THEORIES OF CORPORATE DISCLOSURE: A LITERATURE REVIEW

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Abstract

The purpose of this paper is to provide an up-to-date look at the reality of the theories used in disclosure literature, including stakeholder theory, legitimacy theory, agency theory, signaling theory, institutional theory. This study relies on both deductive and inductive approaches to reviewing a group of disclosure literature worldwide and highlighting the theoretical frameworks used. The results showed that the most comprehensive theory is the stakeholder theory, as researchers have adopted it in more than one field of disclosure. The legitimacy theory followed them. Both theories, however, have failed to be consistently supported in the prior studies as it is not expected that companies only want to satisfy stakeholders through disclosure (Al Amosh & Khtaib, 2021b), and legitimizing activities (Pistoni, Songini, & Bavagnoli, 2018) but due to the information asymmetry, firms' preferences to disclose more information would be different based on their characteristics. Therefore, the theoretical lens of the disclosure literature should be expanded to include multiple theoretical grounds that may lead to a better understanding of the phenomenon of corporate disclosure. This paper contributes to shedding light on the reality of researchers' interpretation of the detection motives and defining the theoretical perspectives used in preliminary theoretical analysis. Based on the relevant literature on corporate information disclosure, this paper constructs a theoretical framework to integrate the disclosure theory and gives a comprehensive theoretical explanation.

Keywords: Corporate Governance and Reporting, Accounting and Disclosure, Corporate Social Responsibility, Integrated Reporting

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1. INTRODUCTION

In recent years, disclosure requirements have increased to verify an organization's performance and compliance, where disclosure of the information is essential to many stakeholders, such as investors, shareholders, regulators, government agencies, and communities (Al Amosh, 2021). This prompts entities to open up to various parties by providing more voluntary disclosures in addition to mandatory disclosures (Noh & Weber, 2019). Mandatory disclosure is a legal requirement within the regulatory legislation regulating the work of companies issued by official bodies such as stock exchanges and the securities commission in the countries, other than voluntary disclosure, which provides information that goes beyond the limits of mandatory disclosure.

The field of corporate disclosure has grown significantly and today contains a significant proliferation of theories, approaches, and terminologies. Several theories have been introduced in explaining the complex nature of this field, each of which explains different sub-points of financial disclosure. However, a challenge lies in formulating a theoretical framework that could be used to study the relative importance of each of the organizational aspects affecting corporate disclosure practices (Chau & Gray, 2001). Further, Moalla Salhi, and Jarboui (2020) suggested that prior research fails to provide an accurate measure of reporting quality due to the lack of convincing theoretical

underpinning and the subjectivity that surrounds the developed proxies (Khan, Ali, & Fatima, 2014; Nyahas, Munene, Orobia, & Kaawaase, 2017). In the published literature, no attempt at such a comprehensive mapping was found, thus deductively, the gap was recognized by Urquiza, Navarro, Trombetta, and Lara (2010), Von Alberti-Alhtaybat, Hutaibat, and Al-Htaybat (2012). This study, therefore, provides an up-to-date look at the reality of the theories used in disclosure literature.

The literature review is one of the scientific research methods based on surveying scientific publications on a specific issue, prompting a view of current research trends, highlighting research gaps in the current literature (Baglione, 2018; Khatib, Abdullah, Hendrawaty, & Elamer, 2021b). The methods of reviewing the disclosure literature varied, some studies have examined the factors affecting disclosure in the literature (Md Zaini, Samkin, Sharma, & Davey, 2018; Ali, Frynas, & Mahmood, 2017), and other research reviewed the methodology used to collect data in the disclosure literature (Castilla-Polo & Ruiz-Rodriguez, 2017), while some researchers have focused on reviewing the checklist used to measure disclosure (Hassan & Marston, 2019). Few old studies have evaluated the theoretical frameworks applied in the literature (Garriga & Melé, 2004; Von Alberti-Alhtaybat et al., 2012). In recent years, the literature has not developed new theoretical directions to explain the phenomenon of detection, such as planned behavior theory (Shafiul Alam & Akter, 2019; Tauringana, 2020) and neo-institutional theory (Alshbili & Elamer, 2020; Tran & Beddewela, 2020).

