Sustainability Accounting, Management and Policy J

When a sector-specific standard for non-financial reporting is not enough: evidence from microfinance institutions in Italy

Journal:	*Sustainability Accounting, Management and Policy Journal*
Manuscript ID	SAMPJ-06-2021-0253.R5
Manuscript Type:	Research Paper
Keywords:	sector-specific reporting standard, non-financial reporting, hybrid organisations, cooperative banks, monologic and dialogic accounting

When a sector-specific standard for non-financial reporting is not enough: evidence from microfinance institutions in Italy

Abstract

Purpose: This paper investigates the application of the Italian Banking Association (ABI) industry-specific reporting standard in microfinance institutions by determining whether or not a banking sector reporting standard can enhance non-financial reporting (NFR) *quality* and *volume* to meet stakeholders' information needs in the specific setting investigated.

Design/methodology/approach: This paper develops an analysis of available ABI documents from 2006 to 2013 to conduct a content analysis of the quality and volume of the NFR of 98 Italian cooperative banks (CBs) during the 2008–2009 ABI implementation year. These data are analysed using two regression models to investigate the quality and volume of NFR disclosures.

Findings: Our findings suggest that for CBs in the Italian banking sector, the information provided in the non-financial reports in adherence to the ABI sector reporting standard is relevant in terms of both volume and quality. However, when investigating specific categories of disclosure such as the community, the relevance of the ABI reporting standard is fairly low. The authors question the 'one-size-fits-all' approach favouring a more sector-tailored approach to ensure that the NFR covers key sectoral concerns.

Practical implications: The high heterogeneity in the sector could negatively affect the capability of sector-specific standards to truly foster reliable, complete and extensive NFR. Therefore, NFR standard-setters, such as the International Sustainability Standards Board, should consider these heterogeneities.

Social implications: Reporting standardisation should be multi-voiced and include different—even contrasting—perspectives to promote expert and non-expert engagements.

Originality: This paper focuses on hybrid organisations and shows how the theoretical approach of dialogic accountability can improve the quality of sector-specific reporting standards.

Keywords: sector-specific reporting standard; non-financial reporting; hybrid organisations; cooperative banks; monologic and dialogic accounting

Article classification: Research paper

When a sector-specific standard for non-financial reporting is not enough: evidence from microfinance institutions in Italy

1. Introduction

This paper investigates the application of the Italian Banking Association (ABI) industry-specific reporting standard in microfinance institutions. It determines whether or not banking sector reporting standards can enhance non-financial reporting (NFR) *quality* and *volume* to meet stakeholders' information needs in specific settings. The paper contributes to the debate on the standardisation of NFR by focusing on the peculiarities of hybrid organisations that combine commercial and community goals.

The need for NFR standardisation has become evident after observing the growing number of frameworks and guidelines that national and international bodies have developed for disclosing the social and environmental impacts of company activities (Adams and Abhayawansa, 2022; Tschopp and Huefner, 2015; Eccles *et al*., 2012; Gray, 2002; Rasche, 2010; Etzion and Ferraro, 2010; Giner and Luque-Vílchez, 2022).

The increasing relevance of this topic is further underscored by the recent ambitious initiatives launched by the International Financial Reporting Standard Foundation (IFRS), one of the most prominent accounting standard-setters worldwide, and by the European Commission (EC) in collaboration with the European Financial Reporting Advisory Group (EFRAG) (Giner and Luque-Vílchez, 2022). In September 2020, the IFRS Foundation explored the creation of a globally accepted NFR standard through the International Sustainability Standards Board (ISSB) (IFRS, 2020). This decision was motivated by the aim to achieve comparability and consistency to allow businesses to build public trust through greater transparency of their sustainability initiatives (IFRS, 2020).

The harmonisation process in the realm of NFR standards mimics the process that started more than 40 years ago in the financial reporting field (Giner and Luque-Vilchez, 2022). Thus, harmonisation in NFR is an important goal that needs to be achieved at a global level.

Notably, Adams and Abhayawansa (2022) contended that the following three myths underpin the IFRS Foundation's approach and the idea of ISSB: i) an urgent need for a global sustainability standard-setting body; ii) financial materiality, and iii) consistent and comparable metrics. In the authors' opinion, these myths 'are fuelled by a lack of analysis of the alternatives, an overestimation of the IFRS Foundation's expertise and mischaracterisation of sustainable development financing' (Adams and Abhayawansa, 2022, p. 10), thereby putting into question the idea of harmonisation as promoted by the IFRS Foundation.

Furthermore, when contemplating NFR harmonisation, it is important to highlight that the IFRS Foundation's view is conceptualised and designed for large for-profit organisations, whereas the role of small organisations characterised by a hybrid mission remains marginalised to some extent. However, the need for measuring hybrid organisations' performances, including their social and environmental effects, has grown, and much effort has been exerted towards this endeavour (Costa and Pesci, 2016). Similar to the current debate around the ISSB, in the hybrid or non-profit domain, the most salient debate around the NFR involves two main positions: on the one hand, there is the idea of a 'golden standard' that can encompass many varieties and differences and is, therefore, strongly generalisable (Ray, 2018); on the other hand, there is the idea of a more sector-specific reporting standard to ensure that sustainability reports cover key sectoral concerns (Eccles *et al.*, 2012).

The importance of considering the peculiarities of various sectors has been recognised by the Global Reporting Initiative (GRI), which has highlighted the limitations associated with the 'one-size-fits-all' approach and has developed the Sector Supplement (SS) guidelines within the G4 release to underscore the importance of identifying the peculiarities of each sector. Notably, despite the call for academic research on standardisations in NFR (Tschopp and Huefner, 2015; Eccles *et al.*, 2012) and the recent standard-setter debate within the IFRS Foundation (IFRS 2020, 2021, 2022; Adams and Abhayawansa, 2022), few academic studies have investigated the need for sector-specific reporting standards in hybrid contexts (Rasche, 2010; Eccles *et al.*, 2012; Slacik and Greiling, 2020). Consequently, there is an exigency to investigate further the challenges involving the adoption and implementation of sector-specific reporting standards and their impacts on the quality and volume of NFR in different organisational settings to better reflect on the need (or lack thereof) to define a single set of 'golden' sustainability reporting standards.

To address this urgent call, this paper focuses on implementing the ABI sector-specific reporting standard in the Italian microfinance sector, with the ultimate goal of determining whether or not banking sector reporting standards can enhance the NFR *quality* and *volume* of disclosures to meet stakeholders' information needs. In detail, the paper focuses on a specific form of the microfinance institution, namely, cooperative banks (CBs), which combine both community and commercial goals (Jäger and Beyes, 2010).

Therefore, this paper analyses the application of the ABI sector-specific reporting standard to Italian CBs to determine whether it is tailored sufficiently to include the peculiarities of microfinance institutions. In this paper, we argue that if the volume and quality of ABI information are lower than the volume and quality of the additional information (Non-ABI) disclosed in the non-financial reports, the ABI sector-specific standard is not sufficient to justify the need for a 'golden' sector-specific reporting standard and, therefore, a more tailored approach is needed.

The ABI reporting standard applies to all types of banks in Italy. However, CBs have developed another industry-specific standard, namely, the *Federcasse*, which informs CBs on how to include Non-ABI information concerning the specificities of microfinance institutions.

The paper develops an analysis of the ABI standard from 2006 to 2013 to understand the process of building, designing and implementing the standard. *Then*, the paper develops a content analysis (Milne and Adler, 1999) of the quality and volume of the non-financial disclosures of 98 Italian CBs during the ABI implementation year. *Finally*, two regression models are proposed to explore i) the relationships between the total *volume* of disclosures in non-financial reports and the different categories of disclosures, either in ABI and Non-ABI, and ii) the relationships between the total *quality* of disclosures in non-financial reports and the different categories of disclosures, either in ABI or Non-ABI.

From a theoretical perspective, the paper is informed by the monologic vs dialogic accountability perspective (Brown, 2009), which facilitates an analysis of the (almost) concurrent facets of multiple sector-specific NFR standards in the Italian banking sector.

We hypothesise that both the volume and quality of ABI information are lower than those of Non-ABI. This idea is based on the fact that the hybrid nature of CBs encompasses commercial and social goals, whereas ABI information is designed for commercial banks that pursue only commercial goals. The results of the analysis show that the information provided in the non-financial reports in adherence to the ABI sector reporting standard is relevant in terms of both volume (H1) and quality (H2). Thus, H1 is confirmed when community- and economic-related issues are analysed, while H2 is confirmed when focusing on CB peculiarities, such as the community.

The main contribution of this paper is connected to the current debate on the future of NFR (Adams and Abhayawansa, 2022) because it supports the idea that a 'golden' sustainability reporting standard is no longer attainable. It also reveals the importance of information tailored to the missions of hybrid institutions operating in the microfinance field. In addition, the paper proposes a reflection regarding the adoption of monologic vs dialogic accounting (Brown, 2009) in the specific NFR standard domain by highlighting the relevance of non-expert consultation in developing NFR standards (Himick *et al.*, 2016; Adams, 2020).

The remainder of the paper is organised as follows. Section 2 provides a brief review of the developments in NFR standards by considering the current ISSB debate and introducing the theoretical perspective adopted in the paper (i.e. monologic vs dialogic accountability), Section 3 presents the research hypotheses, Section 4 introduces the methodological design of the research, Section 5 presents the empirical evidence, and Section 6 discusses the findings. Finally, some concluding remarks are given.

2. Theoretical Background

2.1. The need for NFR standards and the development of sector-specific guidance

2.1.1. The current debate on the ISSB

Over the last two decades, dozens of international reporting standards have been developed and published by independent bodies to encourage and guide organisations in carrying out auditing and reporting processes (Adams and Abhayawansa, 2022; Tschopp and Huefner, 2015; Eccles *et al*., 2012; Rasche, 2010; Etzion and Ferraro, 2010; Gray, 2002). Reporting standards represent voluntary procedures that could be implemented by organisations that intend to deal with the measurement, assessment and communication of social and environmental impacts of activities on stakeholders.

Recently, the IFRS Foundation looked into the opportunity to create an internationally recognised sustainability reporting standard. The Foundation Trustee Task Force informally engaged with a cross-section of stakeholders involved in sustainability reporting, and it was established that sustainability reporting continues to increase in importance and audience. In developing global sustainability standards, the IFRS Foundation wishes to reduce complexity and achieve comparability and harmonisation in sustainability reporting (IFRS Foundation, 2020).

Notably, in April 2021, the EC issued a proposal for a Corporate Sustainability Reporting Directive (CSRD). The regulative effort exerted by EC, together with EFRAG, shows the growing importance of NFR and highlights the need to further investigate its standardisation and the related issues.

In addition, some relevant challenges should be investigated to understand how to reconcile the ISSB with the GRI standards (IFRS Foundation, 2021b; Peirce, 2021; Adams and Abhayawansa, 2022; Michelon *et al*., 2020; Giner and Luque-Vilchez, 2022; Adams and Mueller, 2022). On 24 March 2022, the ISSB and the GRI announced their agreement to coordinate their work programmes and standard-setting activities to align, where possible, their respective work programmes, terminology and guidance to further harmonise the sustainability reporting landscape at an international level (IFRS Foundation, 2022). Our paper contributes to providing insights into the current debates on the following: i) the exigency of addressing the specificities of particular *sectors*, where a universal standard may be too broad and generic; ii) within the same sector, the need to consider the existence of heterogeneous organisations, such as *hybrid organisations*, in which some peculiarities already identified in the literature could obfuscate the effectiveness of a 'golden standard' that, ideally, should fit the information needs of all possible stakeholders (Guthrie *et al*., 2008; Eccles *et al*., 2012; Costa and Pesci, 2016); and iii) the role of non-experts among the stakeholders who should be involved in the standardisation process (Himick *et al.*, 2016) and whose information needs should be considered (Adams, 2020).

2.1.2. Role of sector-specific standard and notion of comparability

Many organisations currently provide sustainability reporting frameworks, standards and metrics (see Adams and Abhayawansa, 2022) that evolve very rapidly. Therefore, companies are faced with opting to report using multiple standards, metrics or frameworks, resulting in a highly confusing process overall (IASB, 2020). A wide range of voluntary frameworks and standards are in use, so an examination of the opportunities and problems associated with them is necessary and timely (Tschopp and Huefner, 2015; Eccles *et al*., 2012; Gilbert *et al*., 2011; Rasche, 2010; Dumay *et al*., 2010; Guthrie *et al*., 2008).

Reporting standards should enhance the comparability and measurability of different dimensions of sustainability performance (Eccles *et al*., 2012) to allow businesses to build public trust through greater transparency of their sustainability initiatives (IASB, 2020). However, they have several limitations (Guthrie *et al*., 2008; Rasche, 2010). One of the most discussed limitations is the role of sector-specific information in developing NFR guidance (Cuganesan *et al*., 2010; Guthrie *et al*., 2008). The authors questioned the 'one-size-fits-all' approach favouring a more sector-tailored approach to ensure that the NFR covers key sectoral concerns. In their study on the Australian food and beverage sector, Guthrie *et al*. (2008) highlighted the importance of incorporating sector-specific elements in the processing of NFR. Their findings reinforced the need for such sector-specific guidelines 'to capture the unique set of issues faced by different industry sectors, which are essential to enabling a more robust and useful reporting' (Guthrie *et al*., 2008, p. 13). In this regard, Eccles *et al*. (2012) supported the idea of conducting a materiality analysis based on sector-specific sustainability performance to guide companies on what and how to report.

Similarly, the GRI includes the peculiarities of the industry sector from the G4 guidelines (Etzion and Ferraro, 2010; Tort, 2010; Eccles *et al.*, 2012; Taxler *et al.*, 2020) to develop standardised, comparable and consistent environmental information that could be used for benchmarking, ranking and cross-comparison within a homogeneous sector. Indeed, the G4 release of the GRI has been supported by numerous Sector Supplements (GRI-SS) to tailor the general GRI guidelines to specific sectors developed with the expertise of international multi-stakeholder working groups (GRI G4, 2012), as analysed by some studies (Roca and Searcy, 2012; Khan *et al*., 2011; Tort, 2010; Guthrie and Farneti, 2008; Talbot and Boiral, 2018; Slacik and Greiling, 2020; Traxler *et al*., 2020).

By investigating the commercial banks in Bangladesh, Khan *et al*. (2011) analysed the extent to which GRI indicators and Financial Service Sector Supplement (FSSS) are employed. The study revealed that 'more than half of the GRI-FSSS specific disclosures are found entirely lacking in sustainability reporting practices by surveyed banks' (p. 354). More recently, Khan *et al.* (2021) recognised that the quality of sustainability reporting evolved symbolically in Bangladesh's banks. However, after the introduction of regulatory guidelines, it gradually improved and became more substantive.

Similarly, Tort (2010) developed a study to foster knowledge of the application of GRI guidelines and sector supplements by government agencies. The report revealed that 'the use of the Supplement was fragmented, and public agencies that used the Supplement chose to report on only some of the indicators' (p. 10). The sector guidance for the public sector did not have the desired success; thus, a gap remains between the expectations of GRI and current practices (Dumay *et al*., 2010).

These previous studies have adopted a descriptive approach (Roca and Searcy, 2012; Guthrie and Farneti, 2008; Khan *et al*., 2011) by investigating the level of compliance of the NFR to the sector-industry reporting standard (Talbot and Boiral, 2018; Slacik and Greiling, 2020; Traxler *et al*., 2020). However, an analysis of the level of compliance does not allow us to understand why some organisations scarcely comply with standard disclosure requirements and why information not required by the reporting standards is included in the non-financial reports. Consequently, we argue that there is a need to explore further the overall indicators adopted in the NFR, considering that some items not proposed by the reporting standards may be disclosed because they are deemed relevant for a specific organisation; in contrast, other items included in the reporting standard could be irrelevant in an industry-specific setting (Bouten *et al*., 2011).

