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Theories applied in corporate voluntary disclosure: a literature review

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Abstract

Purpose – This paper attempts to review the corporate voluntary disclosure (CVD) from the theoretical perspective as well as propose a conceptual framework.

Design/methodology/approach – The researchers use structural literature review technique. The sample literature consisting of 55 articles was extracted from the Scopus database over the period of 2017–2021.

Findings – The literature observes that the legitimacy, agency and stakeholder theories are most applied in CVD related studies than the other theories. It is also revealed that researchers need to concentrate more studies on those theories of CVD that have been applied in a limited study such as neo-institutional, signaling, resource dependence, political economy and impression management theories.

Practical implications – The findings can help the understanding of parties such as practitioners', regulators and potential investors of the theories in CVD from a combined and comprehensive view.

Social implications – The results of the study offer new insights into the potential impact of organizational level and country level theories in CVD from different perspectives of developed and developing countries.

Originality/value – This study delivers an inclusive literature review of the current study approach on the theories of CVD and highlights some stimulating guidelines for future study.

Keywords Corporate voluntary disclosure, Environmental disclosure, Theories of CVD, Social responsibility, Review

Paper type Literature review

1. Introduction

Corporate voluntary disclosure (CVD) is measured theoretically significant for effective functioning of the capital market as it interconnects organizations' presentation and governance to the stakeholders and probable investors, which enhance their assurance. CVD mentions to an organization's management-free choice to deliver monetary, non-monetary, social, ecological and other pertinent additional information considered for taking appropriate decision of the annual report users (Masum *et al.*, 2020; Alipour *et al.*, 2019; Giannarakis *et al.*, 2017; El-Diftar *et al.*, 2017).

Shareholders are the maximum powerful investors to set increasing weight on organization to reach higher presentation and decrease information irregularity. Similarly, other participants such as government, staffs, wholesalers, suppliers, customers and society get benefits from the corporate voluntary information (Rashid *et al.*, 2020; Zaid *et al.*, 2020; Agyei and Yankey, 2019; Cabeza-Garcia *et al.*, 2017). There has been a cumulative request for functioning material that can be used by investors because of the presence of information irregularity. However, in spite of numerous growths, there is a silent deficiency of application of CVD in various countries which constitutes a key alarm for management and investors (Garanina and Aray, 2021; Singh and Chakraborty, 2021; Charumathi and Ramesh, 2020).

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Researchers have progressively been involved in considering the theories on CVD due to the inadequate CVD information in the organizations.

CVD is generally recognized by two key types of theories; economics-based theories (i.e. agency theory, signaling theory, resource dependence theory and impression management theory) and socio-political theories such as stakeholder theory, political economy theory, legitimacy theory, institutional theory and neo-institutional theory (Nguyen *et al.*, 2021; Bellamy *et al.*, 2020; Morales-Raya *et al.*, 2019; William *et al.*, 2018). However, the choice to usage a particular theory to support CVD practices contains both inside and outside contextualized features. These contextualized features are frequently associated with different kinds of corporation features in different states and capital markets. Several theories have been applied in the literature to significantly disclose voluntary information in the organizations such as agency theory (Pakawaru *et al.*, 2021; Nguyen *et al.*, 2021; Zaid *et al.*, 2020; Biswas *et al.*, 2019; Katmon *et al.*, 2019; El-Diftar *et al.*, 2017), signaling theory (Leung and Snell, 2021; Charumathi and Ramesh, 2020), resource dependence theory (Khan *et al.*, 2021), impression management theory (Morales-Raya *et al.*, 2019), stakeholder theory (Singh and Chakraborty, 2021; Charumathi and Ramesh, 2020; Rashid *et al.*, 2020; Buallay *et al.*, 2020; Waheed and Yang, 2019; Dias *et al.*, 2019; Hu *et al.*, 2018), political economy theory (Agyei and Yankey, 2019), legitimacy theory (Acar and Temiz, 2020; Hickman, 2020; Pitrakkos and Maroun, 2020; Rosa Portella and Borba, 2020; Al Fadli *et al.*, 2019; Ullah *et al.*, 2019; Garas and EIMassah, 2018; Sobhan *et al.*, 2018; William *et al.*, 2018), institutional theory (Akbar and Deegan, 2021; Bellamy *et al.*, 2020; Oliveira *et al.*, 2019; Russo-Spena *et al.*, 2018) and neo-institutional theory (Kilincarslan *et al.*, 2020; Alshbili and Elamer, 2020; Sekhon and Kathuria, 2020; Shahab and Ye, 2018).This variation findings of the earlier literature demands that need for an inclusive review of the theories in CVD works.

Additionally, a big figure of research in this field demonstrates the variety of the parts involving CVD that demands the want to evaluate the current information and deliver paths for upcoming scholars. It is distinguished that a partial work has been found that broadly reviews earlier works (Nuskiya *et al.*, 2021; Jeriji and Louhichi, 2021; Agyei and Yankey, 2019).

In this study, the researchers assess the theoretical approaches applied in the work, origin of theories, yearly trend, backgrounds and prior study findings.