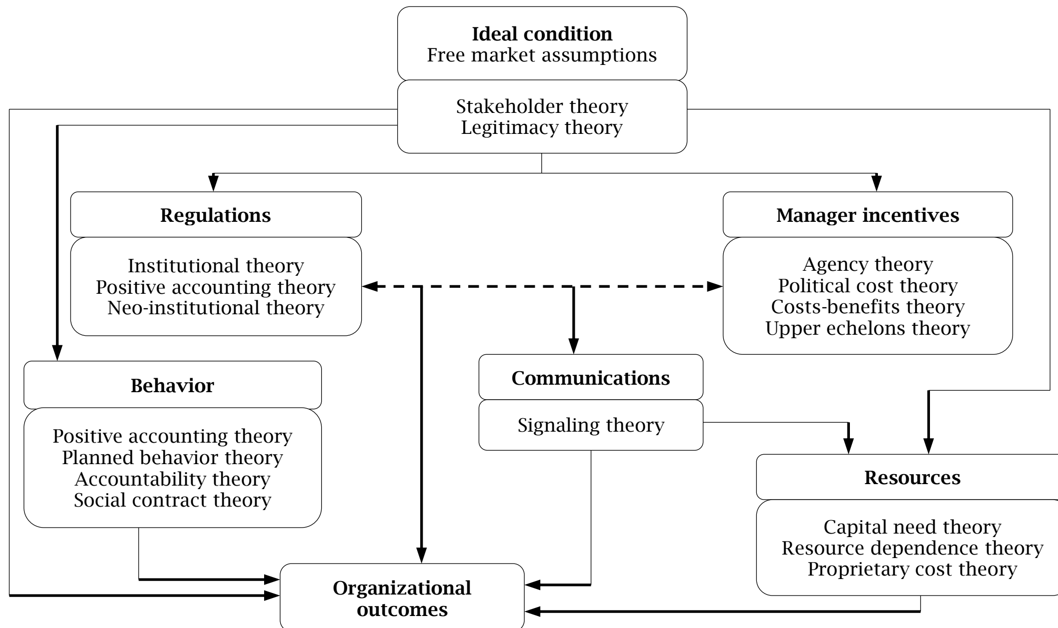
This paper contributes to the accounting disclosure literature by shedding light on researchers' theoretical frameworks to interpret their findings and provide a critical review of the disclosure literature. Much of the literature adopts multiple theoretical frameworks but without merging theoretical concepts to explain the results. Another group of researchers presented views through common theories; this puts the theoretical perspective in a narrow angle to interpret the results. Moreover, the current study presents an up-to-date overview of the research landscape of the theoretical development in corporate disclosure that delivers exciting insights and recommendations for future research. The aspiration is to contribute to promoting more significant efforts in both research and practice. Given the importance of corporate disclosure practice, we also consider our review relevant for, among others, chief executives, financial and information officers, business controllers, and internal and external auditors.

The remainder of this study is structured as follows. Section 2 reviews the literature. Section 3 describes the research methodology. Section 4 provides results and discussion. Section 5 concludes the paper.

2. LITERATURE REVIEW

Corporate disclosure represents the most holistic picture of information provided by companies to the stakeholders. This includes mandatory financial details and narratives required by the law and accounting standards and voluntarily shared insights due to external pressures or internal decision-making. As shown in Figure 1, there is no single theory to explain the complex nature of corporate disclosure. Several theoretical frameworks have been introduced in exploring the disclosure practices of firms as reported by Zamil, Ramakrishnan, Jamal, Hatif, and Khatib (2021). These theories have been grouped based on the attributes of each theory. The literature has commonly highlighted a need for multiple theoretical frameworks that may lead to more ideas about the phenomenon of disclosure. We also believe that such frameworks need to combine theories from different categories to understand more profound aspects.

Figure 1. The theoretical map for the theories applied in the disclosure literature



Source: Authors' elaboration.

2.1. The theories behind the phenomenon of disclosure

Previous literature has dealt with disclosure and interpretation of this phenomenon through several theories, notably stakeholder theory, legitimacy theory, agency theory, and signaling theory (Al Amosh & Mansor, 2021). To a lesser extent, it also dealt with other theories, such as institutional theory and capital market theory. As shown in Figure 1, the stakeholder group is the theory that provides a general and broad explanation of corporations' disclosure practices in ideal market conditions. Stakeholder theory was first proposed by Edward Freeman, the "father of stakeholder theory", in early 1983 (Laplume, Sonpar, & Litz, 2008). According to Freeman (2010), the stakeholders are "those groups without whose support the organization would cease to exist" (p. 31).

On the other hand, Mercier (1999) defined the stakeholders as "all of the agents for whom the firm's development and good health are of prime concern" (p. 48). These theories emphasize the need to consider maximizing the value of all stakeholders, not only shareholder value, and provide a direct general explanation of the phenomenon. From here, we directed the stakeholder theories to the necessity of considering all stakeholders' demands in corporate decisions (Al Amosh & Khatib, 2021a; Aras & Crowther, 2011).

The stakeholder theory emphasizes maximizing stakeholder value versus maximizing shareholder value (Laplume et al., 2008); this is an explicit diminution of the shareholders' value as business firms' owners. Moreover, the stakeholder theory argues that all stakeholders' demands deserve consideration, not a specific group (Abed, Roberts, & Hussainey, 2014). Among these demands is the disclosure of information related to the company's activities. Deegan and Unerman (2006) suggested that companies should engage with their stakeholders from a perspective of ethics and transparency; in this context, disclosure of the information is one of the proposed solutions on the corporate management table, as disclosure of the information is a critical factor in improving the company's reputation among various stakeholders, and in enhancing transparency (Benlemlih, Shaukat, Qiu, & Trojanowski, 2018; Malik & Kanwal, 2018).

Another perspective in this category taken by the literature to explain disclosure practices is that of the legitimacy theory, which Suchman (1995) defined as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (p. 574). Lindblom (1994) asserted that companies' legitimacy is linked to societal values and norms, so its legitimacy will be threatened if there is a discrepancy between its actions and social values. Therefore, it can be said that the legitimacy theory considers disclosure and immunity against the occurrence of legitimacy gaps. However, both theories do not account for the behavior and preferences of top decision-makers with firms and the different characteristics of corporations, such as financial constraints and monitoring mechanisms.

