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CORPORATE LAW ENFORCEMENT IN VIETNAM: THE ROLE OF INSTITUTIONAL ENFORCEMENT CAPACITY, LEGAL STRUCTURES, AND REGULATORY QUALITY

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ABSTRACT

This paper examines the determinants of corporate law enforcement in Vietnam and the relationships between legal frameworks, the capacity, and regulatory quality in a structural equation modelling approach. A survey conducted on the corporate governance, legal, and regulatory professions of 450 professionals was utilised in the investigation. The results indicate that the effectiveness of the shareholder protection mechanisms, effective corporate governance legal framework, and comprehensive rule of law have both direct and indirect impacts on enhancement of enforcement. Institutional enforcement capacity mediates the effect of legal and governance reforms as regulatory quality enhances the results of enforcement and the positive effects of legal arrangements. In this regard, the study highlighted the importance to adopt a comprehensive approach beyond the enactment of formal laws but also the strengthening of the enforcement institutions and regulatory practices. To policymakers, the findings indicate the expediency to place primacy on resourcing, independence, and professionalism of enforcement agencies and sustained enhancements in regulatory transparency and predictability. The paper provides practical recommendations on how to improve the situation in terms of corporate governance and the enforcement of the law in Vietnam, as well as to the overall body of knowledge on governance issues in emerging markets.

KEYWORDS: Corporate Law Enforcement, Institutional Enforcement Capacity, Regulatory Quality, Corporate Governance, Shareholder Protection.

1. INTRODUCTION

Law enforcement is a pillar of good corporate governance and sustainable economic growth especially in emerging economies where there is often a weak correspondence between the provision of law and the application of law enforcement. The effectiveness of such enforcement has important responsibility in the securing of investor and stakeholder rights, as well as sufficiency of faith in capital markets and optimal resource allocation. The ability of institutions to enforce corporate laws impartially, consistently and transparently will gain greater significance as economies strive to attract investments and become more competitive (Kaufmann et al., 2010). Recent empirical evidence has consistently shown that strong systems of corporate governance-based on sound legal frameworks, active shareholder protection and the rule of law- are associated with higher firm performance, reduced expropriation and better compliance. However, the availability of complete legal systems alone is not enough, since the quality of enforcement ultimately will decide the consequences to firms and the social bundles, and such quality will be dependent on institutional capacity and the regulatory environment. In developing economies, the gap between the *de jure* statements and *de facto* adherence has been a prevailing issue. Despite the fact that most jurisdictions have formally adopted the codes and regulations to keep pace with the global regulations, institutions of enforcement usually lack autonomy, finances, or the power to enforce those statutes and attain optimal results. As a result, systems of corporate governance continue to lose credibility and functionality as corporate misconduct, poor investor protection, and regulatory capture compromise their effectiveness (Detomasi, 2006; Okiro, 2014).

Vietnam forms an excellent experiment to test corporate law enforcement as it maintains a high rate of economic development, growing integration into the global market, and regulatory changes (Berkel et al., 2022; Meyer et al., 2009). Over the past twenty years, the nation has made significant improvement in its legal protection and in ensuring that corporate governance practices there are up to international standards (Aguilera & Cuervo-Cazurra, 2004; Clarke, 2003). The approval of new securities laws and company laws and wider protection of shareholder rights are an indication that Vietnam has the intent to develop an investor-friendly and transparent business environment (Azim, 2012; La Porta et al., 2006). However, these legislative advances continue facing challenges in translating these legislative victories into real change in enforcement and compliance (Kaufmann et al., 2010; Yee & Liu, 2021).

The extent to which systems of corporate law enforcement work well in Vietnam is contingent upon a set of factors: institutional ability and independence of law enforcement agencies, predictability and impartiality of court decisions, and general quality of regulation (Haggard et al., 2008; Kaufmann et al., 2011). Scholars argue that enforcement agencies need to have sufficient resources, professional specific training and exemption to political governance to operate effectively (Meyer et al., 2009; Park & Hassan, 2018). Besides, researchers believe that the rule of law and the overall quality of a state regulation facilitate the institution of credible enforcement regimes (Agostino et al., 2019; Kaufmann et al., 2010).

There is new evidence supporting the moderating and mediating role of regulatory quality and institutional enforcement capacity on the results of corporate law enforcement (Agostino et al., 2019; Liu et al., 2014). The regulatory quality, in particular, cannot be left without in order to make rules both well-designed and flexible, and the implementation is predictable and non-arbitrary (Iqbal et al., 2025; Kaufmann et al., 2010). The current activities of Vietnam to reform its regulatory system, as Iqbal et al. (2025); Kaufmann et al. (2010) well as enhance agency capacity, provide a new chance to see how those interdependent variables play out in practice.

Literature on corporate governance and enforcement of law shows a growing corpus of research, but significant gaps remain in terms of identifying exactly how the institutional, legal, and regulatory determinants combine to influence enforcement performance. In earlier studies, these aspects have typically been considered separately, thus ignoring their interconnectivity, as well as the potential moderating effects of regulatory quality on central enforcement relationships (Agostino et al., 2019; Berglöf & Claessens, 2004). Furthermore, the factors influencing corporate leaders, legal specialists, and officials who enforce the laws have seldom been put together in a single analysis (La Porta et al., 2006; Park & Hassan, 2018).

