

Idiosyncratic Behavior of Shareholders Toward Corporate Sustainability Reports

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Abstract

Purpose : The present study focused on identifying the factors influencing shareholders' perception toward corporate sustainability reports. The growing importance of climate-sensitive activities in response to global warming induced us to find out the importance of sustainability reports in the minds of shareholders.

Methodology : Seven independent latent variables, namely message characteristics, manager characteristics, assurance and accountability, standards and ratings, intra-firm factors, corporate governance mechanisms, and challenges and risks, were undertaken in the study. Further, the perception of the shareholders measured along the parameter of importance was taken as the dependent variable. For the study, we floated a structured questionnaire, received 412 responses, and ran the analysis on SMART PLS.

Findings : We found that only four variables out of seven significantly influenced the perception of the shareholders toward corporate sustainability reports. To elaborate, message characteristics, assurance and accountability, and corporate governance mechanisms positively influenced the perception of the shareholders, while standards and ratings negatively influenced the perception of the shareholders.

Practical Implications : It was recommended that corporations must publish credible, accurate, and adequate information while inviting active participation from the shareholders. Our study is not free from limitations and allows scope for future researchers – whether differences in the perception of the shareholders arising due to various boundaries could be undertaken in future research work.

Originality : Unlike prior research on corporate social responsibility, the current work builds a model to examine shareholders' perceptions toward corporate sustainability reports.

Keywords : corporate sustainability, perception of shareholders, corporate governance, assurance, and accountability

JEL Classification Codes : G24, G34, G38, G41

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The concept of corporate sustainability dates back to the 1970s. The evolution and several shifts in the perspective and coinage of terms have been witnessed (Fifka & Drabble, 2012; Kolk & Pinkse, 2010). During the 1970s and 1980s, social reporting was the trending term. However, soon the focus shifted to environmental reporting during the 1990s. After a decade or so, the terminology predominantly moved to

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corporate sustainability with an intertwined emphasis on corporate social responsibility (CSR) and corporate sustainability (Fifka & Drabble, 2012). There is a blurred distinction between corporate social responsibility (CSR) and corporate sustainability. CSR is a wider term, and corporate sustainability is a subset of CSR. CSR is valuable for the business. To put it differently, a firm moves backward to see the activities which can be comprised and oriented toward CSR. On the other hand, corporate sustainability is directed toward safeguarding the environment against harmful activities emitting anthropogenic gases (Gorski et al., 2017).

Over the decades, the definition of sustainable development has been evolving. The famous Brundtland report pointed out that sustainable development means “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” The definition nimbly captures two points — one, the problem of environmental degradation, which is inevitable with economic growth, and second, the need for such growth to eliminate poverty.

In the continuing era of climatic changes, the shareholders need to know the efforts undertaken by the corporates to upgrade their reputation and goodwill in the eyes of potential investors. On the other hand, it is vital for the corporate citizen to examine how well the shareholders perceive their sustainable activities. If the shareholders perceive the corporate efforts toward sustainability positively, the result would be a hike in the company’s market value. The sustainability reports revolve around global climatic changes. To put it differently, the anthropogenic gases generated by industrial activities have impacted the environment globally. To counter the emissions, governments are taking steps to combat the harmful gases continuously. However, amid the dreadful situation, the corporates are undertaking activities in line with sustainable development goals (SDGs). Therefore, examining how well the shareholders are influenced by the idea of corporate sustainability reports published periodically is paramount.

The idea of sustainable development is based on three parameters — environmental, social, and economic sustainability. It is necessary to determine the positive impact of corporate sustainability reports published as per the set standards and guidelines to influence the perception of shareholders. The current study aims to determine the factors affecting shareholders’ perception of corporate sustainability reports. Many studies have already been conducted in the past; however, the current study is unique in two folds. Firstly, while prior studies largely focused on corporate social responsibility, this study encompasses both corporate social responsibility and corporate sustainability reporting. Secondly, the current study is more comprehensive as it considers numerous variables touching different aspects of both concepts.

The present research examines various factors influencing shareholders’ perception toward corporate sustainability. The study talks about comprehending the impact of various inter and intra-firm factors on the perception of the shareholders toward corporate sustainability reporting. For this, a structured questionnaire has been floated across various groups over social platforms. Advanced software like SMART PLS has been used to investigate the relationships among different selected variables. The present research work fills the unidentified gap by providing a comprehensive empirical viewpoint on the perception of shareholders toward corporate sustainability reports. The study also has key managerial implications.