Guthrie and Parker (1989) suggested the idea of a social contract between the organizations and the community in which it operates to enhance its legitimacy by carrying out activities that are in line with the values and goals of society, one of these methods may be the disclosure of the contributions to issues of concern to the community, such as issues of sustainability, social and environmental responsibility of companies (Al Amosh & Mansor, 2018; Díez-de-Castro, Peris-Ortiz, & Díez-Martín, 2018; Deegan, 2002), and these activities it can befall within the concept of corporate ethical responsibility (Carroll, 1979). Legitimacy theory expresses a broader view of disclosure, as companies take the initiative to disclose the information for legitimizing it. However, to best apply these theories, we believe that complementary theoretical ground is needed. These complementary theoretical lenses include manager incentives, communication, resources, and behavioral theories (as stated in Figure 1).

Disclosure literature also introduced agency theory as one of the disclosure theories that focused on the management incentives; agency theory is one of the theories stemming from corporate governance (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2000; Khatib, Abdullah, Elamer, & Abueid, 2021a; Khatib, Abdullah, Elamer, Yahaya, & Owusu, 2021c), where it was proposed for the first time by Alchian and Demsetz (1972) and Jensen and Meckling (1976). They focused on the companies' role as a link for contractual relations between several parties. O'Donnell and Sanders (2003) defined the agency theory as "an economic theory that views the firm as a set of contracts among self-interested individuals" (p. 101). Agency theory refers to contracts between the principal (shareholders) and the agent (directors). Corporate managers receive money from shareholders to manage them efficiently, generate profits, and maximize shareholder value (Khatib, Abdullah, Hendrawaty, & Yahaya, 2020; Tan & Floros, 2014; Al Amosh & Khatib, 2021b). According to Donnelly and Mulcahy (2008), agency theory provides reasonable explanations for corporate disclosure practices. The agency costs can drive the company's directors to voluntarily disclose information (Wong, 1988; Leftwich, Watts, & Zimmerman, 1981). Also, agency problems arise from information asymmetry, so management seeks to reduce information asymmetry to lower agency costs (Donnelly & Mulcahy, 2008). The agency theory proposes that corporate departments be motivated to provide more information and voluntary disclosures to reduce the problem of information asymmetry and thus reduce agency costs (Omran & El-Galfy, 2014).

Michael Spence developed the signaling theory in 1978 to form signal models in the work environment between employees and the employer. Hence, one party discloses some information to another party to provide positive signals about itself. According to Campbell, Shrives, and Bohmbach-Saager (2001), disclosing the information is considered a signaling means, so companies practice disclosing information voluntarily to signal themselves as the best. Signaling theory argues that management shares information to send signals to the market and stakeholders (Bae, Masud, & Kim, 2018) to demonstrate their commitment to voluntary activities, which reduces information asymmetry and improves the company's reputation.

Another theory supported by previous disclosure literature is the institutional theory. Scott (2013) defined institutional theory as "a widely

accepted theoretical posture that emphasizes rational myths, isomorphism, and legitimacy" (p. 267). Deegan (2002) argues that disclosure of information, especially those related to corporate social and environmental responsibility, is an institutional practice. Accordingly, the organizational response to external pressures on the organization is reflected through the organization's organizational structure and culture (Hoffman, 2001). From here, companies will respond to the institutional pressures they face from external parties, such as stakeholders, and the concern for preserving legitimacy by institutionalizing the disclosure of information (Herold, Farr-Wharton, Lee, & Groschopf, 2019). This will lead over time to regard disclosure as an institutional culture that stems from its values.

The shareholder theory, which has not been taken sufficiently into account in the literature on disclosure, has been implicitly taken as a perspective within stakeholder theory. Friedman proposed the contributor theory in 1970, which later became known as the Friedman doctrine. Friedman (1970) argued that the company's primary goal is to maximize shareholder value and that they are the decision-makers in taking any voluntary initiative as social responsibility. Besides, a large part of shareholders' interest is information (Kaluarachchi, 2020). According to Nguyen and Nguyen (2020), the corporate management will work to avoid agency problems with shareholders by disclosing information to them, as there are information demands for a shareholder that must be met, such as information related to the creation of value for the company in the long term contained within the integrated reporting framework (Lueg, Lueg, Andersen, & Dancianu, 2016). This interaction between stakeholder needs and decision-maker preferences posits that understanding corporate disclosure is complex, and one theory would fail to explain it. As a result, multiple theoretical lenses should receive more attention in accounting disclosure literature.

2.2. The nature of corporate disclosure

Disclosure definition, in general, is a revelation or reporting of something. Gibbins, Richardson, and Waterhouse (1990) defined disclosure as "any deliberate release of financial (and non-financial) information, whether numerical or qualitative, required or voluntary, or via formal or informal channels" (p. 122). According to Orens and Lybaert (2013), non-financial information is non-accounting information that includes non-financial disclosures and measures, and it can be both quantitative and qualitative. The disclosure of such information is divided into two parts. The first is mandatory and responds to the disclosure requirements established within the laws and regulations governing capital markets and stock exchanges. The second form of disclosure is voluntary disclosure. It is any information disclosed that exceeds the mandatory requirements for disclosure. There are a large number of sources of information disclosure used by companies, most notably the annual reports, as the annual report is considered one of the ideal sources for the delivery of financial and non-financial information to various stakeholders and various media (Hajek & Henriques, 2017; Bozzolan, Favotto, & Ricceri, 2003). Companies use other sources to communicate information, such as internet websites, social media sites, advertisements, televised interviews, and press reports.