This paper tries to fill the aforementioned gaps by creating and empirically testing a strict model of corporate law enforcement in Vietnam, incorporating institutional enforcement capacity, the rule of law, and shareholder protection mechanisms, corporate governance legal framework, and reform begetter as a moderator. Based on prior theories and reliable measurement scales, the study uses the information of stakeholders concerned with corporate governance in Vietnam. It aims to understand better dynamics of enforcement in emerging markets and provide practical policy details to those who want to

improve corporate governance, i.e., policymakers, regulators and practitioners.

The rest of the paper is structured in the following way. The second part describes the theoretical backgrounds and makes research hypotheses. Other sections elaborate the research techniques, describe the empirical findings, and make comments on the outcomes, reviewing them with the use of available literature, and their legislative implications.

2. LITERATURE REVIEW

2.1. *Corporate Law Enforcement: Theoretical Foundations*

The enforcement of corporate law is an important institution of enforcing the legal provisions meant to protect shareholders, maintain market integrity and corporate accountability. The theory presented by La Porta et al. (2006) termed Law and Finance Theory, argues that the discrepancy in protection of investors and the maturity level of financial markets is most likely to be influenced by the differences in the origin of law and their enforcement. Within this framework enforcement does not merely refer to the codification of norms but also involves practical enforcement of norms by courts, regulatory authorities and market institutions. The contrast between law on the books and law in action is especially prominent in the new economies where a weaker institutional capacity often increases the gap between de jure prescriptions and de facto results (Berglöf & Claessens, 2004).

The strength of enforcement will depend on various conditions which include the quality of judiciary, independence of enforcement bodies, and predictability and fairness of the judicial systems (Park & Hassan, 2018). Such measures as judicial reforms and professionalisation of regulatory mechanisms have taken place in terms of legal enforcement in the Vietnamese situation (Clarke, 2003). However, challenges on the continuous barriers of resources, political back seating, and variance in the application of sanctions still occur again (Yee & Liu, 2021). Based on these scholarly observations, the current research approach has taken the position that systematic enforcement of corporate law can be viewed as a product of institutional, delicacy and regulatory environment, and, that, these forces intertwine to cause the disparate outcomes of enforcement.

2.2. *The Role of Legal Structures in Corporate Law Enforcement*

The rule of law is the foundation of any legal system and ensures judicial independence, enforceability of

contracts, and certainty of the jurisdiction of a judge (Al Qudah et al., 2019). As Kaufmann et al. (2011) evaluate, an active rule-of-law system promotes social legitimacy by guaranteeing that legal decision making gets deference, contractual agreements are honoured, and both property rights and companies are safe. In a jurisdiction that is marked by high rule-of-law standards, companies face reduced risk to unpredictable regulatory actions, and this acts in helping to maintain long-term funding and product development.

The positive correlation between robust enforcement of corporate law and the rule of law are empirically supported. Haggard et al. (2008) argue stable enforcement regimes contribute to the process of economic development and investor confidence. However, we found some hesitation about Vietnam: despite the fact that substantial legal change has been achieved, questions remain about judicial independence and the openness of the adjudication processes (Meyer et al., 2009).

H1: Rule of Law has a positive and significant effect on Corporate Law Enforcement.

H2: Rule of Law has a positive and significant effect on Institutional Enforcement Capacity.

A basic element of good corporate governance is the protection of shareholders. The Agency Theory suggests that effective legal interventions including but not limited to cumulative voting, civil actions rights, and pre-emptive rights of minority-shareholders ensure that agency costs are reduced, and the possibility of expropriation by controlling managers is minimized. There is empirical evidence to support this assertion; La Porta et al. (2006) find significant differences in the incidences of corporate misuse and higher levels of firm performance in jurisdictions with strong shareholder-protection devices.

The recent legislative reforms in Vietnam have extended the rights of shareholders by providing regulation over extraordinary general meetings as well as establishment of legal recourse in the event of misconduct of directors (Azim, 2012). Despite such developments, there are still gaps in law enforcement, access to justice in a real sense, which are barriers to enjoyment of these rights (Estrin & Prevezer, 2010).

H3: Shareholder Protection Mechanisms have a positive and significant effect on Corporate Law Enforcement.

H4: Shareholder Protection Mechanisms have a positive and significant effect on Institutional Enforcement Capacity.

According to Aguilera and Cuervo-Cazurra (2004) the effectiveness of corporate governance is not purely controlled by internal approaches but by larger legal

environment of a country and regulatory environment where an organization is placed. The same conception is named by Azim (2012), and they claim that an effective corporate governance legal framework (CGLF) must rely on strong conflict of interest disclosure, implicit presence of independent board members, and reasonable accountability in use by transparent reporting standards. Aguilera and Cuervo-Cazurra (2004) also add that such frameworks act as external controls, which diminish a degree of information asymmetry hence increasing legitimacy of corporate law enforcement.