Review of Literature

Market Reaction Toward Corporate Sustainability Reports

Corporate sustainability is a popular term that influences market reactions. Put differently, sustainability reporting can be seen in conjunction with enhancing the reputational value of a firm (Ballou et al. 2006). If the stakeholders perceive an ingratiating intent of the company regarding the issuance of the sustainability report, the efforts may backfire on a company’s reputation. Sustainability reporting is a voluntary act of the company, and it is reported

that such issuances are trivial (Gray, 2006; Gray & Bebbington, 2007). Therefore, issuing sustainability reports has been criticized, and the benefit of enhancing the reputation value is still unknown (Aras & Crowther, 2009; Gray, 2006; Unerman et al., 2007). Amid the skeptical role of the issuance of reports on investor perception, Toms (2002) found a positive impact of the annual environmental report on the executives' ratings. Thus, the direction of thought altered. Now the researchers are more interested in finding out the perception of investors toward the quality of the report rather than the issuance or announcement of issuance of the report.

After gaining rich knowledge of the subject, Guidry and Patten (2010) found that the mere announcement and issuance of a standalone sustainability report did not result in positive reactions from investors. Instead, the focus should be more on the quality of the report. Thus, evaluating the report based on Global Reporting Initiatives (GRI), it was deduced that companies producing high-quality reports manifest significantly more positive market reactions than the ones issuing low-quality reports. The findings are consistent with Godfrey's (2005) argument that the market price and reputational value of a stock increase only when the actions of the company are perceived to be meaningful and sincere in the context of corporate social responsibility.

Investors' Risk Perception Toward Sustainability Practices

Investors tend to value or price their insecurities in the market. In other words, if an investor gets an inkling of some unusual event, the cost of equity rises, or the market value of a share goes down. Fundamental analysis is required to become an investor in the capital market, both primary and secondary market (Sethi et al., 2021; Sethi et al., 2022). The investors rely on various reports of the company to ensure long-term performance. In other words, strong corporate governance must be present to make the tedious job of analyzing a company's performance easier for investors (Singh & Jain, 2020). The preparation of reports must be in accordance with the set guidelines to ensure the quality dissemination of information. It is generally perceived that quality information reduces information asymmetry, and hence, the cost of equity falls (Pei-yi Yu et al., 2021). Christensen et al. (2021) reported that mandatory CSR requirements by statute improve the quality and impact on information users. Further, the study highlighted the consequences of sustainability reporting on various users.

Stakeholders' Perception Toward Corporate Social Responsibility (CSR)

Schreuder (1981) investigated the reactions of employees toward published CSR reports. It was evident that employees socially accepted the reports as a means of corporate communication. Later, on similar lines, Epstein and Freedman (1994) aimed to estimate the acceptance level of investors toward social disclosure. It was disclosed that investors expected a lot of information from the reports. After the reviews and reactions of shareholders and employees toward socially accepted reports and policies, Naser (1999) examined the reactions of various user groups, such as government officials, finance managers, public accountants, and academicians, toward corporate social disclosure. The results suggested that financial managers and public accountants want firms to exceed the minimum requirements of disclosures to ensure the business's viability. Past research also focuses on different industries of the economy by investigating companies listed on BSE and their improvement in CSR scores through the activities undertaken by them (Behal & Gupta, 2022). Singh and Verma (2017) also conducted a systematic review of CSR and found that positive rewards were attached to the firm's value and corporate image building. Patro and Pattanayak (2017) found that CSR disclosures positively and significantly impacted earnings management.

The extant literature dominantly focuses on corporate social responsibility and its impact on various users. However, corporate sustainability reports have been largely missed in previous studies. Sustainability reports are the foundation and need of the hour to assess the perception of shareholders in the climatically changing environment.

Research Methodology

The study's main aim was to determine the shareholders' perception of corporate sustainability reports. A structured questionnaire was floated. However, to ensure the questionnaire's validity, pilot testing was conducted before circulating it on a larger scale. A 5-point Likert scale was adopted to accurately capture the intensity of the responses made by the data subjects.

Pilot testing was essential to ensure the project's feasibility in terms of reliability and validity. For pilot testing, 67 responses were collected, more than the number of items corresponding to seven different constructs. Only 67 responses were aware of the term corporate sustainability, and hence, passed our filter question. Thus, pilot testing was run on a total of 67 responses.