Our argument is in line with a key issue advocated to justify the scarcity of progress of sector-specific reporting standards concerning more general standards, namely, the fact that within some sectors, there are organisations that are not homogeneous in terms of dimensions or legal and governance forms (Slacik and Greiling, 2020). Therefore, there is a need to better investigate the implementation of NFR standards in sectors where the lack of homogeneity could influence the adoption of NFR standards. In particular, we argue that if hybrid organisations operate within a sector, when implementing the NFR standard, those organisations will emphasise the information capable of satisfying the needs of stakeholders that are related to the achievement of their mission and not merely connected to financial goals (Costa and Pesci, 2016).

2.2. Monologic and dialogic accounting and definitions of accounting standards

In the literature, the criticism towards NFR standardisation has been associated with the exigency to develop a 'new form of accounting' that promotes and facilitates more participatory forms of decision-making and accountability (Gray, 2002). Various scholars have attempted to explicitly promote dialogic accounting and forms of engagement (Bebbington *et al*., 2007; Frame and Brown,

2008) that reject the idea of a standardised and universal narrative, preferring to consider societies as multiple narratives (Brown, 2009). Dialogic accounting recognises heterogeneity and multiple perspectives, allowing a more pluralist expression of public interest that can mitigate the dominance of instrumental rationality.

With specific reference to the social and environmental literature, the dialogic perspective brings up the idea of developing models based on a multi-dimensional and participative approach that is sensitive to the power differentials in society (Bebbington *et al*., 2007; Frame and Brown, 2008). To advance the social and environmental accounting literature within a dialogic perspective, Brown (2009) established eight critical principles of dialogic accountability (please see Table I).

[insert Table I here]

This paper focuses on principle number 4 to better investigate the role of non-expert engagement in developing the sector-specific standard by the ABI. The importance of non-expert consultation in developing reporting standards has been recognised and discussed in financial accounting literature (Himick *et al*., 2016).

Notably, financial standard-setter institutions have prioritised the engagement of experts and commercial interests over other stakeholders in developing standards (Noël *et al*., 2010). This is because, first, these debates involve highly technical concepts that require expert knowledge, and second, experts typically appear as independent, value-neutral and apolitical. However, other scholars (Himick *et al*., 2016) have encouraged the involvement of non-technical experts in the development of financial standards.

To date, one aspect that has not been investigated is the effect of expert or non-expert engagement in NFR standard-setting and its implications in terms of theoretical framing.

Within the monologic accounting approach, technical experts provide scientific knowledge to decision-makers to achieve predetermined goals (Brown, 2009). In this approach, the competing views are limited to reduce managerial complexity. Experts delimit the space for debate and refuse to entertain alternative perspectives.

Many forms of stakeholder engagement are still relatively linear and unidirectional (Brown and Dillard, 2015), and the adoption of terms such as 'bottom-up participation' or 'downward accountability' risks reinforces the hierarchies among organisations and stakeholders. To become participatory and democratic, accounting should consider different stakeholder perspectives by facilitating a 'better conversation' and different forms of engagement (Bebbington *et al*., 2007). Within the accounting standard-setting process, a dialogue between experts and non-experts should be encouraged because the viewpoint of non-experts would increase democratic legitimacy (Himick *et al*., 2016).

2.3. Industry-specific standard-setting in Italy: ABI and Federcasse

The ABI is a voluntary non-profit organisation established in Milan in 1919 to undertake initiatives for the stable and efficient growth of the banking and financial system, consistent with Italian and European Union laws. ABI also represents the Italian banking and financial system at the international level, particularly with the European Banking Federation and the European Mortgage Federation.

In 2001, the ABI incorporated the GBS Italian national NFR guidelines into the banking sector (both commercial and cooperative) and formed an inter-bank working group on corporate social responsibility to define ABI industry-specific standards. Notably, the working group included one ABI team with *specialised* skills in the different areas addressed by the proposed NFR framework and another team of *experts* representing professionals, academics, consulting firms, rating agencies and sustainability research companies (Zappi, 2007; Noël *et al*., 2010).

In 2006, the ABI published a second and operative edition of the guidelines. They introduced i) a stakeholder-relationship approach and ii) a list of specific indicators geared to quantify the information for each stakeholder.

The stakeholder-relationship approach represents 'the intention of the bank to put stakeholders at the centre of the process of accountability, stakeholders *for* whom and *with* whom the bank creates value' (ABI, 2006, p. 5). The stakeholders identified by the ABI sector-specific standard are shareholders/members, employees, corporate and retail customers, suppliers, partners, institutions, local communities and the territory. The sector-specific guidelines aimed to provide 'practical guidance to support banks (of any size) in taking CSR forward' (Zappi, 2007, p. 472). Indeed, the set of indicators is not intended to be a reference standard for NFR; rather, they function as a toolkit that fosters corporate social responsibility and accountability in the banking sector.

In 2013, to reinforce the 'toolkit' approach and the list of indicators that may be adopted, the ABI included some GRI-FSSS indicators in a revised version of the sector-specific reporting standard.

The ABI sector-specific reporting standard also served as the starting point for developing the Federation of the Cooperative Banks' (Federcasse) sector-specific reporting standard for the CB system in 2003. Based on its international and national experiences, Federcasse noted the scant attention given to the CB movement and decided to reflect on a different sector-specific reporting standard that takes into account the peculiarities of this specific banking sector. In the process that they developed in 2011, the Federcasse sector-specific guidelines considered both internal and external *experts* and *non-experts* (such as cooperative training centres, the research office of

Federcasse, Fondo di Garanzia Istituzionale, Vigilanza Cooperativa and the University of Rome) to propose a multi-voice and multi-dimensional standard that can measure CBs' performances concerning three important dimensions: banking, cooperation/mutuality and community (Gonnella and Messina, 2011).

By defining the guidelines for the 'Social and mission report for CBs', Federcasse realised the need to draw on specific indicators that could better measure the effects of the CBs' mutualistic and cooperative features. In 2011, the dialogical construction of a set of specific indicators for CBs led to the identification of 139 indicators (necessary, internal, external) relating to nine areas that were nearly missing in the sector-specific standards (Gonnella and Messina, 2011). The Federcasse 'Social and mission report for CBs' represents an autonomous standardised model customised by Federcasse based on the reality of the CBs, inspired by the 'cooperative credit value chart' and structured in seven specific sections. The Federcasse industry-specific reporting standard differs significantly from the ABI standard in terms of the following aspects:

- it explicitly clarifies the reasons why a CB is different from other banks;
- the cooperative movement is considered a stakeholder per se; and
- social accounting calculates the figurative benefit for associates and the community in the added-value allocation.

Through this configuration, Federcasse achieves two objectives: a) to make the additional benefit it grants to clients comparable to dividends, and b) to quantify the CBs' contributions in terms of mutuality (Gonnella and Messina, 2011). The Federcasse sector-specific reporting standard has been considered a best practice by the European Commission. It has also been reported in the European Campaign on Corporate Social Responsibility.

3. Hypothesis Development

The debate regarding the importance of recognising industry-specific peculiarities within NFR requirements (Cuganesan *et al.*, 2010; Adams and Abhayawansa, 2022) is in line with the limitations recognised in the 'one-size-fits-all' approach (Costa and Pesci, 2016). The importance of identifying the peculiarities of each sector has also been promoted by the GRI-SS approach, whereby a decision is based on three main drivers: i) to include sector-specific issues in the NFR; ii) to enhance the sustainability performance of organisations in a sector, and iii) to increase the number and quality of non-financial reports in a specific sector.

As highlighted in Section 2.1, previous research on sector-specific reporting standards has mainly analysed the extent to which GRI-SS indicators are employed by organisations operating in a specific sector (Khan *et al.*, 2011; Guthrie and Farneti, 2008; Slacik and Greiling, 2020) by also considering their compliance with such specific GRI-SS guidance (Tort, 2010; Khan *et al*., 2011). It was only recently that a close investigation of the quality of the non-financial reports was performed (Khan *et al*., 2021). However, the call for analysing the quality of disclosed information is still open and particularly urgent when hybrid organisations are included in the sector under investigation (Slacik and Greiling, 2020). Therefore, for the purpose of this study, both the volume and the quality of the disclosure are relevant in the specific banking context where hybrid organisations such as CBs exist.

As previously highlighted, the ABI banking-specific reporting standard was designed for all forms of banks in Italy as a sort of 'golden standard' (Eccles *et al.*, 2012) for the banking sector without considering the differences between profit-oriented and hybrid banks as CBs. Thus, we argue that in investigating the use of a sector-specific reporting standard—such as ABI—it is important to detect if the reporting standard is too generic to address the need for disclosure of commercial banks and CBs that differ in terms of mission and governance (Slacik and Greiling, 2020). In the Italian banking sector, where non-homogeneous organisations co-exist (both commercial and hybrid), we expect that the volume of the NFR disclosures provided by hybrids (CBs) under the ABI reporting standard may be lower compared with the volume of the additional information not prescribed by the reporting standard (Non-ABI). Indeed, given their hybrid mission that combines commercial and community goals, CBs need to disclose additional information to satisfy stakeholders' needs (Costa and Pesci, 2016). Therefore, in the microfinance sector, it could be potentially inadequate to use a general reporting standard for the banking sector that does not include, for instance, information regarding the members, the community and value-based activity of the hybrids, such as the GRI-FSSS or the ABI in Italy. The challenge of obtaining comparable information with the adoption of NFR standards arises when organisations are diverse within the same sector, and the excess of standardisation could obscure what is relevant and valuable for stakeholders (Slacik and Greiling, 2020). We argue that more tailored information that focuses on the sector's peculiarities is desirable in such circumstances. In sum, analysing the implementation of NFR standards in hybrid organisations such as CBs allows us to observe how the existence of non-homogeneous organisations within the banking sector might be reflected in their disclosure choices. In particular, we expect that CBs' hybridity, which is related to the benefits reaped by the community and the members, influences their NFR disclosure, thus highlighting that the ABI standardised information in this realm is not sufficient because it does not consider CBs' peculiarities (Costa and Pesci, 2016). Based on these premises, the following research hypothesis (RH) is proposed:

RH1: In CBs' non-financial reports, the volume of the indicators belonging to the ABI sector-specific reporting standard (ABI) is lower on average than the volume of the indicators that do not belong to the reporting standard (Non-ABI).

NFR information can also be connected to a reflection regarding the monologic vs dialogic approach in developing sector-specific reporting standards. In this paper, we contend that the monologic vs dialogic view proposed by Brown (2009) can foster understanding of this issue. Adopting a dialogic accounting approach is particularly useful in hybrid organisation contexts in which the necessities of different stakeholders must be addressed. Dialogic accounting is considered to be more in line with the idea of reducing inequalities of power among the stakeholders interested in retrieving information by reporting documents (Bebbington *et al*., 2007; Frame and Brown, 2008; Brown and Dillard, 2015). By adopting the point of view of the standard-setter when approaching a hybrid context, the focus should be on principle number 4: Enable accessibility for non-experts, thus allowing different stakeholders to express non-homogeneous informational needs. The idea of dialogic accounting bolsters the role of those stakeholders, such as non-experts who have a strong interest in retaining valuable and high-quality information by NFR. Considering the sector-specific reporting standards in Italian microfinance organisations, it is worth noting that the ABI can be regarded as monologically oriented because it only engages with experts' viewpoints (Zappi, 2007), and its content is not believed to satisfy the specific informational needs of CBs' stakeholders.

In light of the cited literature that underscores the relative absence of a dialogic approach in the development of the ABI sector-specific reporting standard, we argue that when Italian CBs provide the information prescribed by the ABI reporting standard, the quality of this information can be lower than the additional information tailored on the needs of CBs' stakeholders (Non-ABI). The monologic development of ABI constrains the space allocated to non-experts, such as the local community, in the consultation process. The result is a reporting standard that does not consider the most important information for CBs. The idea is that information devoted to distinctive CB stakeholders should be tailored to their informational needs. Still, ABI's monologic approach does not allow the enactment of a reporting standard embedding CBs' interests. Therefore, we expect that ABI information shows lower quality than Non-ABI ones. The following research hypothesis (RH) is proposed:

RH2: In CBs'non-financial reports, the quality of the indicators belonging to the ABI sector-specific reporting standard (ABI) is lower on average than the quality of the indicators that do not belong to the reporting standard (Non-ABI).

4. Research Design

4.1. Sample

The research built a complete database of CBs by retrieving information from the official website of the Cooperative Movement and from the Bank of Italy to map out all the CBs in Northern Italy. A list of 228 CBs in Northern Italy was then compiled. Out of these 228 CBs, 98 non-financial reports were available and downloadable on the CBs' websites. The analysis focuses on the 2008–2009 ABI reporting standard implementation years because no non-financial reports were available previously. Although many studies on NFR have considered the annual report as *the* document for analysis (Gray, 2002), this research considered stand-alone non-financial reports for two main reasons. First, concerns related to the exclusive focus on annual reports have pushed other researchers to adopt stand-alone non-financial reports as a source of information about social and environmental disclosures (Roca and Searcy, 2012; Bouten *et al.*, 2011). Second, the ABI reporting standard supports the adoption of stand-alone non-financial reports for Italian banks (ABI, 2006).

4.2. Content analysis

Content analysis has been widely used in NFR studies (Milne and Adler, 1999) in two main ways (Hooks and van Staden, 2011; Al-Tuwaijri *et al.*, 2004). The first measurement group uses unit count-based content analysis based on the assumption that the volume of disclosure signifies the importance of the disclosure (Milne and Adler, 1999; Unerman, 2000). The second measurement group uses quality indexes to assess, compare and explain the differences in the quality of the information disclosed (Criado *et al.*, 2008; Hooks and van Staden, 2011). Although various approaches to addressing the issue of NFR quality can be adopted (Michelon *et al.*, 2015, Malola and Maroun, 2019; De Villiers and van Staden, 2011; Khan *et al.*, 2021), for the purpose of this study, both the *volume* and the *quality* of the disclosures were investigated to fully capture the information used to convey the social and environmental issues in the non-financial reports in Italian CBs. Bouten *et al.* (2011) suggested that the list of the information supplied by a standard could not be considered *the* complete list of indicators that an organisation could and wants to report. Indeed, previous studies have evaluated the GRI-SS as a reference and then analysed how organisations' disclosures comply with the standard (Talbot and Boiral, 2018; Slacik and Greiling, 2020; Traxler *et al.*, 2020). However, some indicators that could potentially be significant for an organisation facing peculiarities in a sector could not be included in the reporting standard. To overcome these limitations, this paper considered *all* of the social and environmental information relevant to the CBs. Therefore, we started with the non-financial reports. We read each of them, identified the disclosed information, and categorised them into the ABI reporting standard, if applicable and Non-ABI otherwise, as emergent coding (Haney *et al.*, 1998). The result of this coding process was that the researchers were able to classify into five categories each social and environmental information disclosed: community/members, customers, employees, natural environment and economic issues.

To ensure the reliability of the data collection and the coding process (Unerman, 2000), the following steps were undertaken: 1) 98 non-financial reports were analysed independently in three rounds by three researchers to ensure stability and reproducibility; 2) discrepancies were re-analysed, and differences were resolved, and 3) the researchers established a priori rules for the data collection procedure to ensure accuracy. Finally, a pilot test on a few non-financial reports was performed to ensure that all researchers could codify the information in the same way.

The content analysis was conducted manually to enable the researchers to better interpret the findings and perform a more detailed and theoretically informed analysis (Unerman, 2000).

4.3. Variables: quantity and quality of the disclosure

Following previous studies (Unerman, 2000), the quantity of the disclosure (VOLUME) was measured by selecting sentences as the unit of analysis because a sentence 'offers a complete, reliable and meaningful data for further analysis' (Milne and Adler, 1999, p. 243).