The codes of corporate governance developed in Vietnam to remedy these issues have evolved since then; however, the success of the codes depends on which enforcement institutions would have the capacity and integrity to enforce those codes effectively (Meyer et al., 2009).

H5: The Corporate Governance Legal Framework has a positive and significant effect on Corporate Law Enforcement.

H6: The Corporate Governance Legal Framework has a positive and significant effect on Institutional Enforcement Capacity.

2.3. *Institutional Enforcement Capacity: Mediating Role*

According to the recent research, it is argued that the Institutional Enforcement Capacity serves as a key to transforming the formal legal rules into a visible reality (Berglöf & Claessens, 2004). The construct includes the level to which the regulatory agencies and the court are perceived to judge without favors, devoting proper resources, and seeing through judgements in a consistent and steady fashion (Haggard et al., 2008). Meyer et al. (2009) show that the relationship among legal structures, law-enforcement effectiveness is mediated by enforcement capacity because it determines whether rules are enforced, and how they are enforced.

Actual evidence indicates that even properly drafted and implemented legal codes cannot be enforced effectively without the presence of competent agencies (Armour & Schmidt, 2017). In Vietnam, as an example, the rise in professionalization and budgets stimulated improvements, but structural deficiencies, such as a lack of independence and susceptibility to the influences of the private or political sphere, are still on the way of slowing the progress (Park & Hassan, 2018).

Institutional Enforcement Capacity therefore acts as a mediator between the rule of law, shareholder-protection mechanisms and wider governance frameworks and the quality of enforcement in general. In this research, enforcement capacity is placed as a mediator in its conceptual model.

2.4. *Regulatory Quality as a Moderator*

Regulatory quality is an ability of the government to create and implement regulations that foster and support growth in the private sector (Kaufmann et al., 2010). In the Regulatory Governance Framework Levi-Faur (2011), one of the arguments is that a high quality of the regime of regulation, which is predicted, not arbitrary, and responsive to market conditions prevailing, enhances the efficacy of legal and institutional regime.

The study conducted by Agostino et al. (2019) demonstrates that regulatory quality compounds the pro-entrepreneurial impacts of governance structures and the rule of law. The same has been found to be true in the Chinese scenario, with Liu et al. (2014) concluding that regulatory quality mediates the relationship between enforcement campaigns and actual compliance, thereby muting the ever-present danger of enforcement in campaign form but instead producing sustainable regulatory gains.

New reforms in Vietnam, aiming to make the business climate leaner, more transparent, and to make the regulatory bodies more responsive, bring positive results (Berkel et al., 2022). Despite the progress made, regulatory variations, and the possibility of discretionary enforcement should be remembered as a gaping issue (Iqbal et al., 2025).

H7: Regulatory Quality has a positive and significant effect on Corporate Law Enforcement.

H8: Regulatory Quality has a positive and significant effect on Institutional Enforcement Capacity.

H9: Regulatory Quality positively moderates the relationship between Corporate Governance Legal Framework and Corporate Law Enforcement.

H10: Regulatory Quality positively moderates the relationship between Rule of Law and Corporate Law Enforcement.

H11: Regulatory Quality positively moderates the relationship between Shareholder Protection Mechanisms and Corporate Law Enforcement.

In the context of the modern literature, individual mechanisms and institutions of corporate law enforcement have been analysed in-depth, but little information exists of the combined effects of the legal framework, the ability of institutions to enforce the law, and the quality of regulations in less developed economies like Vietnam. In previous studies, these factors are often independent of each other, without addressing the fact that they are interdependent (Berglöf & Claessens, 2004). The research proposal discussed in the current study outlines the proposed study by elaborating a comprehensive moderated mediation framework, which is tested. Based on the Law and Finance Theory, Agency Theory and

Institutional Theory, the study examines the direct and indirect impact that legal frameworks and regulatory quality and a mediating variable, institutional enforcement capacity have on the effectiveness of corporate law enforcement in Vietnam.

3. THEORETICAL FRAMEWORK

The conceptual framework proposed in the paper is based on a combination of the elements of the Law and Finance Theory ((La Porta et al., 2006; Porta et al., 1998), Agency Theory and Institutional Theory. The law and finance theory suggests that differences in the state of investor protection and economic performance may be attributed to the legal roots and, in particular to the intensity of legal enforcement. According to agency theory, what may help mitigate the tensions between managers and shareholders are mechanisms and legal remedies, along with, strengthened shareholder protection and governance codes. Institutional theory also emphasizes that exemplary governance can only be achieved when institutional framework and enforcement organs are capable, honest and have enough resources at their disposal. This paper proposes a model that incorporates these views with the addition of the explicit considerations of Institutional Enforcement Capacity and Regulatory Quality which are becoming essential factors highlighted in the existing research of emerging markets (Agostino et al., 2019; Kaufmann et al., 2010, 2011) (see Figure 1). Collectively, the framework provides a complete perspective on the assessment of the contribution of the rule of law, shareholder protection systems, the legal framework of corporate governance, and regulatory quality in a joint determination of the quality of corporate law enforcement in Vietnam.

