International Journal of Economics and Financial Issues

ISSN: 2146-4138

available at http: www.econjournals.com

International Journal of Economics and Financial Issues, 2023, 13(3), 74-83.

Factors Influencing Sustainability Reporting Practices among Listed Companies in Oman

Sujatha Ravinarayana Bhat[1]*, Mohd Asrul Affendi Abdullah[2]

[1]Continuing Education Department, College of Banking and Financial Studies, Muscat, Oman. [2]Department of Mathematics and Statistics, Universiti Tun Hussein Onn Malaysia (UTHM), Malaysia. *Email: sujatha@cbfs.edu.om

Received: 13 December 2022 **Accepted:** 02 April 2023 **DOI:** https://doi.org/10.32479/ijefi.13912

ABSTRACT

This paper analyzes the factors influencing sustainability reporting practices among listed companies in Oman during the period 2015-2021. The data was collected from the Muscat Stock Market, covering 133 firm-year observations, and analyzed using multivariate regression analysis. The results show that adoption of sustainability reporting is very low among listed companies, amounting to only 16.5%. Furthermore, 11.6% of the listed companies follow GRI guidelines, and 10.5% of the reports produced take the form of standalone reports. Regarding the factors motivating listed companies in Oman to produce sustainability reporting, the study confirms that company size has a positive impact, while financial leverage and women's presence on boards of directors have a negative impact. The study suggests strengthening institutions and governance, introducing a mandatory reporting system, increasing women's presence on these companies' boards of directors, leveraging new-age technology, promoting capacities among different stakeholders, enhancing awareness of sustainability issues, and incorporating sustainability reporting into corporate strategy so that sustainability reporting is part of the mandates of the listed company to legitimize its existence.

Keywords: Sustainability Reporting, Stakeholder Theory, Legitimacy Theory, Institutional Theory, Listed Companies, Oman
JEL Classifications: G3, G4

1. INTRODUCTION

The increasing concern for the environment and social justice has introduced a paradigm shift in the way businesses report their performance to their stakeholders (Fuadah et al., 2019). Financial reporting based on financial metrics like profitability and solvency alone is no longer satisfying the needs of the different stakeholders to address the emerging challenges of climate change, global warming, pollution, poverty, human rights violations, and resource depletion (Xia et al., 2022; Yadava and Sinha, 2016).

Sustainability reporting (SR) has become a mainstream theme in management literature and corporate practice for companies around the world (Inten et al., 2021). Sustainability reports generate many benefits to the company, such as increasing trust between the company and its stakeholders, improving financial performance, enhancing the company's reputation, encouraging innovative solutions, and boosting the chances of a business's survival (Al-Shaer and Zaman, 2019; Fuadah et al., 2019).

During the last three decades, the volume of sustainability reporting has increased dramatically all over the world (Inten et al., 2021; Simoni et al., 2020). However, apart from the recent work of Farooq et al. (2021), Haidar and Sohail (2021), Haidar et al. (2021), and Uyar et al. (2020), little has been reported on the same in the GCC, calling for more research in sustainability reporting dynamics. Moreover, Farooq et al. (2021) confirmed that adoption of sustainability reporting among the listed GCC companies is low. Understanding why the GCC listed companies are reluctant and slow in reporting on their social, economic, and environmental impacts is of great importance for promoting sustainability reporting in the region, particularly in Oman.

This Journal is licensed under a Creative Commons Attribution 4.0 International License

Sustainability is of paramount concern in Oman for several reasons: first, one of the salient features of the Omani economy is its carbon-based economy, which has great implications for the environment (Zaidan et al., 2019). This raises the concern of consumers, the public, and other stakeholders in the country about the need for more information about the negative social, economic, and environmental impacts of the carbon sector. Second, the welfare state in Oman and other GCC countries, represented by high subsidization and universal benefits granted to citizens and expatriates, has impacted the sustainability of growth in these countries, particularly when oil prices plunge and lead to massive budget deficits (IMF, 2018; World Bank, 2019). Third, there is a high reliance on an expatriate workforce in Oman, predominantly from Asian countries (Hertog, 2019). Reports have shown a widespread pattern of human rights violations associated with expatriates in the GCC (Amnesty International, 2021).

Oman's involvement with a sustainability agenda is relatively new, dating back to 2015, when a Royal Degree 30/2015 endorsed fostering sustainability and incorporating sustainability objectives into Oman's 9th 5-year plan, establishing the Oman Governance and Sustainability Centre (OGSC) (Anon, 2020). The Oman government has taken up the responsibility to attain the United Nations Millennium Development Goals by 2040. These are interrelated goals requiring efforts from the government, corporations, the public, and society altogether to bring about the desired change in the environment. In the September 2015 UN Summit, Oman was recognized as a state that was putting up good efforts in that direction. In 2016, the Sultanate incorporated these objectives into its 9th national five-year plan. The first national reports have been produced in 2019 by the Supreme Council of Planning. Key initiatives identified and implemented by Oman under the program are: the Oman Centre for Governance and Sustainability (OCGS); the National Youth Program for Skills Development; the Sultan Qaboos Award for Sustainable Development in School Environment; the Oman Academy for Special Skills; Oman is First in Child Welfare; the National Strategy for Education in the Sultanate of Oman 2040; the Electrical Energy Conservation Competition; and the Health Vision 2050. PDO's Amin 100-megawatt Amin Photovoltaic Power Plant is a pilot project on renewable energy (direct sunlight) instead of traditional carbon and natural gas energy. This project, worth USD 94 million, reduces CO_2 emissions by more than 225,000 metric tons per year (Anon, 2020).

Despite these efforts, sustainability reporting among listed companies in Oman is still in its infancy and faces many challenges. Understanding these challenges and motivators is critical for corporations and regulators producing quality sustainable reports and benchmarking against international practices. This paper aims to identify the factors influencing sustainability reporting practices among listed companies in Oman and outline the challenges.

The remaining of the paper is structured as follows: Section 2 surveys the literature of sustainability reporting. Section 3 presents the methodology. Section 4 presents the empirical results. Section 5 provides the discussion and the implications. Section 6 concludes.