The researchers established a search string using relevant keywords such as CVD, corporate social responsibility disclosure, environmental disclosure, agency theory, legitimacy theory and many others theories to search for studies in the Scopus database to identify the relevant study that was involved in this review. This search was limited to time period, scope of field and language. The initial sample was a number of 437 research documents that were subject to the screening process. This record was reduced further to a final sample of 55 documents. This study aims at finding out the answers of the following research questions:

RQ1. What is the origin of theories in CVD?

RQ2. What is the current trend of applying theories in CVD?

RQ3. What is the future direction of theories in CVD?

The findings can help the understanding of parties such as practitioners', regulators and potential investors of the theories in CVD from a combined and comprehensive view. It also adds to the body of knowledge by offering new insights into the potential impact of organizational level and country level theories in CVD from different perspectives of developed and developing countries. This research would also be understanding to governments, scholars, administrators and shareholders in general the discussions and importance of several aspects recognized in the literature, as well as theoretical approaches explored in the previous research.

The rest of the study is planned as follows. Section 2 describes the method of sample selection and refining criteria. Section 3 presents the theoretical framework, some basic concepts of theories about CVD and in-depth review of theories. Section 4 offers a trend of theories applied in the sample studies. Finally, Section 5 concludes this study and discusses future work.

2. Methodology

Researchers implemented the searching string for existing literature on theories in CVD by using the Scopus database to achieve a strong review of significant study method charted by Zamil *et al.* (2021), Khatib and Nour (2021) and Kong *et al.* (2020). It has been proposed that the Scopus database is one of the biggest abstract indexing databases that would help in not excluding or missing significant works from our study (Khatib and Nour, 2021; Yahaya *et al.*, 2020). This database also fulfills a wide range of subjects and offers advanced searching options that help researchers develop searching strings with accurate results, especially in the wide fields of Business, Management and Accounting.

2.1 Sample selection

The researchers developed the searching string using several recognizing interrelated keywords for collecting all significant literature to achieve the study objectives. The searching string is settled after studying similar literature (Kong *et al.*, 2020; Manz, 2019) and it includes: TITLE-ABS-KEY ((“Corporate voluntary disclosure” OR “Corporate voluntary information” OR “Corporate voluntary reporting” OR “Corporate social responsibility disclosure” OR “CSR disclosure” OR “Environmental disclosure” OR “Non-mandatory disclosure”) AND (Theories OR “Agency theory” OR “Legitimacy theory” OR “Stakeholder theory” OR “Signaling theory” OR “Institutional theory” OR “Resource dependence theory” OR “Political economy theory” OR “Impression management theory”)).

2.2 Refining criteria

The result of the preliminary search string mentioned above showed 437 documents from Scopus database that covers a wide array of research studies. The authors followed the refining criteria to stay within the boundary of the study objectives (Khatib and Nour, 2021). Firstly, the outcome was refined by limiting the year of publication within five years to concentrate on the more recent studies that resulted in 264 scholarly papers from the year 2017-2021(up to august). Secondly, the result was limited to scope of the field within Business, Management and Accounting as voluntary disclosure is generally covered by those disciplines. This modification displayed 203 documents. Thirdly, the result was refined within the published articles excluding conference proceedings, book chapters and review papers to put the boundary of more reliable papers for literature review. This result brought out 185 articles. Fourthly, the result was limited to English language only as the authors intended to write this review paper in this language that resulted 165 articles. Finally, the researchers screened the title and abstract of each article to consider the ultimate sample articles which address the theories of voluntary disclosure. Thus, 55 articles were selected by the researchers to review.

2.3 Process of searching literature

Flow chart of searching literature is shown in Figure 1.

Figure 1.
Flow chart of searching literature

Source(s): The authors

3. Review of literature

3.1 Theoretical framework

In the absence of generally recognized theoretical perception, researchers have applied a good number of theories to clarify the motivation for CVD. A brief summary of them is offered in Table 1. The theories on CVD basically differ in their fundamental expectations as economics-based theories undertake organization as normal economic unit working in the capital market (Nguyen *et al.*, 2021; Charumathi and Ramesh, 2020; Morales-Raya *et al.*, 2019), whereas sociopolitical theories reflect an organization to be a part of a wider social system (Singh and Chakraborty, 2021; Charumathi and Ramesh, 2020; Bellamy *et al.*, 2020; William *et al.*, 2018). Though these theories offer different perceptions on the similar matter, the choice to use a specific theory depends on both internal and external contextualized motivations of the administrators. The theoretical framework is represented in Figure 2.

