

Voluntary Reporting, Sustainable Reporting and Transition Economy

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Abstract

This concept paper aims at exploring the interrelationship among the corporate voluntary reporting, the corporate sustainable reporting and the transition economy from the literatures and frameworks. At this juncture, transition economy refers the economy especially, the transformation of least developing economy to the developing economy as per the criteria of United Nations. Thus, the context of Bangladesh has been used as a ground for the study. The study explores the affiliation among corporate voluntary reporting, corporate sustainable reporting and transition economy from their respective literature and frameworks. From the literature of the corporate voluntary reporting, various dimensions of corporate disclosures have been considered, while the dimensions of sustainability reporting have been considered as per the consolidated set of global reporting index, published by Global Sustainability Standards Boards. In addition, components of transition economy have been considered on the basis of the guideline of the United Nations Economic and Social Council. The similitudes of these three concepts and their consequences are determined on the basis of the literature and frameworks. It is found that the core concepts of corporate voluntary reporting, corporate sustainable reporting and the transition economy are similar, and they are intermingled to each other. We have found that the dimensions of corporate voluntary reporting are the initiation of sustainability reporting that leads a transition economy to gain its status of being a developing economy. The findings of the study imply that the transition economy like Bangladesh has to put more focus on corporate engagement in transforming its economy to the developing economy. As the developing economy is based on trade rather than aid, the government of the country should design their corporate strategies and policies in such a way that leads the country to have a sustainable development. In addition, the findings may also encourage the corporate people to disclose more information regarding sustainability issues. Moreover, the findings may assist the United Nation to consider and reconsider their criteria of graduating any country from one level of economy to another. Finally, the findings can also open the avenue to the academicians to explore the extent of corporate reporting on transition economy.

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INTRODUCTION

Corporate voluntary reporting and corporate sustainable reporting are two burning issues throughout the last couple of decades. Corporate voluntary disclosure is considered as any financial as well as non-financial reporting of an organization beyond their compulsory financial reporting (Rezaee and Tuo 2017, Dhaliwal et al. 2011). Corporate voluntary reporting includes the information composed of firstly, strategic information namely – product, competition and customers, secondly, financial information like – management earning forecast, stock price and finance performance indicators over the years, thirdly, non-financial information like – environmental, social and governance performance of an organizations (Meek, Roberts, and Gray 1995, Li and Yang 2015, Rezaee 2016, Zaini et al. 2018, Rezaee and Tuo 2017). However, some of these components of corporate voluntary reporting are also visible in another paradigm of corporate reporting named as corporate sustainability reporting.

Corporate sustainability reporting gains its overwhelming attentions both in the field of sociology and in the field of business (Jones, Hillier, and Comfort 2016, Kuzey and Uyar 2017, Uyar 2017). For the couples of decades, the business organization is operating in a more transparent format where each organization is considered as a business entity as well as a member of the society (Masum, Fakir, and Hossain 2017). According to Brundtland (1987), sustainable development is defined as,

“the development that meets the needs of the present without compromising the ability of future generations to meet their needs” (p. 43)

According to the Global Sustainability Standards Boards (GSSB), there are three dimensions of sustainability namely, economic activities, social responsibility, and environmental responsibility. The corporate sustainability reports are mostly guided by the standards of global reporting initiatives (GRI). Although these three dimensions of corporate sustainable reporting is not mandatory for all the organization thus falls into the criteria of voluntary reporting as well by definitions.

Transition economy represents the transformation stage of the Least Developing Countries (LDC) to be a developing country, especially, declared by the United Nation. The United Nations classifies its member countries into various categories namely, least developing countries, developing countries and developed countries based on three underlying categories, economic vulnerability index, gross national income per capita and human assets index. Since, Bangladesh become graduated from least developing countries to developing countries at the beginning of 2018 which will be finally confirm by the united nation after two comprehensive review to be conducted in 2021 and 2024. Transition economy refers the economy that is on the way of being a developing country from the least developing country.