The non-financial reports and disclosures include several forms, including environmental information, corporate social responsibility reports, and sustainability reports. Recently, a new disclosure method has emerged, including financial and non-financial information called integrated reporting (International Integrated Reporting Council [IIRC], 2013). The literature will be reviewed as defined above for each method of disclosure independently.

2.2.1. Social and environmental responsibility disclosure

Gray, Owen, and Maunders (1987) defined social and environmental disclosure as "the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and society at large. It involves extending the accountability of organizations (particularly companies) beyond the traditional role of providing a financial account to the owners of capital or shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than to make money for their shareholders" (p. 9).

It can be said that the performance of companies is monitored from several sides, this will generate more pressure, and this is why many companies practice disclosure of their performance to avoid pressure, and this has led many scholars to suggest theoretical explanations for the motives of companies' disclosure of information.

Sharma, Panday, and Dangwal (2020) tested a set of potential factors as influences for disclosure in the context of listed Indian companies. The results indicated that larger companies with more sensitive industries disclose environmental and social governance activities responding to stakeholders' pressures. However, this study relied on agency theory and explained the stakeholder's theory. Agyemang et al. (2020) also argued that companies disclose their information about their environmental activities to stakeholders by strengthening corporate governance factors such as foreign directors, a larger board size, and independent directors. Besides, companies are practicing environmental disclosure in response to legitimacy threats (Vogt, Hein, da Rosa, & Degenhart, 2017).

On the other hand, Hamrouni, Boussaada, and Toumi (2019) relied on a set of theories to explain the motives of French companies in disclosing environmental and social activities, where they touched upon legitimacy theory, stakeholder theory, agency theory, and signaling theory, where they argued that French companies disclose environmental and social information to enhance their legitimacy, as well as working to communicate this information to stakeholders, especially lenders, to increase their confidence in giving companies long-term loans in the future. These arguments are supported by Fallah and Mojarrad (2019), as they sheds light on social and environmental disclosure through the theoretical lens of stakeholders, legitimacy, and agency theory. Michaels and Grüning (2018) also mentioned that German companies

adhere to social responsibility disclose it to prove its distinction in line with the theory of voluntary disclosure and response to legitimacy pressures.

Stakeholder theory has a great deal of interest in explaining disclosure practices in Middle Eastern countries' literature. In Jordan, Bani-Khalid, Kouhy, and Hassan (2017) suggested that the type of audit firm is a critical factor in achieving the critical stakeholders by enhancing the confidence of stakeholders in the companies' financial reports and pushing companies towards more transparency to achieve the aspirations of stakeholders and engage in social responsibility activities and present it in the form of information in the annual reports, where the stakeholder pressure motivates Jordanian companies to seriously consider social responsibility issues (Haddad, AlShattarat, AbuGhazaleh, & Nobanee, 2015; Nawaiseh, Boa, & El-shohnah, 2015; Al Amosh & Mansor, 2020). Also, in recent research, Abu Qa'dan and Suwaidan (2019) investigated the determinants of the listed Jordanian industrial companies' social responsibility disclosure. The study relied on the agency's view and the stakeholder's theory in building the study hypotheses. The results concluded that the board size is the only factor affecting the disclosure. However, the study did not explain the results through the two theories of stakeholders or agency theory.

Al Amosh (2021) referred to the necessity of conducting more theoretical tests of stakeholder theory and legitimacy theory in emerging contexts in a recent study in Jordan. The presented evidence showed that larger boards represent stakeholders, so their disclosure aspirations will be considered seriously. The presence of the audit committee is one of the guarantees of stakeholders in achieving good governance. Alotaibi and Hussainey (2016) relied on a transitive theoretical framework consisting of four theories: legitimacy, stakeholders, agency, and signaling theories. The results were consistent with the agency theory's perspective and the reference only in explaining the behavior of Saudi companies in disclosing social responsibility. As agents of their companies' interests, companies also increasingly disclose information to send positive signals to investors.

In India, the evidence of Saini and Singhania (2019) failed to support the stakeholders and legitimacy theory, where the foreign ownership factor does not support stakeholders' aspirations in disclosing corporate social and environmental responsibility. As Saini and Singhania (2019) claimed, foreign owners, focus on achieving profits more than companies' environmental and social performance. The institutional theory has contributed to the interpretation of environmental disclosure in China, as Zeng, Xu, Yin, and Tam (2012) found that environmental disclosure is an effective tool in facing regulatory pressures. Moreover, internal factors such as corporate governance are considered effective in guiding companies' strategies to disclose their environmental performance. Herold et al. (2019) add that institutional pressures accompanied by stakeholders' pressures generate a solid front to influence the companies' decision to disclose carbon. Institutional theory alone is not sufficient to explain the disclosure but instead needs to be merged with the stakeholder theory within one framework.

2.2.2. Sustainability disclosure

According to Tilt (2009), the concept of sustainability accounting or sustainability disclosure started in circulation 20 years ago. Also, they are referred to as corporate contributions to social, environmental, and economic issues in society (Schaltegger & Burritt, 2010). Sustainability disclosures provide a comprehensive picture of companies' performance and their role in sustainability issues (Hahn & Lülfs, 2014). Sustainability reporting is also used to communicate information about companies' social, environmental, and economic contributions to various internal and external stakeholders (Global Reporting Initiative [GRI], 2011). It also includes all the effects, whether negative or positive (Hahn & Lülfs, 2014). In contrast, Boiral (2013) argued that companies seek to disclose the positive impact and not address negative effects in sustainability reports to preserve their legitimacy.