The second measure investigated the disclosure quality (QUALITY) by applying a disclosure score. The simplest form of quality index assesses the presence or absence of such information, but a mere occurrence evaluation does not allow a measurement of the extent of the disclosed information regarding its emphasis and significance. According to some studies (Al-Tuwaijri *et al.*, 2004; Michelon *et al.*, 2015), the level of informational detail can vary from a vague and descriptive statement to quantified and numerical data.

After considering existing scales (e.g. Hooks and van Staden, 2011; Michelon *et al.*, 2015), we employed the four-point score (0-3) applied by Al-Tuwaijri *et al.* (2004). Following this scoring scale, quantitative numerical disclosures received the most significant weight (+3). The next highest weight (+2) was assigned to non-quantitative narrative information providing a detailed and comprehensive description of the topic. Finally, vague qualitative disclosures received the lowest weight (+1). When some information was missing from the non-financial reports, the score attributed was zero (see Appendix I for an example of the scoring system).

In constructing our final disclosure score for every CB, we calculated the ratio between the disclosure quality for each piece of information and its occurrence (Al-Tuwaijri *et al.*, 2004). This procedure was carried out in each of the five categories of the disclosure (community/members, customers, employees, natural environment and economic).

4.4. Regression analysis

The objective of the analysis is to evaluate whether the ABI industry sector-specific reporting standard affects the volume and quality of NFR indicators. The regression analysis complements the univariate analysis and compares the different categories of indicators through formal testing.

Dependent variables. We fit two separate models to the data to gain insights into the phenomenon from different perspectives. The first dependent variable considered is the overall volume of NFR (TOTVOL), obtained as the sum of the number of sentences assigned to each indicator (either ABI or Non-ABI) present in the non-financial report of the *i-th* bank $i=1,\dots,98$. The value of TOTVOL increases with the number of indicators present in the non-financial reports and their volume. This measures the attention given to indicators belonging to specific disclosure categories and their volume.

The second dependent variable is the overall quality (TOTQUAL) of NFR, obtained as the sum of the quality scores assigned to each indicator (either ABI or Non-ABI) present in the non-financial reports.

Independent variables. For each of the five categories considered (economic, customer, employee, community and environment) and for each group (ABI and Non-ABI), we defined an integer valued independent variable whose values are the number of indicators disclosed in the non-financial reports. For example, the variable *EcoABI* for the *i-th* bank represents the number of indicators (not their quality or volume) in the *i-th* bank's non-financial report related to the ABI group for the economic category.

Remark. The CBs considered in the analysis are strongly homogeneous, as the CBs analysed are all quite similar in size and nature of activities and objectives. Therefore, no control variables were added to the model. Note that the β coefficients of the regression model represent a measure of the average quality or volume in each groups-categories combinations. For example, suppose several non-financial reports contain larger volumes of CusABI indicators and/or are of higher quality with respect to the Non-ABI. In that case, we expect the regression coefficient of that group (ABI) to be larger than that of the other group (Non-ABI).

Thereafter, comparisons can be made to test the hypothesis that specific categories (community/members, customers, employees, natural environment and economic) have, on average, a higher (or lower) volume and/or quality in the two groups (ABI and Non-ABI).

If Y_i denotes the variable TOTVOL (or TOTQUAL) of the non-financial report of bank i, the regression models fitted to the data are described by the following equation:

$$Y = \overbrace{\beta_1(EcoABI) + \beta_2 CusABI + \beta_3 EmpABI + \beta_4 ComABI + \beta_5 EnvABI}^{ABI\ indicators\ impact} +$$
$$+ \overbrace{\beta_6 EcoNonABI + \beta_7 CusNonABI + \beta_8 ComNonABI}^{Non-ABI\ indicators\ impact} + \varepsilon \quad (1)$$

Note that we fit a no-intercept model directly because, according to our definition, no indicator will necessarily imply non-financial reports with no quality or volume. The term ε represents an error term that accounts for model-unexplained variability, which is assumed to follow a normal distribution with null mean and constant variance.

5. Empirical Analysis of the Implementation of the Monologic ABI Standard

Table II shows the content analysis results conducted for the implementation year (2008–2009) of the ABI reporting standard and reports the 96 indicators (1,982 observations) presented in the 98 CBs' social reports. Notably, most of them (59%) were included in the ABI sector-specific reporting standard. Moreover, a considerable number of the CB's non-financial disclosures (41%) were not included in the sector-specific standard. Differences appeared when each category was analysed. The ABI guidance most certainly covers all relevant information regarding the employees and the environment since no other specific information is reported. However, when presenting customer- and economic-related issues, the non-financial reports covers many relevant issues for the banks but not included in the ABI reporting standard.

[Insert here Table II]

5.1. Descriptive Statistics

Table III provides the data on the volume and quality of the disclosures by highlighting the differences between the ABI and the Non-ABI indicators.

Panel A displays 7,360 reported sentences on social and environmental issues within the non-financial reports of the CBs; of these: 5,509 (75%) follow the ABI reporting standard, while the remaining 1,851 (25%) are not required by the ABI. The ABI indicators also had the highest average volume (4.05) in contrast to Non-ABI (2.98). Nevertheless, interesting differences emerged when single categories were considered.

The indicators related to *customers* accounted for 21% of the total volume of the disclosure, 73% of which did not apply to the ABI reporting standard. However, when the average frequency of indicators was analysed, the ABI provided a greater potential to cover sector-specific issues (4.73). Thus, the other sector-specific information remained less important (2.42). These results demonstrate that the high number of customers-Non-ABI indicators is distributed in a fragmented way throughout the non-financial reports.

Information relating to *community and members* accounted for an average of 4.96 sentences (4.83 ABI and 5.80 Non-ABI). This area is the most important in terms of the absolute number of sentences (2,991 or 41% of the total sentences), and the ABI reporting standard accounted for 84% (2,515 sentences). However, when the average frequency of indicators was analysed, the ABI reporting standard failed somewhat to cover sector-specific issues (4.83). The Non-ABI information is considered extremely important for CBs because the average by indicators is higher (5.80) compared with those applicable to the ABI. See Appendix II for more details.

[Insert here Table III]

Panel B presents an analysis of the quality scoring system. Overall, the non-financial reports of the Italian CBs were mainly narrative and descriptive (the average quality score was 2.34) rather than numerical. However, the average quality score for the ABI indicators was 2.29 compared with 2.44 for Non-ABI information. Therefore, the information disclosed by adopting the ABI reporting standard was qualitatively low compared with the Non-ABI. This pattern varied in the different categories of the disclosures. Thus, the data confirm that when CBs voluntarily add information to their non-financial reports, the quality of this information is high.

Regarding *community and members*, the quality score variable showed that, in general, information was mainly descriptive (2.22). The indicators presented by adopting the ABI sector-specific reporting standard were, on average, less detailed and less numerical (2.18) compared with other Non-ABI indicators (2.45).

By referring to the *customer*, the items included in the ABI were generally more quantitative and specific (2.67) than Non-ABI (2.35).

5.2. Correlation and regression analysis

For the regression modelling results, Table IV depicts Pearson's correlation coefficients for the dependent and independent variables of the models. The independent variables are generally weakly correlated, with the highest coefficient equal to 0.571 in the case of employees (EMP) and customers

(CUS) in the ABI group. The Variance Inflation Factors (VIF) in the model fitting confirmed that these variables do not suffer from collinearity problems. The two independent variables, TOTQUAL and TOTVOL, showed a high degree of correlation, consistent with the previous study of Hooks and van Staden (2011), which pointed out that higher quality is generally associated with higher volume.

[Insert here Table IV]

The results of the OLS model with TOTVOL and TOTQUAL are shown in Table V and Table VI.

[Insert here Table V]

[Insert here Table VI]

Overall, both models (TOTVOL and TOTQUAL) indicate a very good data fit (with an adjusted-R^2 equal to 0.862 and 0.986, respectively). In other words, both models capture the overall structure of the phenomenon quite well but with some differences. In the TOTQUAL model, all coefficients are highly significant. This is not the case for the TOTVOL model. This may be attributed to the higher variability present in the variable TOTVOL, which makes it difficult to unveil all of the relationships. However, common key features can be noted in both models. Therefore, the model for TOTQUAL could be safely used to read the main features of the NFR.

In both models, the high values of the coefficients associated with CusABI reveal the higher volume and the higher quality of ABI indicators compared with those in the Non-ABI group in the banks' non-financial reports. Consistent with the descriptive analysis, the model shows that for the customer category, there is a significant difference between the ABI and Non-ABI groups, in favour of the first, as can be seen in Column 4 of the table. Furthermore, the model highlights a significant difference between ABI and Non-ABI for the community and member categories in favour of the second, thus confirming the need for CBs to include in their reports any information related to community and members. This aspect is not suggested by the ABI reporting standard.

The last row in both tables compares the two groups (ABI and Non-ABI); as it can be seen, a significant difference is not supported by the data. This can be read in conjunction with the results of the single coefficients.

6. Discussion

Our findings suggest that for CBs in the Italian banking sector, the information provided in the non-financial reports in adherence to the ABI sector reporting standard is relevant in terms of both volume and quality. However, when investigating specific categories such as the community, the relevance of the ABI reporting standard is fairly low. In detail, H1 is confirmed when community- and economic-related issues are analysed. The non-financial disclosures cover many relevant issues for the CBs but are not included in the ABI reporting standard. Information about 'territorial development' and 'economic contribution to the third sector' is very relevant for CBs. The significance of the community category has also been pointed out by Bravo *et al*. (2012), who provided evidence that savings banks publish more information regarding their contributions to the achievement of the community's general interests. Similarly, Kahn *et al*. (2011) discovered a noticeable extension of indicators of banks' social and community involvement in Bangladesh. In our sample, the indicators related to the customers cover 21% of the total volume of the disclosures, 73% of which do not apply to the ABI-specific reporting standard. The most disclosed issues related to customers are 'customer satisfaction' (9.67) and 'customer claims' (8.88). These provide evidence of the actions and strategies employed by CBs to address customer needs and solve conflicts, similar to a previous study (Bravo *et al*., 2012).

H2 is also confirmed when focusing on CB peculiarities, such as the community. Indeed, in this category, the quality score variable makes it evident that general information is mainly descriptive (2.22). The indicators encompassed by the ABI industry-specific reporting standard are less detailed and less numerical on average (2.18) compared with Non-ABI indicators (2.45).

Read in general terms, our results seem to convey the idea that when investigating the adoption of sector-specific reporting standards in a sector in which there are hybrid organisations such as CBs, the quality or volume of specific categories of disclosures connected to their mission (i.e. community information) may be lower than the quality and volume of disclosures provided without referring to the reporting standard. Thus, our findings support a certain degree of caution in promoting 'golden' NFR standards (Michelon *et al*., 2015; Malola and Maroun, 2019; Guthrie and Farneti, 2008; Slacik and Greiling, 2020; Talbot and Boiral, 2018; Traxler *et al*., 2020). Indeed, this paper showed that the mere adoption of a sector-specific reporting standard such as the ABI is not sufficient to guarantee reliable and high-quality information in the NFR when hybrid peculiarities are addressed. A more tailored reporting standard is needed to advance the organisations' disclosures.

Our study helped establish that the sector-specific reporting standard's ineffectiveness may be attributed to the fact that the sector's homogeneity is limited (Slacik and Greiling, 2020), as in the case of the Italian banking sector that includes both for-profit and hybrid organisations, such as the microfinance institutions analysed in this paper. Indeed, the ABI reporting standard does not include the information that reflects the peculiarities of CBs (Non-ABI). Italian CBs have a limited disclosure of social activities in their non-financial reports under the ABI sector-specific standards because this reporting standard does not allow the CBs' social performances to be represented. This result is particularly significant in light of the debate regarding adopting a global NFR standard (IFRS, 2020, 2022) because it highlights the fact that even the adoption of sector-specific reporting standards could lead to a lack of relevant information if the standards remain too generic.

Thus, to pursue the myth of harmonisation through comparability (Adams and Abhayawansa, 2022), when a sector embeds non-homogeneous organisations (for-profit vs non-profit), it risks missing relevant information, similar to the Non-ABI example in the microfinance case. Consequently, disclosing comparable and relevant information by adopting a unique global standard may be likened to a chimaera, leading to some stakeholders missing out on key information.

Furthermore, the results should be interpreted in light of the dialogic vs monologic accountability perspectives (Brown, 2009; Bebbington *et al*., 2007; Frame and Brown, 2008). Herein, the issue of whom information should be addressed becomes crucial. For example, in Italian microfinance, the role of non-expert engagement (Noël *et al*., 2010; Himick *et al*., 2016) in the development of an alternative sector-specific reporting standard, such as Federcasse, could be crucial to overcoming the ABI limitation concerning CBs' specificities. The monologic production of sector-specific ABI reporting standard has been insufficient in guaranteeing extensive and quality-based disclosure in the investigated sample, especially when less powerful stakeholders (such as the community) need to retrieve information (Adams, 2020). The analysis supports that, to promote accountability, it is not only relevant to focus on the content of the report; promoting sector-specific reporting standards facilitates comparisons between different organisations belonging to the same sector of activity (Cuganesan *et al*., 2010; Guthrie *et al*., 2008; Eccles *et al*., 2012). The case of the Italian CBs helped us reflect better on the necessity of more flexible reporting standards or secondary-level sector-specific standards (such as Federcasse) that can satisfy the information needs of a multi-voiced industry in which both for-profit and hybrid organisations operate. In particular, when dealing with hybrid contexts in which the community is the most significant stakeholder, the designed specific standard should be able to incorporate non-experts' views and stimulate a continuous dialogue with the specific relevant categories that represent the non-profit peculiarities (Adams, 2020).

7. Conclusions and Contributions to the Literature

This paper aimed to analyse the application of the ABI banking reporting standard in Italian CBs to determine whether or not the guidelines constitute an effective tool for disclosing significant information to all stakeholders who express the need for information. To achieve our aim, we analysed the volume and quality of the indicators disclosed in the non-financial reports of 98 microfinance institutions in Italy—the CBs—during the ABI reporting standard implementation years (2008–2009). Through this process, we were able to evaluate 1,982 observations.

The findings suggest that, generally, the ABI sector-specific reporting standard can promote the disclosure of information that is mainly widespread among CBs in terms of frequency. However, after analysing the significance of the disclosures in terms of volume and quality, the regression models (both for TOTVOL and TOTQUAL) show some differences in specific categories of disclosure that reflect the CBs' peculiarities. The ABI reporting standard may be effective in customer-related areas, as all of the customer-related indicators belonging to the ABI are higher in volume and quality than those of Non-ABI. This means that ABI can identify the specific banking peculiarities with regard to their customers. However, when analysing other categories of the disclosure (economic, employee, community and environment), there is a plethora of additional information (roughly 40 indicators that account for more than 1,800 sentences) that are not considered in the ABI guidelines but are significant in terms of volume and quality of information. This paper highlights the presence of relevant information for the CB community and, therefore, is reported in the CBs' non-financial reports but which have not been included in the ABI monologic industry-specific reporting standard.

Our investigation contributes to the current debate regarding the standardisation approach promoted by the ISSB (IFRS Foundation, 2020) that aims to achieve comparability and harmonisation in the NFR's arena. Our paper shows that when dealing with the specificities of Italian microfinance institutions, a 'golden' sector-specific standard is not sufficient to enhance the volume and quality of disclosed information to some salient stakeholders; rather, a more tailored approach is necessary. This result is particularly significant because it puts in question the 'myth of comparability and consistency' (Adams and Abhayawansa, 2022), which has been adopted by the IFRS Foundation to support the growing and urgent need to propose the ISSB (IFRS Foundation, 2021a). To contribute to the lack of analysis on 'alternative' ways to conceptualise a universal reporting standard (Adams and Abhayawansa, 2022), our results show that comparability should be promoted and incentivised within sectors that present homogeneous features. It cannot be pursued as a cross-sector concept that should be applied without considering that heterogeneity can affect the usefulness of the information provided (Cuganesan *et al*., 2010; Guthrie and Farneti, 2008). The findings support a certain degree of scepticism toward sector-specific reporting standards (Dumay *et al*., 2010) because they do not consider the potential heterogeneity within the sector. The issue of heterogeneity becomes particularly relevant when the sector operates both for-profit and hybrid organisations. Our paper shows that comparability intended in general terms is a myth (Adams and Abhayawansa, 2022) because it should be achieved within the boundaries of homogeneous sectors to provide stakeholders with meaningful and useful information. Thus, our study supports the idea that it is necessary to refer to a more tailored sector-specific reporting standard (a sort of secondary level sector-specific reporting standard) that can complement information for stakeholders who are not sufficiently represented, such as the community, in the Italian microfinance setting analysed.