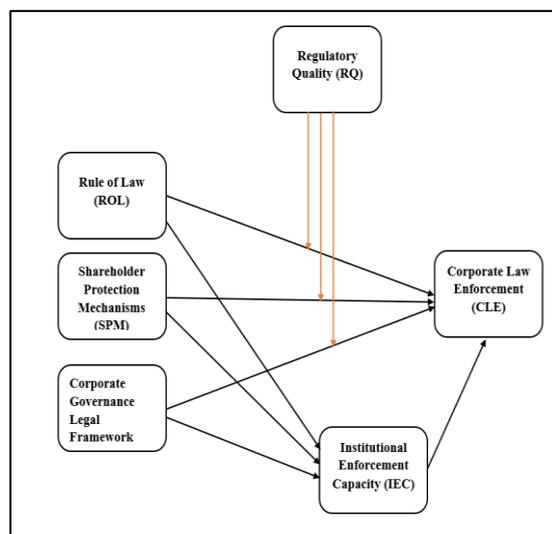


Figure 1: Theoretical Framework.

4. DATA AND METHODOLOGY

4.1. Measurement

The proposed model had all constructs operationalized using multiple-items scales that were copied with well-established previous studies to facilitate validity and contextual suitability. The enforcement of Corporate Law (CLE) was measured using four items addressing impartiality, predictability, and effectiveness of law enforcement based on (La Porta et al., 2006; Park & Hassan, 2018). The Rule of Law (ROL) included five areas to measure judicial independence, legal transparency, contract enforcement, and safeguarding of property and business rights (Al Qudah et al., 2019; Kaufmann et al., 2011). The measurement of the Shareholder Protection Mechanisms (SPM) concerned six items referring to voting rights, minority shareholder protections and legal remedies against the misconduct, after (La Porta et al., 2006; Porta et al., 2000; Porta et al., 1998). The procedure composed of five aspects Corporate Governance Legal Framework (CGLF) that concerned board structure, disclosure requirement and executive responsibilities (Aguilera & Cuervo-Cazurra, 2004; Azim, 2012). Institutional Enforcement Capacity (IEC) contained five questions measuring the impartiality of the agencies, their sufficient resources, and the uniformity of application of laws (Haggard et al., 2008; Kaufmann et al., 2010). In practice, the moderator variable was Regulatory Quality (RQ) that was measured through four items following regulatory effectiveness and policy predictability (Iqbal et al., 2025; Kaufmann et al., 2010). Each of them was rated using a five-point Likert scale (1 to 5) with the questions being pre-tested by the local experts to make them relevant to a local context both culturally and linguistically.

4.2. Data Collection

They surveyed a cross-nationally representative sample of 600 professionals dealing with corporate governance and legal compliance in Vietnam, which provided 450 complete and valid replies (75 per cent response rate). The study utilized purposive sampling design in the sample selection, whereby regulatory sector, firms, law firms, academic institutions, and corporate legal departments were randomly selected on the basis that they had a minimum of three years of relevant experience. The invitations were distributed by email, professional associations and organizational networks whereas the data were gathered with the help of online questionnaire to ensure more geographic diversity and eliminate regional bias. The data were gathered in the period [insert time period] and the missing or

otherwise invalid submissions were not included in the final data.

4.3. PLS-SEM Analysis

The data were investigated and appropriate hypotheses were tested with the assistance of the PLS-SEM method applied with Smart-PLS 4.0. PLS-SEM was used due to its ability to utilize complex models that contain mediating variables and moderating variables as well as its compatibility with moderate sample sizes. In the analysis, the reliability of the constructs (Cronbach alpha and composite reliability) and convergent validity (average variance extracted) and discriminant validity (Fornell-Larcker criterion) were assessed. The structural relationships and hypotheses were tested in terms of bootstrapping procedures with the aim of estimating the path coefficients, whereas the moderation and mediation effects were explored in terms of interaction terms and the analysis of indirect effects following recommendations of (Kaufmann et al., 2010; Meyer et al., 2009).

4.4. Ethical Considerations

The research followed the ethical principles governing the social-science research in Vietnam completely. The potential participants were furnished with comprehensive material regarding the nature of the study, guaranteed both the anonymity and confidentiality of their responses and gave the informed consent electronically before the study. Participation in the study was completely voluntary, and the answering of the questionnaire was allowed to withdraw any time without penalties. The protocol of the research was reviewed and accepted by [insert institution name] Ethics Review Committee. To minimize bias response, survey question items were carefully worded and pilot-tested, the order of items randomized, and eligible, experienced study participants were only included in the analytical sample.

5. RESULTS AND DISCUSSION

The convergent validity and Montgomery reliability of internal consistency of the measurement model have been estimated on all the latent constructs using a database of 450 participants in Vietnam. Table 1 shows the summary statistics, that is, item loadings, Cronbachs alpha, composite reliability (CR) and average variance extracted (AVE) of each construct: Corporate Governance Legal Framework (CGLF), Corporate Law Enforcement (CLE), Institutional Enforcement Capacity (IEC), Rule of Law (ROL), Regulatory Quality (RQ), and Shareholder Protection Mechanisms (SPM).

