

NATIONAL IN-COUNTRY VALUE CERTIFICATION AND CORPORATE SUSTAINABILITY

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Abstract

This paper investigates the relationship between National In-Country Value Certification (ICV) and corporate sustainability in the United Arab Emirates (UAE). Quantitative data was collected using a survey instrument distributed to accountants. The findings show a neutral relationship between tax avoidance and corporate sustainability. Respondents perceive a significant relationship between ICV and corporate sustainability. Company characteristics, including company legal ownership and type, determine the relationship between ICV and sustainability. The ICV represents an innovative tool to boost local economic development and growth. This paper provides valuable guidance for managers, accountants, regulators, and policymakers to improve sustainability policies.

1. INTRODUCTION

The National In-Country Value Certification (ICV) focuses thoroughly on strategies that make good use of the country's potential and help use the natural resources to assist the main goals of diversified development (Al Shezawi & Khan, 2018). Few scholars investigated modeling and estimating host country values in international projects to facilitate ICV creation (Vidal et al., 2021). There is a shortage of studies on the impact of ICV on corporate sustainability, and it is unclear how the relationship between ICV certification and corporate sustainability can be affected, especially in emerging markets. Therefore, this paper investigates the relationships between ICV and corporate sustainability in the UAE emerging market.

2. LITERATURE REVIEW

The ICV measures the total payout amount, which the government and authorities have proven to support and assist the economy and logistics and create sustainable and local values in every country (Vidal et al., 2021). ICV is the total spending of the country that the government will help in economic growth and development and strengthen the local supply chain (Al Shezawi & Khan, 2018). The ICV concept could be supportive in society because it can bring freshly created values that will assist the development of the economy and immunize the local communities with advanced social security and sustainable environmental protection (Vidal et al., 2021). These initiatives have significantly changed the national economy, promoted youth development, and played a significant role in the future evolution of human skills (Al Shezawi & Khan, 2018). Previous studies show a shortage of ICV studies and its influence on corporate sustainability. Based on scholarly arguments concerning the positive role of ICV in the local community and the stakeholder theory framework, which focuses on companies serving multiple interest groups, this paper attempts to hypothesize the following:

H1: There is a positive relationship between ICV and corporate sustainability in the UAE emerging market.

3. METHODOLOGY

In this paper, primary data was collected through a survey instrument. The survey was manually constructed based on previous studies concerning sustainability (Alshehhi et al., 2023) and ICV (Al Shezawi & Khan, 2018; Vidal et al., 2021). Respondents were selected using a simple random sample of accountants in private and public companies in the UAE. We distributed a total of 450 surveys, of which 103 completed

surveys were successfully received, an acceptable response rate of 23% compared to other relevant studies (ElKelish & Rickards, 2018; ElKelish et al., 2024). The study’s primary multiple regression analysis (OLS) model is as follows:

$$ICV = \alpha + \beta_1(OC) + \beta_2(RC) + \varepsilon \tag{1}$$

where *ICV* — Respondents’ perceptions on the relationships between ICV and corporate sustainability; *OC* — Organizational internal characteristics; *RC* — Respondents’ demographic characteristics; ε — Error term.

4. RESULTS AND DISCUSSIONS

4.1. Descriptive statistics

The descriptive statistics for the study variables (Table 1) illustrate the mean, standard deviation, maximum, and minimum for the tax avoidance, *Corporate Sustainability*, and *National In-Country Value* variables. *ICV* has a mean value of 3.80 on a Likert scale of five degrees, with a low standard deviation of 0.62. The independent variables *LEG*, *ACT*, and *AGE* have a high value of five. *NAT* and *GEN* have the lowest standard deviation of 0.49. The mean value of *TYP* is 1.52, which suggests that most organizations are private agencies. *ACT* has the highest mean value of 3.13.