The objective of this concept paper is to explore the common characteristics among the three concepts namely corporate voluntary reporting, sustainable reporting and transition economy. The next part of the study includes details of the literatures of transition economy. Third section of the study includes the common concepts derived from the literature of these three important concepts followed by the methodology of the study and the last part of the study includes the conclusion recommendation and the scope of further study considering the concepts of voluntary reporting, sustainable reporting and transition economy.

LITERATURE REVIEW

Voluntary disclosures

Over the last two decades, corporate voluntary disclosures play pivotal role in communicating the corporate information to various stakeholders by the management of business organizations (Zaini et al. 2018). Voluntary Disclosures may be defined as the disclosure of any financial and non-financial information by the managements of an organization beyond their obligatory financial reports (Dhaliwal et al. 2011). The management

of a business entity may disclose the voluntary information by means of various ways such as monetary and quantitative non-monetary and may be qualitative or narrative in nature (Zaini et al. 2018). Even the extent of corporate voluntary disclosures may fluctuate as described several ways in previous literatures on corporate voluntary disclosures (Li and Yang 2015, Zaini et al. 2018, Rezaee 2016). According Rezaee, 2016, corporate voluntary disclosures composed of strategic information; financial information and non-financial information. Furthermore, Zaini et. al. in 2018 represents that voluntary disclosures may encompasses general corporate and strategic information, management, and shareholders information; financial information; corporate social responsibility; and forward - looking information. There are various dimensions of corporate voluntary disclosures namely, general corporate and strategic information disclosure (Sarhan and Ntim 2019,

Alnabsha et al. 2018, Kamel and Awadallah 2017, Kolsi 2017, Elfeky 2017); corporate governance information disclosures (Elfeky 2017); climate change information disclosures (Masum, Hassan, and Jahan 2019, Choi, Kwak, and Choe 2010); environmental disclosures (Sarhan and Ntim 2019, Hassan and Marston 2010, Haniffa and Hudaib 2006, Saleh, Zulkifli, and Muhamad 2010, Kolsi 2017); Energy information disclosure (Aras, Aybars, and Kutlu 2010, Gray, Owen, and Adams 1996, Hackston and Milne 1996); Employee related disclosures (Alnabsha et al. 2018, Kamel and Awadallah 2017, Elfeky 2017, Masum et al. 2019); social information disclosures (Alnabsha et al. 2018, Masum et al. 2019, Aras, Aybars, and Kutlu 2010); product information disclosures (Kamel and Awadallah 2017, Rezaee and Tuo 2017, Kolsi 2017) and customer related information (Rezaee and Tuo 2017, Kolsi 2017, Kamel and Awadallah 2017).

Table 1. Dimensions of corporate voluntary disclosures

Dimensions of voluntary disclosures	Details of dimensions
General corporate and strategic information disclosures	General corporate and strategic information of includes the basic information of the business entities and various customers policies related information which are not mandatory by any prevailing laws of a country
Corporate governance information disclosures	Corporate voluntary disclosures may include corporate governance information related to the governance structure, composition of board members, composition of governance committee, qualification and biographical information of the board of directors and ownership structures.
Climate change information disclosures	Climate change information includes the assessment of the risks relating to climate change, assessment of any opportunities relating climate change, impacts of product on climate change, details of GHG emissions, descriptions of the mechanism by which the board may review the climate change issues etc.
Environment disclosure	Environment disclosure may include the disclosure of environment polices of an entity, pollution control mechanism, disclosure of air, water and soil emissions information, environment protection measures and the assessment of environment related policies.
Energy information disclosures	It may include the information concerning to the energy policies of the entities, conservation of energy, energy savings due to product recycling, research related to savings of energy and evaluation of the energy related activities of a business organization.
Employee related	Employee related information disclosures includes the employee training