All constructs had item loadings higher than the recommended minimum level of 0.70 with the maximum of 0.835 (RQ1) and the minimum of 0.736 (CGLF4, SPM4), thus demonstrating adequate construct validity. Cronbachs alpha was between 0.797 (CLE) to 0.868 (SPM), which is above 0.70 and indicates a high level of internal consistency. As well, there was stability in terms of composite reliability since all CR values were greater than 0.80: 0.7980 and 0.873 of SPM and CLE, respectively. Such indicators portray that the measurement model provides reliable scores and is capable of assessing the intended constructs.

The values of AVE of all constructs exceeded the critical value of 0.50, with three constructs being more than 0.60 (IEC, 0.591; RQ, 0.658; and MSH, 0.617). This is evidenced to support convergent validity (Fornell & Larcker, 1981). When combined, these findings indicate convergent validity and internal consistency reliability of the measurement model of all the constructs.

Table 1: Convergent Validity Test.

Constructs	items	Loading	Alpha	CR	AVE
CGLF	CGLF1	0.772	0.837	0.847	0.602
	CGLF2	0.8			
	CGLF3	0.792			
	CGLF4	0.736			
	CGLF5	0.78			
CLE	CLE1	0.773	0.797	0.798	0.621
	CLE2	0.803			
	CLE3	0.78			
	CLE4	0.797			
IEC	IEC1	0.752	0.827	0.828	0.591
	IEC2	0.792			
	IEC3	0.767			
	IEC4	0.753			
	IEC5	0.777			
ROL	ROL1	0.753	0.837	0.839	0.605
	ROL2	0.788			
	ROL3	0.766			
	ROL4	0.783			
	ROL5	0.799			
RQ	RQ1	0.835	0.828	0.835	0.658
	RQ2	0.782			
	RQ3	0.819			
	RQ4	0.807			
SPM	SPM1	0.779	0.868	0.873	0.602
	SPM2	0.815			
	SPM3	0.78			
	SPM4	0.736			
	SPM5	0.764			
	SPM6	0.779			

Discriminant validity is a critical requirement in structural equation modelling that shows that all the variables in the model measure different constructs and that all the variables measure different things with reference to the theoretical framework. The Heterotrait-Monotrait (HTMT) ratio of all pairs of constructs

including Corporate Governance Legal Framework (CGLF), Corporate Law Enforcement (CLE), Institutional Enforcement Capacity (IEC), Rule of Law (ROL), Regulatory Quality (RQ), and Shareholder Protection Mechanisms (SPM) are given in Table 2. Based on the criterion developed by Henseler, Ringle, and Sarstedt (2015), HTMT values that are less than 0.85 indicate sufficient levels of discriminant validity. In the current study, all HTMT values observed are radically lower than this limit, with the largest ratio (0.637) being between IEC and CLE, and some being well below it, such as 0.082 between CGLF and SPM or 0.103 between RQ and ROL. These empirical results show that the constructs are empirically different and have shown intercorrelation at only fair levels.

The findings therefore indicate that the constructs within the measurement model are representative of the different theoretical concepts within the larger framework of corporate law enforcement within the context of Vietnam. Constructs that may seem conceptually similar are, however, separate: e.g., Shareholder Protection Mechanisms and Institutional Enforcement Capacity have an HTMT of 0.607, which is also lower than the criterion threshold, which lowers the potential concerns of multicollinearity or construct overlap. All of these together, the HTMT analysis is good grounds towards further assessment of the structural model and test of the hypotheses proposed.

Table 2: HTMT Ratio.

	CGLF	CLE	IEC	ROL	RQ	SPM
CGLF						
CLE	0.362					
IEC	0.237	0.637				
ROL	0.138	0.123	0.412			
RQ	0.172	0.314	0.304	0.103		
SPM	0.082	0.385	0.607	0.069	0.136	

The Fornell Larcker criterion is a known measure of discriminant validity in the literature on structural-equation-modelling. According to this criterion, the squared root of the average variance extracted (AVE) of each construct- which is represented in the off-diagonal scales of Table 3- has to be greater than the correlation of that construct to all other constructs in the model, which is represented in the on-diagonal scales of Table 3. The diagonal values in the table are diagnostic 0.776 for CGLF, 0.788 for CLE, 0.768 for IEC, 0.778 for ROL, 0.811 for RQ, and 0.776 for SPM which are all higher than the respective inter-construct correlation in the row and column. As an illustration, the square root of its AVE value in CLE (0.788) is higher than its value with the rest of the variables, including CGLF

(0.304), IEC (0.519), RQ (0.258), ROL (0.101), and SPM (0.323).

Additionally, square roots of AVE for IEC (0.768) and SPM (0.776) were high as compared to the correlations between themselves, most prominently in the case of IEC and SPM (correlation = 0.518), thus further supporting convergent validity. Overall, the results of the Fornell Larcker criterion, as well as prior HTMT findings, establish that the constructs of the measurement model are empirically unique and, therefore, can be used in further structural analysis and hypothesis testing in the context of corporate law enforcement in Vietnam.

Table 3: Fornell Larcker.