Cancela, Neves, Rodrigues, and Gomes Dias (2020) analyzed the factors affecting sustainability disclosure level through its three dimensions, social, economic, and environmental, for 99 non-financial companies operating in the Iberian Peninsula. The study covered the period from 2013 to 2017, the results indicated. Furthermore, the results were explained through the stakeholder theory. The results showed that the audit committee and the board size as tools for governance increase interest in social, environmental, and sustainability issues through a more excellent representation of stakeholders and meeting their aspirations. The dialogue on sustainability issues is essential between management and stakeholders. A recent study also indicated that the institutional and legitimacy perspectives explain the companies' response to pressures to disclose sustainability through the institutionalization of disclosure and strengthening the company's reputation in societies (Larrán Jorge, Andrades Peña, & Herrera Madueño, 2019).

In Singapore, Hu and Loh (2018) pointed out that the board size, its independence, the frequency of the company's management meetings, and the size of the company are all factors that push Singaporean companies to promote sustainability disclosure, as the frequency of meetings contributes to strengthening the demands of stakeholders and putting their issues on the table. The boards of directors are also more extensive and independent in reducing agency costs, which will positively reflect shareholders' interests and mitigate any potential conflict of interest. Bae et al. (2018) indicated that companies in South Asia seek to reduce agency costs and send positive signals to the market through disclosure of their sustainability activities.

The involvement of stakeholders in the companies' decision to contribute to sustainability issues is essential. Also, the preparation of sustainability reports is often driven by legitimacy concerns (Greco, Sciulli, & D'Onza, 2015). On the other hand, Michelon (2011) suggested a multi-theoretical framework consisting of the theories of legitimacy and stakeholders to explain the practices of companies in the disclosure of sustainability, as he chose an international sample consisting of companies in the United States in addition to European companies and companies in the United Kingdom, the researchers concluded that companies adopt the strategy of disclosure of sustainability as

a tool to enhance its legitimacy and to ease ongoing stakeholder pressure on it. In a similar sample, Michelon and Parbonetti (2012) highlighted the good governance factor as a determinant of sustainability disclosure in the European and American contexts, where they argued that governance mechanisms such as board composition, leadership, and structure are considered tools that enhance legitimacy, as well as contribute to achieving good communication with stakeholders and meeting their aspirations. Hummel and Schlick (2016) believed that voluntary disclosure theory supports European sustainability disclosure practices through companies with superior sustainability performance to highlight their results more through disclosure. On the other hand, those with insufficient performance practice sustainability disclosure to conceal the reality of their performance to protect their legitimacy.

In the context of non-recent literature, Brown, de Jong, and Levy (2009) argued that the institutional theory perspective contributed to the development of sustainability disclosure, through the emergence of the GRI. This perspective has been supported by de Villiers, Low, and Samkin (2014). Nonetheless, Boesso and Kumar (2007) believed that the stakeholder theory and legitimacy remain the main drivers for disclosing information. In this respect, by relying on the stakeholder's theory in Australia, Finch (2015), found that adopting companies to prepare sustainability reports is the companies' attempt to communicate the company's performance in the field of sustainable development to various stakeholders, which achieves many of the companies' long-term goals, such as achieving a highly competitive advantage and improving financial performance, which gives companies more profitability and maximizes value. Corporate involvement in sustainability activities and their disclosure has become an essential factor in creating value for companies (Chung & Cho, 2018; Mahmood, Kouser, Ali, Ahmad, & Salman, 2018; Michelon, 2011), where the benefits outweigh the costs of disclosing sustainability issues for the companies (Yu, Guo, & Luu, 2018).

2.2.3. Integrated reporting

In recent years, a new reporting style has emerged, namely integrated reporting. The idea of integrated reporting started for the first time in 1977, after publishing a book, *The Social Audit For Management* by Clark C. Abt (Albetairi, Kukreja, & Hamdan, 2018). This modern disclosure method came after the emergence of several other disclosure methods, such as sustainability disclosure. Camilleri (2018) believes that disclosure theories such as legitimacy, agency, stewardship, and institutional theories have led to the rapid development of sustainability reporting standards until they reached the latest reporting development, integrated reporting. De Villiers et al. (2014) argue that the integrated reporting came to address the weaknesses in sustainability reporting, justifying that they neglected the financial side of disclosure reporting.

As a new approach to disclosure, legislation is a crucial tool for adopting integrated reporting (Al Amosh & Mansor, 2021). The South African context, for example, was considered one of the most attractive contexts for research of integrated reports since integrated disclosure is mandatory legislation (The King III Code), and the Integrated Reporting Council of South Africa was issued (IRCSA, 2011). Although the preparation of integrated reports is still voluntary, the European perspective is considered at an advanced level to issue European Directive 2014/95/EU for disclosure of non-financial information.

In South Africa, Ahmed Haji and Anifowose (2017) found that adopting integrated reports is considered one of the companies' strategies to obtain legitimacy, and it came as a result of external pressure from stakeholders (strategic legitimacy), and with the passage of time-integrated reporting practices became within the (institutional legitimacy) of companies. In addition, to strengthening legitimacy, Marrone and Oliva (2020) argued that South African companies look to meet their stakeholders' aspirations through integrated reporting. They look at the matter in two ways: to reduce stakeholder pressure, especially on larger companies, and secondly to demonstrate performance and strategies and provide them to stakeholders and investors through integrated reporting.