2. LITERATURE REVIEW

The term "sustainable development" was first introduced in 1987, focusing on meeting the needs of the present generation without compromising meeting the needs of the future generation (Darwin, 2017). Sustainability is a process and action taken to preserve the environment from depletion while satisfying human needs. Recent pressing issues of sustainability development include climate change, global warming, poverty, human rights violations, pollution, and resource depletion (Yadava and Sinha, 2016).

With the increasing need for a professional and comprehensive report on sustainability activities, many companies have adopted the guidelines of the Global Reporting Initiative (GRI) and are disclosing reports on various dimensions of sustainability, including environmental, economic, and social impacts (Usmani et al., 2020). According to Frynas and Yamahaki (2016), sustainability reporting is the process of integrating and communicating the interests of the stakeholder in the company's decisions. Sustainability reporting presents a paradigm shift in reporting because it is not only related to disclosure aspects but also a process of communication between the company and its stakeholders (Inten et al., 2021).

There are several theories advocated to explain the motivations behind sustainability reporting. Given the socio-economic characteristics of Oman, this study considers stakeholder theory, legitimacy theory, and institutional theory as the relevant theoretical underpinnings for understanding sustainability reporting practices among listed companies in the country.

2.1. Stakeholder Theory

This theory argues that a firm has responsibility not only towards the shareholders but also towards other stakeholders (Freeman and McVea, 2005), demonstrating that a firm should operate in an ethnic manner in its operations and should integrate and create value for all stakeholders, not just the shareholders.

The stakeholder theory calls for companies to be transparent in their corporate governance mechanisms and promote central principles that include acting ethically and responsibly, safeguarding integrity in corporate reporting, and making timely and balanced disclosure. Many studies have used stakeholder theory as a theoretical underpinning to explain companies' growing interest and awareness in adopting sustainability reporting. For example, Safari and Areeb (2020) discussed the opportunities, challenges, and influential factors that report preparers in Australia consider when adopting GRI principles for defining report quality. The theoretical underpinning of the study was based on stakeholder theory, where report preparers take the stakeholders' engagement into consideration when creating value for external users.

Al-Shaer and Zaman (2019) examined the relationship between sustainability committees and independent external assurance on the inclusion of sustainability-related targets in CEO compensation contracts in the UK. The study concluded that both board-level sustainability committees and sustainability reporting assurance have a positive and significant association with the inclusion of sustainability terms in compensation contracts. The study

emphasized that companies that invest in voluntary assurance are more likely to monitor management's behavior and be concerned about the achievement of sustainability goals. According to Petcharat and Zaman (2019), sustainability reporting and integrated reporting were carried out in a sample of Thai-listed companies in order to meet the information needs of stakeholders and create value for external users. Ong and Djajadikerta (2018) assessed the impact of corporate governance on sustainability reporting at several large resource companies listed on the Australian Securities Exchange (ASX). The study's main finding is that the extent of sustainability disclosures is positively related to stakeholder characteristics such as the proportion of independent directors, multiple directorships, and female board directors. Similarly, Kaur and Lodhia (2018) confirmed the applicability of stakeholder theory in investigating stakeholder engagement in the sustainability accounting and reporting process in Australian local councils.

2.2. Legitimacy Theory

According to the theory, the existence of a corporation is justified if its activities are carried out in accordance with societal values and norms (Usmani et al., 2020).One way for the corporation to maintain legitimacy in the eyes of the public is to voluntarily disclose social and environmental information in its annual reports. Hence, sustainability reports (SR) communicate to society that the activities of the organization are in line with the existing "social contract" or societal norms and bounds that govern organizations' behavior. In addition, the firm needs to change and adapt to any change in societal expectations as well (Haidar and Sohail, 2021). Sustainability reporting provides legitimacy for corporate actions by firmly confirming that the interests of society have been considered and reflected in the decision-making of the corporation (Aggarwal and Singh, 2019; Haidar and Sohail, 2021).

Many studies have used legitimacy theory to explain the motivation behind sustainability reporting. For instance, Usmani et al. (2020) examined the process of producing GRI-G3.1 A+-rated standalone sustainability reports (SASRs). Although the process and preparation of SASRs are complex and costly, top management, including the CEO, should be involved in the report's contents and design to maintain legitimacy. Moreover, Aggarwal and Singh (2019) indicated that sustainability dimensions, industry type, and firm size have an impact on sustainability practices among 60 top-listed Indian companies. These practices lend legitimacy to the production of CSR and SR reports. Michelon et al. (2019) examined the use of sustainability statements by SRA provider firms in a sample of US firms. The study showed that SAR providers use such reports to create legitimacy in the developing SRA market, and SRA is significantly associated with the disclosure of quantitatively non-material restatements.

2.3. Institutional Theory

Institutional theory asserts that organizations adopt and conform to institutionalized norms or rules that provide them with legitimacy to operate in the market (Dong et al., 2020). According to this theory, organizations carry out their activities by adopting homogeneous forms of behavior from other organizations. Shabana et al. (2017) regarded sustainability reporting as one of the homogeneous behaviors of a group of organizations, reflecting conformity with institutionalized norms or rules formed by isomorphic mechanisms. Many studies used institutional theory to justify sustainability reporting practices. Per Dong et al. (2020), Chinese financial firms' reporting behavior has been well explained by the institutional theory represented in the regulatory pressures to adopt this type of reporting. Ismaeel and Zakaria (2020) examined the perceptions of the preparers of sustainability reports in the Middle East and the impact of the influences of local and global institutions. The study used a qualitative approach, including seven interviews with officials involved in the preparation of the sustainability report. The study revealed great differences in perception among reporting companies, which could be related to institutional logics and the scope of the company's operations, whether local or global.

2.4. Empirical Drivers of Sustainability Reporting

There are various factors cited in the literature motivating companies to adopt sustainability reporting. These factors differ depending on the context of the study, whether in Asia, Europe, Africa, or the Arab world.