This paper also contributes to understanding stakeholders' roles in developing NFR. As a response to the misalignment between the sector's needs and the ABI reporting standards, in the Italian microfinance setting, an alternative reporting standard has emerged by adopting a process based on inclusion, participation and engagement of non-experts thus implementing a dialogic approach to the standardisation issue. Indeed, from 2011, the inclusion of non-experts' points of view gave rise to the development of an alternative sector-specific reporting standard (i.e. Federcasse) that is more tailored to the needs of CB stakeholders, such as the members and the community. Therefore, the paper reveals the limitations of monologic accountability in terms of including different perspectives in the CBs' domain and proposes a more dialogic and tailored approach to reporting standards.

Finally, this paper provides a methodological contribution to studies analysing the adoption of standards in NFR. In contrast to prior studies (Talbot and Boiral, 2018; Slacik and Greiling, 2020; Traxler *et al*., 2020), this paper does not analyse the compliance of the non-financial reports to the sector-industry standards but considers *all* of the indicators (Bouten *et al*., 2011) reported by Italian microfinance organisations, thereby also making room for Non-ABI indicators that are relevant in terms of both quality and quantity in such areas of the disclosure.

In sum, this study calls for a massive rethinking of the role of sector-specific reporting standards, mainly when used in hybrid settings. In these settings, comparability should be developed within the boundaries of the sector and not in generic terms; an accurate and continuous stakeholder engagement could be the key to obtaining useful information for those stakeholders who could be marginalised (Costa and Pesci, 2016; Zappi, 2007; Himick *et al*., 2016). The data support the scepticism (Peirce, 2021; Adams and Abhayawansa, 2022; Michelon *et al*., 2020) towards the risk that a 'golden standard' that aims to promote comparable and consistent information across business organisations may lack significance, meaning and quality when operating in heterogeneous settings.

In terms of implications, the paper sheds light on two aspects: i) NFR standard-setters should take into account the heterogeneity between different sectors and within the same sector for the possible presence of different organisations, such as the case of the banking sector analysed in this paper; and ii) in the process of non-financial reporting standard development, it is important to engage both expert and non-expert (Noël *et al*., 2010, Himick *et al*., 2016). Therefore, standardisation should be multi-voiced and include different—even contrasting—perspectives. We believe these implications could contribute to the current debate regarding the IFRS Foundation's proposal (2021a; 2021b,

2022) to play a significant role in developing an ISSB that could urgently guarantee comparability across business organisations.

No research is exempt from limitations, including the current study. This study relied only on secondary data. Future studies should conduct in-depth interviews with Italian CBs to better understand how they perceive the two industry-specific standards for the banking sector and those they consider to be more relevant to their specific hybrid context. Finally, other methods and approaches could be applied to investigate this issue further (Michelon *et al*., 2015; Malola and Maroun, 2019; De Villiers and van Staden, 2011; Khan, 2021).

References

ABI - Associazione Bancaria Italiana (2006). *Il rendiconto agli stakeholder: una guida per le banche.* Roma (Italy): Bancaria Editrice.

Adams, C.A. and Abhayawansa, S. (2022), "Connecting the COVID-19 pandemic, environmental, social and governance (ESG) investing and calls for 'harmonisation' of sustainability reporting", *Critical Perspectives on Accounting*, Vol. 82, doi: 10.1016/j.cpa.2021.102309

Adams C.A. (2020), "Sustainability Reporting and Value Creation", *Social and Environmental Accountability Journal*, Vol. 40, No.3, pp. 191-197, doi: 10.1080/0969160X.2020.1837643

Al-Tuwaijri, S., Christensen, T.E. and Hughes, K.E, (2004), "The relations among environmental disclosure, environmental performance, and economic performance: a simultaneous equations approach", *Accounting, Organizations and Society*, Vol. 29, No. 5-6, pp. 447-471, doi:10.1016/S0361-3682(03)00032-1

Bebbington, J., Brown, J., Frame, B. and Thomson, I. (2007), "Theorizing engagement: the potential of a critical dialogic approach", *Accounting, Auditing & Accountability Journal*, Vol. 20, No. 3, pp. 356-381, doi:10.1108/09513570710748544

Bouten, L., Everaert, P., Van Liedekerke, L., De Moor, L. and Christiaens J., (2011), "Corporate social responsibility reporting: A comprehensive picture?", *Accounting Forum*, Vol. 35, No. 3, pp. 187-204, doi:10.1016/j.accfor.2011.06.007.

Brown, J. (2009), "Democracy, sustainability and dialogic accounting technologies: Taking pluralism seriously", *Critical Perspectives on Accounting*, Vol. 20, No. 3, pp, 313-342, doi: 10.1016/j.cpa.2008.08.002

Brown J., & Dillard, J., (2015), "Dialogic Accountings for Stakeholders: On Opening Up and Closing Down Participatory Governance", *Journal of Management Studies*, Vol. 52, No. 7, pp. 961-985, doi: 10.1111/joms.12153

Costa, E., and Pesci, C. (2016), "Social impact measurement: why do stakeholders matter?", *Sustainability Accounting, Management and Policy Journal*, Vol. 7 No. 1, pp. 99-124, doi: 10.1108/SAMPJ-12-2014-0092

Cuganesan, S., Guthrie, J. and Ward. L. (2010), "Examing CSR disclosure strategies within the Australian food and beverage industry", *Accounting Forum*, Vol. 34, No. 3-4, pp. 169-183, doi: 10.1016/j.accfor.2010.07.001.

De Villiers, C. & Van Staden, C. J. (2011), "Where firms choose to disclose voluntary environmental information", *Journal of Accounting and Public Policy*, Vol. 30, pp. 504-525.

Dumay, J., Guthrie, J. and Farneti F., (2010), "GRI sustainability reporting guidelines for public and third sector organizations", *Public Management Review*, Vol. 12, No. 4, pp. 531-548, doi: 10.1080/14719037.2010.496266.

Eccles, R.G., Krzus, M.P., Rogers, J. and Serafeim, G., (2012), "The Need for Sector-Specific Materiality and Sustainability Reporting Standards", *Journal of Applied Corporate Finance*, Vol. 24, No. 2, pp. 65-71, doi: 10.1111/j.1745-6622.2012.00380.x.

Etzion, D., Ferraro, F., (2010), "The Role of Analogy in the Institutionalization of Sustainability Reporting", *Organization Science*, Vol. 21, No. 5, pp. 1092-1107, doi:10.1287/orsc.1090.0494.

Frame, B. and Brown, J. (2008), "Developing post-normal technologies for sustainability", *Ecological Economics*, Vol. 65, No. 2, pp. 225-241, doi: 10.1016/j.ecolecon.2007.11.010

Giner, B. and Luque-Vílchez, M. (2022), "A commentary on the "new" institutional actors in sustainability reporting standard-setting: a European perspective", *Sustainability Accounting, Management and Policy Journal*, Vol. ahead-of-print No. ahead-of-print. https://doi.org/10.1108/SAMPJ-06-2021-0222

Gonnella, C. and Messina A., (2011), "Misurare la differenza. La metrica mutualistica delle BCC, Federcasse", *ECRA*, pp. 97-124, ISBN 978-88-6558-036-3

Gray, R, (2002), "The social accounting project and Accounting Organizations and Society Privileging engagement, imaginings, new accountings and pragmatism over critique?", *Accounting, Organizations and Society*, Vol. 27, No. 7, pp. 687-708, doi: 10.1016/S0361-3682(00)00003-9.

GRI – Global Reporting Initiative (2012). *GRI Second G4 Public Comment Period.* Amsterdam.

Guthrie, J. and Farneti, F. (2008). GRI Sustainability Reporting by Australian Public Sector Organizations. *Public Money and Management*, Vol, 28, No. 7, pp. 361-366.

Guthrie, J., Cuganesam, S. and Ward L., (2008), "Industry specific social and environmental reporting: the Australian Food Beverage Industry", *Accounting Forum*, Vol. 32, No. 1, pp. 1-15, doi: 10.1111/j.1467-9302.2008.00670.x

Haney, Walt, Michael Russell, Cengiz Gulek, and Edward Fierros, (1998), "Drawing on Education: Using Student Drawings to Promote Middle School Improvement" *Schools in the Middle*, Vol. 7, No. 3, pp. 38–43.

Himick, D., Brivot, M. & Henri, J.F. (2016). An ethical perspective on accounting standard setting: Professional and lay-experts' contribution to GASB's Pension Project. *Critical Perspectives on Accounting,* Vol. 36, No C, pp. 22-38.

Hooks, J. and van Staden, C. J., (2011), "Evaluating environmental disclosures: The relationship between quality and extent measures", *The British Accounting Review*, Vol. 43, No. 3, pp. 200–213, doi: 10.1016/j.cpa.2015.12.002.

IFRS Foundation (2020), "Consultation Paper on Sustainability Reporting", September 2020, London, United Kingdom, retrieved from https://www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/consultation-paper-on-sustainability-reporting.pdf

IFRS Foundation (2021a) "Trustees' Feedback Statement on the Consultation Paper on Sustainability Reporting" April 2021, London, United Kingdom, retrieved from https://www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/sustainability-consultation-paper-feedback-statement.pdf

IFRS Foundation (2021b), "Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards", April, 2021, London, United Kingdom, retrieved from https://www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/ed-2021-5-proposed-constitution-amendments-to-accommodate-sustainability-board.pdf

IFRS Foundation (2022), "IFRS Foundation and GRI to align capital market and multi-stakeholder standards to create an interconnected approach for sustainability disclosures" March, 2022, London, United Kingdom, retrieved from https://www.ifrs.org/news-and-events/news/2022/03/ifrs-foundation-signs-agreement-with-gri/

Jäger, U. and Beyes, T. (2010), "Strategizing in NPOs: A case study on the practice of organizational change between social mission and economic rationale", *Voluntas: International Journal of Voluntary & Nonprofit Organizations*, Vol. 21 No.1, pp. 82-100, doi: 10.1007/S11266-009-9108-X.

Khan, H., Islam, M.A. and Fatima, J. K (2011). Corporate sustainability reporting of major commercial banks in line with GRI: Bangladesh evidence. *Social Responsibility Journal*, Vol. 7, No. 3, pp. 347-362, doi:10.1108/17471111111154509

Khan, H.Z., Bose, S., Mollik, A.T. and Harun, H. (2021), "Green washing" or "authentic effort"? An empirical investigation of the quality of sustainability reporting by banks", *Accounting, Auditing & Accountability Journal*, Vol. 34 No. 2, pp. 338-369. https://doi.org/10.1108/AAAJ-01-2018-3330

Malola, A. & Maroun, W. (2019), "The measurement and potential drivers of integrated report quality: Evidence from a pioneer in integrated reporting*", South African Journal of Accounting Research*, Vol. 33, pp. 114-144.

Michelon G., Cooper S., Kasim T., Suziki H and L. Wang (2020), "Accountability Sustainability and Governance Research Group Members at the School of Accounting and Finance of the University of Bristol", Retrieved from http://eifrs.ifrs.org/eifrs/comment_letters/570/570_27415_GiovannaMichelonAccountabilitySustainabilityandGovernanceResearchGroupattheSchoolofAccountingandFinanceoftheUniversityofBristol_0_ASGGroupBristol_IFRSconsultation.pdf

Michelon, G., Pilonato, S. & Ricceri, F. (2015), "CSR reporting practices and the quality of disclosure: An empirical analysis", *Critical Perspectives on Accounting*, Vol. 33, 59-78.

Milne, M. J. and Adler, R. W. (1999), "Exploring the reliability of social and environmental disclosures content analysis", *Accounting, Auditing & Accountability Journal*, Vol. 12, No. 2, pp. 237-256, doi: 10.1108/09513579910270138.

Noël, C., Ayayi A.G.,Blum V., (2010), "The European Union's accounting policy analyzed from an ethical perspective: The case of petroleum resources, prospecting and evaluation", *Critical Perspectives on Accounting*, Vol. 21, No. 4, pp. 329-341, doi:10.1016/j.cpa.2009.11.009

Peirce H.M (2021), Statement on the IFRS Foundation's Proposed Constitutional Amendments Relating to Sustainability Standards, retrieved from https://www.sec.gov/news/public-statement/peirce-ifrs-2021-07-01

Rasche, A. (2010), "The limits of corporate responsibility standards", *Business ethics: a European Review*, Vol. 19, No. 3, pp. 280-291, doi:10.1111/j.1467-8608.2010.01592.x.

Roca, L. C. and Searcy, C. (2012), "An analysis of indicators disclosed in corporate sustainability reports", *Journal of Cleaner Production*, Vol. 20, No. 1, pp. 103-118, doi: 10.1016/j.jclepro.2011.08.002.

Slacik, J. and Greiling, D. (2020), "Coverage of G4-indicators in GRI-sustainability reports by electric utilities", *Journal of Public Budgeting, Accounting & Financial Management,* Vol. 32 No. 3, pp. 359-378. doi: 10.1108/JPBAFM-06-2019-0100

Talbot S.D. and Boiral O. (2018), "GHG Reporting and Impression Management: An Assessment of Sustainability Reports from the Energy", *Journal of Business Ethics,* Vol. 147, pp. 367–383 doi: 10.1007/s10551-015-2979-4

Tort, L.E. (2010). *GRI Reporting in Government Agencies.* Amsterdam: Global Reporting Initiative.

Traxler A.A., Greiling D., and Hebesberger H. (2020), "GRI Sustainability Reporting by INGOs: A Way Forward for Improving Accountability?" *Voluntas,* Vol. 31, pp. 1294–1310 doi: 10.1007/s11266-018-9976-z

Tschopp, D., Huefner, R.J. (2015), "Comparing the Evolution of CSR Reporting to that of Financial Reporting", *Journal of Business Ethics.* Vol. 127, pp. 565–577. doi: 10.1007/s10551-014-2054-6

Unerman, J. (2000), "Methodological issues - Reflections on quantification in corporate social reporting content analysis", *Accounting, Auditing & Accountability Journal*, Vol. 13, No. 5, pp. 667-681, doi: 10.1108/09513570010353756.

Zappi, G. (2007). Corporate responsibility in the Italian banking industry: creating value through listening to stakeholders. *Corporate Governance,* Vol. 7, No. 4, pp. 471-475.

When a sector-specific standard for non-financial reporting is not enough: evidence from microfinance institutions in Italy

Abstract

Purpose: This paper investigates the application of the Italian Banking Association (ABI) industry-specific reporting standard in microfinance institutions by determining whether or not a banking sector reporting standard can enhance non-financial reporting (NFR) *quality* and *volume* to meet stakeholders' information needs in the specific setting investigated.

Design/methodology/approach: This paper develops an analysis of available ABI documents from 2006 to 2013 to conduct a content analysis of the quality and volume of the NFR of 98 Italian cooperative banks (CBs) during the 2008–2009 ABI implementation year. These data are analysed using two regression models to investigate the quality and volume of NFR disclosures.

Findings: Our findings suggest that for CBs in the Italian banking sector, the information provided in the non-financial reports in adherence to the ABI sector reporting standard is relevant in terms of both volume and quality. However, when investigating specific categories of disclosure such as the community, the relevance of the ABI reporting standard is fairly low. The authors question the 'one-size-fits-all' approach favouring a more sector-tailored approach to ensure that the NFR covers key sectoral concerns.