	CGLF	CLE	IEC	ROL	RQ	SPM
CGLF	0.776					
CLE	0.304	0.788				
IEC	0.206	0.519	0.768			
ROL	-0.117	0.101	0.344	0.778		
RQ	0.147	0.258	0.251	-0.08	0.811	
SPM	-0.024	0.323	0.518	0.015	0.102	0.776

One of the key diagnostic stages of PLS-SEM is analysis of cross-loadings, as it helps to determine whether the measurement item is the strongest link with the desired construct as opposed to other constructs that are unrelated to the model. In Table 4, this pattern is as anticipate every CGLF item (CGLF1CGLF5) displays its strongest loading on the CGLF column (0.7360.800), and a much weaker loading on the other constructs. The same pattern is observed in the case of CLE, IEC, ROL, RQ and SPM as well where all the items have the largest loading on their constructs and cross-loadings are very low. The convergent validity of the measurement model can be supported by the evidence of cross-loadings that prove that the measurement items are faithful in representing their corresponding latent variables.

Discriminant validity is also increased by lack of high cross-loadings between constructs. Some constructs with theoretically related constructs, e.g., IEC and SPM, show small inter-construct correlations, but the primary loading is always on the correct construct, and the cross-loadings are also typically much weaker (e.g., SPM2 has a loading of 0.815 on SPM and a loading of only 0.481 on IEC). The results highlight that all latent variables are empirically differentiated in Vietnamese corporate law enforcement setting. Combined with the HTMT tests and the Fornell-Larcker criterion, the cross-loadings provide considerable findings of construct conceptual and empirical dissimilarity, strengthening reliability and validity of the measurement model.

Table 4: Cross Loadings.

	CGLF	CLE	IEC	ROL	RQ	SPM
CGLF1	0.772	0.260	0.149	-0.120	0.126	-0.004
CGLF2	0.800	0.233	0.189	-0.068	0.142	-0.053
CGLF3	0.792	0.271	0.204	-0.088	0.126	0.050
CGLF4	0.736	0.169	0.113	-0.067	0.049	-0.066
CGLF5	0.780	0.223	0.122	-0.105	0.107	-0.048
CLE1	0.244	0.773	0.398	0.056	0.171	0.244
CLE2	0.304	0.803	0.398	0.084	0.184	0.251
CLE3	0.159	0.780	0.411	0.096	0.257	0.234
CLE4	0.247	0.797	0.428	0.084	0.203	0.288
IEC1	0.102	0.371	0.752	0.242	0.190	0.444
IEC2	0.244	0.438	0.792	0.279	0.213	0.395
IEC3	0.151	0.387	0.767	0.262	0.178	0.410
IEC4	0.131	0.380	0.753	0.284	0.260	0.341
IEC5	0.155	0.412	0.777	0.254	0.128	0.399
ROL1	-0.049	0.072	0.255	0.753	-0.017	0.081
ROL2	-0.123	0.063	0.258	0.788	-0.022	-0.015
ROL3	-0.087	0.060	0.258	0.766	-0.087	-0.027
ROL4	-0.108	0.114	0.270	0.783	-0.095	-0.025
ROL5	-0.086	0.081	0.293	0.799	-0.082	0.043
RQ1	0.137	0.229	0.222	-0.018	0.835	0.101
RQ2	0.034	0.166	0.201	-0.058	0.782	0.165
RQ3	0.156	0.213	0.159	-0.160	0.819	0.028
RQ4	0.131	0.219	0.230	-0.026	0.807	0.054
SPM1	-0.074	0.292	0.332	0.015	0.016	0.779
SPM2	0.024	0.281	0.481	0.035	0.189	0.815
SPM3	-0.005	0.268	0.421	0.030	0.099	0.780
SPM4	-0.037	0.163	0.389	0.017	0.051	0.736
SPM5	-0.014	0.235	0.384	0.011	0.073	0.764
SPM6	-0.019	0.254	0.386	-0.045	0.015	0.779

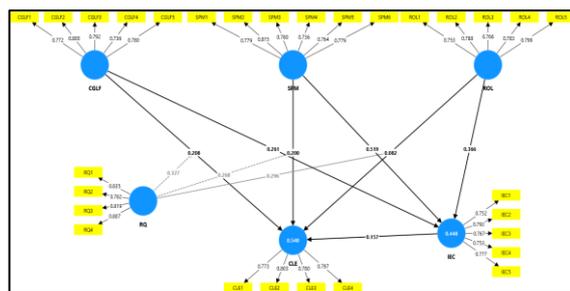


Figure 2: Measurement Model.

Figure 2 gives a summary of the Model estimated using Partial Least Squares Structural Equation Modelling (PLS-SEM). It condenses the relationships between observed indicators and their underlying constructs as well as the hypothesized structural pathways at the same time. In the measurement

element, the observed variables representing the constructs Corporate Governance Legal Framework (CGLF), Shareholder Protection Mechanisms (SPM), Rule of Law (ROL), Regulatory Quality (RQ), Institutional Enforcement Capacity (IEC) and Corporate Law Enforcement (CLE) have high standardized loadings of the factor and all values are greater than 0.73 and majority more than 0.78. All these high loadings show an excellent item reliability and convergent validity, making it clear that each of the measurement items is a strong and valid indicator of its underlying latent variable. In addition, the constructs included in the model are empirically discrete, which is demonstrated by the pattern of loadings and by the findings of validity testing.