Asia has been a fertile region for sustainability reporting research. Arshad et al. (2022) assessed the main factors determining the decision for corporate sustainability reporting in Pakistan. The data included 1380 firm-year observations. The study found that firms with more gender-diverse boards, larger audit committees, and higher institutional ownership are more likely to issue sustainability reports. Moreover, the study revealed that concentrated ownership, managerial ownership, foreign ownership, and audit committee independence negatively influence the firms' sustainability reporting decisions in Pakistan. Febriyanti (2021) assessed the factors affecting sustainability reporting at 33 listed firms on the Indonesia Stock Exchange. The study's main conclusion is that firm size, woman representation on the board of commissioners, and profitability have no effect on the process of sustainability reporting disclosure in Indonesia, whereas woman presence on the board of directors (BOD) and leverage have a significant effect. Aris et al. (2021) analyzed how characteristics of a firm can affect the sustainability reporting disclosed in Malaysia, using 180 companies' data. The study found that firm size (measured by the log of total assets), firm type, profitability (measured by return on assets), awards for achievement, and an internal goals statement had a significant effect on company sustainability discourse in Malaysia. A similar study conducted by Kumar et al. (2021) in India found that company size, age, free cash flow capacity, government ownership, and GRI usage have a positive impact on the extent of corporate sustainability disclosure, while financial leverage and profitability have a negative impact.

Abdul Rashid (2020) investigated the impact of board characteristics and composition on the quality of sustainability reporting in Bursa Malaysia from 2016 to 2018.The results indicated that board size, board independence, and board diversity have an impact on the quality of the sustainability report. The quality of the CEO, foreign directors, and frequency of board meetings have no significant effect. Nguyen and Nguyen (2020) showed that firm size, independence of the board of directors, foreign

ownership, return on equity, and financial leverage are positively linked to the disclosure of sustainable development information of manufacturing companies in Vietnam. On the other hand, the state ownership factor indicated a negative effect.

Dissanayake et al. (2019) showed that large companies in Sri Lanka that adopted GRI guidelines have a greater tendency to report in an extensive manner about sustainability compared with their smaller counterparts. Hidayah et al. (2019) found that current ratio, company size, and audit committee meetings have significant impacts on disclosure of sustainability reporting among the companies that received the ISRA Award in Indonesia in 2016. A similar study conducted by Fuadah et al. (2019) in Indonesia demonstrated that company size and company leverage have a positive impact on sustainability reporting, while board size has no significant impact. Moreover, the study established a positive link between sustainability reporting and financial performance.

Gnanaweera and Kunori (2018) investigated the linkage between corporate disclosure information and performance indicators for 85 Japanese listed companies. The study confirmed that firm size and environmental conservation efforts have an impact on sustainability disclosure in Japanese companies, while water consumption, greenhouse gas emissions, and return on equity revealed no significant impact. Ariyani and Hartomo (2018) reported that leverage and governance committee variables have a significant effect on sustainability reporting among 26 companies in Indonesia. Wang (2017) discovered a positive relationship between sustainability reporting and firm's characteristics among 50 Taiwanese listed companies. Firm's characteristics included the size of the board of directors, the ratio of independent directors, the audit committee, the ratio of export income, the percentage of foreign shareholders' holdings, fixed asset staleness, and firm growth. On the other hand, a negative association was confirmed between sustainability reporting, percentage of director holdings, and stock price per share.

Europe has also attracted huge amounts of research into sustainability reporting. Simoni et al. (2020) identified the determinants of sustainability report (SR) assurance practices in 417 listed organizations in different European countries. The theoretical framework of the study was based on stakeholder theory, institutional theory, signaling theory, and legitimacy theory. The study confirmed that stakeholder commitment, country orientation toward sustainability, and firm environmental performance have an impact on a firm's sustainability assurance practices, while business ethics controversies have no impact. Baalouch et al. (2019) showed that the environmental disclosure quality index of the French listed companies is influenced by the company's strategy and vision (environmental audit), board diversity, and environmental performance.

Bergmann and Posch (2018) explored how firm size matters for mandatory sustainability reporting in Germany, using stakeholders and resource-based theory. The study affirmed that firm size has a direct impact on mandatory sustainability reporting. Kiliç and Kuzey (2017) demonstrated that the existence of a sustainability committee, industry type, company size, and profitability are key determinants of stand-alone sustainability reporting in Turkish listed companies. The factor of leverage showed no link with sustainability reporting. Bhatia and Tuli (2018) compared sustainability reporting practices in some listed companies in the USA and UK with those listed in Brazil, Russia, India, and China, using the GRI framework as the benchmark. Results suggested that companies in developing countries have a greater tendency to disclose environmental information compared with those in developed countries. Kamilla and Theres (2017) employed institutional theory, legitimacy theory, and stakeholder theory to investigate motivations for sustainability reporting among Swedish state-owned enterprises. The study concluded that sole state ownership and corporate size have significant influence on SOEs' sustainability disclosures. When compared to partially owned SOEs, fully owned SOEs have a lower proclivity for sustainability reporting. Moreover, big-sized SOEs disclose more sustainability indicators compared to small-sized SOEs. Furthermore, the study established that activity and gender diversity have a negative effect on disclosure, while state representatives on the board of directors and profitability have a positive effect. In New Zealand, Dobbs and Van Staden (2016) showed that shareholder rights and community service are the most important factors motivating corporate sustainability reporting.

In Africa, Bananuka et al. (2022) examined sustainability performance disclosures in Uganda. The study demonstrated that only 59% of the manufacturing firms in Uganda comply with GRI sustainability reporting standards. Further, the study established that intellectual capital and firm size have significant impacts on the GRI-based sustainability performance disclosures in Uganda, while board gender diversity has no significant effect. Ikpor et al. (2022) indicated a positive correlation between sustainability reporting and the size of firms, profitability, and companies audited by the Big-4 audit firms in Nigeria. On the other hand, a negative correlation was observed between sustainability, ownership structure, and the leverage position of firms. Tauringana (2021) evaluated the impact of GRI efforts on SR adoption in 107 developing countries. The findings of the study revealed that training, legislation, issuing of guidance, stakeholder pressure, awareness campaigns, the market, and public pressure are key determinants of sustainability reporting in these countries. Moreover, the study showed that the GRI efforts had had little impact on adopting sustainability reporting in developing countries.