Practical implications: The high heterogeneity in the sector could negatively affect the capability of sector-specific standards to truly foster reliable, complete and extensive NFR. Therefore, NFR standard-setters, such as the International Sustainability Standards Board, should consider these heterogeneities.

Social implications: Reporting standardisation should be multi-voiced and include different—even contrasting—perspectives to promote expert and non-expert engagements.

Originality: This paper focuses on hybrid organisations and shows how the theoretical approach of dialogic accountability can improve the quality of sector-specific reporting standards.

Keywords: sector-specific reporting standard; non-financial reporting; hybrid organisations; cooperative banks; monologic and dialogic accounting

Article classification: Research paper

When a sector-specific standard for non-financial reporting is not enough: evidence from microfinance institutions in Italy

1. Introduction

This paper investigates the application of the Italian Banking Association (ABI) industry-specific reporting standard in microfinance institutions. It determines whether or not banking sector reporting standards can enhance non-financial reporting (NFR) *quality* and *volume* to meet stakeholders' information needs in specific settings. The paper contributes to the debate on the standardisation of NFR by focusing on the peculiarities of hybrid organisations that combine commercial and community goals.

The need for NFR standardisation has become evident after observing the growing number of frameworks and guidelines that national and international bodies have developed for disclosing the social and environmental impacts of company activities (Adams and Abhayawansa, 2022; Tschopp and Huefner, 2015; Eccles *et al*., 2012; Gray, 2002; Rasche, 2010; Etzion and Ferraro, 2010; Giner and Luque-Vílchez, 2022).

The increasing relevance of this topic is further underscored by the recent ambitious initiatives launched by the International Financial Reporting Standard Foundation (IFRS), one of the most prominent accounting standard-setters worldwide, and by the European Commission (EC) in collaboration with the European Financial Reporting Advisory Group (EFRAG) (Giner and Luque-Vílchez, 2022). In September 2020, the IFRS Foundation explored the creation of a globally accepted NFR standard through the International Sustainability Standards Board (ISSB) (IFRS, 2020). This decision was motivated by the aim to achieve comparability and consistency to allow businesses to build public trust through greater transparency of their sustainability initiatives (IFRS, 2020).

The harmonisation process in the realm of NFR standards mimics the process that started more than 40 years ago in the financial reporting field (Giner and Luque-Vilchez, 2022). Thus, harmonisation in NFR is an important goal that needs to be achieved at a global level.

Notably, Adams and Abhayawansa (2022) contended that the following three myths underpin the IFRS Foundation's approach and the idea of ISSB: i) an urgent need for a global sustainability standard-setting body; ii) financial materiality, and iii) consistent and comparable metrics. In the authors' opinion, these myths 'are fuelled by a lack of analysis of the alternatives, an overestimation of the IFRS Foundation's expertise and mischaracterisation of sustainable development financing' (Adams and Abhayawansa, 2022, p. 10), thereby putting into question the idea of harmonisation as promoted by the IFRS Foundation.

Furthermore, when contemplating NFR harmonisation, it is important to highlight that the IFRS Foundation's view is conceptualised and designed for large for-profit organisations, whereas the role of small organisations characterised by a hybrid mission remains marginalised to some extent. However, the need for measuring hybrid organisations' performances, including their social and environmental effects, has grown, and much effort has been exerted towards this endeavour (Costa and Pesci, 2016). Similar to the current debate around the ISSB, in the hybrid or non-profit domain, the most salient debate around the NFR involves two main positions: on the one hand, there is the idea of a 'golden standard' that can encompass many varieties and differences and is, therefore, strongly generalisable (Ray, 2018); on the other hand, there is the idea of a more sector-specific reporting standard to ensure that sustainability reports cover key sectoral concerns (Eccles *et al.*, 2012).

The importance of considering the peculiarities of various sectors has been recognised by the Global Reporting Initiative (GRI), which has highlighted the limitations associated with the 'one-size-fits-all' approach and has developed the Sector Supplement (SS) guidelines within the G4 release to underscore the importance of identifying the peculiarities of each sector. Notably, despite the call for academic research on standardisations in NFR (Tschopp and Huefner, 2015; Eccles *et al.*, 2012) and the recent standard-setter debate within the IFRS Foundation (IFRS 2020, 2021, 2022; Adams and Abhayawansa, 2022), few academic studies have investigated the need for sector-specific reporting standards in hybrid contexts (Rasche, 2010; Eccles *et al.*, 2012; Slacik and Greiling, 2020). Consequently, there is an exigency to investigate further the challenges involving the adoption and implementation of sector-specific reporting standards and their impacts on the quality and volume of NFR in different organisational settings to better reflect on the need (or lack thereof) to define a single set of 'golden' sustainability reporting standards.

To address this urgent call, this paper focuses on implementing the ABI sector-specific reporting standard in the Italian microfinance sector, with the ultimate goal of determining whether or not banking sector reporting standards can enhance the NFR *quality* and *volume* of disclosures to meet stakeholders' information needs. In detail, the paper focuses on a specific form of the microfinance institution, namely, cooperative banks (CBs), which combine both community and commercial goals (Jäger and Beyes, 2010).

Therefore, this paper analyses the application of the ABI sector-specific reporting standard to Italian CBs to determine whether it is tailored sufficiently to include the peculiarities of microfinance institutions. In this paper, we argue that if the volume and quality of ABI information are lower than the volume and quality of the additional information (Non-ABI) disclosed in the non-financial reports, the ABI sector-specific standard is not sufficient to justify the need for a 'golden' sector-specific reporting standard and, therefore, a more tailored approach is needed.

The ABI reporting standard applies to all types of banks in Italy. However, CBs have developed another industry-specific standard, namely, the *Federcasse*, which informs CBs on how to include Non-ABI information concerning the specificities of microfinance institutions.

The paper develops an analysis of the ABI standard from 2006 to 2013 to understand the process of building, designing and implementing the standard. *Then*, the paper develops a content analysis (Milne and Adler, 1999) of the quality and volume of the non-financial disclosures of 98 Italian CBs during the ABI implementation year. *Finally*, two regression models are proposed to explore i) the relationships between the total *volume* of disclosures in non-financial reports and the different categories of disclosures, either in ABI and Non-ABI, and ii) the relationships between the total *quality* of disclosures in non-financial reports and the different categories of disclosures, either in ABI or Non-ABI.

From a theoretical perspective, the paper is informed by the monologic vs dialogic accountability perspective (Brown, 2009), which facilitates an analysis of the (almost) concurrent facets of multiple sector-specific NFR standards in the Italian banking sector.

We hypothesise that both the volume and quality of ABI information are lower than those of Non-ABI. This idea is based on the fact that the hybrid nature of CBs encompasses commercial and social goals, whereas ABI information is designed for commercial banks that pursue only commercial goals. The results of the analysis show that the information provided in the non-financial reports in adherence to the ABI sector reporting standard is relevant in terms of both volume (H1) and quality (H2). Thus, H1 is confirmed when community- and economic-related issues are analysed, while H2 is confirmed when focusing on CB peculiarities, such as the community.

The main contribution of this paper is connected to the current debate on the future of NFR (Adams and Abhayawansa, 2022) because it supports the idea that a 'golden' sustainability reporting standard is no longer attainable. It also reveals the importance of information tailored to the missions of hybrid institutions operating in the microfinance field. In addition, the paper proposes a reflection regarding the adoption of monologic vs dialogic accounting (Brown, 2009) in the specific NFR standard domain by highlighting the relevance of non-expert consultation in developing NFR standards (Himick *et al.*, 2016; Adams, 2020).

The remainder of the paper is organised as follows. Section 2 provides a brief review of the developments in NFR standards by considering the current ISSB debate and introducing the theoretical perspective adopted in the paper (i.e. monologic vs dialogic accountability), Section 3 presents the research hypotheses, Section 4 introduces the methodological design of the research, Section 5 presents the empirical evidence, and Section 6 discusses the findings. Finally, some concluding remarks are given.

2. Theoretical Background

2.1. The need for NFR standards and the development of sector-specific guidance

2.1.1. The current debate on the ISSB

Over the last two decades, dozens of international reporting standards have been developed and published by independent bodies to encourage and guide organisations in carrying out auditing and reporting processes (Adams and Abhayawansa, 2022; Tschopp and Huefner, 2015; Eccles *et al.*, 2012; Rasche, 2010; Etzion and Ferraro, 2010; Gray, 2002). Reporting standards represent voluntary procedures that could be implemented by organisations that intend to deal with the measurement, assessment and communication of social and environmental impacts of activities on stakeholders.

Recently, the IFRS Foundation looked into the opportunity to create an internationally recognised sustainability reporting standard. The Foundation Trustee Task Force informally engaged with a cross-section of stakeholders involved in sustainability reporting, and it was established that sustainability reporting continues to increase in importance and audience. In developing global sustainability standards, the IFRS Foundation wishes to reduce complexity and achieve comparability and harmonisation in sustainability reporting (IFRS Foundation, 2020).

Notably, in April 2021, the EC issued a proposal for a Corporate Sustainability Reporting Directive (CSRD). The regulative effort exerted by EC, together with EFRAG, shows the growing importance of NFR and highlights the need to further investigate its standardisation and the related issues.

In addition, some relevant challenges should be investigated to understand how to reconcile the ISSB with the GRI standards (IFRS Foundation, 2021b; Peirce, 2021; Adams and Abhayawansa, 2022; Michelon *et al.*, 2020; Giner and Luque-Vilchez, 2022; Adams and Mueller, 2022). On 24 March 2022, the ISSB and the GRI announced their agreement to coordinate their work programmes and standard-setting activities to align, where possible, their respective work programmes, terminology and guidance to further harmonise the sustainability reporting landscape at an international level (IFRS Foundation, 2022). Our paper contributes to providing insights into the current debates on the following: i) the exigency of addressing the specificities of particular *sectors*, where a universal standard may be too broad and generic; ii) within the same sector, the need to consider the existence of heterogeneous organisations, such as *hybrid organisations*, in which some peculiarities already identified in the literature could obfuscate the effectiveness of a 'golden standard' that, ideally, should fit the information needs of all possible stakeholders (Guthrie *et al.*, 2008; Eccles *et al.*, 2012; Costa and Pesci, 2016); and iii) the role of non-experts among the stakeholders who should be involved in the standardisation process (Himick *et al*., 2016) and whose information needs should be considered (Adams, 2020).

2.1.2. Role of sector-specific standard and notion of comparability

Many organisations currently provide sustainability reporting frameworks, standards and metrics (see Adams and Abhayawansa, 2022) that evolve very rapidly. Therefore, companies are faced with opting to report using multiple standards, metrics or frameworks, resulting in a highly confusing process overall (IASB, 2020). A wide range of voluntary frameworks and standards are in use, so an examination of the opportunities and problems associated with them is necessary and timely (Tschopp and Huefner, 2015; Eccles *et al*., 2012; Gilbert *et al*., 2011; Rasche, 2010; Dumay *et al*., 2010; Guthrie *et al*., 2008).

Reporting standards should enhance the comparability and measurability of different dimensions of sustainability performance (Eccles *et al*., 2012) to allow businesses to build public trust through greater transparency of their sustainability initiatives (IASB, 2020). However, they have several limitations (Guthrie *et al*., 2008; Rasche, 2010). One of the most discussed limitations is the role of sector-specific information in developing NFR guidance (Cuganesan *et al*., 2010; Guthrie *et al*., 2008). The authors questioned the 'one-size-fits-all' approach favouring a more sector-tailored approach to ensure that the NFR covers key sectoral concerns. In their study on the Australian food and beverage sector, Guthrie *et al*. (2008) highlighted the importance of incorporating sector-specific elements in the processing of NFR. Their findings reinforced the need for such sector-specific guidelines 'to capture the unique set of issues faced by different industry sectors, which are essential to enabling a more robust and useful reporting' (Guthrie *et al*., 2008, p. 13). In this regard, Eccles *et al*. (2012) supported the idea of conducting a materiality analysis based on sector-specific sustainability performance to guide companies on what and how to report.

Similarly, the GRI includes the peculiarities of the industry sector from the G4 guidelines (Etzion and Ferraro, 2010; Tort, 2010; Eccles *et al.*, 2012; Taxler *et al.*, 2020) to develop standardised, comparable and consistent environmental information that could be used for benchmarking, ranking and cross-comparison within a homogeneous sector. Indeed, the G4 release of the GRI has been supported by numerous Sector Supplements (GRI-SS) to tailor the general GRI guidelines to specific sectors developed with the expertise of international multi-stakeholder working groups (GRI G4, 2012), as analysed by some studies (Roca and Searcy, 2012; Khan *et al*., 2011; Tort, 2010; Guthrie and Farneti, 2008; Talbot and Boiral, 2018; Slacik and Greiling, 2020; Traxler *et al*., 2020).

By investigating the commercial banks in Bangladesh, Khan *et al*. (2011) analysed the extent to which GRI indicators and Financial Service Sector Supplement (FSSS) are employed. The study revealed that 'more than half of the GRI-FSSS specific disclosures are found entirely lacking in sustainability reporting practices by surveyed banks' (p. 354). More recently, Khan *et al.* (2021) recognised that the quality of sustainability reporting evolved symbolically in Bangladesh's banks. However, after the introduction of regulatory guidelines, it gradually improved and became more substantive.

Similarly, Tort (2010) developed a study to foster knowledge of the application of GRI guidelines and sector supplements by government agencies. The report revealed that 'the use of the Supplement was fragmented, and public agencies that used the Supplement chose to report on only some of the indicators' (p. 10). The sector guidance for the public sector did not have the desired success; thus, a gap remains between the expectations of GRI and current practices (Dumay *et al*., 2010).

These previous studies have adopted a descriptive approach (Roca and Searcy, 2012; Guthrie and Farneti, 2008; Khan *et al*., 2011) by investigating the level of compliance of the NFR to the sector-industry reporting standard (Talbot and Boiral, 2018; Slacik and Greiling, 2020; Traxler *et al*., 2020). However, an analysis of the level of compliance does not allow us to understand why some organisations scarcely comply with standard disclosure requirements and why information not required by the reporting standards is included in the non-financial reports. Consequently, we argue that there is a need to explore further the overall indicators adopted in the NFR, considering that some items not proposed by the reporting standards may be disclosed because they are deemed relevant for a specific organisation; in contrast, other items included in the reporting standard could be irrelevant in an industry-specific setting (Bouten *et al*., 2011).

Our argument is in line with a key issue advocated to justify the scarcity of progress of sector-specific reporting standards concerning more general standards, namely, the fact that within some sectors, there are organisations that are not homogeneous in terms of dimensions or legal and governance forms (Slacik and Greiling, 2020). Therefore, there is a need to better investigate the implementation of NFR standards in sectors where the lack of homogeneity could influence the adoption of NFR standards. In particular, we argue that if hybrid organisations operate within a sector, when implementing the NFR standard, those organisations will emphasise the information capable of satisfying the needs of stakeholders that are related to the achievement of their mission and not merely connected to financial goals (Costa and Pesci, 2016).

2.2. Monologic and dialogic accounting and definitions of accounting standards

In the literature, the criticism towards NFR standardisation has been associated with the exigency to develop a 'new form of accounting' that promotes and facilitates more participatory forms of decision-making and accountability (Gray, 2002). Various scholars have attempted to explicitly promote dialogic accounting and forms of engagement (Bebbington *et al*., 2007; Frame and Brown,

2008) that reject the idea of a standardised and universal narrative, preferring to consider societies as multiple narratives (Brown, 2009). Dialogic accounting recognises heterogeneity and multiple perspectives, allowing a more pluralist expression of public interest that can mitigate the dominance of instrumental rationality.