information disclosures	information, employee recreational activities of the organizations, disclosure of remuneration package, providing no. of employees of the employees, accident related information, statistics of employee turnover, establishment of employee turnover, effective auditing system for compliance of employee related issues etc.
Social information disclosures	Social information disclosures include donations to support the community activities, sponsoring public health project, sponsoring scholarship programs, education conference, disaster victims, supporting national sponsored campaigns, charity donations etc.
Product information disclosure	Product related information disclosure include information concerning to the developments of product, packaging, research and development of the products, discussion of major products, discussion of new products to be launched etc.
Customer information disclosure	Customer information disclosure include the information relating to customer details, rendering services, disclosure customer rating, measure of customer satisfactions, relative bargaining power of customer etc.

Sustainable reporting

As the global concern for the sustainability, increasing day by day, the importance of sustainability reporting also came to the limelight in corporate disclosures (Kuzey and Uyar 2017, Jones, Hillier, and Comfort 2016). Moreover, sustainability reports provide additional information in addition to the financial reports. Corporate sustainability includes the capability of a firm's long-term value creation by considering it's economic, social and environmental performances (Aktaş, Kayalidere, and Kargın 2013). The traditional social responsibility, environmental responsibility and corporate social responsibility reports has various limitations for an traditional social, environmental reports are distinct from each other thus having no uniformity or

comparability (Kuzey and Uyar 2017). There are various framework on the basis of which a business organization may measure the level of sustainability reporting (Siew 2015). But at the inception level of sustainability literature, it was a bit difficult to measure the extent of sustainability by using framework. For an instance environment sensitive and non-sensitive industries might not use the same framework. Meanwhile, this problem was also being solved for an instance, GRI issued bespoke sustainability reporting framework for different type of industries. As a result, the sustainability framework developed by the GSSB gains its popularity over other frameworks all over the world (Siew 2015). Thus, in this study the sustainability includes the framework used by the GSSB known as GRI guidelines.

Table 2. Dimensions of sustainability reporting

Dimensions of Corporate Sustainability Reporting	Details of dimensions
Economic Information	Economic information consists of various standards set up by the GRI namely, economic performance, market presence, indirect economic impacts, procurement practices, anti-corruption, anti-competitive behaviour.
Social information	Social information consists of various standards set up by the GRI namely, employment, labour-management relations, occupational health and safety, training and education, diversity and equal opportunity, non-discrimination, freedom of association, child labour, forced labour, security practices, right

Environmental Information	of indigenous people, human right assessment, local communities, supplier social assessment, public policy, customer health and safety, marketing and labelling, customer privacy, socio-economic compliance. Social information consists of various standards set up by the GRI namely, disclosures of material, energy, water, biodiversity, emissions, effluents and waste, environmental compliance, supplier environmental assessment.
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Transition economy

March 2018 is a memorable month for Bangladesh, as on this month it become graduated from least developing country to the developing country. However, the graduation process was started from 2018 and will be completed in 2024. After two comprehensive assessment – one will be held on 2018 and another will be held on 2024, based on the three criteria of the United Nation, namely economic vulnerability index, human capital index and gross national income per capita - Bangladesh will be declared finally as the developing

country. In 2015, prior the assessment of 2018, Bangladesh crossed over one criteria of UN while the country was very close to fulfill the other two criteria which is required to be a developing country from the least developing country. In March 2018 the economic vulnerability index score of the country was 25 points which was supposed to be less than 32, the human asset index was 72.8 points which was supposed to be 66 or more points and the GNI per capita was \$ 1722 which was supposed to be \$ 1242 or more. The components of these three criteria are presented on Table 3.

Table 3. Dimensions of transition economy

Dimensions of Transition economy	Details of dimensions
Human asset index	Human asset index includes percentage of population undernourished, mortality rate for children aged five years or under, gross secondary school enrollment rate and Adult literacy rate.
Economic vulnerability index	Economic vulnerability index is the composition of exposure index and shock index. Exposure index is composed of population size, remoteness of location, merchandise export concentration, share of agriculture, forestry & fisheries, share of population in low elevated costal zones. While the sock index consists of instability of exports of goods and services and victims of natural disasters
Gross National Income per capita	GNI per capita is measured through scaling the gross national income by midyear population.