In an Arab context, Haidar and Sohail (2021) indicated that Tobin's Q is significantly influenced by leverage, earnings per share, and firm size in Saudi listed companies. Furthermore, the study demonstrated the absence of a correlation between the SR practices of the listed firms in Tadawul and the corporate financial performance. Haidar et al. (2021) compared trends in sustainability reporting practices in developed, developing, and GCC countries. The study cites stakeholders, regulators, and rankings as the main motivators for sustainability reporting. The study found that cultural factors, legitimacy concerns, and country-level perspectives can explain differences in sustainability practices between developed, developing, and GCC countries. Farooq et al. (2021) demonstrated that sustainability reporting adoption is low among listed GCC

companies, and materiality assessment in sustainability reports has declined. The study also confirmed that materiality assessment disclosure scores are positively linked to financial performance, lower leverage, and better corporate governance. Uyar et al. (2020) indicated that sustainability reporting is only recent in the GCC and gained momentum in 2010. The analysis showed that the United Arab Emirates is a pioneer compared with the rest of the GCC countries regarding sustainability reporting. The study concluded that energy, service, financial, and chemical firms provide more consideration to reporting than other sectors and that the practice of independent assurance of sustainability reporting is in its early stages in the GCC. Based on 500 firm-year observations in Jordan, Gerged (2021) showed that board size, board independence, CEO duality, and foreign ownership are positively associated with corporate environmental disclosure, while managerial ownership, institutional ownership, and ownership concentration have a negative impact.

2.5. Challenges of Sustainability Reporting

Despite the great developments achieved in corporate sustainability reporting during the last two decades, sustainability reporting has many challenges to be addressed in the face of the ongoing threats of climate change, human rights, social unrest, privacy, and labor standards, as well as COVID-19. Understanding these challenges helps inform companies in Oman about the managerial solutions they can pursue to enhance their sustainability reporting practices.

One of the major challenges of sustainability reporting is the existence of multiple reporting frameworks and standards, which reduces its harmony and standardization and complicates its comparability and efficiency in the decision-making process as each of these frameworks has its own metrics, definitions, and priorities. Examples of internationally recognized standards for sustainability reporting include the sustainability accounting standards board (SASB), the climate disclosure standards board (CDSB), the United Nations global compact—communication on progress (UNGC-COP), the International Organization for Standardization (ISO) 26000 standard, the global reporting initiative (GRI), etc., in addition to the local frameworks. This kind of multiple reporting and different standards have created inconsistencies in the practice and extent of corporate sustainability disclosures in terms of scope, contents, and timing of information closure (Quilice et al. 2018). Sustainability reports are used by many stakeholders for different purposes, and it is a real challenge to target all these stakeholders with one tool and product (Barbara et al., 2016).

Currently, the GRI is the most acceptable and widely used framework for sustainability reports (KPMG, 2020). Although the GRI has many merits, it has been criticized as being complex, ambiguous, and too flexible. The framework requires complex and comprehensive data, often unstructured and partially quantifiable, which complicates its standardization for all sectors and all organizations. Moreover, such comprehensive data may not be readily available and reliable in many organizations due to the weak supporting infrastructure (Wokeck, 2019). To meet the various needs of the countries and organizations, a simpler and less flexible framework is required. Another challenge is the capacity gap in many countries and organizations to produce such professional reports. The preparation of sustainability reports requires technical expertise and qualified personnel, which many organizations lack (Barbara et al., 2016).

Wokeck (2019) confirmed that there is a shortage of local leadership and engagement from local policymakers, regulators, capacity builders, civil society, and business, which hinders efforts to develop sustainability measures and adhere to global standards (Gay, 2018). Weak institutions and governance, manifested in institutional and regulatory barriers at various levels, continue to obstruct the creation of enabling environments for improved corporate transparency and accountability on the impacts and benefits of sustainability. Institutional challenges affect all areas, from the development of effective policies to the implementation and enforcement of existing legislation.

Engaging and supporting actors at top levels offers opportunities to enhance awareness of sustainability issues and accelerate readiness for reporting. The culture of sustainability must be built into the corporate strategy so that sustainability reporting becomes part of the mandate of the organization to legitimize its existence. Laws to enforce sustainability practices and the availability of information are extremely challenging for many companies, particularly in developing countries. Whereas in many developed countries, laws and regulations require the adoption of sustainability reports, the same is not true in many developing countries (Walsh et al., 2021). This voluntary nature will not encourage many organizations to consider sustainability reporting as a priority. Moreover, there is a challenge of legitimacy where some organizations do not consider sustainability reports to have the same importance compared to financial reports (De Micco, 2021). In addition, there is a perception that many companies produce such reports to meet the stakeholders' expectations by presenting a nice and positive rather than a negative or realistic view of their environmental performance, a phenomenon called "green washing" (Tateishi, 2018). This lack of transparency makes the readership of sustainability reports very low in many cases (Barbara et al., 2016). A sustainability report assured by an independent third party can help increase its creditability and readership.

3. METHODOLOGY

The study adopted a quantitative design to build a model to explain the practice of sustainability reporting among the listed companies in Oman during the period 2015-2021. The quantitative design is useful for building causal relationships between the sustainability practice and its determinants (Flick, 2020; Saunders et al., 2019). The data for this study has been collected mainly from secondary sources represented in the Muscat Stock Market market(MSM). The study employed a systematic sampling approach to select the listed companies in the study sample. Systematic sampling is a type of probability sampling with a random starting point and a fixed interval (K) calculated by dividing population size by sample size as follows:

$$k = \frac{Populatin\,size}{Sample\,size} \quad (1)$$

Based on the population size of the list companies of 465 and a sample size of 50 companies, the sample interval has been estimated as 10. This means that every 10th company will be selected after a random start. The random start has been generated using Excel's RAND function. Due to missing data for some companies, the final sample consisted of 20 companies with data for seven years, leading to an unbalanced panel of 133 firm-year observations.

