). Cross Border Investing Activity: Return Enhancing or Return Destroying? *Journal of Real Estate Portfolio Management*, 26(2), 170-185.

Asghar, A., Sajjad, S., Shahzad, A. and Matemilola, B. T., (2020). Role of discretionary earning management in corporate governance-value and corporate governance-risk relationships. Corporate Governance: *The International Journal of Business in Society*, 20(4), 561-581.

Batubara, H. C., (2017). Pengaruh Return On Assets (ROA), Return On Equity (ROE), dan Debt to Equity Ratio (DER) Terhadap Harga Saham Pada Perusahaan Makanan Dan Minuman Yang Terdaftar di Bursa Efek Indonesia Periode 2011-2015. *Jurnal Ilmiah Kohesi*, 1(1), 63-75.

Bello, M. L. A., (2020). New development: Importance of accounts receivable in Colombian state entities and their impact on the preparation of financial information. *Public Money & Management*, 40(7), 531-534.

Budhathoki, P. B., Rai, C. K., (2020). The Impact of the Debt Ratio, Total Assets, and Earning Growth Rate on WACC: Evidence from Nepalese Commercial Banks. *Asian Journal of Economics, Business and Accounting*, 15(2), 16-23.

Bukit, R. B., Iskandar, T. M., (2009). Surplus free cash flow, earnings management and audit committee. *International Journal of Economics and Management*, 3(1), 204-223.

POLISH JOURNAL OF MANAGEMENT STUDIES
THAI V. H., DINH V. T., NGUYEN V. S., NGUYEN M. H., NGUYEN C. T., PHAM T. L. P.

2021
Vol.23 No.1

Çalışkan, A., Karimova, A., (2017). Global Liquidity, Current Account Deficit, and Exchange Rate Balance Sheet Effects in Turkey. *Emerging Markets Finance and Trade*, 53(7), 1619-1640.

Chandra, A., Wijaya, F. and Hayati, K., (2020). Pengaruh Debt to Equity Ratio, Total Assets Turnover, Firm Size, dan Current Ratio terhadap Return on Assets. *Jurnal Akuntansi, Keuangan, dan Manajemen*, 2(1), 57-69.

Chien, F., Pantamee, A. A., Hussain, M. S., Chupradit, S., Nawaz, M. A. and Mohsin, M., (2021). Nexus between financial innovation and bankruptcy: Evidence from information, communication and technology (ICT) sector. *The Singapore Economic Review*, 1-22.

Dang, V. D., (2020). Do non-traditional banking activities reduce bank liquidity creation? Evidence from Vietnam. *Research in International Business and Finance*, 54, 101-120.

Ferri, G., Pesic, V., (2017). Bank regulatory arbitrage via risk weighted assets dispersion. *Journal of Financial Stability*, 33, 331-345.

Frankel, R., Kim, B. H., Ma, T. and Martin, X., (2020). Bank Monitoring and Financial Reporting Quality: The Case of Accounts Receivable–Based Loans. *Contemporary Accounting Research*, 37(4), 2120-2144.

Giao, H. N., Vuong, B. N., Huan, D. D., Tushar, H. and Quan, T. N., (2020). The Effect of Emotional Intelligence on Turnover Intention and the Moderating Role of Perceived Organizational Support: Evidence from the Banking Industry of Vietnam. *Sustainability*, 12(5), 1-19.

Hashed, A., Almaqtari, F., (2021). The impact of corporate governance mechanisms and IFRS on earning management in Saudi Arabia. *Accounting*, 7(1), 207-224.

Hussain, H.I., Abidin, I.S.Z., Kamarulzaman, R. and Shawtari, F.A., (2018) The Impact of State Affiliated Directors on the Capital Structure Speed of Adjustment in an Emerging Market, *Polish Journal of Management Studies*, 18 (1), 133-148.

Kurnianto, Y. B., Titisari, P. and Puspitasari, N., (2017). Work Environment on Performance Through Employee Job Satisfaction. *International Journal of Business & Management Studies*, 1(5), 22-32.

Lassoued, N., Attia, M. B. R. and Sassi, H., (2018). Earnings management in islamic and conventional banks: Does ownership structure matter? Evidence from the MENA region. *Journal of International Accounting, Auditing and Taxation*, 30, 85-105.

Lassoued, N., Ben Rejeb Attia, M. and Sassi, H., (2017). Earnings management and ownership structure in emerging market. *Managerial Finance*, 43(10), 1117-1136.

Liang, C.-C., Nguyen, N. L., (2018). Marketing strategy of internet-banking service based on perceptions of service quality in Vietnam. *Electronic Commerce Research*, 18(3), 629-646.

Lin, Q., Qiao, B., (2021). The relationship between trade credit and bank loans under economic fluctuations-based on the perspective of the supply chain. *Applied Economics*, 53(6), 688-702.

Majerová, I., Pražák, T., (2020). *The impact of crises on the relationship between stock market development and macroeconomic variables: evidence from Hong Kong and Singapore*. Paper presented at the Forum Scientiae Oeconomia.

Matthews, M., Mokoena, B. A., (2020). The Influence of Service Quality Dimensions On Customer Satisfaction Within Visa Facilitation Centres in South Africa. *International Journal of eBusiness and eGovernment Studies*, 12(2), 122-135.