The structural relationships shown on Figure 2 bring to the fore some of the main findings of the model estimation. Notably, the Likelihood of Institutions Enforcement is shown to have a great positive relationship with Corporate Law Enforcement (path coefficient = 0.519) and the other direct relationships, when the Corporate Governance Legal Framework, Shareholder Protection Mechanisms, and Rule of Law variables present great positive effects on Corporate Law Enforcement (0.208, 0.261, 0.200, respectively). As can be seen, the structural pathways indicate that Regulatory Quality has a moderating and a direct effect, which is present in the model. The R² values indicate the proportion of variance that is explained by each of the endogenous constructs; the R² values are 0.540 and 0.448, respectively; representing a largely high explanatory power. All in all, visualized results in Figure 2 support the reliability and validity of the measurement model and the conjecture structural associations between legal, institutional, and regulatory influences of corporate law enforcement in the Vietnamese jurisdiction.

Table 5: Path Analysis.

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
CGLF -> CLE	0.208	0.211	0.037	5.654	0.000
CGLF -> IEC	0.261	0.262	0.035	7.417	0.000
IEC -> CLE	0.157	0.158	0.048	3.244	0.001
ROL -> CLE	0.082	0.083	0.040	2.062	0.039
ROL -> IEC	0.366	0.369	0.035	10.535	0.000
RQ -> CLE	0.145	0.142	0.046	3.125	0.002
SPM -> CLE	0.200	0.199	0.040	5.050	0.000
SPM -> IEC	0.519	0.519	0.032	16.309	0.000
RQ x ROL -> CLE	0.296	0.298	0.040	7.364	0.000
RQ x CGLF -> CLE	0.327	0.324	0.040	8.157	0.000
RQ x SPM -> CLE	0.268	0.266	0.036	7.454	0.000
ROL -> IEC -> CLE	0.058	0.058	0.018	3.127	0.002
SPM -> IEC -> CLE	0.081	0.082	0.026	3.086	0.002
CGLF -> IEC -> CLE	0.041	0.042	0.014	2.883	0.004

Table 5 provides the results of the structural path analysis which can provide a complete overview of the strength, significance and nature of relationships among the key constructs of interest. All the direct paths are statistically significant at the level of 0.05 or lower, which is proven by low p-values and large t-statistics test which is higher than average 1.96. Remarkably, the largest impact of Shareholder Protection Mechanisms (SPM) on Institutional Enforcement Capacity (IEC) ($p < 0.001$) indicates that the rate of shareholder protection is significantly influential in increasing the capacity of enforcement institutions in Vietnam. Similarly, Rule of Law (ROL) has a strong forecast of the IEC (also 0.366, $p < 0.001$), and Corporate Governance Legal Framework (CGLF) is also substantial (0.261, $p < 0.001$). All these institutional and legal factors, in their turn, have a significant direct effect on the Corporate Law Enforcement (CLE). The performance of SPM (0.200, $p < 0.001$), CGLF (0.208, $p < 0.001$), and ROL (0.082, $p = 0.039$) were also found to independently improve CLE, but SPM and CGLF make a very strong impact on CLE compared to ROL. The value of the role that IEC affects CLE is also significant ($\beta = 0.157$, $p = 0.001$), which makes it possible to assert its mediating nature in the framework.

The model also examines the effect of Regulatory Quality (RQ) that is used both as an immediate predictor and a moderator. RQ has a significant direct effect on CLE ($r = 0.145$, $p = 0.002$), though the finding indicates that the more responsive and consistent the regulatory environment is, the better the enforcement results. The moderation has significant effect: the interaction variables of RQ and ROL ($p < 0.001$), RQ and CGLF ($p < 0.001$) and RQ and SPM ($p < 0.001$) are all highly significant. These results suggest that benefits of rule of law, protection of shareholders and governance structures regarding the enforcement of the law become more pronounced when there is increased quality of the regulation. The analysis also shows strong mediation effects with indirect relationships between ROL (0.058, $p = 0.002$), SPM (0.081, 0.002), and CGLF (0.041, $p = 0.004$) to CLE through IEC. Overall, these findings confirm testable hypotheses, reinforcing the prominent role played by institutional enforcement capacity and regulatory quality in interpreting formal legal provisions in terms of effective corporate laws enforcement, in Vietnam.

The structural model presented in Figure 3 outlines a series of direct, indirect, and moderating links among major constructs in the framework of the present study. This model explains the important roles played by shareholder protection mechanisms,

corporate governance legal framework, and rule of law on the institutional enforcement capacity and effectiveness of corporate law enforcement. These legal and governance determinants have both direct and indirect impacts because they have direct impacts on the enforcement institutions, and therefore, highlight the mediating impact of institutional capacity in converting legal reforms into practical implementation results.