Multivariate regression analysis has been used to identify the factors influencing sustainability reporting among listed companies in Oman. The general model equation was determined as follows:

$$y_i = \propto + \beta_i \sum_{i=1}^{5} x_i + \epsilon_i \quad (2)$$

Where

y_i = the number of sustainability activities implemented by the company *i*

x_i = the explanatory variables including company size, leverage, size of the board of directors, female board of directors, and sector of the company.

β_i = the marginal effect of the explanatory variables.

$\propto$ = the intercept.

ϵ_i = the error term, with the classical assumptions.

4. EMPIRICAL RESULTS

Table 1 shows the characteristics of the listed companies in Oman. The characteristics are displayed in terms of security type, market type, sector, profitability (measured by profit after tax (PAT)), company size (measured by total assets), and fit after tax (PAT)), company size (measured by total assets), and leverage, which is the ratio of total debt to total assets.

Table 1 shows that the majority of listed companies in the Muscat stock market (MSM) are "Societe Anonyme Omanaise Generale," referred to as SAOG, with a share of 78.2%. The "Societe Anonyme Omanaise Close," referred to as SAOC, represents 21.8%. Further, 78.9% of these companies are operating in parallel and in the third market. Regarding the sector, 36.8% are operating in the services and financial sector, while 26.4% are operating in the industrial sector.

Concerning the financial performance of the listed companies in Oman, Table 1 shows that the average return based on PAT amounts to RO 16.4 million, with a standard deviation of RO 173.8 million. The high standard deviation indicates a great deal of return variability in these companies, as some have been experiencing negative returns. This could be partially related to the Corona virus pandemic. The same can be observed with the total assets, which showed an average of RO 1424.2 million and a standard deviation of RO 3180.2 million. The mean leverage of the listed companies is 0.406, with a standard deviation of 0.306. These ratios imply that listed companies in Oman are not heavily using debt to finance their assets and operations.

According to Table 2, 16.5% of Oman's listed companies have been issuing sustainability reports between 2015 and 2021.This rate is relatively higher in SAOG as compared to that of SAOC. Concerning the type of reporting, 10.5% of these reports take the form of standalone reports, while the rest are issued as part of the financial reports. The GRI guidelines are followed by 11.6% of the listed companies, 12% by SAOC companies, and 11.5% by SAOG companies. Regarding the implementation of the job Omanization plan, the results showed that the average Omanization rate reached 79.6% in listed companies, 90.5% in SAOC companies, and 76.4% in SAOG companies.

The number of directors on the boards of listed companies is 7.0 on average. The female representation in the BOD amounts to 7.7%, with a maximum of 2 females in some companies. The listed companies' average number of sustainability activities is 14, 16 for SAOC and 14 for SAOG.

Table 3 shows the factors influencing sustainability reporting practice. The factors include the company size, leverage, sector, size of the board of directors, and the composition of the board in terms of the percentage of female members.

The results of the model indicated that company size, leverage, and female representation in the BOD have a significant impact on the

Table 1: Characteristics of Listed Companies in Oman

Characteristics	N	%
Security type		
SAOC	29	21.8
SAOG	104	78.2
Market type		
Organized	28	21.1
Parallel	70	52.6
Third	35	26.3
Sector		
Financial	49	36.8
Industrial	35	26.4
Services	49	36.8
Return-PAT (Mn. R.O)		
Mean return	16.4	-
Return Std. deviation	173.8	-
Total assets (Mn. R.O)		-
Mean assets	1424.2	-
Assets Std. deviation	3180.2	-
Leverage (%)		-
Mean leverage	0.406	-
Leverage Std. deviation	0.306	-

Source: Author's calculation

Table 2: Sustainability Reporting Indictors for Listed Companies in Oman

Characteristics	Security type		
	SAOC (%)	SAOG (%)	Total (%)
% Issuing sustainability report	10.3	18.3	16.5
% Issuing Standalone sustainability report	10.3	10.6	10.5
% Following GRI Guidelines	12.0	11.5	11.6
Omanization rate (%)	90.5	76.4	79.6
Number of BOD members (average)	6.2	7.3	7.0
Female members of BOD (average)	0.4	0.7	0.6
% BOD female members	5.8	8.3	7.7
No. of sustainability activities (average)	16.0	14.0	14.4

Source: Author's calculation

Table 3: The Factors Influencing Sustainability Reporting in Oman

Model	Unstandardized Coefficients		Standardized Coefficients	T-value	P-value
	B	Std. Error	Beta		
(Constant)	−53.008	4.080		−12.991	0.000
Company size	7.750	0.570	1.161	13.595	0.000
Leverage	−8.917	1.862	−0.421	−4.788	0.000
Sector	−0.406	0.449	−0.053	−0.905	0.368
BOD size	−0.189	0.264	−0.052	−0.717	0.475
No. of Females in BOD	−3.441	0.500	−0.394	−6.879	0.000
R-squared			0.730		
F-value			53.52		
P-value			0.000		

Source: Author's Calculation

reporting of sustainability activities. These three factors explain 73% of the variations in substitutability reporting practices among listed companies in Oman. While company size has a positive impact and leverage and female representation on the board have a negative impact, the remaining factors, including the sector of the company and the number of directors, have no significant impact on sustainability reporting practices.