In European literature, Nicolo, Zanellato, and Tiron-Tudor (2020) assess the integrated reporting practices of European state-owned companies between 2016 and 2017, following the European Directive 2014/95/EU, as he found that companies are working to improve the quality of disclosure to enhance their role in society in line with values and accepted norms and this is in line with the perspective of legitimacy. The pressures of stakeholders in demand for information contributed to adopting different disclosure styles, such as integrated reporting. Sofian and Dumitru (2017) examined compliance with the International Integrated Reporting Framework (IIRF) in eight European companies, five Netherlands companies, one French, one Italian, and one from Switzerland. The results showed a variation in compliance with disclosure according to the IIRF, but the researchers did not provide theoretical explanations for their results. In Poland, Raulinajtys-Grzybek and Świderska (2017) investigated the levels of disclosure of integrated reporting. They found that the companies provide high disclosure levels of up to 70%, but the study did not provide a theoretical basis for the results. Through a joint sample of 352 European and South African companies, Gerwanski, Kordsachia, and Velte (2019) found that the stakeholder theory explains companies' compliance with integrated reporting disclosures through a combination of factors, namely gender diversity by enhancing transparency, learning effects, and ensuring non-financial information by reducing uncertainty for stakeholders.

In a recent study, Eccles, Krzus, and Solano (2019) indicated that integrated reporting plays a role in improving the understanding of stakeholders and shareholders of companies, where the authors compared ten countries around the world and identified five companies from each country as a sample to test the level of disclosure of the items of integrated reports. The results showed that the highly-rated countries are South Africa, Germany, and the Netherlands, medium — the United Kingdom, France, Italy, and South Korea, and low — The United States, Brazil, and Japan. Eccles et al. (2019) also argued that the variation in the level of disclosure between countries is due to the lack of general acceptance and the absence of the obligation to prepare complete reports, while

the study did not provide any theoretical explanations for the discrepancy in the level of integrated reporting disclosure. In turn, Al Amosh and Mansor (2021) refuted their results through the stakeholder's theory and suggested that stakeholders' experience and culture are decisive in the demand for integrated reporting information. He also explained that the disparity in companies' experiences worldwide leads to a different level of adoption and disclosure of integrated reporting.

From an international perspective, Vitolla, Raimo, Rubino, and Garzoni (2019) argued that the quality of integrated reporting is closely related to stakeholder pressures. On the other hand, Pistoni et al. (2018) explained their results through various theories. They found through proprietary cost theory that corporate administrations do not want to disclose information in general because they incur additional costs for companies. Companies also avoid disclosing integrated reports because they contain strategic and forward-looking information that negatively affects their competitiveness. Pistoni et al. (2018) also claimed that managers are motivated by fear of the agency's problems, preferring not to disclose more integrated information to avoid increasing investor interest in that information. While Ghani, Jamal, Puspitasari, and Gunardi (2018) explained their results through signaling theory, they documented that Malaysian companies that disclose more information about integrated reporting deal with audit firms within the Big 4 to indicate the quality and credibility of their audited reports to various audiences.

In Turkey, Kılıç and Kuzey's (2018) result provided support for the agency's theory in explaining the motives of companies to disclose integrated reporting through the company size factor, as the larger companies face the problems of high agency costs due to conflicting information, so these companies resort to disclosing the items of integrated reports to alleviate the problem of information inconsistency and thus reduce agency costs. On the other hand, the study also tested the signaling theory, but the results did not provide them with any support. Ofoegbu, Odoemelam, and Okafor (2018) shed light on the reality of disclosure in South Africa and Nigeria through the theoretical lens of stakeholders and legitimacy. They provided evidence that companies operating in environmentally sensitive industries are cautious concerning legitimacy, and the legal environment affects the demands of stakeholders in disclosure. On the other hand, du Toit (2017) believes that the integrated reporting language is very complex, as it can weaken legitimacy through the inability of stakeholders to understand the reports' information content. Fasan and Mio's (2017) results were consistent with the legitimacy theory that companies practiced voluntary disclosure to lend themselves to social legitimacy. It also suggests that the integrated reporting framework serves the investors in particular and stakeholders in general in identifying the extent of the company's ability to create value by focusing on information of relative importance to them.