With specific reference to the social and environmental literature, the dialogic perspective brings up the idea of developing models based on a multi-dimensional and participative approach that is sensitive to the power differentials in society (Bebbington *et al*., 2007; Frame and Brown, 2008). To advance the social and environmental accounting literature within a dialogic perspective, Brown (2009) established eight critical principles of dialogic accountability (please see Table I).

[insert Table I here]

This paper focuses on principle number 4 to better investigate the role of non-expert engagement in developing the sector-specific standard by the ABI. The importance of non-expert consultation in developing reporting standards has been recognised and discussed in financial accounting literature (Himick *et al*., 2016).

Notably, financial standard-setter institutions have prioritised the engagement of experts and commercial interests over other stakeholders in developing standards (Noël *et al*., 2010). This is because, first, these debates involve highly technical concepts that require expert knowledge, and second, experts typically appear as independent, value-neutral and apolitical. However, other scholars (Himick *et al*., 2016) have encouraged the involvement of non-technical experts in the development of financial standards.

To date, one aspect that has not been investigated is the effect of expert or non-expert engagement in NFR standard-setting and its implications in terms of theoretical framing.

Within the monologic accounting approach, technical experts provide scientific knowledge to decision-makers to achieve predetermined goals (Brown, 2009). In this approach, the competing views are limited to reduce managerial complexity. Experts delimit the space for debate and refuse to entertain alternative perspectives.

Many forms of stakeholder engagement are still relatively linear and unidirectional (Brown and Dillard, 2015), and the adoption of terms such as ‘bottom-up participation’ or ‘downward accountability’ risks reinforces the hierarchies among organisations and stakeholders. To become participatory and democratic, accounting should consider different stakeholder perspectives by facilitating a ‘better conversation’ and different forms of engagement (Bebbington *et al*., 2007). Within the accounting standard-setting process, a dialogue between experts and non-experts should be encouraged because the viewpoint of non-experts would increase democratic legitimacy (Himick *et al.*, 2016).

2.3. Industry-specific standard-setting in Italy: ABI and Federcasse

The ABI is a voluntary non-profit organisation established in Milan in 1919 to undertake initiatives for the stable and efficient growth of the banking and financial system, consistent with Italian and European Union laws. ABI also represents the Italian banking and financial system at the international level, particularly with the European Banking Federation and the European Mortgage Federation.

In 2001, the ABI incorporated the GBS Italian national NFR guidelines into the banking sector (both commercial and cooperative) and formed an inter-bank working group on corporate social responsibility to define ABI industry-specific standards. Notably, the working group included one ABI team with *specialised* skills in the different areas addressed by the proposed NFR framework and another team of *experts* representing professionals, academics, consulting firms, rating agencies and sustainability research companies (Zappi, 2007; Noël *et al.*, 2010).

In 2006, the ABI published a second and operative edition of the guidelines. They introduced i) a stakeholder-relationship approach and ii) a list of specific indicators geared to quantify the information for each stakeholder.

The stakeholder-relationship approach represents 'the intention of the bank to put stakeholders at the centre of the process of accountability, stakeholders *for* whom and *with* whom the bank creates value' (ABI, 2006, p. 5). The stakeholders identified by the ABI sector-specific standard are shareholders/members, employees, corporate and retail customers, suppliers, partners, institutions, local communities and the territory. The sector-specific guidelines aimed to provide 'practical guidance to support banks (of any size) in taking CSR forward' (Zappi, 2007, p. 472). Indeed, the set of indicators is not intended to be a reference standard for NFR; rather, they function as a toolkit that fosters corporate social responsibility and accountability in the banking sector.

In 2013, to reinforce the 'toolkit' approach and the list of indicators that may be adopted, the ABI included some GRI-FSSS indicators in a revised version of the sector-specific reporting standard.

The ABI sector-specific reporting standard also served as the starting point for developing the Federation of the Cooperative Banks' (Federcasse) sector-specific reporting standard for the CB system in 2003. Based on its international and national experiences, Federcasse noted the scant attention given to the CB movement and decided to reflect on a different sector-specific reporting standard that takes into account the peculiarities of this specific banking sector. In the process that they developed in 2011, the Federcasse sector-specific guidelines considered both internal and external *experts* and *non-experts* (such as cooperative training centres, the research office of

Federcasse, Fondo di Garanzia Istituzionale, Vigilanza Cooperativa and the University of Rome) to propose a multi-voice and multi-dimensional standard that can measure CBs' performances concerning three important dimensions: banking, cooperation/mutuality and community (Gonnella and Messina, 2011).

By defining the guidelines for the 'Social and mission report for CBs', Federcasse realised the need to draw on specific indicators that could better measure the effects of the CBs' mutualistic and cooperative features. In 2011, the dialogical construction of a set of specific indicators for CBs led to the identification of 139 indicators (necessary, internal, external) relating to nine areas that were nearly missing in the sector-specific standards (Gonnella and Messina, 2011). The Federcasse 'Social and mission report for CBs' represents an autonomous standardised model customised by Federcasse based on the reality of the CBs, inspired by the 'cooperative credit value chart' and structured in seven specific sections. The Federcasse industry-specific reporting standard differs significantly from the ABI standard in terms of the following aspects:

- it explicitly clarifies the reasons why a CB is different from other banks;
- the cooperative movement is considered a stakeholder per se; and
- social accounting calculates the figurative benefit for associates and the community in the added-value allocation.

Through this configuration, Federcasse achieves two objectives: a) to make the additional benefit it grants to clients comparable to dividends, and b) to quantify the CBs' contributions in terms of mutuality (Gonnella and Messina, 2011). The Federcasse sector-specific reporting standard has been considered a best practice by the European Commission. It has also been reported in the European Campaign on Corporate Social Responsibility.

3. Hypothesis Development

The debate regarding the importance of recognising industry-specific peculiarities within NFR requirements (Cuganesan *et al.*, 2010; Adams and Abhayawansa, 2022) is in line with the limitations recognised in the 'one-size-fits-all' approach (Costa and Pesci, 2016). The importance of identifying the peculiarities of each sector has also been promoted by the GRI-SS approach, whereby a decision is based on three main drivers: i) to include sector-specific issues in the NFR; ii) to enhance the sustainability performance of organisations in a sector, and iii) to increase the number and quality of non-financial reports in a specific sector.

As highlighted in Section 2.1, previous research on sector-specific reporting standards has mainly analysed the extent to which GRI-SS indicators are employed by organisations operating in a specific sector (Khan *et al.*, 2011; Guthrie and Farneti, 2008; Slacik and Greiling, 2020) by also considering their compliance with such specific GRI-SS guidance (Tort, 2010; Khan *et al*., 2011). It was only recently that a close investigation of the quality of the non-financial reports was performed (Khan *et al*., 2021). However, the call for analysing the quality of disclosed information is still open and particularly urgent when hybrid organisations are included in the sector under investigation (Slacik and Greiling, 2020). Therefore, for the purpose of this study, both the volume and the quality of the disclosure are relevant in the specific banking context where hybrid organisations such as CBs exist.

As previously highlighted, the ABI banking-specific reporting standard was designed for all forms of banks in Italy as a sort of 'golden standard' (Eccles *et al.*, 2012) for the banking sector without considering the differences between profit-oriented and hybrid banks as CBs. Thus, we argue that in investigating the use of a sector-specific reporting standard—such as ABI—it is important to detect if the reporting standard is too generic to address the need for disclosure of commercial banks and CBs that differ in terms of mission and governance (Slacik and Greiling, 2020). In the Italian banking sector, where non-homogeneous organisations co-exist (both commercial and hybrid), we expect that the volume of the NFR disclosures provided by hybrids (CBs) under the ABI reporting standard may be lower compared with the volume of the additional information not prescribed by the reporting standard (Non-ABI). Indeed, given their hybrid mission that combines commercial and community goals, CBs need to disclose additional information to satisfy stakeholders' needs (Costa and Pesci, 2016). Therefore, in the microfinance sector, it could be potentially inadequate to use a general reporting standard for the banking sector that does not include, for instance, information regarding the members, the community and value-based activity of the hybrids, such as the GRI-FSSS or the ABI in Italy. The challenge of obtaining comparable information with the adoption of NFR standards arises when organisations are diverse within the same sector, and the excess of standardisation could obscure what is relevant and valuable for stakeholders (Slacik and Greiling, 2020). We argue that more tailored information that focuses on the sector's peculiarities is desirable in such circumstances. In sum, analysing the implementation of NFR standards in hybrid organisations such as CBs allows us to observe how the existence of non-homogeneous organisations within the banking sector might be reflected in their disclosure choices. In particular, we expect that CBs' hybridity, which is related to the benefits reaped by the community and the members, influences their NFR disclosure, thus highlighting that the ABI standardised information in this realm is not sufficient because it does not consider CBs' peculiarities (Costa and Pesci, 2016). Based on these premises, the following research hypothesis (RH) is proposed:

RH1: In CBs'non-financial reports, the volume of the indicators belonging to the ABI sector-specific reporting standard (ABI) is lower on average than the volume of the indicators that do not belong to the reporting standard (Non-ABI).

NFR information can also be connected to a reflection regarding the monologic vs dialogic approach in developing sector-specific reporting standards. In this paper, we contend that the monologic vs dialogic view proposed by Brown (2009) can foster understanding of this issue. Adopting a dialogic accounting approach is particularly useful in hybrid organisation contexts in which the necessities of different stakeholders must be addressed. Dialogic accounting is considered to be more in line with the idea of reducing inequalities of power among the stakeholders interested in retrieving information by reporting documents (Bebbington *et al*., 2007; Frame and Brown, 2008; Brown and Dillard, 2015). By adopting the point of view of the standard-setter when approaching a hybrid context, the focus should be on principle number 4: Enable accessibility for non-experts, thus allowing different stakeholders to express non-homogeneous informational needs. The idea of dialogic accounting bolsters the role of those stakeholders, such as non-experts who have a strong interest in retaining valuable and high-quality information by NFR. Considering the sector-specific reporting standards in Italian microfinance organisations, it is worth noting that the ABI can be regarded as monologically oriented because it only engages with experts' viewpoints (Zappi, 2007), and its content is not believed to satisfy the specific informational needs of CBs' stakeholders.
In light of the cited literature that underscores the relative absence of a dialogic approach in the development of the ABI sector-specific reporting standard, we argue that when Italian CBs provide the information prescribed by the ABI reporting standard, the quality of this information can be lower than the additional information tailored on the needs of CBs' stakeholders (Non-ABI). The monologic development of ABI constrains the space allocated to non-experts, such as the local community, in the consultation process. The result is a reporting standard that does not consider the most important information for CBs. The idea is that information devoted to distinctive CB stakeholders should be tailored to their informational needs. Still, ABI's monologic approach does not allow the enactment of a reporting standard embedding CBs' interests. Therefore, we expect that ABI information shows lower quality than Non-ABI ones. The following research hypothesis (RH) is proposed:

RH2: In CBs'non-financial reports, the quality of the indicators belonging to the ABI sector-specific reporting standard (ABI) is lower on average than the quality of the indicators that do not belong to the reporting standard (Non-ABI).

4. Research Design

4.1. Sample

The research built a complete database of CBs by retrieving information from the official website of the Cooperative Movement and from the Bank of Italy to map out all the CBs in Northern Italy. A list of 228 CBs in Northern Italy was then compiled. Out of these 228 CBs, 98 non-financial reports were available and downloadable on the CBs' websites. The analysis focuses on the 2008–2009 ABI reporting standard implementation years because no non-financial reports were available previously. Although many studies on NFR have considered the annual report as *the* document for analysis (Gray, 2002), this research considered stand-alone non-financial reports for two main reasons. First, concerns related to the exclusive focus on annual reports have pushed other researchers to adopt stand-alone non-financial reports as a source of information about social and environmental disclosures (Roca and Searcy, 2012; Bouten e*t al.*, 2011). Second, the ABI reporting standard supports the adoption of stand-alone non-financial reports for Italian banks (ABI, 2006).

4.2. Content analysis

Content analysis has been widely used in NFR studies (Milne and Adler, 1999) in two main ways (Hooks and van Staden, 2011; Al-Tuwaijri *et al*., 2004). The first measurement group uses unit count-based content analysis based on the assumption that the volume of disclosure signifies the importance of the disclosure (Milne and Adler, 1999; Unerman, 2000). The second measurement group uses quality indexes to assess, compare and explain the differences in the quality of the information disclosed (Criado *et al*., 2008; Hooks and van Staden, 2011). Although various approaches to addressing the issue of NFR quality can be adopted (Michelon *et al*., 2015, Malola and Maroun, 2019; De Villiers and van Staden, 2011; Khan *et al*., 2021), for the purpose of this study, both the *volume* and the *quality* of the disclosures were investigated to fully capture the information used to convey the social and environmental issues in the non-financial reports in Italian CBs. Bouten *et al*. (2011) suggested that the list of the information supplied by a standard could not be considered *the* complete list of indicators that an organisation could and wants to report. Indeed, previous studies have evaluated the GRI-SS as a reference and then analysed how organisations' disclosures comply with the standard (Talbot and Boiral, 2018; Slacik and Greiling, 2020; Traxler *et al*., 2020). However, some indicators that could potentially be significant for an organisation facing peculiarities in a sector could not be included in the reporting standard. To overcome these limitations, this paper considered *all* of the social and environmental information relevant to the CBs. Therefore, we started with the non-financial reports. We read each of them, identified the disclosed information, and categorised them into the ABI reporting standard, if applicable and Non-ABI otherwise, as emergent coding (Haney *et al*., 1998). The result of this coding process was that the researchers were able to classify into five categories each social and environmental information disclosed: community/members, customers, employees, natural environment and economic issues.

To ensure the reliability of the data collection and the coding process (Unerman, 2000), the following steps were undertaken: 1) 98 non-financial reports were analysed independently in three rounds by three researchers to ensure stability and reproducibility; 2) discrepancies were re-analysed, and differences were resolved, and 3) the researchers established a priori rules for the data collection procedure to ensure accuracy. Finally, a pilot test on a few non-financial reports was performed to ensure that all researchers could codify the information in the same way.

The content analysis was conducted manually to enable the researchers to better interpret the findings and perform a more detailed and theoretically informed analysis (Unerman, 2000).

4.3. Variables: quantity and quality of the disclosure

Following previous studies (Unerman, 2000), the quantity of the disclosure (VOLUME) was measured by selecting sentences as the unit of analysis because a sentence 'offers a complete, reliable and meaningful data for further analysis' (Milne and Adler, 1999, p. 243).

The second measure investigated the disclosure quality (QUALITY) by applying a disclosure score. The simplest form of quality index assesses the presence or absence of such information, but a mere occurrence evaluation does not allow a measurement of the extent of the disclosed information regarding its emphasis and significance. According to some studies (Al-Tuwaijri *et al.*, 2004; Michelon *et al.*, 2015), the level of informational detail can vary from a vague and descriptive statement to quantified and numerical data.

After considering existing scales (e.g. Hooks and van Staden, 2011; Michelon *et al.*, 2015), we employed the four-point score (0-3) applied by Al-Tuwaijri *et al.* (2004). Following this scoring scale, quantitative numerical disclosures received the most significant weight (+3). The next highest weight (+2) was assigned to non-quantitative narrative information providing a detailed and comprehensive description of the topic. Finally, vague qualitative disclosures received the lowest weight (+1). When some information was missing from the non-financial reports, the score attributed was zero (see Appendix I for an example of the scoring system).

In constructing our final disclosure score for every CB, we calculated the ratio between the disclosure quality for each piece of information and its occurrence (Al-Tuwaijri *et al.*, 2004). This procedure was carried out in each of the five categories of the disclosure (community/members, customers, employees, natural environment and economic).

4.4. Regression analysis

The objective of the analysis is to evaluate whether the ABI industry sector-specific reporting standard affects the volume and quality of NFR indicators. The regression analysis complements the univariate analysis and compares the different categories of indicators through formal testing.