5. DISCUSSION AND IMPLICATIONS

Sustainability remains at the forefront of the policy agenda in Oman due to the carbon-based nature of the economy and the high reliance on expatriates' workforce, both of which have sustainability implications. There is increasing pressure from international organizations such as the World Bank and the IMF to diversify the economy (World Bank, 2019). Similarly, internal forces are pressuring expatriate workers to be replaced by Omani workers, a strategy known as the "Omanization strategy" (Ali et al., 2017).Listed companies in Oman must produce sustainability reports to meet the needs of various stakeholders, as well as adopt and adhere to institutionalized norms or rules based on stakeholder and institutional theories. Moreover, sustainability reporting regarding environmental concerns and organization provides legitimacy for the listed companies in the eyes of the public, as demonstrated by legitimacy theory (Aggarwal and Singh, 2019; Di Carlo, 2020; Haidar and Sohail, 2021; Zaidan et al., 2019). The implications of those listed companies in Oman should concentrate on broad concepts of overall accountability to various stakeholders and provide them with high-quality environmental information. Sustainability reports do not only satisfy the interests of corporations but also grant benefits to all stakeholders, including shareholders, creditors, consumers, suppliers, the government, society, international organizations, and other parties (Di Carlo, 2020). Furthermore, given the Islamic traditions and norms of Oman, the listed companies make use of the sustainability reports to communicate to the public that their core activities are in line with the existing "social contract" or societal norms, and they will adapt to any changes in societal expectations (Haidar and Sohail, 2021).

This study found that adoption of sustainability reporting among listed companies in Oman is very low, amounting to only 16.5%, supporting the findings of Farooq et al. (2021). Furthermore, the study revealed that issuing standalone sustainability reports is practiced by 10.5% and 11.6% of the companies, respectively, who follow GRI guidelines in their reporting.

These low indicators of sustainability reporting reveal the challenges of sustainability reporting practices among listed companies in Oman. One challenge is that instruments act of mandatory disclosure on sustainability is yet to be enforced in Oman. While voluntary reporting may not encourage companies to make sustainability reporting a priority, mandatory reporting may lead to "green washing," where reports are meant to provide a nice and positive view rather than a negative or realistic view of the company's environmental performance (Tateishi, 2018). The second challenge is that adopting GRI guidelines and producing standalone reports may not be supported by the existing infrastructure in Oman (Wokeck, 2019). Thirdly, many companies in Oman lack the qualified and specialized cadres to produce such professional reports. Capacity challenges range from a lack of strategic direction from management to the development of reporting processes, data gathering, and report writing (Raquel et al., 2017). Raising awareness of the importance of sustainability, introducing mandatory reporting, and building capacities can enhance the sustainability reporting practices among listed companies in Oman.

Regarding the factors influencing sustainability reporting practices, the study found that company size, financial leverage, and female representation have a significant impact. Aris et al. (2021); Arshad et al. (2022); Bananuka et al. (2022); Ikpor et al. (2022); Kumar et al. (2021); Nguyen and Nguyen, 2020; Dissanayake et al. (2019); Kiliç and Kuzey (2017) have all found a positive relationship between company size and sustainability reporting. The explanation for this result is that the larger the company, the more resources it has that incentivize it to provide additional disclosure in addition to the statutory annual reports. Moreover, large firms have many users who might be seeking varied forms of information, including social, economic, and environmental information (Ikpor et al., 2022).

Financial leverage and female board representation have been found to have a negative impact on sustainability reporting in Oman's listed companies. For the two factors, this conclusion supports the findings of Farooq et al. (2021); Haidar and Sohail, 2021; Ikpor et al. (2022); Kumar et al. (2021); and Kamilla and Theres (2017).However, it contradicts the findings of Ariyani and Hartomo (2018); Baalouch et al. (2019); Febriyanti (2021);

Fuadah et al. (2019); and Nguyen and Nguyen (2020), as well as the findings of Arshad et al. (2022); and Baalouch et al. (2019), who established a positive link between sustainability reporting and the two factors, respectively. The implications of these results indicate that listed companies in Oman need to increase the female presence in their BOD, as women are more aware of environmental issues and are more concerned about reducing perceived risks (Post et al., 2015). Furthermore, the lower the financial leverage, the less pressure there is from lenders, which enables firms to invest more in sustainability initiatives. Listed companies need to develop appropriate strategies for reducing financial leverage through increased profitability, better inventory management, leveraging new-age technology, and sound debt restructuring.

6. CONCLUSION

The high dependency of the Omani economy on oil and expatriates puts sustainability at the forefront of the policy agenda in Oman. Listed companies in Oman need to address the increasing concern of different stakeholders and disclose more information about the negative social, economic, and environmental impacts of the carbon sector and the human rights violations associated with the expatriate workforce in the country.

The study examined the sustainability reporting practices among listed companies in Oman and the influencing factors using 133 company-year observations covering the period 2015-2021. The study found that adoption of sustainability reporting among listed companies in Oman is very low, amounting to only 16.5%, and very few companies are producing standalone reports and following GRI guidelines in reporting. Moreover, the study revealed that company size, financial leverage, and women's presence on the board of directors play a significant role in sustainability reporting practices among listed companies in Oman. The study suggests strengthening institutions and governance, introducing a mandatory reporting system, increasing womens presence on these companies' boards of directors, leveraging new-age technology, promoting capacities among different stakeholders, enhancing awareness of sustainability issues, and incorporating sustainability reporting into corporate strategy so that sustainability reporting is part of the mandates of the listed company to legitimize its existence.

This study has some limitations in terms of literature selection, as it focuses on the practical issues of both disclosure and reporting practices rather than the evaluation of actual environmental and social impacts resulting from these practices. Further research can examine the link between sustainability practices and their environmental, social, and financial impacts.

REFERENCES

Aggarwal, P., Singh, A.K. (2019), CSR and sustainability reporting practices in India: An in-depth content analysis of top-listed companies. Social Responsibility Journal, 15(8), 1033-1053.

Ali, Y., Nusair, M.M., Alani, F., Khan, F.R., Al Badi, L. (2017), Employment in the private sector in Oman: Sector-based approach for localization. Humanities Social Sciences Reviews, 5(1), 1-20.

Al-Shaer, H., Zaman, M. (2019), CEO compensation and sustainability reporting assurance: Evidence from the UK. Journal of Business Ethics, 158(1), 233-252.

Amnesty International. (2021), Amnesty International Report 2020/21: The State of the World's Human Rights. Available from: https://www.amnestyusa.org/reports/annual-report-2020 [Last accessed on 2022 June 05].