Also, to ensure the best fit of the model, face validity was checked by floating the questionnaire to experts. After receiving and incorporating the recommendations, we floated the structured questionnaire to an appropriate set of shareholders via various online and offline platforms in 2022 (post - COVID). A total of 412 responses were received. After that, we checked for the adequacy of the sample. Structured equation modeling (SEM) was employed in the current research work using SMART PLS version 3. SEM is an effective technique to measure and quantify the impact of various latent independent variables on the dependent variable.

Furthermore, SEM is efficient in modeling first-order and second-order constructs. However, in our proposed model, all the constructs pertained to the first order. Therefore, the current study postulated to examine the below-formulated hypotheses:

- ✦ **H01** : There exists no relation between message characteristics and the perception of the shareholders toward corporate sustainability reports.
- ✦ **H02** : There exists no relation between manager characteristics and the perception of the shareholders toward corporate sustainability reports.
- ✦ **H03** : There exists no relation between assurance and accountability and the perception of the shareholders toward corporate sustainability reports.
- ✦ **H04** : There exists no relation between standards and ratings and the perception of the shareholders toward corporate sustainability reports.
- ✦ **H05** : There exists no relation between intra-firm factors and the perception of the shareholders toward corporate sustainability reports.
- ✦ **H06** : There exists no relation between corporate governance mechanisms and the perception of the shareholders toward corporate sustainability reports.
- ✦ **H07** : There exists no relation between challenges and risks and the perception of the shareholders toward the corporate sustainability reports.

Table 1 describes the descriptive statistics of all 52 items corresponding to different constructs. The results show that the mean moves around 3.5–4, meaning there is no absurd extreme value in the responses we received. According to Hair et al. (2010) and Byrne (2010), the acceptable skewness values must be between -2 and $+2$, and for kurtosis, it should be between -7 and $+7$. Therefore, as per the threshold values, the skewness and kurtosis for all the items were valid and acceptable. Further, after checking the descriptive statistics of the items, we computed and transformed them into their respective constructs. Therefore, the constructs incorporating their respective items now appear as variables, and thus, we checked the descriptive statistics of the constructs/factors.