Table 1. Descriptive statistics

<i>Variables</i>	<i>N</i>	<i>Min</i>	<i>Max</i>	<i>Mean</i>	<i>STD</i>	<i>Skewness</i>	<i>Kurtosis</i>
<i>ICV</i>	103	1.0	5.0	3.80	0.62	-1.31	3.86
<i>OWN</i>	103	1	3	1.57	0.60	0.53	-0.60
<i>LEG</i>	103	1	5	2.66	1.59	0.35	-1.49
<i>TYP</i>	103	1	2	1.52	.50	-0.10	-2.03
<i>EMP</i>	103	1	4	2.30	1.26	0.28	-1.59
<i>ACT</i>	103	1	5	3.13	1.14	-0.05	-0.79
<i>JOB</i>	103	1	4	2.17	1.22	0.39	-1.47
<i>NAT</i>	103	1	2	1.41	0.49	0.38	-1.89
<i>EDU</i>	103	1	4	1.38	0.70	2.27	5.53
<i>GEN</i>	103	1	2	1.40	0.49	0.42	-1.86
<i>AGE</i>	103	1	5	1.98	1.11	0.91	-0.04
<i>EXP</i>	103	1	4	2.84	1.08	-0.35	-1.23

Note: *ICV* — Relationship between National In-Country Certification and corporate sustainability; *OWN* — Organization ownership structure; *LEG* — Organization legal status; *TYP* — Organization type; *EMP* — Number of employees; *ACT* — Business activity; *JOB* — Job title; *NAT* — Nationality; *EDU* — Education degree; *GEN* — Gender; *AGE* — Age; *EXP* — Total years of experience.

4.2. Frequency analysis

The frequency distributions of respondents’ perceptions of the effect of *ICV* on corporate sustainability. The overall average response of *ICV* is 3.80, which shows moderate agreement among respondents on the impact of *ICV* on corporate sustainability. Furthermore, the average response on *ICV* is significantly different compared to a mean value of 3 on (Likert scale of five degrees) using the one-sample t-test statistic, as a p-value of 0.001 is less than the confidence level of 5%. Therefore, hypothesis *H1*, which states, “There is a positive relationship between *ICV* and corporate sustainability in the UAE emerging market”, is accepted and consistent with previous studies such as Vidal et al. (2021).

4.3. Multiple regression analysis (OLS) model

Table 2 indicates the relationships between the dependent *ICV* and several independent variables using multiple regression analysis (OLS). In this paper, *ICV* consists of National In-Country Value Certification and corporate sustainability. The results show a significant positive impact of *TYP* on *ICV* perception with a beta coefficient of 0.09 at the 1% confidence level. This result highlights that respondents working in the private sector have a more positive perception of the impact of *ICV* on corporate sustainability.

Table 2. Multiple linear regression model (OLS)

<i>Independent variables</i>	<i>Dependent variable</i>
	<i>ICV</i>
(Constant)	2.93***
<i>OWN</i>	-0.03
<i>LEG</i>	0.17*
<i>TYP</i>	0.09***
<i>EMP</i>	0.10
<i>ACT</i>	0.41
<i>JOB</i>	0.10
<i>NAT</i>	-0.09
<i>EDU</i>	-0.03
<i>GEN</i>	-0.07
<i>AGE</i>	-0.03
<i>EXP</i>	0.00
R ²	0.23
Adjusted R ²	0.13
Durbin-Watson	2.00
F-statistic	2.49***
VIF (Max/Min)	2.6/1.0
N	103

Note: Standardized Beta coefficients are provided. N — number of observations. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 confidence levels, respectively (2-tailed).

5. CONCLUSION

This paper has investigated the impact of ICV certification on corporate sustainability. Respondents support the positive relationship between complex laws and tax avoidance but are still unaware of the usefulness of soft laws in reducing tax avoidance. This result implies that national policy should focus on more soft laws, such as tax incentives, to encourage corporate compliance in the future. Furthermore, the findings show that respondents highly support the influence of ICV on sustainability. Other findings in this paper highlight the vital respondents' characteristics, such as company legal ownership and type, which impact the relationships between ICV and sustainability. By focusing on local content, employment, and the development of regional suppliers, ICV certification aligns corporate activities with broader economic and social goals. This alignment enhances a company's reputation, strengthens its relationships with local stakeholders, and contributes to long-term value creation.

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