Aris, N., Yusof, S., Idris, N., Zaidi, N., Anuar, R. (2021), Analysis of firms' characteristics affecting the sustainability reporting disclosure in Malaysia. International Journal of Academic Research in Business and Social Sciences, 11(14), 1-20.

Ariyani, A., Hartomo, D. (2018), Analysis of key factors affecting the reporting disclosure indexes of sustainability reporting in Indonesia. International Journal of Business, Economics and Law, 16(1), 15-26.

Arshad, H., Khaled, H., Doaa, A. (2022), Determinants of sustainability reporting decision: Evidence from Pakistan. Journal of Sustainable Finance and Investment, 12(1), 214-237.

Baalouch, F., Ayadi, S., Hussainey, K. (2019), A study of the determinants of environmental disclosure quality: Evidence from French listed companies. Journal of Management and Governance, 23(1), 939-971.

Bananuka, J., Nkundabanyanga, S., Kaawaase, T., Mindra, R., Kayongo, I. (2022), Sustainability performance disclosures: The impact of gender diversity and intellectual capital on GRI standards compliance in Uganda. Journal of Accounting in Emerging Economies, Vol. ahead-of-print No. ahead-of-print. https://doi.org/10.1108/JAEE-09-2021-0301

Barbara, T., Ashleigh, M., Brenda, S. (2016), Sustainability reporting in Canada's financial institutions. Journal of Co-operative Accounting and Reporting, 4(1), 35-58.

Bergmann, A., Posch, P. (2018), Mandatory sustainability reporting in Germany: Does size matter? Sustainability, 10, 3904.

Bhatia, A., Tuli, S. (2018), Sustainability reporting: An empirical evaluation of emerging and developed economies. Journal of Global Responsibility, 9(1), 207-234.

Brundtland, G.H., (1987). Chairman, World Commission on Environment and Development, Our Common Future, Oxford University Press, Oxford.

Dissanayake, D., Ilt, C., Qian, W. (2019), Factors influencing sustainability reporting by Sri Lankan companies. Pacific Accounting Review, 31(1), 84-109.

Dobbs, S., Van Staden, C. (2016), Motivations for corporate social and environmental reporting: New Zealand evidence. Sustainability Accounting, Management and Policy Journal, 7(1), 449-472.

Dong, S., Xu, L., McIver, R. (2020), China's financial sector sustainability and "green finance" disclosures. Sustainability Accounting, Management and Policy Journal, 12(2), 353-384.

Farooq, M., Zaman, R., Sarraj, D., Khalid, F. (2021), Examining the extent of and drivers for materiality assessment disclosures in sustainability reports. Sustainability Accounting, Management and Policy Journal, 12(5), 965-1002.

Febriyanti, G. (2021), Factors affecting sustainability reporting disclosure. E-Jurnal Akuntansi, 31(12), 3195-3206.

Flick, U. (2020), Introducing Research Methodology: A Beginner's Guide to Doing a Research Project. 3rd ed. London: SAGE.

Freeman, R.E., McVea, J. (2005), A stakeholder approach to strategic management. In: The Blackwell Handbook of Strategic Management. United States: John Wiley and Sons Ltd., p183-201.

Frynas, J.G., Yamahaki, C. (2016), Corporate social responsibility: Review and roadmap of theoretical perspectives. Business Ethics: A European Review, 25(3), 258-285.

Fuadah, L., Safitri, R., Yuliani, Y. (2019), Factors influencing financial performance through sustainability reporting in Indonesia. Sriwijaya International Journal of Dynamic, 3(1), 53-72.

Gay, D. (2018), International Support for the Least Developed Countries: A Different Way? Support Measures Portal for Least Developed Countries. Written for Committee for Development Policy (CDP). Available from: https://www.un.org/ldcportal/international-support-for-the-least-developed-countries-a-different-way

Gerged, A. (2021), Factors affecting corporate environmental disclosure in emerging markets: The role of corporate governance structures. Business Strategy and the Environment, 30(1), 609-629.

Gnanaweera, K., Kunori, N. (2018), Corporate sustainability reporting: Linkage of corporate disclosure information and performance indicators. Cogent Business and Management, 5(1), 1423872.

GRI. (2018), Consolidated Set of GRI Sustainability Reporting Standard 2018. Available from: https://www.globalreporting.org/standards/?g=8a9fb408-581a-40b8-acdc-6a2936de5460

Haidar, H., Sohail, R. (2021), Sustainability reporting (SR) disclosure and value relevance on listed Saudi firms. Open Journal of Business and Management, 9, 1782-1804.

Haidar, H., Sohail, R., Qurashi, S. (2021), Emerging trends in sustainability reporting (SR): Comparative literature review in developed, developing and GCC countries. Open Journal of Business and Management, 9, 2697-2718.

Hertog, S. (2019), The future of migrant work in the GCC: Literature review and a research and policy agenda. In: Fifth Abu Dhabi Dialogue Ministerial Consultation, 2019-10-16, 2019-10-17, Abu Dhabi Dialogue among the Asian Labour Sending and Receiving Countries. Available from: http://eprints.lse.ac.uk/102382/1/Hertog_future_of_migrant_work_in_GCC_published.pdf

Hidayah, N., Badawi, A., Nugroho, L. (2019), Factors affecting the disclosure of sustainability reporting. International Journal of Commerce and Finance, 5(2), 219-229.

Ikpor, I., Bracci, E., Kanu, C., Ievoli, R., Okezie, B, Mlanga, S., Ogbaekirigwe, C. (2022), Drivers of sustainability accounting and reporting in emerging economies: Evidence from Nigeria. Sustainability, 14, 3780.

Inten, M., Zulnaidi, Y., Shelly, F. (2021), Sustainability reporting: An overview of the recent development. Accounting and Financial Control, 3(1), 23-39.

International Monetary Fund (IMF). (2018), Gulf Cooperation Council: Trade and Foreign Investment-keys to Diversification and Growth in the GCC. Available from: https://www.imf.org/en/publications/policy-papers/issues/2018/12/04/pp120618gcc-trade-and-foreign-investment

Ismaeel, M., Zakaria, Z. (2020), Perception of preparers of sustainability reports in the Middle East: Contrasting between local and global. Meditari Accountancy Research, 28(1), 89-116.