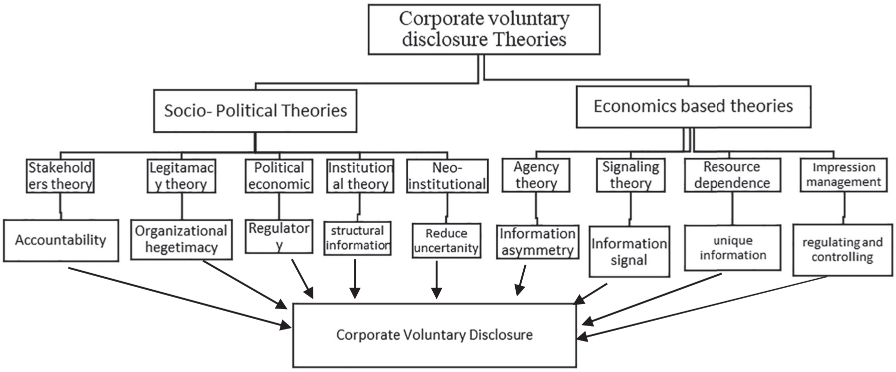
Theories	Viewpoints of theory foundation	Key reason
Agency theory (Ross, 1973)	Companies are considered by separation of ownership and management that generate information asymmetry between owners and managers as the earlier is measured to have well access to information than the latter	The first motive is to improve the monitoring of managers by boards; the second motive is to analyse the dynamic achievement and merger marketplace which corrects badly-behaved managers; the third motive is to insure investors benefits by the principal managers (Zaid *et al.*, 2020; Biswas *et al.*, 2019)
Legitimacy theory (Dowling and Pfeffer, 1975)	The legitimacy theory is founded on the concept of a community agreement that happens among the society and civilization	Initially, the events established by corporation's requirement with social morals of the civilization in which it functions. Next, individuals' events is to be acquiesced to the society through the disclosure made by the corporation (Al Fadli *et al.*, 2019; Syed and Butt, 2017)
Stakeholder theory (Freeman, 1984)	The task of executives is to create as much value as possible for stakeholders without resorting to adjustments. Great companies endure because they manage to get stakeholder interests aligned in the same direction."	Corporation can improve the attention of its stakeholders without damaging the interests of its wider stakeholders (Buallay *et al.*, 2020; Dias *et al.*, 2019)
Signaling theory (Spence, 1973)	Employed the labor market to perfect the signaling sense of instruction. Potential employer's deficiency information about the quality of job candidates. Consequently, the candidates gain instruction to signal their quality and reduce information irregularities	Useful for describing behavior when two parties (individuals or organizations) have access to different information (Leung and Snell, 2021; Charumathi and Ramesh, 2020)
Institutional theory (Meyer and Rowan, 1977)	Organizations reflecting institutionalized environments maintain gaps between their formal structures and their ongoing work activities	Properties are appropriately assigned, and confirmed that those persons with fewer financial properties are protected. They also encourage belief by providing monitoring and justice systems which follow to a public set of rules (Akbar and Deegan, 2021; Bellamy *et al.*, 2020)
Neo-institutional theory (Meyer and Rowan, 1977; DiMaggio and Powell, 1983)	Neo-institutional theory provides a suitable conceptual narrative for understanding the context of corporate voluntary disclosure. Neo- institutional theory fundamentally argues for the need of firms to align extant organizational practices with institutionalized norms and structures in a given organizational field	Neo-institutional theory highlights on three evaluates (1) institutes in the society, (2) governance instrument and (3) actors (Alshbili and Elamer, 2020; Shahab and Ye, 2018)
Impression management theory (Goffman, 1959)	Impression management is the effort to control or influence other people's perceptions	There are two main motives for trying to manage the impressions of others: instrumental and expressive. Instrumental motivation is the gaining of rewards and expressive motive comes down to wanting to be in charge of one's personal behavior and identity (Morales-Raya *et al.*, 2019)

(*continued*)

Table 1.
Corporate voluntary disclosure theories

Theories	Viewpoints of theory foundation	Key reason
Political economy theory (Gray *et al.*, 1996)	Political economy theory does not focus solely on wealth maximization and economic self-interest, but considers the overall political, social and institutional framework within which firms exist and operate	Voluntary disclosure as a strategic tool in achieving organizational goals and manipulating their stakeholders' attitude to a desirable level (Agyei and Yankey, 2019)
Resource dependence theory (Pfeffer and Salancik, 1978)	Resource dependence theory is concerned with how the external resources of organizations affect the behavior of the organization	Organizations typically build joblessness into resource acquisition in order to reduce their reliance on single sources (Khan *et al.*, 2021)

Table 1.



Source(s): The authors

Figure 2.
Theoretical framework of CVD

3.2 Idea of corporate voluntary disclosure

The term CVD as defined by Financial Accounting Standards Board (FASB, 2001), mainly includes the statements that are not clearly mandatory by generally accepted accounting principles (GAAP) or specific rules of the country. CVD literature commences that uniform under the most competent market complaint, managers own greater information about organizations expected future performance as compared to others (Singh and Chakraborty, 2021; Hickman, 2020; Griffin and Youm, 2018). Since CVD is based on managers' pleasure, the decision to disclose greater information is observed in terms of cost and benefit to them under motives of their different stock market. These market-based motives contain:

(1) Reducing cost of equity capital as increased disclosure reduces investors' uncertainty about the disclosing organization, which consequently leads to higher stock prices and thus decreasing the cost of equity capital (Alipour *et al.*, 2019; Russo-Spena *et al.*, 2018; Hu *et al.*, 2018);

(2) Improving market liquidity as increased disclosure meaningfully reduces information asymmetry among both knowledgeable and ignorant investors, which in go progresses future liquidity of organizations' safeties (Jeriji and Louhichi, 2021; Bellamy *et al.*, 2020; Acar and Temiz, 2020);

(3) Stock compensation inspiration as managers disclose private information opportunistically in order to increase stock prices, especially when their

compensation is linked to stock price (Singh and Chakraborty, 2021; Sekhon and Kathuria, 2020; Biswas *et al.*, 2019); and

(4) Management talent signaling as managers are more motivated to make voluntary earnings forecasts to reveal their power (Rashid *et al.*, 2020; Ullah *et al.*, 2019; Cabeza-Garcia *et al.*, 2017).