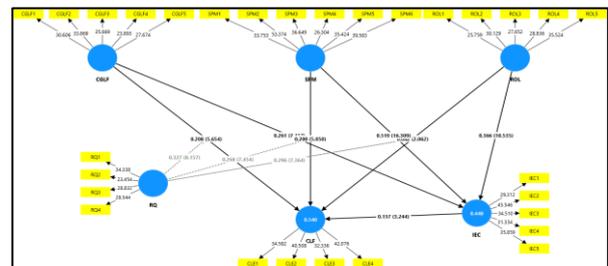


Figure 3: Structural Model.

The figure also demonstrates the necessity of the moderating effect of regulatory quality. Interaction effects indicate that the quality of regulation can reinforce the positive effect of the legal structures and shareholder protection mechanisms on the enforcement of the corporate law. Overall, an effective regulatory environment enhances the positive effects of good governance codes and good legal safeguards, thus contributing to the success of enforcement bodies even more. The general model points out that the holistic and inclusive model with an improvement of legal frameworks, institutional capacity, and quality of regulation is necessary to promote the successful enforcement of the corporate laws in the Vietnamese setting.

6. DISCUSSION

The present research introduces systematic empirical findings that are in line with theoretical predictions in the nexus between institutional, legal, and regulatory factors and the general efficacy of corporate law enforcement in Vietnam. The results validate that Shareholder Protection Mechanisms (SPM), the Corporate Governance Legal Framework (CGLF) and the Rule of Law (ROL) all have a strongly positive impact on both the Institutional Enforcement Capacity (IEC) and Corporate Law Enforcement (CLE) as proposed by the Law and Finance Theory (Ferran, 2015; Kraakman & Armour, 2017; La Porta et al., 2006) and the Institutional Theory (Aguilera & Cuervo-Cazurra, 2004; LiPuma et al., 2011; Slabe-Erker & Klun, 2012). The significant effects of SPM on IEC and CLE, specifically, demonstrate that the mechanisms that

enable shareholder participation and redress are not only essential to the development of the institutions but also to the generation of better enforcement results, as the Agency Theory premises (La Porta et al., 2006).

The analysis also shows that there are strong mediation effects whereby IEC acts as a pipeline through which legal and governance reforms are converted into palpable changes in enforcement activity- a fact that supports earlier assertions by Arlen and Kahan (2017); Azim (2012); Berglöf and Claessens (2004); Clarke (2003); Haggard et al. (2008); Meyer et al. (2009); Vuppuluri (2025). This means that the most sophisticated legal frameworks can be useless in the presence of enforcement agencies that are either incompetent, resource-starved or biased to conduct equal enforcement. The findings accordingly demonstrate that Regulatory Quality (RQ) moderates the association between legal structures and corporate law enforcement, indicating that transparency, responsiveness, and predictability in regulatory governance enhance the returns that accrue out of the enhancement in law and institutional capability.

Taken together, the findings build on the existing studies by determining the synergetic effect of the legal design, institutional strength, and regulatory integrity in achieving efficient corporate law enforcement in emerging economies. They also point out that policymakers in Vietnam and similar settings should focus on the promotion of substantive legal reforms and the strengthening of enforcement agencies and institutions on the one hand and the creation of regulatory environments that facilitate consistent and fair enforcement of the law on the other hand (Clarke, 2003; Iqbal et al., 2025; Park & Hassan, 2018).

7. CONCLUSION

This paper examines the factors that determine the enforcement of corporate law in Vietnam through the examination of the impact of legal framework, the institutional ability to enforce the law and the quality of regulations on the effectiveness of enforcement. The study uses a broad structural equation modelling framework to combine the main factors of the legal and regulatory environment in the country thus providing new empirical evidence of the processes that drive effective corporate law enforcement.

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The results show that the shareholder protection mechanisms, a well-developed legal framework of corporate governance, and a high level of the rule of law contribute greatly to the effectiveness of the corporate law enforcement as well as to the capabilities of the enforcement institutions. Of these, the provision of actual legal remedies to shareholders and independent judicial checks came out as very powerful. These findings support the idea that effective law-making is not only required but is not enough; it is the real ability of enforcement agencies in terms of resources, professionalism and independence that acts as a crucial mediating variable in the conversion of the legal frameworks to the real world.

The study also shows that the regulatory quality is a very important element that directly and indirectly affects the results of enforcement. Regulatory environment that is consistent, responsive and transparent not only enhances enforcement capacity but also increases the positive influence of legal and institutional reform. This further supports the notion that law and governance improvements must be accompanied by the drive to raise the standards as well as practices of regulations.

To the policy maker and practitioner, the findings imply that a coherent approach is needed in enforcing corporate law. The legal reforms must be accompanied with investments in institutional capacity building and modernisation of the regulations. It is necessary to make sure that enforcement authorities are adequately equipped, independent, and free of unwarranted influence. At the same time, the continuous work to improve the predictability and fairness of the regulatory policy will also contribute to creating a favourable environment in which the law enforcement and investor protection can be robust.

Finally, the study contributes to knowledge of the factors that promote successful corporate law enforcement in Vietnam and offers practical advice to other people who want to enhance governance and compliance in the setting of emerging markets. Viewing enforcement as an integrated process that should consider legal provisions, institutional capacity, and the quality of regulation, Vietnam (and other economies like it) can have more assurances about their enforcement, more investor assurances, and continued economic development.

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