Dependent variables. We fit two separate models to the data to gain insights into the phenomenon from different perspectives. The first dependent variable considered is the overall volume of NFR (TOTVOL), obtained as the sum of the number of sentences assigned to each indicator (either ABI or Non-ABI) present in the non-financial report of the *i-th* bank *i=1,…,98.* The value of TOTVOL increases with the number of indicators present in the non-financial reports and their volume. This measures the attention given to indicators belonging to specific disclosure categories and their volume.

The second dependent variable is the overall quality (TOTQUAL) of NFR, obtained as the sum of the quality scores assigned to each indicator (either ABI or Non-ABI) present in the non-financial reports.

Independent variables. For each of the five categories considered (economic, customer, employee, community and environment) and for each group (ABI and Non-ABI), we defined an integer valued independent variable whose values are the number of indicators disclosed in the non-financial reports. For example, the variable *EcoABI* for the *i-th* bank represents the number of indicators (not their quality or volume) in the *i-th* bank's non-financial report related to the ABI group for the economic category.

Remark. The CBs considered in the analysis are strongly homogeneous, as the CBs analysed are all quite similar in size and nature of activities and objectives. Therefore, no control variables were added to the model. Note that the β coefficients of the regression model represent a measure of the average quality or volume in each groups-categories combinations. For example, suppose several non-financial reports contain larger volumes of CusABI indicators and/or are of higher quality with respect to the Non-ABI. In that case, we expect the regression coefficient of that group (ABI) to be larger than that of the other group (Non-ABI).

Thereafter, comparisons can be made to test the hypothesis that specific categories (community/members, customers, employees, natural environment and economic) have, on average, a higher (or lower) volume and/or quality in the two groups (ABI and Non-ABI).

If Y_i denotes the variable TOTVOL (or TOTQUAL) of the non-financial report of bank *i*, the regression models fitted to the data are described by the following equation:

$$Y = \overbrace{\beta_1(EcoABI) + \beta_2 CusABI + \beta_3 EmpABI + \beta_4 ComABI + \beta_5 EnvABI}^{ABI\ indicators\ impact} +$$
$$+ \overbrace{\beta_6 EcoNonABI + \beta_7 CusNonABI + \beta_8 ComNonABI}^{Non-ABI\ indicators\ impact} + \varepsilon \quad (1)$$

Note that we fit a no-intercept model directly because, according to our definition, no indicator will necessarily imply non-financial reports with no quality or volume. The term ε represents an error term that accounts for model-unexplained variability, which is assumed to follow a normal distribution with null mean and constant variance.

5. Empirical Analysis of the Implementation of the Monologic ABI Standard

Table II shows the content analysis results conducted for the implementation year (2008–2009) of the ABI reporting standard and reports the 96 indicators (1,982 observations) presented in the 98 CBs' social reports. Notably, most of them (59%) were included in the ABI sector-specific reporting standard. Moreover, a considerable number of the CB's non-financial disclosures (41%) were not included in the sector-specific standard. Differences appeared when each category was analysed. The ABI guidance most certainly covers all relevant information regarding the employees and the environment since no other specific information is reported. However, when presenting customer- and economic-related issues, the non-financial reports covers many relevant issues for the banks but not included in the ABI reporting standard.

[Insert here Table II]

5.1. Descriptive Statistics

Table III provides the data on the volume and quality of the disclosures by highlighting the differences between the ABI and the Non-ABI indicators.

Panel A displays 7,360 reported sentences on social and environmental issues within the non-financial reports of the CBs; of these: 5,509 (75%) follow the ABI reporting standard, while the remaining 1,851 (25%) are not required by the ABI. The ABI indicators also had the highest average volume (4.05) in contrast to Non-ABI (2.98). Nevertheless, interesting differences emerged when single categories were considered.

The indicators related to *customers* accounted for 21% of the total volume of the disclosure, 73% of which did not apply to the ABI reporting standard. However, when the average frequency of indicators was analysed, the ABI provided a greater potential to cover sector-specific issues (4.73). Thus, the other sector-specific information remained less important (2.42). These results demonstrate that the high number of customers-Non-ABI indicators is distributed in a fragmented way throughout the non-financial reports.

Information relating to *community and members* accounted for an average of 4.96 sentences (4.83 ABI and 5.80 Non-ABI). This area is the most important in terms of the absolute number of sentences (2,991 or 41% of the total sentences), and the ABI reporting standard accounted for 84% (2,515 sentences). However, when the average frequency of indicators was analysed, the ABI reporting standard failed somewhat to cover sector-specific issues (4.83). The Non-ABI information is considered extremely important for CBs because the average by indicators is higher (5.80) compared with those applicable to the ABI. See Appendix II for more details.

[Insert here Table III]

Panel B presents an analysis of the quality scoring system. Overall, the non-financial reports of the Italian CBs were mainly narrative and descriptive (the average quality score was 2.34) rather than numerical. However, the average quality score for the ABI indicators was 2.29 compared with 2.44 for Non-ABI information. Therefore, the information disclosed by adopting the ABI reporting standard was qualitatively low compared with the Non-ABI. This pattern varied in the different categories of the disclosures. Thus, the data confirm that when CBs voluntarily add information to their non-financial reports, the quality of this information is high.

Regarding *community and members*, the quality score variable showed that, in general, information was mainly descriptive (2.22). The indicators presented by adopting the ABI sector-specific reporting standard were, on average, less detailed and less numerical (2.18) compared with other Non-ABI indicators (2.45).

By referring to the *customer*, the items included in the ABI were generally more quantitative and specific (2.67) than Non-ABI (2.35).

5.2. Correlation and regression analysis

For the regression modelling results, Table IV depicts Pearson's correlation coefficients for the dependent and independent variables of the models. The independent variables are generally weakly correlated, with the highest coefficient equal to 0.571 in the case of employees (EMP) and customers

(CUS) in the ABI group. The Variance Inflation Factors (VIF) in the model fitting confirmed that these variables do not suffer from collinearity problems. The two independent variables, TOTQUAL and TOTVOL, showed a high degree of correlation, consistent with the previous study of Hooks and van Staden (2011), which pointed out that higher quality is generally associated with higher volume.

[Insert here Table IV]

The results of the OLS model with TOTVOL and TOTQUAL are shown in Table V and Table VI.

[Insert here Table V]

[Insert here Table VI]

Overall, both models (TOTVOL and TOTQUAL) indicate a very good data fit (with an adjusted-R^2 equal to 0.862 and 0.986, respectively). In other words, both models capture the overall structure of the phenomenon quite well but with some differences. In the TOTQUAL model, all coefficients are highly significant. This is not the case for the TOTVOL model. This may be attributed to the higher variability present in the variable TOTVOL, which makes it difficult to unveil all of the relationships. However, common key features can be noted in both models. Therefore, the model for TOTQUAL could be safely used to read the main features of the NFR.

In both models, the high values of the coefficients associated with CusABI reveal the higher volume and the higher quality of ABI indicators compared with those in the Non-ABI group in the banks' non-financial reports. Consistent with the descriptive analysis, the model shows that for the customer category, there is a significant difference between the ABI and Non-ABI groups, in favour of the first, as can be seen in Column 4 of the table. Furthermore, the model highlights a significant difference between ABI and Non-ABI for the community and member categories in favour of the second, thus confirming the need for CBs to include in their reports any information related to community and members. This aspect is not suggested by the ABI reporting standard.

The last row in both tables compares the two groups (ABI and Non-ABI); as it can be seen, a significant difference is not supported by the data. This can be read in conjunction with the results of the single coefficients.

6. Discussion

Our findings suggest that for CBs in the Italian banking sector, the information provided in the non-financial reports in adherence to the ABI sector reporting standard is relevant in terms of both volume and quality. However, when investigating specific categories such as the community, the relevance of the ABI reporting standard is fairly low. In detail, H1 is confirmed when community- and economic-related issues are analysed. The non-financial disclosures cover many relevant issues for the CBs but are not included in the ABI reporting standard. Information about 'territorial development' and 'economic contribution to the third sector' is very relevant for CBs. The significance of the community category has also been pointed out by Bravo *et al*. (2012), who provided evidence that savings banks publish more information regarding their contributions to the achievement of the community's general interests. Similarly, Kahn *et al*. (2011) discovered a noticeable extension of indicators of banks' social and community involvement in Bangladesh. In our sample, the indicators related to the customers cover 21% of the total volume of the disclosures, 73% of which do not apply to the ABI-specific reporting standard. The most disclosed issues related to customers are 'customer satisfaction' (9.67) and 'customer claims' (8.88). These provide evidence of the actions and strategies employed by CBs to address customer needs and solve conflicts, similar to a previous study (Bravo *et al*., 2012).

H2 is also confirmed when focusing on CB peculiarities, such as the community. Indeed, in this category, the quality score variable makes it evident that general information is mainly descriptive (2.22). The indicators encompassed by the ABI industry-specific reporting standard are less detailed and less numerical on average (2.18) compared with Non-ABI indicators (2.45).

Read in general terms, our results seem to convey the idea that when investigating the adoption of sector-specific reporting standards in a sector in which there are hybrid organisations such as CBs, the quality or volume of specific categories of disclosures connected to their mission (i.e. community information) may be lower than the quality and volume of disclosures provided without referring to the reporting standard. Thus, our findings support a certain degree of caution in promoting 'golden' NFR standards (Michelon *et al*., 2015; Malola and Maroun, 2019; Guthrie and Farneti, 2008; Slacik and Greiling, 2020; Talbot and Boiral, 2018; Traxler *et al*., 2020). Indeed, this paper showed that the mere adoption of a sector-specific reporting standard such as the ABI is not sufficient to guarantee reliable and high-quality information in the NFR when hybrid peculiarities are addressed. A more tailored reporting standard is needed to advance the organisations' disclosures.

Our study helped establish that the sector-specific reporting standard's ineffectiveness may be attributed to the fact that the sector's homogeneity is limited (Slacik and Greiling, 2020), as in the case of the Italian banking sector that includes both for-profit and hybrid organisations, such as the microfinance institutions analysed in this paper. Indeed, the ABI reporting standard does not include the information that reflects the peculiarities of CBs (Non-ABI). Italian CBs have a limited disclosure of social activities in their non-financial reports under the ABI sector-specific standards because this reporting standard does not allow the CBs' social performances to be represented. This result is particularly significant in light of the debate regarding adopting a global NFR standard (IFRS, 2020, 2022) because it highlights the fact that even the adoption of sector-specific reporting standards could lead to a lack of relevant information if the standards remain too generic.

Thus, to pursue the myth of harmonisation through comparability (Adams and Abhayawansa, 2022), when a sector embeds non-homogeneous organisations (for-profit vs non-profit), it risks missing relevant information, similar to the Non-ABI example in the microfinance case. Consequently, disclosing comparable and relevant information by adopting a unique global standard may be likened to a chimaera, leading to some stakeholders missing out on key information.

Furthermore, the results should be interpreted in light of the dialogic vs monologic accountability perspectives (Brown, 2009; Bebbington *et al.*, 2007; Frame and Brown, 2008). Herein, the issue of whom information should be addressed becomes crucial. For example, in Italian microfinance, the role of non-expert engagement (Noël *et al.*, 2010; Himick *et al.*, 2016) in the development of an alternative sector-specific reporting standard, such as Federcasse, could be crucial to overcoming the ABI limitation concerning CBs' specificities. The monologic production of sector-specific ABI reporting standard has been insufficient in guaranteeing extensive and quality-based disclosure in the investigated sample, especially when less powerful stakeholders (such as the community) need to retrieve information (Adams, 2020). The analysis supports that, to promote accountability, it is not only relevant to focus on the content of the report; promoting sector-specific reporting standards facilitates comparisons between different organisations belonging to the same sector of activity (Cuganesan *et al.*, 2010; Guthrie *et al.*, 2008; Eccles *et al.*, 2012). The case of the Italian CBs helped us reflect better on the necessity of more flexible reporting standards or secondary-level sector-specific standards (such as Federcasse) that can satisfy the information needs of a multi-voiced industry in which both for-profit and hybrid organisations operate. In particular, when dealing with hybrid contexts in which the community is the most significant stakeholder, the designed specific standard should be able to incorporate non-experts' views and stimulate a continuous dialogue with the specific relevant categories that represent the non-profit peculiarities (Adams, 2020).

7. Conclusions and Contributions to the Literature

This paper aimed to analyse the application of the ABI banking reporting standard in Italian CBs to determine whether or not the guidelines constitute an effective tool for disclosing significant information to all stakeholders who express the need for information. To achieve our aim, we analysed the volume and quality of the indicators disclosed in the non-financial reports of 98 microfinance institutions in Italy—the CBs—during the ABI reporting standard implementation years (2008–2009). Through this process, we were able to evaluate 1,982 observations.

The findings suggest that, generally, the ABI sector-specific reporting standard can promote the disclosure of information that is mainly widespread among CBs in terms of frequency. However, after analysing the significance of the disclosures in terms of volume and quality, the regression models (both for TOTVOL and TOTQUAL) show some differences in specific categories of disclosure that reflect the CBs' peculiarities. The ABI reporting standard may be effective in customer-related areas, as all of the customer-related indicators belonging to the ABI are higher in volume and quality than those of Non-ABI. This means that ABI can identify the specific banking peculiarities with regard to their customers. However, when analysing other categories of the disclosure (economic, employee, community and environment), there is a plethora of additional information (roughly 40 indicators that account for more than 1,800 sentences) that are not considered in the ABI guidelines but are significant in terms of volume and quality of information. This paper highlights the presence of relevant information for the CB community and, therefore, is reported in the CBs' non-financial reports but which have not been included in the ABI monologic industry-specific reporting standard.

Our investigation contributes to the current debate regarding the standardisation approach promoted by the ISSB (IFRS Foundation, 2020) that aims to achieve comparability and harmonisation in the NFR's arena. Our paper shows that when dealing with the specificities of Italian microfinance institutions, a 'golden' sector-specific standard is not sufficient to enhance the volume and quality of disclosed information to some salient stakeholders; rather, a more tailored approach is necessary. This result is particularly significant because it puts in question the 'myth of comparability and consistency' (Adams and Abhayawansa, 2022), which has been adopted by the IFRS Foundation to support the growing and urgent need to propose the ISSB (IFRS Foundation, 2021a). To contribute to the lack of analysis on 'alternative' ways to conceptualise a universal reporting standard (Adams and Abhayawansa, 2022), our results show that comparability should be promoted and incentivised within sectors that present homogeneous features. It cannot be pursued as a cross-sector concept that should be applied without considering that heterogeneity can affect the usefulness of the information provided (Cuganesan *et al*., 2010; Guthrie and Farneti, 2008). The findings support a certain degree of scepticism toward sector-specific reporting standards (Dumay *et al*., 2010) because they do not consider the potential heterogeneity within the sector. The issue of heterogeneity becomes particularly relevant when the sector operates both for-profit and hybrid organisations. Our paper shows that comparability intended in general terms is a myth (Adams and Abhayawansa, 2022) because it should be achieved within the boundaries of homogeneous sectors to provide stakeholders with meaningful and useful information. Thus, our study supports the idea that it is necessary to refer to a more tailored sector-specific reporting standard (a sort of secondary level sector-specific reporting standard) that can complement information for stakeholders who are not sufficiently represented, such as the community, in the Italian microfinance setting analysed.

This paper also contributes to understanding stakeholders' roles in developing NFR. As a response to the misalignment between the sector's needs and the ABI reporting standards, in the Italian microfinance setting, an alternative reporting standard has emerged by adopting a process based on inclusion, participation and engagement of non-experts thus implementing a dialogic approach to the standardisation issue. Indeed, from 2011, the inclusion of non-experts' points of view gave rise to the development of an alternative sector-specific reporting standard (i.e. Federcasse) that is more tailored to the needs of CB stakeholders, such as the members and the community. Therefore, the paper reveals the limitations of monologic accountability in terms of including different perspectives in the CBs' domain and proposes a more dialogic and tailored approach to reporting standards.