Table 1. Summary of previous literature studies

Author	*Country*	*Disclosure type*	*Theoretical framework*	*No. of citations*
Scaltrito (2016)	Italy	Voluntary	Agency, stakeholder, signaling, political costs theories	43
Bhattacharyya (2016)	Australia	Environmental	Resource dependency, institutional, agency, stakeholder theories	53
Mkumbuzi (2016)	the UK	Voluntary	Positive accounting, proprietary costs, agency theories	7
Al Amosh (2021)	Jordan	Social	Stakeholder theory and legitimacy theory	1
Al Amosh and Mansor (2021)	Jordan	Integrated reporting	Stakeholder theory	7
Elfeky (2017)	Egypt	Voluntary	Capital needs, agency, stakeholder theories	79
Sharma et al. (2020)	India	Environmental and social	Stakeholder theory and agency theory	13
Nicolo et al. (2020)	Europe	Integrated reporting	Stakeholder theory and legitimacy theory	28
Tauringana (2020)	Uganda	Sustainability	Upper echelons, planned behavior theories	6
de Villiers et al. (2014)	South Africa	Integrated reporting	Institutional theory	795
Zeng et al. (2012)	China	Environmental	Institutional theory	305
Abu Qa'dan and Suwaidan (2019)	Jordan	Social	Stakeholder theory and agency theory	68
Hamrouni et al. (2019)	France	Environmental and social	Legitimacy theory, stakeholder theory, agency theory and signaling theory	36
Fallah and Mojarrad (2019)	Iran	Environmental and social	Legitimacy theory, stakeholder theory and agency theory	27
Saini and Singhania (2019)	China	Environmental and social	Legitimacy theory and stakeholder theory	13
Larrán Jorge et al. (2019)	Europe	Sustainability	Legitimacy theory and institutional theory	3
Herold et al. (2019)	International	Environmental	Stakeholder theory and institutional theory	27
Pistoni et al. (2018)	International	Integrated reporting	Agency theory and proprietary cost theory	
Michaels and Grüning (2018)	Germany	Social	Legitimacy theory and voluntary disclosure theory	128
Hu and Loh (2018)	Singapore	Sustainability	Agency theory	38
Kılıç and Kuzey (2018)	Turkey	Integrated reporting	Agency theory and signaling theory	128
Ghani et al. (2018)	Malaysia	Integrated reporting	Signaling theory	52
Ofoegbu et al. (2018)	South Africa	Integrated reporting	Stakeholder theory and legitimacy theory	43
Hummel and Schlick (2016)	Europe	Sustainability	Legitimacy theory and voluntary disclosure theory	284
Nawaiseh et al. (2015)	Jordan	Social	Stakeholder theory	23
Haddad et al. (2015)	Jordan	Social	Stakeholder theory	43
Michelon and Parbonetti (2012)	Europe and the USA	Sustainability	Stakeholder theory and legitimacy theory	695
Michelon (2011)	International	Sustainability	Stakeholder theory and legitimacy theory	324
Boesso and Kumar (2007)	Italy and the USA	Sustainability	Stakeholder theory and legitimacy theory	597
Finch (2015)	Australia	Sustainability	Stakeholder theory	3

3. RESEARCH METHODOLOGY

This study relied on both deductive and inductive approaches to review the literature related to corporate disclosure theories. The research focused on theories used in corporate disclosure practices by analyzing the published papers and linking the theory used with each study's results. Deduction serves to identify apparent gaps, and once the gap has been identified, the inductive approach takes over by observing a particular phenomenon (Von Alberti-Alhtaybat et al., 2012). In our case, we dealt with the existing literature on corporate disclosure, and we also categorized the literature according to the type of disclosure based on existing classifications and newly developed ones, and finally established relationships, which will be addressed in the last part of the paper when discussing the map of theories.

The study targets the literature that deals with three types of most common methods of voluntary disclosure: 1) social and environmental responsibility disclosure, 2) sustainability disclosure, 3) integrated reporting. Using the keywords related to these themes, we searched for the literature on the Google Scholar database which resulted in a large number of scientific articles. The main challenge of this critical review was to develop a classification of scientific contributions to the theoretical bases of corporate disclosure research and filter out irrelevant studies. Therefore, the data was recorded in a Microsoft Excel sheet to track screen the title and abstract of the sample literature and remove studies that did not explicitly consider theoretical ground. Furthermore, an emphasis was put on newer papers (after 2010), which are considered the state-of-the-art of corporate disclosure research (Hazaea et al., 2021a; Hazaea, Zhu, Khatib, Bazhair, & Elamer, 2021b). This approach of narrative review has been applied in several critical reviews (Blanco, Rey-Maquieira, & Lozano, 2009; Bota-Avram & Popa, 2011; Sharma, 2019; Khatib et al., 2020; Onileowo, Muharam, Ramily, & Khatib, 2021; Zhao, Xue, Khan, & Khatib, 2021).

This study seeks to answer the following research questions.

RQ1: What are the theories underlying the phenomenon of disclosure from the point of view of the empirical literature?

RQ2: What is the link between these theories?

Following Von Alberti-Alhtaybat et al. (2012), inductive approach is applied in the first stage to answer *RQ1* by reading the prior literature published in the corporate disclosure established under the previously-developed framework. This is followed by the inductive approach that seeks to inductively associate the existing theories by categorizing existing classifications to answer *RQ2*.

4. RESULTS AND DISCUSSION

The results of the literature analysis show that the stakeholder theory is one of the theories firmly in the literature on disclosure, and it is the most comprehensive in the literature as it provides a broad explanation of disclosure practices in ideal market conditions. Besides, the literature that relied on the stakeholder perspective has argued that the motives are the increasing pressure from stakeholders on companies to disclose more information (Al Amosh & Mansor, 2021; Marrone & Oliva, 2020; Herold et al., 2019). In contrast, other studies have called for the need for a theoretical complementarity between several theories (Al Amosh, 2021; Hamrouni et al., 2019; Camilleri, 2018; Michelon, 2011) as stakeholder theories alone have failed to be consistently supported by scholars. Other researchers, however, did not rely on any theory to explain their results (Eccles et al., 2019; Șofian & Dumitru, 2017; Raulinajtys-Grzybek & Świderska, 2017). Previous literature has interpreted disclosure practices through several factors. For example, many scholars have analyzed the role of legitimacy and stakeholder theories in disclosure through suggested factors such as board size (Cancela et al., 2020; Agyemang et al., 2020; Hu & Loh, 2018). From this standpoint, these factors contributed to the development and expansion of the theoretical perspective of disclosure literature through the theoretical linkage between factors and disclosure practices.