Though, CVD is not costless as it leads to: (1) proprietary cost or competitive disadvantage (Pakawaru *et al.*, 2021; Al Fadli *et al.*, 2019); (2) expenditures as to information construction and dissemination (Garanina and Aray, 2021; William *et al.*, 2018); (3) cost of litigation (Rosa Portella and Borba, 2020; Yook *et al.*, 2017); and (4) political cost (Acar and Temiz, 2020; Syed and Butt, 2017). Consequently, while determining about the content and level of CVD, a trade-off between several costs and benefits is achieved (Matozza *et al.*, 2019; Kouloukoui *et al.*, 2019).

3.3 Origin of theories for corporate voluntary disclosure

Corporate voluntary disclosure theories is shown in Table 1.

3.4 Theoretical approach for corporate voluntary disclosure

3.4.1 Agency theory. Agency theory has been used as a theoretical approach expected at explaining the leanings and inspirations for the extent of corporate voluntary information (Nguyen *et al.*, 2021; Pakawaru *et al.*, 2021; Nuskiya *et al.*, 2021; Zaid *et al.*, 2020). Corporations need to achieve associative relations between investors, proprietors (principals) and managers (agents) in a way that avoids conflicts of interest and agency difficulties (Zaid *et al.*, 2020). In this collaboration, one of the parties (agent) acts in the name of the other (principal), but with their independence to expertise an initiative, there is a need to pursue replacements that alleviate the opportunity of conflicts of interest. If the benefits of the principals and the managers are not in arrangement, then an informational irregularity can rise. The bias is normally on the side of managers who have inside access to well information associated to the not so useful information of stakeholders and shareholders (Garcia *et al.*, 2020; Biswas *et al.*, 2019). Agency theory indicates that the heterogeneity of firms' performance origins from their internal resource endowment that is "valuable, rare, unique, and non-substitutable", which can create a superior competition (Katmon *et al.*, 2019).

Sadou *et al.* (2017) state that when the agent-principal agreement is results-based, the agent is more possible to serve the principal's interests. According to agency theory, the principal accepts the loss of a fractional part of their wealth to get the best administrative presentation from the agent in compensation (Masum *et al.*, 2020). Thus, the theory posits that managers will make social information available only if the benefits of disclosure exceed the associated costs and thereby indorse their good.

Capital proprietorship, especially the presence of a large combination of central shareholders devoted to a company's subsistence and reputation, makes it more likely that social and environmental financial performance will be exploited along with level of disclosure (Pakawaru *et al.*, 2021; Nuskiya *et al.*, 2021; Sadou *et al.*, 2017).

In summary, agency theory proposal various clarifications for disclosure including companies being accomplished by professionals and not by owners (Zaid *et al.*, 2020), disclosure being used to reduce informational irregularity (Nuskiya *et al.*, 2021; Alipour *et al.*, 2019) and corporations having skilled board members who support the interests of all stakeholders and not only of the shareholders who appoint them. Managers are interested to publish comprehensive information on corporate social performance, to reduce agency cost.

3.4.2 Legitimacy theory. The legitimacy theory is based on the notion of a social contract that exists between the organization and society (Acar and Temiz, 2020). Companies operate under the rules and limits of the societies in which they operate. Thus, the companies will have to be sure that its activities are in agreement, or are perceived as being in agreement, with the norms and values of the society, to prevent the disruption of the contract, losing its legitimacy (Rosa Portella and Borba, 2020). This theory focuses on the recognition of society, i.e., on the adequacy of corporate social behavior (Al Fadli *et al.*, 2019). This means that society judges enterprises through the image that companies create of themselves. The only way for companies to survive is "if the society where they are inserted realize that the company is operating according to a set of values that are beneficial to society" (Ullah *et al.*, 2019). Thus, companies can establish their legitimacy by matching their performance with the expectations and perceptions of society itself. Legitimacy problems occur when there is a gap between society's expectations and the perceptions about the social behavior of the company (Kouloukoui *et al.*, 2019; Lin, 2019). From a manager's perspective, a company's disclosure is a public relations tool used to influence how outsiders, as well as stakeholders, view the organization (Giannarakis *et al.*, 2017). Based on legitimacy theory, the disclosure process is a way of providing visibility, but it is what the company chooses to disclose and how they do it that ensures the actions are seen as legitimate (Garas and ElMassah, 2018).

In short, the theory of legitimacy comprises two essential factors. Firstly, the activities developed by companies must be in accordance with social values of the society in which it operates. Secondly, those activities must be submitted to the society through the disclosure made by the company.