Table 1. Descriptive Statistics of all the Items Used

	N	Range	Minimum	Maximum	Mean	Std.Deviation	Variance	Skewness	Kurtosis			
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Mc1	67	3	2	5	3.60	0.177	1.149	1.320	−0.346	0.365	−1.329	0.717
MC2	67	4	1	5	3.69	0.188	1.220	1.487	−0.637	0.365	−0.658	0.717
MC3	67	4	1	5	3.40	0.196	1.270	1.613	−0.451	0.365	−0.830	0.717
MC4	67	4	1	5	3.50	0.197	1.274	1.622	−0.446	0.365	−0.929	0.717
MC5	67	3	2	5	3.64	0.173	1.122	1.260	−0.430	0.365	−1.189	0.717
MC6	67	4	1	5	3.38	0.190	1.229	1.510	−0.208	0.365	−1.150	0.717
MNC1	67	4	1	5	3.62	0.204	1.324	1.754	−0.436	0.365	−1.228	0.717
MNC2	67	4	1	5	3.62	0.177	1.147	1.315	−0.511	0.365	−.450	0.717
MNC3	67	3	2	5	3.79	0.185	1.200	1.441	−0.364	0.365	−1.443	0.717
MNC4	67	3	2	5	3.88	0.193	1.253	1.571	−0.467	0.365	−1.512	0.717
MNC5	67	3	2	5	3.81	0.178	1.153	1.329	−0.411	0.365	−1.292	0.717
MNC6	67	4	1	5	3.64	0.204	1.322	1.747	−0.425	0.365	−1.210	0.717
MNC7	67	3	2	5	3.79	0.182	1.180	1.392	−0.404	0.365	−1.353	0.717
AA1	67	4	1	5	3.74	0.184	1.191	1.418	−0.464	0.365	−0.972	0.717
AA2	67	3	2	5	3.79	0.188	1.220	1.490	−0.413	0.365	−1.439	0.717
AA3	67	4	1	5	3.60	0.177	1.149	1.320	−0.346	0.365	−0.940	0.717
AA4	67	4	1	5	3.67	0.198	1.282	1.642	−0.500	0.365	−1.016	0.717
SR1	67	3	2	5	3.74	0.167	1.083	1.174	−0.412	0.365	−1.068	0.717
SR2	67	3	2	5	3.64	0.144	0.932	0.869	−0.344	0.365	−0.637	0.717
SR3	67	4	1	5	3.88	0.164	1.064	1.132	−0.773	0.365	−0.020	0.717
F1	67	4	1	5	3.86	0.126	0.814	.662	−0.867	0.365	2.323	0.717
F2	67	4	1	5	4.05	0.136	0.882	0.778	−1.215	0.365	2.445	0.717
F3	67	3	2	5	3.88	0.124	0.803	0.644	−0.074	0.365	−0.780	0.717
F4	67	3	2	5	3.86	0.130	0.843	0.711	0.026	0.365	−1.066	0.717
F5	67	3	2	5	3.64	0.131	0.850	0.723	−0.222	0.365	−0.423	0.717
F6	67	2	3	5	3.76	0.107	0.692	0.479	0.354	0.365	−0.821	0.717
F7	67	3	2	5	3.81	0.124	0.804	0.646	−0.522	0.365	0.161	0.717
F8	67	3	2	5	4.00	0.132	0.855	0.732	−0.491	0.365	−0.385	0.717
CG1	67	4	1	5	3.52	0.168	1.087	1.182	−0.482	0.365	−0.248	0.717
CG2	67	3	2	5	3.81	0.129	0.833	0.695	−0.152	0.365	−0.591	0.717
CG3	67	4	1	5	3.31	0.165	1.070	1.146	−0.540	0.365	−0.229	0.717
CG4	67	4	1	5	3.71	0.138	0.891	0.794	−0.908	0.365	1.200	0.717
CG5	67	4	1	5	4.00	0.132	0.855	0.732	−0.982	0.365	2.147	0.717
CG6	67	2	3	5	4.00	0.113	0.733	0.537	0.000	0.365	−1.075	0.717
CG7	67	4	1	5	3.81	0.153	0.994	0.987	−0.851	0.365	0.485	0.717
CG8	67	2	3	5	4.02	0.116	0.749	0.560	−0.039	0.365	−1.166	0.717
CR1	67	3	2	5	3.52	0.141	0.917	0.841	−0.273	0.365	−0.705	0.717
CR2	67	3	2	5	3.81	0.129	0.833	0.695	−0.418	0.365	−0.156	0.717
CR3	67	3	2	5	3.81	0.146	0.943	0.890	−0.515	0.365	−0.480	0.717
CR4	67	3	2	5	3.88	0.137	0.889	0.790	−0.414	0.365	−0.483	0.717

CR5	67	4	1	5	3.64	0.170	1.100	1.211	-0.613	0.365	-0.098	0.717
CR6	67	3	2	5	3.69	0.138	0.897	0.804	-0.395	0.365	-0.445	0.717
CR7	67	4	1	5	3.55	0.141	0.916	0.839	-0.347	0.365	0.302	0.717
CR8	67	3	2	5	3.88	0.137	0.889	0.790	-0.414	0.365	-0.483	0.717
Valid N	67											
(listwise)												

Note. The variable statements are mentioned in the Appendix.

Table 2. Descriptive Statistics of the Constructs

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic	Statistic
MNC	67	3.00	2.00	5.00	3.7347	0.17368	1.12555	1.267	-0.322
MC	67	3.33	1.67	5.00	3.5357	0.16389	1.06212	1.128	-0.447
AA	67	3.25	1.75	5.00	3.6964	0.17051	1.10505	1.221	-0.391
SR	67	3.33	1.67	5.00	3.7540	0.13916	0.90185	0.813	-0.680
F	67	2.00	3.00	5.00	3.8571	0.08055	0.52205	0.273	0.152
CG	67	2.63	2.25	5.00	3.7738	0.08285	0.53693	0.288	-0.407
CR	67	2.50	2.50	5.00	3.7232	0.10264	0.66519	0.442	-0.386
Valid N	67								
(listwise)									

Note. MNC—Manager characteristics (This construct depicts the reputation, trustworthiness, expertise, and past track record of the management preparing the reports) ; MC—Message characteristics (This variable revolves around the quality of the message in the reports. It has a direct link with the credibility of the sustainability reports) ; AA—Assurance and accountability (It captures the essence and reputation of assurance provider) ; SR—Standards and ratings (This construct focuses on the high status and good ranking achieved by a company on the global platform) ; F—Intra-firm factors (Several intra-firm factors may influence the perception of shareholders regarding corporate sustainability report) ; CG—Corporate governance (Good corporate governance practices lead to good accountability and improved perception toward the company) ; CR—Challenges and risks (An organization works in a dynamic environment where everything is turbulent). Thus, a company needs to be flexible enough to combat all the challenges and risks.