The investigation revealed that the theoretical frameworks used in describing the companies' disclosure practices are largely converged and can be combined through a more comprehensive explanation of the motives for those practices and relying on one theory does not cover the overall concept of companies' objectives are behind the disclosure of information in the business environment. It is not expected that companies only want to satisfy stakeholders through disclosure. This interpretation limits the theoretical framework to one idea, while relying on multiple theoretical frameworks may lead to more ideas about the phenomenon of disclosure.

On the other hand, previous studies have not succeeded in merging the theoretical perspective of a multi-theoretical framework (Alotaibi & Hussainey, 2017; Hamrouni et al., 2019), as the results were not interpreted according to a comprehensive concept that integrates theoretical ideas between the theories used, where the signaling theory can be a means to inform stakeholders and strengthen legitimacy, as the disclosure of information It sends signals to the market and abroad about the companies' compliance with the demands of stakeholders, which gives legitimacy to the activities of the company. Also, sending signals to the companies' commitment to providing more disclosure includes reducing agency costs by reducing information asymmetry and problems between management and shareholders.

According to Md Zaini et al. (2018), specific stakeholders such as shareholders are likely to be seen as the most important category for companies, one of the main drivers that push companies to disclose information. But this statement ignores the fact that a firm's characteristics are not equal, and due to the information asymmetry, the firm's preferences to disclose more details would be different. Furthermore, it also neglects the classic management perspective that is still prevalent in the business environment- seeks to maximize shareholder value fundamentally. Therefore, the theoretical lens of the disclosure literature should expand to include multiple theoretical grounds. On the other hand, previous literature dealt with contributors superficially through agency theory to evaluate the role of the management perspective (Hu & Loh, 2018; Kılıç & Kuzey, 2018; Pistoni et al., 2018). Additionally, there is

an apparent disregard for other theories such as the voluntary disclosure theory and the proprietary cost theory. Some studies ignore the theoretical side entirely; this limits the theoretical contributions and the development of theories from the results of previous studies.

5. CONCLUSION

This paper aims to evaluate the theoretical frameworks adopted by the disclosure literature around the world; the stakeholder theory is generally accepted in most world contexts, whether in the developed western country or emerging countries, it expresses the monitoring role of various stakeholders such as societies, government agencies, investors and shareholders of the behavior of operating companies, and how companies use in the best interest of all stakeholders equally. This is similar to the theory of legitimacy, which is closely related to the theory of stakeholders that has been adopted in different countries and has proven its interpretation of companies' motives in disclosure to enhance its legitimacy. Whereas the theories that were the least susceptible to interpretation are agency theory, institutional and signaling theory due to their limited ability to explain companies' practices in disclosure through the proposed factors. In particular, this can be attributed to the fact that stakeholders and legitimacy theories are considered more comprehensive than the other theories because they express the pressures and fears that threaten the company's existence. Both theories, however, have failed to be consistently supported in the prior studies as it is not expected that companies only want to satisfy stakeholders through disclosure, but due to the information asymmetry, firms' preferences to disclose more information would be different based on their characteristics. Therefore, the theoretical lens of the disclosure literature should be expanded to include multiple theoretical grounds that may lead to a better understanding of the phenomenon of corporate disclosure.

The study has several implications, as it contributes to the disclosure literature by shedding light on the reality of the theoretical interpretation of disclosure literature, also it provides insight into the current literature on the most used theories and in any field used, whether in disclosure of social or environmental responsibility, sustainability, or integrated reporting, and the current study reinforces the idea of not relying on one theory to explain the phenomenon of disclosure. Future studies' implications should support the concept of merging theories and explaining the disclosure phenomenon through several theories and not through a single theory. Through the integration of relevant research theories of corporate information disclosure, this paper puts forward an analytical framework and gives a comprehensive theoretical explanation of corporate information disclosure. It provides theoretical guidance for future research and possible ideas to build a richer theoretical framework.

Future research could examine companies' motives in disclosing information through the less used theories such as signaling theory, voluntary disclosure theory, and political cost theory. There will be an opportunity to develop them better and adapt them more effectively. It can also investigate the information preferred by shareholders and other stakeholders in the information contained in integrated reporting. Therefore, we call for deepening studies, broadening disclosure literature's theoretical horizons, and incorporating theories more broadly, especially modern disclosure methods, such as integrated reporting. The current results can also be strengthened by reviewing other collections of literature.

Furthermore, having reviewed the literature, it has been found that most scholars have relied on stakeholder and legitimacy theories because they explain disclosure practices through the pressures and threats that companies may face and pushes them to provide information about their activities to avoid confrontation with stakeholders and enhance their legitimacy. Thus, it is essential to focus on other theories that are not related to any concerns or pressures, such as signaling theory and institutional theory, and develop them. The future work can also consider other theories that have not yet been addressed, such as public relations theory, which determines how public relations can make organizations more effective. It will also be interesting to compare countries with different legislations, whether they are mandatory or voluntary, and to identify the theories used in each context.

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