Kamilla, P., Theres, V. (2017), Factors affecting the sustainability disclosures in Swedish State-owned Enterprises as Hybrid Organizations. (Master Thesis). Sweden: Kristianstad University. Available from: https://www.diva-portal.org/smash/get/diva2:1115164/FULLTEXT01.pdf

Kaur, A., Lodhia, S. (2018), Stakeholder engagement in sustainability accounting and reporting: A study of Australian local councils. Accounting, Auditing and Accountability Journal, 31(1), 338-368.

Kiliç, M., Kuzey, C. (2017), Factors influencing sustainability reporting: Evidence from Turkey. In: Çaliyurt, K.T., Günay, S.G., editors. Recent Issues in Accounting Finance and Auditing 2017 (In the Memory of Prof. Dr. Fehmi Yıldız). Edirne: Trakya University. p139-175.

KPMG. (2020), The Time has Come. The KPMG Survey of Sustainability Reporting 2020. Available from: https://home.kpmg/xx/en/home/insights/2020/11/the-time-has-come-survey-of-sustainability-reporting.html

Kumar, K., Ranjita, K., Rakesh, K. (2021), The state of corporate sustainability reporting in India: Evidence from environmentally sensitive industries. Business and Society Review, 26(4), 513-538.

Michelon, G., Patten, D., Romi, A. (2019), Creating legitimacy for sustainability assurance practices: Evidence from sustainability restatements. European Accounting Review, 28(2), 395-422.

Nguyen, A., Nguyen, L. (2020), Determinants of sustainability disclosure: Empirical evidence from Vietnam. The Journal of Asian Finance, Economics and Business. 7(6), 73-84.

Ong, T., Djajadikerta, H.G. (2018), Corporate governance and sustainability reporting in the Australian resources industry: An empirical analysis. Social Responsibility Journal, 16(1), 1-14.

Petcharat, N., Zaman, M. (2019), Sustainability reporting and integrated reporting perspectives of Thai-listed companies. Journal of Financial Reporting and Accounting, 17(4), 671-694.

Post, C., Rahman, N., McQuillen, C. (2015), From board composition to corporate environmental performance through sustainability-themed alliances. Journal of Business Ethics, 130, 423-435.

Quilice, T., Cezarino, L., Alves, M., Liboni, L., Caldana, A., (2018), Positive and negative aspects of GRI reporting as perceived by Brazilian organizations. Environmental Quality Management, 27(1), 19-30.

Raquel, G., Manuel, P., Antonio, M. (2017), Corporate and managerial characteristics as drivers of social responsibility disclosure by state-owned enterprises. Review of Managerial Science, 11(3), 633-659.

Safari, M., Areeb, A. (2020), A qualitative analysis of GRI principles for defining sustainability report quality: An Australian case from the preparers' perspective. Accounting Forum, 44(4), 344-375.

Saunders, M., Lewis, P., Thornhill, A. (2019), Research Methods for Business Students. 8th ed. Harlow: Pearson.

Shabana, K., Buchholtz, A., Carroll, A. (2017), The institutionalization of corporate social responsibility reporting. Business and Society, 56(8), 1107-1135.

Simoni, L., Bini, L., Bellucci, M. (2020), Effects of social, environmental, and institutional factors on sustainability report assurance: Evidence from European countries. Meditari Accountancy Research, 28(6), 1059-1087.

Tateishi, E. (2018), Craving gains and claiming "green" by cutting greens? An exploratory analysis of green field housing developments in Iskandar Malaysia. Journal of Urban Affairs, 40(3), 370-393.

Tauringana, V. (2021), Sustainability reporting challenges in developing countries: Towards management perceptions research evidence-based practices. Journal of Accounting in Emerging Economies, 11(2), 194-215.

UN (2020). United Nations Department of Economic and Social Affairs - Sustainable Development. [Online] Available at: https://sdgs.un.org/2030agenda. [Last accessed on 2020 Aug 08].

Usmani, M., Davison, J., Napier, C.J. (2020), The production of stand-alone sustainability reports: Visual impression management, legitimacy and "functional stupidity". Accounting Forum, 44(4), 315-343.

Uyar, A., Ramadan, A., Nimer, K. (2020), A critical evaluation of sustainability reporting in the Gulf Cooperation Council region. International Journal of Sustainable Development, 22(1), 158-185.

Walsh, P.R., Singh, R., Malinsky, M. (2021), Sustainability reporting and strategic legitimacy: The influence of operating in emerging economies on the level of GRI reporting in Canada's largest companies. Corporate Governance and Sustainability Review, 5(1), 39-53.

Wang, M. (2017), The relationship between firm characteristics and the disclosure of sustainability reporting. Sustainability, 9(4), 624.

Wokeck, L. (2019), Corporate Sustainability Reporting in Least Developed Countries: Challenges and Opportunities for Action. Occasional Policy Papers Series on the Least Developed Countries, Paper No. 6. United Nations Office of the High Representative for

the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS).

World Bank. (2019), Economic Diversification for a Sustainable and Resilient GCC. Available from: http://documents1.worldbank.org/curated/en/886531574883246643/pdf/economic-diversification-for-a-sustainable-and-resilient-gcc.pdf

Xia, W., Apergis, N., Bashir, M.F., Ghosh, S., Doğan, B., Shahzad, U. (2022), Investigating the role of globalization, and energy consumption for environmental externalities: Empirical evidence from developed and developing economies. Renewable Energy, 183(1), 219-228.

Yadava, R., Sinha, B. (2016), Scoring sustainability reports using GRI 2011 guidelines for assessing environmental, economic, and social dimensions of leading public and private Indian companies. Journal of Business Ethics, 138(3), 549-558.

Zaidan, E., Al-Saidi, M., Hammad, S. (2019), Sustainable development in the Arab world-is the Gulf Cooperation Council (GCC) region fit for the challenge? Development in Practice, 29(5), 670-681.