3.4.3 Stakeholder theory. Stakeholder theory is managerial, in that it recommends attitudes, structures and practices and requires that simultaneous attention be given to the interests of all legitimate stakeholders (Singh and Chakraborty, 2021). Stakeholder theory is that an organization can enhance the interest of its stockholders without damaging the interests of its wider stakeholders. Any identifiable group or individual who can affect the achievement of an organization's objectives, or it is affected by the achievement of an organization's objectives (Rashid *et al.*, 2020). Stakeholder theory is allocating importance to the value of different groups of stakeholders. Any organization or person that can affect or be affected by the policies or activities of any entity is called stakeholders. Stakeholder theory basically depends on the assumption that firms need to manage their relationship with their stakeholders in order to survive. Waheed and Yang (2019) mentioned that according to the stakeholder theory, reporting on specific types of information can be used to attract and maintain particular groups of stakeholders. For example, if a powerful individual or group is interested in firm's social activities, then disclosing information about social performance is essential to attract and maintain their interest. This view goes in line with the work of (Hu *et al.*, 2018), who pointed out that the stakeholder theory must be based on power, urgency and legitimacy.

3.4.4 Institutional theory. The institutional theory is initiated in a study by Meyer and Rowan (1977), in which they demanded that several administrative structures arise as a reflection of reorganized institutional guidelines centered on intellectual organizations that constitute actors. These ideas quickly gained prominence as a popular and powerful explanation for individual and organizational actions (Garcia *et al.*, 2020; Akbar and Deegan, 2021; Bellamy *et al.*, 2020; Oliveira *et al.*, 2019) in which a range of principal actors and discourses interact to institutionalize reporting and disclosure practices (Rahman *et al.*, 2019). Thus, the institutional theory emphasizes the value of organizational compliance with practices and procedures that are predominant in the institutional environment, as well as adherence to external rules and norms (Griffin and Youm, 2018). Various studies examined the mechanisms of change, institutional, coercive, mimetic and normative isomorphism, as well as the effects of institutional pressures on voluntary disclosure (Pucheta-Martinez and Gallego-Alvarez, 2018; Rahman *et al.*, 2019; Oliveira *et al.*, 2019). Institutional pressures, together with well-informed, proactive communicators, have a strong influence on organizations' decisions to engage in meaningful disclosure (Biswas *et al.*, 2019; Bellamy *et al.*, 2020). Thus, for institutional theory, disclosure is explained as a reaction to institutional and external pressures, given that these are both considered in the process of constructing social identity (Akbar and Deegan, 2021; Boura *et al.*, 2020), as well as carried out to achieve internal legitimacy and compliance with formally institutionalized processes (Biswas *et al.*, 2019; Oliveira *et al.*, 2019).

3.4.5 Signaling theory. Signaling theory is attentive on information irregularity among parties that are involved in the distribution of corporation funds (Spence, 1973). Monetary markets are created on promised associations that happen under contradictory situations where, if one actor benefits, another loses. Promised associations reflect financial decisions which, when approached reasonably are built on the value, the consistency and the appropriateness of information associated to the promised "Insiders (Executives and Proprietors) know better"–When organization's future honestly looks good then executives will select to increase funding through debt (or Bonds or Loan) because they do not want to share the economic gain with more shareholders. Rather they prefer to take on debt and pay a small interest to the debt holders. There is almost no risk of default. When firm's outlook looks bad, then managers will choose to raise capital by issuing equity (or Stock) to be able to share the likely losses among more shareholders (Owners). If they took debt and could not repay it, they might default and be forced to go bankrupt (Rouf, 2017).

According to signaling theory, lenders and investors (principals) require companies who are seeking for capital (agents) to provide information about their performance. The management, therefore, is naturally induced to send signals to the market (Charumathi and Ramesh, 2020; Rouf, 2017). Signaling theory transmit signals to the market about the performance of company. If the company is performing well, signaling theory will provide good signal to the market. One the other hand, if the company does not perform well then the signaling theory will provide bad signal to the market. Signaling theory goes so far as to posit that the most profitable companies signal their competitive strength by communicating more and better information to the market.

3.4.6 Neo-institutional theory. Neo-institutional theory offers an appropriate theoretical story for considering the situation of CVD. Neo-institutional theory basically contends for the requirement of companies to align present organizational performs with institutionalized norms and structures in a given organizational field (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Saha and Kabra, 2020). Organizations uphold societal values and expectations, thereby sustaining institutionalized norms and beliefs within a given organizational field.

DiMaggio and Powell (1983) have recognized three types of institutional isomorphic weight, meaning the different stages of conformance predictable of organizations by external stakeholders: derivative, normative and coercive. Coercive isomorphism would compel substantive engagement in certain practices as a result of their being required by powerful external stakeholders, such as a country's national government through legislation, while normative isomorphism would result from a need to align organizational practices with the collective societal norms of expected behaviors as promoted by institutional stakeholders such as NGOs or professional accounting bodies (Saha and Kabra, 2020). In the absence of coercive or normative pressures, mimetic isomorphism is more likely. This is a type of comparative behavioral pressure, pressing organizations to follow the CED practices of their competitors in order to level the playing field and thereby maintain their competitive advantages within the organizational field. Organizational conformance arising out of adhering to these institutional pressures would ultimately enable organizations to attain legitimacy from salient institutional (and other) stakeholders.

4. Trend of theories applied in the sample studies

Theories applied in the sample studies are shown in Table 2.