Table 2 represents the descriptive statistics of all the computed constructs/factors incorporating their respective items. For instance, manager characteristics (MNC) incorporates a set of seven items, namely, MNC1, MNC2, MNC3, MNC4, MNC5, MNC6, and MNC7. Likewise, message characteristics (MC) incorporate six items (MC1, MC2, MC3, MC4, MC5, MC6). Likewise, assurance and accountability (AA) incorporate four items (AA1, AA2, AA3, and AA4) ; standards and ratings (SR) incorporate three items (SR1, SR2, SR3) ; intra-firm factors (F) represent eight items (F1, F2, F3, F4, F5, F6, F7, F8) ; corporate governance factors (CG) incorporate eight items (CG1, CG2, CG3, CG4, CG5, CG6, CG7, CG8) ; and challenges and risks (CR) incorporate eight items (CR1, CR2, CR3, CR4, CR5, CR6, CR7, CR8).

The results reported in Table 2 suggest that the mean of all the constructs do not move to extreme ends, indicating any outlier. Also, the values for skewness and kurtosis are within the acceptable range. Further, we checked the reliability of the items corresponding to latent variables using Cronbach's α .

The results reported in Table 3 indicate that the values of Cronbach's α are above the threshold limit of 0.7; thus, it confirms the reliability of all seven latent variables. Cronbach's α tests the multiple-question Likert scale questionnaires/surveys accurately. It indicates how well a set of items/questions are related as a group. In other words, it measures the internal consistency of the latent variables. In other words, Cronbach's α determines how

Table 3. Reliability of the Latent Variables

Variable	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
MC	0.940	0.940	6
MNC	0.968	0.969	7
AA	0.933	0.933	4
SR	0.849	0.852	3
F	0.791	0.789	8
CG	0.732	0.748	8
CR	0.866	0.866	8

well the items of a particular group measure the same characteristic. High values indicate better results and, thereby, better reliability.

It is further observed that most of the respondents (84.1%) were aware of the term corporate sustainability, which indicates the growing popularity, concern, and importance of corporate sustainability reports. However, only 57% of the respondents, as shareholders, felt the importance of preparing corporate sustainability reports by companies in general. Also, the sample size is adequate as measured by KMO and Bartlett's test of adequacy. Further, bootstrapping for 2,000 respondents was applied in the model to enhance the results.

Analysis and Results

To begin with the analysis, convergent and discriminant validity have been checked for the model. Convergent validity describes that the items/statements converge to their associated construct, while discriminant validity assures that the constructs used in the model are uncorrelated. Further, Cronbach's α measures how well a group of items forms a construct, indicating internal consistency. Additionally, rho_A is also a good reliability indicator, and its threshold value is 0.7. Composite reliability also shows internal consistency, and the acceptable value should be more than 0.7. On the other hand, the average variance extracted (AVE) indicates convergent validity, and it should be more than 0.5.

Table 4 depicts the convergent validity. It is observed that all the constructs/latent variables satisfy convergent validity. All seven variables are above the threshold limits and indicate the presence of internal consistency and convergent validity.

Table 4. Convergent Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted
Assurance & Accounting	0.951	0.953	0.965	0.873
Challenges & Risks	0.896	0.915	0.919	0.593
Corporate Governance	0.864	0.895	0.893	0.516
Factors	0.856	0.9	0.883	0.494
Manager Characteristics	0.97	0.975	0.975	0.847
Message Characteristics	0.942	0.953	0.953	0.772
Perception	0.92	0.921	0.961	0.926
Standards and Ratings	0.909	0.988	0.942	0.844

However, the variable “Factors” possesses AVE less than 0.5. Still, as per Fornell and Larcker's criteria, a variable is acceptable if its AVE is less than 0.5, but its corresponding composite reliability is more than 0.6 (Sethi et al., 2022). Table 5 provides the values of discriminant validity for all the constructs. It is observed that all the latent variables have a value of less than 0.85. Thus, it is assumed that the model's constructs have convergent and discriminant validity.

Table 6 shows the path coefficients of the relationship between independent and dependent latent variables. It is observed that assurance and accounting, corporate governance, and message characteristics positively influence the shareholders' perception, while standards and ratings negatively affect the perception. Rest, manager characteristics, challenges and risks, and factors do not affect the shareholders' perception toward sustainability reporting.

