

The Effect of Corporate Governance on Stock Liquidity: Evidence from Listed Firms in the Vietnam Stock Exchange

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Abstract: This study examines the impact of the quality of corporate governance on equity liquidity of listed firms in the Vietnamese stock exchange. The generalized least-squares approach (GLS) was used to analyse a sample of 350 firms listed on HOSE and HNX during the period from 2010 to 2014. The results show a relationship between the quality of corporate governance and stock liquidity. Specifically, the quality of corporate governance will help improve turnover (by the monthly number of shares traded to the total number of shares outstanding) and liquidity ratio (by total daily trading volume to the absolute value of stock return). Also, the study found that the impact of corporate governance on stock liquidity is not the result of any specific governance category but of many categories in the governance index.

Keywords: Audit committee, Board of directors, Liquidity, Quality of corporate governance.

JEL classification: G14, G15, G18, M40.

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