

The Effect of Voluntary Disclosure of Historical and Prospective Non-Financial Information on the Non-Financial Sustainability Performance of Companies¹

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Research Paper

INTRODUCTION

Disclosure of information is one of the important elements of the capital market, which leads to transparency in exchanges and reduction of information asymmetry, and leads to an increase in market efficiency and improvement of sustainability performance. Sustainability has also become more necessary and managers will disclose information if the benefits of voluntary disclosure exceed its cost. This research aims to investigate the effect of voluntary disclosure of non-financial information (historical and prospective) on the performance of non-financial sustainability of companies. Voluntary disclosure includes all information (financial and non-financial) that is disclosed by management at a wider level than financial reports. Strategic information (products, competitors, customers), financial information (earnings management forecast, stock price), and non-financial information (environmental, social, and governance sustainability performance) can be optional disclosures. The amount and type of voluntary disclosure depend on disclosure costs, corporate governance, managers' backgrounds, and sustainability performance. Management motivations for disclosing non-financial

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information are related to the sustainable environmental, social, and governance performance of companies. So prospective non-financial disclosure leads to the sustainable performance of companies. According to stakeholder theory, there are two aspects of sustainability, sustainability disclosure, and sustainability performance, both of which are related to each other and benefit all stakeholders. Evidence suggests that management often pays attention to forward-looking sustainable ESG practices as they impact business operations, improve corporate governance and effectiveness, and align corporate interests with stakeholder interests; therefore, voluntary disclosure of forward-looking non-financial information can improve the efficiency and effectiveness of a company's ESG projects, which can ultimately lead to improved financial sustainability performance in the future.

MATERIALS AND METHODS

The current research is descriptive correlational in terms of research type and method, quantitative in terms of the implementation process and type of data, and applied research in terms of the results of its implementation. The statistical population of the research is the companies admitted to the Tehran Stock Exchange during the period from 2012 to 2018, and 120 companies were selected and studied by systematic elimination method and applying restrictions. The financial and non-financial data of the companies were extracted through the review of the audited financial statements and the attached notes contained in the Stock Exchange Organization, Kodal website, Rahvard Navin software, and other official reports. To test the hypotheses of the research, the multiple linear regression method was used, and for the final analysis, to analyze the data, the econometric software Eviuse and Stata were used.

DISCUSSION

Correct and rational decision-making in the capital market depends on reliable and available information. The development of capital markets and, as a result, the increase in the expectations of stakeholders has caused the mandatory and optional disclosure of financial and non-financial information to be more and more considered. Compilation of financial and accounting standards and regulations and the criteria set by the markets as requirements for mandatory disclosure of information has led to the quantitative and qualitative development of financial and non-financial reporting of companies. Voluntary disclosure of financial and non-financial information, both retrospective and prospective, can reduce information asymmetry, for the benefit of the company and all its stakeholders. On the other hand; Maintaining and promoting sustainability

performance related to the social responsibility components of the organization, the power of profitability, and creating value can lead to the success of the organization. The results of the hypothesis test showed that the voluntary disclosure of historical non-financial information can improve the non-financial sustainability performance of companies, but the voluntary disclosure of prospective non-financial information does not have a significant effect on the performance of non-financial sustainability of companies. Therefore, it can be said that indicators such as the identity and background of board members and shareholders, the nature of major shareholders and management shares, and the company's goals, missions, and management methods can have a decisive effect on the economic, social and environmental aspects of the non-financial sustainability performance of companies. In other words, the existence of a relationship between retrospective non-financial information disclosure and sustainability performance shows that companies with a higher level of disclosure pay more attention to planning requirements, increasing worker participation in decisions, targeting market share and sales, establishing more effective business-society relations, including educational issues, welfare, safety, and health of employees as well as environmental factors such as environment, clean production, and energy saving. Also, the disclosure of retrospective non-financial information can show that companies pay attention to employees' and beneficiaries' economic and social concerns and comply with environmental requirements and community interests as the most important elements of sustainable performance. The development of sustainable performance also helps to realize the company's long-term goals, effective organizational decisions, creating value and a good reputation, reducing conflict of interests, satisfying stakeholders and customers and will guarantee the survival of the organization in the field of competition.

SUGGESTIONS

Policymakers and company managers are advised to give importance to the disclosure of non-financial information as well as financial information. The disclosure of non-financial information can become the foundation of the organization's success in achieving long-term goals and gaining a competitive advantage. They should also believe that disclosing the information needed by the stakeholders of the market, in addition to reducing conflicts and conflict of interests, leads to more appropriate and correct decisions through the reduction of information asymmetry, and the result of the correct decisions of the stakeholders helps to improve the sustainability performance of companies. Investors in the country's capital

market are also advised to pay attention to the amount of voluntary disclosure of non-financial information and its dimensions to evaluate the state of sustainability and sustainability performance of companies.

Keywords: Voluntary Disclosure of Historical Non-Financial Information, Voluntary Disclosure of Prospective Non-Financial Information, Non-Financial Sustainability Performance.

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