Table 5. Discriminant Validity

	Assurance & Accounting	Challenges & Risks	Corporate Governance	Factors	Managers Characteristics	Message Characteristics	Perception	Standards and Ratings
Assurance & Accounting								
Challenges & Risks	0.46							
Corporate Governance	0.478	0.804						
Factors	0.441	0.786	0.792					
Manager Characteristics	0.765	0.448	0.459	0.416				
Message Characteristics	0.811	0.423	0.466	0.382	0.564			
Perception	0.444	0.352	0.34	0.341	0.361	0.351		
Standards and Ratings	0.671	0.403	0.455	0.415	0.369	0.391	0.26	

Table 6. Path Coefficients

	Original Sample	t-statistics	p-values
Assurance and Accounting → Perception	0.915	2.341	0.043*
Challenges and Risks → Perception	0.093	0.161	0.251
Corporate Governance → Perception	0.514	2.819	0.034*
Factors → Perception	0.117	0.819	0.413
Manager Characteristics → Perception	0.23	0.745	0.456
Message Characteristics → Perception	0.596	2.228	0.0263*
Standards and Ratings → Perception	-0.364	2.263	0.049*

Note. '*' indicates significance at the 5% level of significance.

Discussion

We observe that good corporate governance mechanisms and frameworks positively impact shareholders' perceptions. Prior studies also indicate that the essential requirements of corporate governance positively influence shareholders' perception of corporate sustainability reports (Adrian & Wright, 2020 ; Fakhari et al., 2018). Strong governance builds trust and confidence among shareholders, increasing the credibility of sustainability reports. In addition, many studies claim that sponsor identity, issue type, and different types of corporate governance proposals significantly influence the voting outcome (Gillan & Starks, 2000). Similarly, Cullinan et al. (2016) found that shareholders consider corporate governance proposals while voting with a special focus on CSR concerns. This means that corporate governance mechanisms are an important indicator and decision-making point for crucial organizational voting decisions.

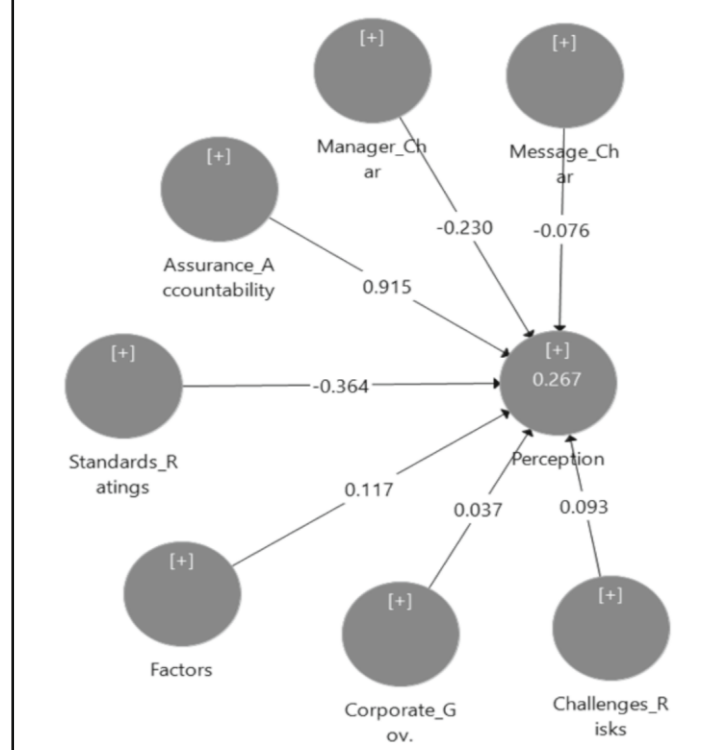
Further, prior studies have attempted to find the relation between message characteristics or quality and its influence on the perception of shareholders. It is unknown how people perceive the issuance of the sustainability report. The only concern is the quality of the standalone report, which might positively and meaningfully influence the perception of shareholders toward it. Healy and Palepu (2001) claimed that for any sustainability report to be useful, it must be credible in the eyes of shareholders. If the message quality published in the report is perceived as manipulative or self-serving, the users also discount the message's credibility (Mercer, 2004; Vanhamme & Grobben, 2009). It is a matter of concern for all corporations to comprehend that differing perceptions exist concerning the importance and credibility of the message published in corporate sustainability reports (Simoni et al., 2020). Rosenthal (1971) was the first to explore the credibility aspect concerning the message published in a report. Users of the information judge the message quality on two premises—specificity and verifiability. Our result suggests that message characteristics play an important role in influencing shareholders' perception toward the report, which is also supported by Xiao and Shailer (2021).