METHODS

The study includes the data from the secondary sources especially the concepts of corporate voluntary disclosures and the corporate sustainability reporting are operationalized based of previous vast literature of these two reporting paradigm while the concept of transition economy is operationalized from the periodicals and reports published by the United Nations. The convergence and

divergence among three issues are tried to be conceptualized based on comparisons of the concepts.

RESULTS AND DISCUSSION

Based on the literatures we have found various base of congruence among the corporate voluntary disclosures, corporate sustainability reporting and transition economy. Firstly, we have found very close interrelation among the

corporate voluntary reporting, corporate sustainability reporting and transition economy due to *the scope of these three concepts*. It is obvious that the scope of corporate voluntary disclosure is wider than sustainability reporting although there is no framework or guidelines of the voluntary reporting. In literature, it is found that some of the academicians used the voluntary disclosure that consists of both social and environmental information beyond its other dimensions. While the scopes of being a transition economy consists of economic vulnerability index and human asset index which is also consistent with the dimensions of voluntary reporting and sustainable reporting.

Secondly, on the basis of objectives, based on the literature the corporate voluntary reporting, corporate sustainability reporting and transition economy has the similar objectives. The objectives of corporate voluntary disclosure are to attract the stakeholders of the business entities through spontaneous disclosure of more private information towards the public beyond their mandatory financial information, consecutively, ensures corporate sustainability. The objectives of sustainability information also emphasized on disclosing more social and environmental contribution of the business in order to ensure the corporate sustainability. Similarly, the objective of transition economy is to ensure the quality of human resources and reduce the issues of economic vulnerability that certainly ensures the sustainability both in individual level and in corporate level.

Last but not least, on the basis of disclosure contents, the disclosure contents of voluntary reporting also encompass the disclosure content of sustainability reporting. Furthermore, the disclosure issues of transition economy especially, the contents of human asset index namely reduction of mortality rate, increase of secondary school enrollment rate and remove illiteracy from the society and reduction of undernourishment in the society are similar to the corporate voluntary reporting and sustainability reporting. Moreover, the disclosure contents of economic vulnerability index include victims of natural disasters,

instability of exports of goods and services, economic structures which are similar to the disclosures of corporate voluntary and sustainability disclosures.

CONCLUSION

The aims at exploring the interrelation among the corporate voluntary disclosures, corporate sustainability and transition economy. It is found that the core concepts of corporate voluntary reporting, corporate sustainable reporting and the transition economy are similar, and they are intermingled to each other. We have also found that the dimensions of corporate voluntary reporting are the initiation of sustainability reporting that leads a transition economy to gain its status of being a developing economy. This transition or transformation stage of the economy will provide ample research opportunity to the academicians, researchers and consultants to ensure, retain and sustain the achievement of the country. Thus, the corporate peoples of the country require to have substantial ideas to take corrective actions on a transition economy. As a transition economy is based on trade, the business organization requires to retain the existing investors and attract the potential investors both local and foreign as well. The findings of the study will help the stakeholders in developing various micro and macro level strategies. For an instant, the transition economy like Bangladesh has to put more focus on corporate engagement in transforming its economy to the developing economy. As the developing economy is based on trade rather than aid, the government of the country should design their corporate strategies and policies in such a way that leads the country to have a sustainable development. In addition, the findings also encourage the corporate people to disclose more information regarding sustainability issues. Moreover, the findings may assist the United Nation to consider and reconsider their criteria of graduating any country from one level of economy to another. Finally, further studies can be executed in terms of empirical studies based on published

information of voluntary reporting, sustainable reporting and transition economy.

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