SN	Source	Theory	Objectives
1	Pakawaru *et al.* (2021)	Agency theory	To investigate the effect of CSR disclosure on earnings management and the effect of earnings management on CSR disclosure
2	Nguyen *et al.* (2021)	Agency theory	To the knowledge of CSR literature in many different aspects
3	Gerged *et al.* (2021)	Neo-institutional theory	To find a relationship between corporate social and environmental disclosure and firm value (FV) or accounting profitability
4	Akbar and Deegan (2021)	Institutional theory	How the social and environmental information disclosed by organizations?
5	Nuskiya *et al.* (2021)	Agency Theory, Legitimacy Theory, Stakeholders Theory	To explore the levels of, and trends in corporate environmental disclosure (CED)
6	Garcia-Sanchez *et al.* (2021)	Stakeholders Theory	To fill this important gap through the analysis of the impact of environmental innovation on the level of integrated environmental information disclosed by companies and the analysis of environmental performance as a mediating factor in this relationship
7	Khan *et al.* (2021)	Resource-dependence theory	To examine the influence of board diversity on the quality of CSR disclosure (QCSR)
8	Garanina and Aray (2021)	Legitimacy theory and agency theory	Examines whether foreign shareholders, foreign board members, and cross-listing, are related to corporate social responsibility (CSR) disclosure in Russia
9	Singh and Chakraborty (2021)	Stakeholder theory	To empirically examine the relationship between corporate social responsibility disclosure (CSRD) and financial performance (FP) in Indian firms
10	Jeriji and Louhichi (2021)	Legitimacy theory, agency theory and organizational stigma theory	To investigate the relationship between hard, negative corporate social responsibility (CSR) information disclosure and corporate social performance
11	Leung and Snell (2021)	Agency theory and signaling theory	How firms in the gambling industry manage their corporate social disclosures (CSDs) about controversial issues?
12	Boura *et al.* (2020)	Stakeholder theory and institutional theory	To explain what determines corporate environmental disclosure
13	Zaid *et al.* (2020)	Agency Theory	To examine the impact of stakeholder engagement mechanism in the form of professional shareholders on the corporate social responsibility
14	Charumathi and Ramesh (2020)	Signaling theory	To investigate the effect of voluntary corporate disclosures on the firm value from the market value perspective
15	Charumathi and Ramesh (2020)	Stakeholder theory	To examine the impact of voluntary CSR disclosure on financial performance (FP) in the Sub-Saharan banking sector by comparing the top-ranked banks in Mozambique and the Republic of South Africa

Table 2.
Theories applied in the sample studies

(*continued*)

SN	Source	Theory	Objectives
16	Kilincarshan *et al.* (2020)	Neo-institutional theory	To investigate the impact of corporate governance structures on environmental disclosure practices in the Middle East and Africa
17	Rashid *et al.* (2020)	Stakeholder theory	To examine the association between Chief Executive Officer (CEO) power and the level of corporate social responsibility (CSR) disclosure
18	Acar and Temiz (2020)	Legitimacy theory	To investigate the association between environmental performance of firms and the level of voluntary environmental disclosure in emerging markets
19	Masum *et al.* (2020)	Agency Theory, stakeholder theory	To investigate the impact of ownership structure on corporate voluntary disclosure in the listed companies of Bangladesh
20	Hickman (2020)	Legitimacy theory	To investigate the motivations behind the publication of corporate social responsibility (CSR) reports, and particularly the effect of information asymmetry between firms and their owners
21	Pitrakkos and Maroun (2020)	Legitimacy theory	To examine the differences in quality and quantity of disclosures dealing with greenhouse gas emissions among companies with a relatively large or small carbon footprint
22	Rosa Portella and Borba (2020)	Legitimacy theory	To contribute to the area of environmental accounting, as it investigates whether the companies are located in different countries, from different sectors
23	Bellamy *et al.* (2020)	Institutional theory	To examine the theoretical and empirical understanding of whether and how administrative environmental innovations
24	Alshbili and Elamer (2020)	Neo-institutional theory	To examine the influence of the institutional environment on the adoption of Corporate Social Responsibility Disclosure (CSRD) in Libya
25	Buallay *et al.* (2020)	Stakeholder theory	To investigate the relationship between corporate social responsibility (CSR) disclosure and firms' operational
26	Sekhon and Kathuria (2020)	Neo-institutional theory	To examine the relationship between corporate social responsibility (CSR) and financial performance
27	Matozza *et al.*, 2019	Legitimacy theory	To examine whether firms in polluting industries improve their environmental performance to effectively repair their financial reputation in the aftermath of an accounting restatement – a financial reputation-damaging event
28	El Gammal *et al.* (2020)	Agency Theory, stakeholder theory	To examine the relationships among CG, CSR and ethical practices
29	Agyei and Yankey (2019)	Political economy, legitimacy and stakeholder theory	To assess the motivations of timber firms in Ghana to undertake environmental accounting and reporting

(*continued*)

Table 2.