Next, good standards followed by a corporation and thereby obtaining good ratings are supposed to influence shareholders' perceptions positively. However, some studies also found that respondents are not impressed by the good ratings and awards a firm receives. In other words, awards or recognitions are not an adequate measure of credibility (Clarkson et al., 2008; Xiao & Shailer, 2021). Once the organization receives the rankings and ratings on various international platforms, it negatively influences shareholders' perceptions. However, there should have been a positive perception toward the company, which let the shareholders earn a good profit because of its good ranking on international boards.

In contrast, shareholders focus on the negative experiences of good companies. Negative experiences hold a heavy weight in the minds of investors. In other words, the perception of shareholders has been painted otherwise over time. Shareholders have witnessed great scams, bankruptcy, and corporations failing due to lapses in corporate governance when the credit rating agencies were robust even though the audits were not in good shape. We can say that shareholders have developed extreme cynicism toward credit rating agencies. Scams like Enron, Satyam, WorldCom, and the most recent IL & FS company have shaken the country's economy and shareholders' confidence. The credit rating agency was robust in these cases and gave good rankings even one week before the disclosure of the scam. This has adversely impacted the trust of the shareholders in credit rating agencies. The companies should take extra precautions while publishing the report as it influences the shareholders' perception. The content in the report must be true and should accurately reflect the company's position. Moreover, every firm must follow a corporate governance mechanism keenly looked upon by the stakeholders for their respective uses.

Lastly, assurance and accountability deal with the independent nature of assurance providers, accountability levels, and expertise of assurance providers. Our results suggest that assurance and accountability positively influence the perception of shareholders. This means that information users are primarily concerned with the expertise of assurance providers to examine and perceive the credibility of sustainability reports

Figure 1. Graphical Representation of the SEM Model



(Xiao & Shailer, 2021). Variables like manager characteristics, challenges and risks, and intra-firm factors do not significantly affect the perception of shareholders. Shareholders are not concerned about profitability, firm size, challenges, or risks. The intended use of sustainability reports is different for different users. Hence, only the report's accuracy, adequacy, verifiability, and reliability are of utmost importance to the shareholders.

It is, thus, advisable that corporations should understand and avoid investing efforts in areas that do not influence the perception of shareholders and, therefore, do not affect the market value of the firm. This indicates that there exists a misalignment of perceptions between shareholders and corporations. The results can be observed graphically in Figure 1.

Conclusion and Recommendations

The study talks about comprehending and measuring the perception of shareholders toward corporate sustainability reports. This primary study uses structural equation modeling to denote various latent variables. The results suggest that only message characteristics, assurance and accountability, standards and ratings, and corporate governance mechanisms significantly influence the shareholders' perception. It is surprising to know that when shareholders get personally involved in analyzing, verifying, and understanding the functioning of a company, their expectations regarding the report increases, and hence, this positively influences their perception.

To conclude, H01, H03, H04, and H06 have been rejected as message characteristics, assurance and accountability, standards and ratings, and corporate governance mechanisms influence the perception of shareholders towards corporate sustainability reports significantly. However, H02, H05, and H07 are not rejected as manager characteristics, intra-firm factors, and challenges and risks do not affect the dependent variable significantly. To elaborate, shareholders are not concerned about profitability, firm size, challenges, or any kind of risks.

Managerial and Theoretical Implications

Based on our study, companies can put their foot forward in disclosing adequate and accurate information to the shareholders. However, merely publishing the reports will not lead to desirable results. Therefore, companies must put efforts into framing the information with minimum manipulation to build a healthy relationship with the information users. Also, companies should design policies so that maximum shareholder participation can be witnessed in the organization. When a shareholder gets involved in a task, the value and personal interest increase, leading to minimum discounts on the firm's market value. Further, independent assurance providers and auditing requirements boost the shareholders' confidence in the firm's work, thereby positively influencing the shareholders' perception. To conclude, a firm's motive must be to improve the credibility of the sustainability reports and increase shareholder participation to positively enhance the perception of the shareholders toward corporate sustainability reports.