2021 Vol.23 No.1

POLISH JOURNAL OF MANAGEMENT STUDIES
THAI V. H., DINH V. T., NGUYEN V. S., NGUYEN M. H., NGUYEN C. T., PHAM T. L. P.

Meyer, N., Hamilton, L., (2020). Female entrepreneurs' business training and its effect on various entrepreneurial factors: Evidence from a developing country. *International Journal of Economics and Finance Studies*, 12(1), 135-151.

Mora-Valencia, A., Perote, J. and Arias, J. E. T., (2017). The Return Performance of Cubic Market Model: An Application to Emerging Markets. *Emerging Markets Finance and Trade*, 53(10), 2233-2241.

Norden, L., Udell, G. F. and Wang, T., (2020). Do bank bailouts affect the provision of trade credit? *Journal of Corporate Finance*, 60, 10-17.

Olanrele, O. O., Fateye, O. B., Adegunle, T. O., Ajayi, C. A., Said, R. and Baaki, K., (2020). Causal effects of macroeconomic predictors on real estate investment trust's (REIT's) performance in Nigeria. *Pacific Rim Property Research Journal*, 26(2), 149-171.

Park, K., (2017). Pay disparities within top management teams and earning management. *Journal of Accounting and Public Policy*, 36(1), 59-81.

Rahman, A., Rozsa, Z. and Cepel, M., (2018). Trade credit and bank finance–evidence from the Visegrad Group. *Journal of Competitiveness*, 10(3), 132-148.

Religiosa, M. W., Surjandari, D. A., (2021). The Relation of Company Risk, Liquidity, Leverage, Capital Adequacy and Earning Management: Evidence from Indonesia Banking Companies. *Mediterranean Journal of Social Sciences*, 12(1), 1-1.

Rusmin, R., Astami, E. W. and Hartadi, B., (2014). The impact of surplus free cash flow and audit quality on earnings management. *Asian review of accounting*, 22(3), 217-232.

Sanderson, D. C., Shakurina, F. and Lim, J., (2019). The impact of sale and leaseback on commercial real estate prices and initial yields in the UK. *Journal of Property Research*, 36(3), 245-271.

Săseanu, A., Zurub, H. H., Ohanyan, G. and Bob, N., (2014). The effects of IMF conditionality on Romanian economy: evidence from the Bucharest Stock Exchange. *Management & Marketing*, 9(3), 317-330.

Shadmehri, S. A., Khansalar, E., Giannopoulos, G. and Dasht-Bayaz, M. L., (2017). The impact of surplus free cash flow, corporate governance and firm size on earnings predictability in companies listed in Tehran stock exchange. *International Business Research*, 10(11), 20-28.

Vo, X. V., (2018). Bank lending behavior in emerging markets. *Finance Research Letters*, 27, 129-134.

Zheng, D., Xie, D., & Yuan, W. (2019). The CPC party organization in privately controlled listed companies and earnings management. *China Journal of Accounting Studies*, 7(2), 270-291.

WPŁYW ZARZĄDZANIA ZYSKAMI I SWOBODNEGO PRZEPŁYWU NADWYŻKI NA WYNIKI SEKTORA BANKOWEGO

Streszczenie: Sektor bankowy jest uważany za kręgosłup gospodarki i musi często analizować swoje wyniki oraz zwracać uwagę na ostatnie badania oraz organy regulacyjne. Dlatego celem niniejszego badania jest zbadanie wpływu manipulacji dochodami i swobodnego przepływu nadwyżki środków pieniężnych na państwowe banki w Wietnamie. W badaniu wykorzystano wtórne metody zbierania danych i wykorzystano sprawozdania finansowe dwudziestu pięciu banków komercyjnych w Wietnamie.

W badaniu tym wyodrębniono dane ze sprawozdań finansowych banków z lat 2009-2020. W badaniu tym wykorzystano model efektów stałych (MES) i solidny błąd standardowy w celu przeanalizowania powiązania między zmiennymi. Wyniki wykazały, że zarządzanie dochodami i nadwyżki wolnych przepływów pieniężnych mają pozytywny związek z sektorem bankowym Wietnamu. Badanie to dostarcza wytycznych dla regulatorów przy formułowaniu polityk związanych z wynikami sektora bankowego i zarządzaniem dochodami.

Słowa kluczowe: zarządzanie wynikami, sektor bankowy, model o efekcie stałym, wyniki finansowe.

盈余管理和盈余自由现金流对银行业绩效的作用

摘要：银行业被认为是经济的支柱，需要经常检查其表现，并受到近期研究和监管机构的关注。因此，本研究的目的是考察盈余管理和盈余自由现金流对越南国有银行的影响。本研究使用了二手数据收集方法，并使用了越南25家商业银行的财务报表。本研究提取了 2009 年至 2020 年银行财务报表的数据。本研究使用固定效应模型（FEM）和稳健标准误差来分析变量之间的关系。结果表明，盈余管理和盈余自由现金流与越南银行业呈正相关。本研究为监管机构制定银行业绩效和盈余管理相关政策提供指导。这项研究也有助于未来想要研究这一领域的研究。

关键词：盈余管理, 银行业, 固定效应模型, 财务绩效。