SN	Source	Theory	Objectives
30	Waheed and Yang (2019)	Stakeholder theory	To investigate the impact of CSRD practices
31	Oliveira *et al.* (2019)	Institutional Theory	To explore the firm's and country-level institutional forces that determine banks' CSR reporting diversity
32	Dias *et al.* (2019)	Stakeholder theory	To investigate whether there are significant differences in CSR disclosure (CSRD) practices between SMEs and large Portuguese companies
33	Al Fadli *et al.* (2019)	Legitimacy theory	To investigate whether board gender diversity influences corporate social responsibility (CSR) reporting in Jordan
34	Alipour *et al.* (2019)	Agency theory and stakeholder theory	To link environmental disclosure quality (EDQ) to firm performance and examine the moderating role of board independence in this relationship
35	Biswas *et al.* (2019)	Agency theory	To examine how the introduction of the 2006 Corporate Governance (CG) Guidelines and family governance affected the level of the corporate social responsibility (CSR) reporting of non-financial companies in Bangladesh
36	Morales-Raya *et al.* (2019)	Impression management theory	To examine how a firm's environmental practices, create its environmental reputation
37	Katmon *et al.* (2019)	Agency theory	To examine the relationship between wide-ranging board diversity and the quality of corporate social responsibility (CSR) disclosure variables in Malaysia
38	Rahman *et al.* (2019)	Institutional theory	To identify the indirect impact of carbon pricing initiatives on the voluntary environmental disclosures (VEDs) of electricity generating companies
39	Kouloukoui *et al.* (2019)	Legitimacy theory	To disclose information on climate change risks in order to inform investors and stakeholders
40	Ullah *et al.* (2019)	Legitimacy theory	To examine the association between corporate governance and the extent of corporate social responsibility (CSR) disclosures in insurance companies
41	Shahab and Ye (2018)	Neo-institutional theory	This study delves into an interesting nexus of corporate governance mechanism and corporate social responsibility (CSR) disclosure in the Chinese listed firms
42	Garas and ElMassah (2018)	Legitimacy theory	To explore the impact of corporate governance (CG) on the corporate social responsibility (CSR) disclosures
43	Hu *et al.* (2018)	Stakeholder theory	To examine the relationship between ownership type and the likelihood of publication of a corporate social responsibility (CSR) report

Table 2.

(*continued*)

SN	Source	Theory	Objectives
44	Griffin and Youm (2018)	Institutional theory	To examine whether profit-seeking predictions from the traditional theory of CSR behavior hold within an Eastern context.
45	Pucheta-Martinez and Gallego-Alvarez (2018)	Institutional theory and Stakeholder theory	To examine how institutional features such as investor protection, ownership dispersion and market-oriented financial systems impact on environmental reporting policies of firms in different countries
46	Russo-Spena *et al.* (2018)	Institutional theory	To focus on corporate social responsibility (CSR) disclosure practices of multinational corporations
47	Sobhan *et al.* (2018)	Legitimacy theory	To find out to what extent companies in Bangladesh assure their CSR activities
48	Giannarakis *et al.* (2017)	Legitimacy theory	To investigate the effect of environmental performance on the environmental disclosure level
49	Syed and Butt (2017)	Legitimacy theory	To lower the knowledge gap by exploring the degree of corporate social responsibility disclosures (CSRD) made by top Pakistani (Karachi Stock Exchange [KSE] 100 listed non-financial) companies
50	Sadou *et al.* (2017)	Agency and legitimacy theory	To examine whether there is any improvement in the extent and quality of corporate social responsibility disclosures (CSRD) in Malaysia
51	Yook *et al.* (2017)	Legitimacy theory	To examine whether the amount of costs disclosed as relating to environmental controls is associated with environmental performance in terms of carbon-based eco-efficiency
52	Cabeza-Garcia *et al.* (2017)	Stakeholder theory	To examine how family control and influence, the power exercised by other large shareholders and their identity contribute to firms' CSR disclosure practices
53	William *et al.* (2018)	Legitimacy theory	To examine the effect of corporate governance and degree of multinational activities (DMAs) on corporate social responsibility disclosures (CSRD) within the context of a developing country
54	El-Diftar *et al.* (2017)	Agency Theory	To demonstrate that characteristics of the board of directors and ownership structure influence the level of voluntary disclosure
55	Elfeky (2017)	Legitimacy theory	To test a theoretical framework relating eight major corporate governance determinants with the extent of the voluntary disclosure provided by listed firms listed on Egyptian Stock Exchange

Table 2.

The trend of theoretical valuation of the current works presented that 10 dissimilar theoretic approaches were applied in the review of literature. Legitimacy theory appears to be the most used theoretical methods in the literature which opposes the view that stakeholder theory and agency theory are the more applicable background in the study (Table 3).

Legitimacy theory was used in 18 studies in our sample literature. It assumes that business organizations have a social impact with the public community, and consequently agree for a higher degree of CVD to assurance the compliance with the regulation and ethics of the public community, somewhere mandatory reporting is not adequate (Acar and Temiz, 2020; García-Sánchez, 2021; Rosa Portella and Borba, 2020; Ullah *et al.*, 2019; William *et al.*, 2018).