This study attempts to overcome the identified research gap. Comprehensive research focusing on different aspects, namely firm characteristics, corporate governance, quality of the report, and role of independent assurance providers, are taken into consideration while examining the impact of sustainability reports on the perception of shareholders. SDGs' adoption is the need of the hour, and corporate citizens are expected to provide a detailed, true, and fair view of sustainable activities to prevent harmful impacts on the climate.

Limitations of the Study and Scope for Future Research

Despite our continued efforts to comprehend the relationship between different independent variables and the perception of shareholders, a few shortcomings persist, which can be taken up in future research. While collecting the responses, we ensured that the respondents filling out the survey were the users of the sustainability reports. However, all the users did not hold homogeneous views regarding sustainability and its usefulness. Further, we tried to figure out the factors which might be useful decision-making points for the users of sustainability reports. However, to what extent we could accomplish our objective using the identified variables translating in the real world for the users still lacks concreteness.

Moreover, future researchers can widen the user group from shareholders in the present study to different stakeholders. As a final caveat, we recommend vigilance to generalize the results internationally as shareholders belonging to different countries might possess different viewpoints and cultural biases. Thus, future research can undertake a study focusing on whether there exist differences in perceptions arising from the origin of the country, cultural biases, or changes in institutional setup.

Authors' Contribution

This research work is a collective contribution of both authors – Dr. Amit Kumar Singh and Dr. Sandeep Kumar Goel.

Conflict of Interest

The authors certify that they have no affiliations with or involvement in any organization or entity with any financial interest, or non-financial interest in the subject matter, or materials discussed in this manuscript.

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Appendix

Code	Variable Statements
MC1	The message in the sustainability report should use appropriate sustainability performance metrics.
MC2	The message in the sustainability report should be robust in collecting information.
MC3	The sustainability report should be comparable to peer companies.
MC4	The sustainability report should be comparable over time.
MC5	Quantification of information.
MC6	The information contained in the sustainability report should be material.
MNC1	Competence of management.
MNC2	The reputation of the assurance provider.
MNC3	The honesty of the management.
MNC4	Trustworthiness of management.
MNC5	Track record of management.
MNC6	The expertise of the assurance provider.
MNC7	The expertise of management.
AA1	Use of assurance standards.
AA2	Oversight and accountability.
AA3	Independence of assurance provider.
AA4	Presence of assurance.
SR1	Received a good sustainability-related ranking.
SR2	Use of UN Global Compact principles.
SR3	Use of GRI guidelines.
F1	Size, visibility, and the pressures and demands of the stakeholders.
F2	Profitability, capability, and flexibility of companies regarding sustainability reporting.
F3	The legitimization of company activities for creditors and shareholders.
F4	Reducing the information asymmetry between the company and its investors.
F5	Registering companies in the stock exchanges.
F6	Ownership of the foreign investors in the company.
F7	The attention of the media to the company's activities.
F8	The company's activity in environmental and socially sensitive industries and their stakeholder pressures.
CG1	It is difficult to prepare sustainability reports without legal requirements.
CG2	The existence of a legal requirement will increase sustainability reporting and improve its quality.
CG3	Sustainability reporting using international norms and standards is appropriate for Indian companies.
CG4	It is difficult to prepare sustainability reports without any local standards.
CG5	Sustainability reporting requires the proper implementation of corporate governance principles.
CG6	Sustainability reporting requires managers to change their attitudes toward reporting and sustainability management.
CG7	Sustainability reporting is difficult without proper information systems infrastructure.
CG8	Sustainability reporting requires proper strategies for sustainability in companies.
CR1	The fact that top management requires sustainability reporting is one of the challenges regarding this kind of reporting.

CR2	Regarding the view of some managers about the priority and importance of providing financial information in comparison with preparing sustainability information and undervaluing sustainability reporting is one of the sustainability reporting challenges.
CR3	The lack of communication and coordination between the various participants in the sustainability reporting process is one of the sustainability reporting challenges.
CR4	Not believing in the usefulness of sustainability reports for stakeholders is one of the sustainability reporting challenges.
CR5	The lack of integrated and consensual standards for sustainability reporting is one of the sustainability reporting challenges.
CR6	One of the challenges of sustainability reporting is the lack of active engagement with stakeholders to better understand their expectations and the information they need.
CR7	Balancing the provision of quantitative and qualitative information in sustainability reports is one of the challenges of sustainability reporting.
CR8	The lack of required information systems infrastructure is one of the challenges of sustainability reporting.

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