Stakeholder theory was applied in 15 articles and it indicates that corporations had choice to precisely assess the potential influence on companies' voluntary disclosure practices of the different stakeholders within the community. The fundamental concept which arises from the arena of strategic management is that structural reporting is a decision-making instrument for supervising the knowledge requirements of the targeted stakeholder groups. Managers use the information to control or activate the key stakeholder to obtain the resources required to survive (Singh and Chakraborty, 2021; Rashid *et al.*, 2020; Waheed and Yang, 2019).

Agency theory has been applied 14 times to specifically highlight the relationship between two different parties, usually a principal and an agent. This relationship results in what is known as the principal–agent problem. This principal–agent problem results from information asymmetry, where both parties have access to different levels of information, leading to agency conflict (Nguyen *et al.*, 2021; Biswas *et al.*, 2019; Sadou *et al.*, 2017). So, organization had recourse to the disclosure of additional information on a voluntary basis to reduce the agency cost resulted from ownership separation (Zaid *et al.*, 2020; Masum *et al.*, 2020; Katmon *et al.*, 2019).

Institutional theory was used in eight articles and assumes that roles and actions taken to offer a more transparent corporate environment will differ under different systems, circumstances and cultures, and what is accepted in one environment may not be accepted in another (Akbar and Deegan, 2021; Oliveira *et al.*, 2019; El-Diftar *et al.*, 2017). So, this proposes that institutional investors should not be treated as one homogenous group. Institutional managers have different objectives, so they will tend to behave differently, causing different firm outcomes (Bellamy *et al.*, 2020; Pucheta-Martinez and Gallego-Alvarez, 2018).

Neo-institutional theory has been used in five studies to explain that by integrating established institutional norms, guidelines, principles and practices into organizational processes, legitimacy can be accomplished (Gerged *et al.*, 2021; Sekhon and Kathuria, 2020).The efficiency perspective of neo-institutional theory suggests that organizations comply with coercive, normative and mimetic pressures not only to improve their image/reputation, but also to gain competitive advantage, including securing access to crucial resources and commitment to the society (Alshbili and Elamer, 2020; Shahab and Ye, 2018).Such commitment may also enhance corporate efficiency by diminishing information asymmetry between stakeholders (Kilincarshan *et al.*, 2020).

Table 3.
More applicable theories applied in the sample studies

Theories	2017	2018	2019	2020	2021	Total	%
Legitimacy theory	5	2	4	4	3	18	27.27
Stakeholder theory	1	2	4	6	2	15	22.73
Agency theory	2		3	3	6	14	21.21
Institutional theory		3	2	2	1	8	12.12
Neo-institutional theory		1		3	1	5	7.58
Signaling theory				2	1	3	4.55
Resource dependence theory					1	1	1.52
Political economy theory			1			1	1.52
Impression management theory			1			1	1.52
Total	8	8	15	20	15	66	100

Signaling theory was applied three times and argues that businesses with high rates of CVD aim to reduce information asymmetries and signal the efficiency and actual level of the corporate by supplying more data to entities lacking information and implies that well-performing corporations also use additional details as a signaling mechanism on the markets (Leung and Snell, 2021; Charumathi and Ramesh, 2020; Arena *et al.*, 2020).

The other theories have been used one time only in the resource dependence theory, political economy theory and impression management theory. It should be noted that due to the absence of significant theoretical underlying structure and the subjective knowledge that affects the recognized prior research failed to provide an accurate measure of sustainable reporting quality. Also, some issues have to lack theoretical support from the commonly used theories such as agency theory, legitimacy theory and stakeholder's theory (Nuskiya *et al.*, 2021; Garanina and Aray, 2021; Jeriji and Louhichi, 2021; El Gammal *et al.*, 2020). Taking reviewed literature, the researchers believe that more work is required to discover theories that have been used in a limited study such as signaling, resource dependence, political economy and impression management theories (Khan *et al.*, 2021; Arena *et al.*, 2020; Morales-Raya *et al.*, 2019; Agyei and Yankey, 2019).

5. Conclusion and further study

This study has carefully presented the state of the literature on the theories of CVD by means of a comprehensive assessment of the existing study. The purpose was to demonstrate the variety of theories used in the previous literature. A general search has been passed out with the use of some keywords in the Scopus database to identify the appropriate study that involved in this assessment. The initial sample was 437 documents and these documents were reduced further to a final sample of 55 documents. The sample document assessed the theoretical approaches applied in the literature, origin of theories, yearly trend, research settings, prior research findings and provided some suggestion for further study.

This study contributes to the current literature on the theories of CVD by offering an inclusive review of the existing literature. The study differs from the prior review literature as it is the first to provide a systematic literature review on the theories of CVD to the more traditional literature review. This research would also be understanding to governments, scholars, administrators and shareholders in general the discussions and importance of several aspects recognized in the literature, as well as theoretical approaches explored in the previous research.

This study has some limitations; some articles may have been omitted unintentionally. Several key works were only used in the searching process in the Scopus database. Future study could be used more database than one database. Also, the search string applied in the study was limited to year, area of study, article and language.

Having reviewed the literature, the researcher observed that legitimacy, agency and stakeholder theories are most applied than the others. The researcher also believe that more study needs to use theories of CVD that have been applied in a limited study such as neo-institutional, signaling, resource dependence, political economy and impression management theories. Future studies should be considered multiple theoretical approaches in better understanding of CVD.

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