Finally, this paper provides a methodological contribution to studies analysing the adoption of standards in NFR. In contrast to prior studies (Talbot and Boiral, 2018; Slacik and Greiling, 2020; Traxler *et al*., 2020), this paper does not analyse the compliance of the non-financial reports to the sector-industry standards but considers *all* of the indicators (Bouten *et al*., 2011) reported by Italian microfinance organisations, thereby also making room for Non-ABI indicators that are relevant in terms of both quality and quantity in such areas of the disclosure.

In sum, this study calls for a massive rethinking of the role of sector-specific reporting standards, mainly when used in hybrid settings. In these settings, comparability should be developed within the boundaries of the sector and not in generic terms; an accurate and continuous stakeholder engagement could be the key to obtaining useful information for those stakeholders who could be marginalised (Costa and Pesci, 2016; Zappi, 2007; Himick *et al*., 2016). The data support the scepticism (Peirce, 2021; Adams and Abhayawansa, 2022; Michelon *et al*., 2020) towards the risk that a 'golden standard' that aims to promote comparable and consistent information across business organisations may lack significance, meaning and quality when operating in heterogeneous settings.

In terms of implications, the paper sheds light on two aspects: i) NFR standard-setters should take into account the heterogeneity between different sectors and within the same sector for the possible presence of different organisations, such as the case of the banking sector analysed in this paper; and ii) in the process of non-financial reporting standard development, it is important to engage both expert and non-expert (Noël *et al*., 2010, Himick *et al*., 2016). Therefore, standardisation should be multi-voiced and include different—even contrasting—perspectives. We believe these implications could contribute to the current debate regarding the IFRS Foundation's proposal (2021a; 2021b,

2022) to play a significant role in developing an ISSB that could urgently guarantee comparability across business organisations.

No research is exempt from limitations, including the current study. This study relied only on secondary data. Future studies should conduct in-depth interviews with Italian CBs to better understand how they perceive the two industry-specific standards for the banking sector and those they consider to be more relevant to their specific hybrid context. Finally, other methods and approaches could be applied to investigate this issue further (Michelon *et al*., 2015; Malola and Maroun, 2019; De Villiers and van Staden, 2011; Khan, 2021).

References

ABI - Associazione Bancaria Italiana (2006). *Il rendiconto agli stakeholder: una guida per le banche.* Roma (Italy): Bancaria Editrice.

Adams, C.A. and Abhayawansa, S. (2022), “Connecting the COVID-19 pandemic, environmental, social and governance (ESG) investing and calls for ‘harmonisation’ of sustainability reporting”, *Critical Perspectives on Accounting*, Vol. 82, doi: 10.1016/j.cpa.2021.102309

Adams C.A. (2020), “Sustainability Reporting and Value Creation”, *Social and Environmental Accountability Journal*, Vol. 40, No.3, pp. 191-197, doi: 10.1080/0969160X.2020.1837643

Al-Tuwaijri, S., Christensen, T.E. and Hughes, K.E, (2004), “The relations among environmental disclosure, environmental performance, and economic performance: a simultaneous equations approach”, *Accounting, Organizations and Society*, Vol. 29, No. 5-6, pp. 447-471, doi:10.1016/S0361-3682(03)00032-1

Bebbington, J., Brown, J., Frame, B. and Thomson, I. (2007), “Theorizing engagement: the potential of a critical dialogic approach”, *Accounting, Auditing & Accountability Journal*, Vol. 20, No. 3, pp. 356-381, doi:10.1108/09513570710748544

Bouten, L., Everaert, P., Van Liedekerke, L., De Moor, L. and Christiaens J., (2011), “Corporate social responsibility reporting: A comprehensive picture?”, *Accounting Forum*, Vol. 35, No. 3, pp. 187-204, doi:10.1016/j.accfor.2011.06.007.

Brown, J. (2009), “Democracy, sustainability and dialogic accounting technologies: Taking pluralism seriously”, *Critical Perspectives on Accounting*, Vol. 20, No. 3, pp, 313-342, doi: 10.1016/j.cpa.2008.08.002

Brown J., & Dillard, J., (2015), “Dialogic Accountings for Stakeholders: On Opening Up and Closing Down Participatory Governance”, *Journal of Management Studies*, Vol. 52, No. 7, pp. 961-985, doi: 10.1111/joms.12153

Costa, E., and Pesci, C. (2016), “Social impact measurement: why do stakeholders matter?”, *Sustainability Accounting, Management and Policy Journal*, Vol. 7 No. 1, pp. 99-124, doi: 10.1108/SAMPJ-12-2014-0092

Cuganesan, S., Guthrie, J. and Ward. L. (2010), “Examing CSR disclosure strategies within the Australian food and beverage industry”, *Accounting Forum*, Vol. 34, No. 3-4, pp. 169-183, doi: 10.1016/j.accfor.2010.07.001.

De Villiers, C. & Van Staden, C. J. (2011), “Where firms choose to disclose voluntary environmental information”, *Journal of Accounting and Public Policy*, Vol. 30, pp. 504-525.

Dumay, J., Guthrie, J. and Farneti F., (2010), "GRI sustainability reporting guidelines for public and third sector organizations", *Public Management Review*, Vol. 12, No. 4, pp. 531-548, doi: 10.1080/14719037.2010.496266.

Eccles, R.G., Krzus, M.P., Rogers, J. and Serafeim, G., (2012), "The Need for Sector-Specific Materiality and Sustainability Reporting Standards", *Journal of Applied Corporate Finance*, Vol. 24, No. 2, pp. 65-71, doi: 10.1111/j.1745-6622.2012.00380.x.

Etzion, D., Ferraro, F., (2010), "The Role of Analogy in the Institutionalization of Sustainability Reporting", *Organization Science*, Vol. 21, No. 5, pp. 1092-1107, doi:10.1287/orsc.1090.0494.

Frame, B. and Brown, J. (2008), "Developing post-normal technologies for sustainability", *Ecological Economics*, Vol. 65, No. 2, pp. 225-241, doi: 10.1016/j.ecolecon.2007.11.010

Giner, B. and Luque-Vílchez, M. (2022), "A commentary on the "new" institutional actors in sustainability reporting standard-setting: a European perspective", *Sustainability Accounting, Management and Policy Journal*, Vol. ahead-of-print No. ahead-of-print. https://doi.org/10.1108/SAMPJ-06-2021-0222

Gonnella, C. and Messina A., (2011), "Misurare la differenza. La metrica mutualistica delle BCC, Federcasse", *ECRA*, pp. 97-124, ISBN 978-88-6558-036-3

Gray, R, (2002), "The social accounting project and Accounting Organizations and Society Privileging engagement, imaginings, new accountings and pragmatism over critique?", *Accounting, Organizations and Society*, Vol. 27, No. 7, pp. 687-708, doi: 10.1016/S0361-3682(00)00003-9.

GRI – Global Reporting Initiative (2012). *GRI Second G4 Public Comment Period.* Amsterdam.

Guthrie, J. and Farneti, F. (2008). GRI Sustainability Reporting by Australian Public Sector Organizations. *Public Money and Management*, Vol, 28, No. 7, pp. 361-366.

Guthrie, J., Cuganesam, S. and Ward L., (2008), "Industry specific social and environmental reporting: the Australian Food Beverage Industry", *Accounting Forum*, Vol. 32, No. 1, pp. 1-15, doi: 10.1111/j.1467-9302.2008.00670.x

Haney, Walt, Michael Russell, Cengiz Gulek, and Edward Fierros, (1998), "Drawing on Education: Using Student Drawings to Promote Middle School Improvement" *Schools in the Middle*, Vol. 7, No. 3, pp. 38–43.

Himick, D., Brivot, M. & Henri, J.F. (2016). An ethical perspective on accounting standard setting: Professional and lay-experts' contribution to GASB's Pension Project. *Critical Perspectives on Accounting,* Vol. 36, No C, pp. 22-38.

Hooks, J. and van Staden, C. J., (2011), “Evaluating environmental disclosures: The relationship between quality and extent measures”, *The British Accounting Review*, Vol. 43, No. 3, pp. 200–213, doi: 10.1016/j.cpa.2015.12.002.

IFRS Foundation (2020), “Consultation Paper on Sustainability Reporting”, September 2020, London, United Kingdom, retrieved from https://www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/consultation-paper-on-sustainability-reporting.pdf

IFRS Foundation (2021a) “Trustees’ Feedback Statement on the Consultation Paper on Sustainability Reporting” April 2021, London, United Kingdom, retrieved from https://www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/sustainability-consultation-paper-feedback-statement.pdf

IFRS Foundation (2021b), “Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards”, April, 2021, London, United Kingdom, retrieved from https://www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/ed-2021-5-proposed-constitution-amendments-to-accommodate-sustainability-board.pdf

IFRS Foundation (2022), “IFRS Foundation and GRI to align capital market and multi-stakeholder standards to create an interconnected approach for sustainability disclosures” March, 2022, London, United Kingdom, retrieved from https://www.ifrs.org/news-and-events/news/2022/03/ifrs-foundation-signs-agreement-with-gri/

Jäger, U. and Beyes, T. (2010), “Strategizing in NPOs: A case study on the practice of organizational change between social mission and economic rationale”, *Voluntas: International Journal of Voluntary & Nonprofit Organizations*, Vol. 21 No.1, pp. 82-100, doi: 10.1007/S11266-009-9108-X.

Khan, H., Islam, M.A. and Fatima, J. K (2011). Corporate sustainability reporting of major commercial banks in line with GRI: Bangladesh evidence. *Social Responsibility Journal*, Vol. 7, No. 3, pp. 347-362, doi:10.1108/17471111111154509

Khan, H.Z., Bose, S., Mollik, A.T. and Harun, H. (2021), “Green washing” or “authentic effort”? An empirical investigation of the quality of sustainability reporting by banks", *Accounting, Auditing & Accountability Journal*, Vol. 34 No. 2, pp. 338-369. https://doi.org/10.1108/AAAJ-01-2018-3330

Malola, A. & Maroun, W. (2019), “The measurement and potential drivers of integrated report quality: Evidence from a pioneer in integrated reporting”, *South African Journal of Accounting Research*, Vol. 33, pp. 114-144.

Michelon G., Cooper S., Kasim T., Suziki H and L. Wang (2020), "Accountability Sustainability and Governance Research Group Members at the School of Accounting and Finance of the University of Bristol", Retrieved from http://eifrs.ifrs.org/eifrs/comment_letters/570/570_27415_GiovannaMichelonAccountabilitySustainabilityandGovernanceResearchGroupattheSchoolofAccountingandFinanceoftheUniversityofBristol_0_ASGGroupBristol_IFRSconsultation.pdf

Michelon, G., Pilonato, S. & Ricceri, F. (2015), "CSR reporting practices and the quality of disclosure: An empirical analysis", *Critical Perspectives on Accounting*, Vol. 33, 59-78.

Milne, M. J. and Adler, R. W. (1999), "Exploring the reliability of social and environmental disclosures content analysis", *Accounting, Auditing & Accountability Journal*, Vol. 12, No. 2, pp. 237-256, doi: 10.1108/09513579910270138.

Noël, C., Ayayi A.G.,Blum V., (2010), "The European Union's accounting policy analyzed from an ethical perspective: The case of petroleum resources, prospecting and evaluation", *Critical Perspectives on Accounting*, Vol. 21, No. 4, pp. 329-341, doi:10.1016/j.cpa.2009.11.009

Peirce H.M (2021), Statement on the IFRS Foundation's Proposed Constitutional Amendments Relating to Sustainability Standards, retrieved from https://www.sec.gov/news/public-statement/peirce-ifrs-2021-07-01

Rasche, A. (2010), "The limits of corporate responsibility standards", *Business ethics: a European Review*, Vol. 19, No. 3, pp. 280-291, doi:10.1111/j.1467-8608.2010.01592.x.

Roca, L. C. and Searcy, C. (2012), "An analysis of indicators disclosed in corporate sustainability reports", *Journal of Cleaner Production*, Vol. 20, No. 1, pp. 103-118, doi: 10.1016/j.jclepro.2011.08.002.

Slacik, J. and Greiling, D. (2020), "Coverage of G4-indicators in GRI-sustainability reports by electric utilities", *Journal of Public Budgeting, Accounting & Financial Management,* Vol. 32 No. 3, pp. 359-378. doi: 10.1108/JPBAFM-06-2019-0100

Talbot S.D. and Boiral O. (2018), "GHG Reporting and Impression Management: An Assessment of Sustainability Reports from the Energy", *Journal of Business Ethics,* Vol. 147, pp. 367–383 doi: 10.1007/s10551-015-2979-4

Tort, L.E. (2010). *GRI Reporting in Government Agencies.* Amsterdam: Global Reporting Initiative.

Traxler A.A., Greiling D., and Hebesberger H. (2020), "GRI Sustainability Reporting by INGOs: A Way Forward for Improving Accountability?" *Voluntas,* Vol. 31, pp. 1294–1310 doi: 10.1007/s11266-018-9976-z

Tschopp, D., Huefner, R.J. (2015), "Comparing the Evolution of CSR Reporting to that of Financial Reporting", *Journal of Business Ethics.* Vol. 127, pp. 565–577. doi: 10.1007/s10551-014-2054-6

Unerman, J. (2000), "Methodological issues - Reflections on quantification in corporate social reporting content analysis", *Accounting, Auditing & Accountability Journal*, Vol. 13, No. 5, pp. 667-681, doi: 10.1108/09513570010353756.

Zappi, G. (2007). Corporate responsibility in the Italian banking industry: creating value through listening to stakeholders. *Corporate Governance,* Vol. 7, No. 4, pp. 471-475.

TABLES

Table I. The principles of dialogic accounting (adapted from Brown, 2009).

Principle	Brief Explanation
Recognise multiple ideological orientations	Dialogic accounting recognises that people with different values, perspectives and assumptions will seek to 'account' differently for different things in different ways (Morgan, 1988). It aims to facilitate the expression of disparate perspectives and encourage individuals and groups to engage in democratic interactions across perspectival borders.
Avoid monetary reductionism	Impacts should not be reduced to a single 'bottom line' searching for a meaningful, optimal solution for all stakeholders. Dialogic accounting should provide a range of quantitative and qualitative data.
Be open about the subjective and contestable nature of calculations	Subjectivity and uncertainty are important parts of dialogic processes, emphasising that they do not come indelibly labelled as accounting events or as costs or benefits. As humans, we choose what to include in our calculus, whose perspective to take and which value weightings to apply.
Enable accessibility for non-experts	Stakeholders need to trust the information they are provided with, along with the development of extended peer community quality assurance processes (Frame and Brown, 2008; Haag and Kaupenjohann, 2001).
Ensure effective participatory processes	To effectively motivate stakeholders to participate, it is important to involve them early in the process and develop procedural rules to establish a more even playing field for expressing diverse views (see, e.g., Jones, 1997; Owen *et al*., 2001).
Be attentive to power relations	Allocating attention to the power dynamics inherent in any accounting situation is vital to ensuring that currently marginalised groups are included in participatory processes (O'Dwyer, 2005). Collective action is important given the difficulties that individuals experience in questioning decisions or providing resistance in isolation.
Recognise the transformative potential of dialogic accounting	Dialogic accounting aims to encourage social actors to be more critically reflective (at the individual, meso and macro levels) and facilitate better discussions across groups with different perspectives. It promotes the idea of discussion, debate and dialectic learning in pluralistic environments rather than proceeding according to a definite, pre-conceived algorithm.
Resist new forms of monologism	Social change depends on social interaction and learning—discussing and debating one's own and other people's interests and values.

Table II. Numbers and percentages of indicators for each of the five categories.

	ABI		**Non-ABI**		**TOTAL**	
	No.	%	No.	%		
Economic	9	47%	10	53%	19	20%
Customer	6	19%	25	81%	31	32%
Employee	19	100%	0	0%	19	20%
Community	18	82%	4	18%	22	23%
Environment	5	100%	0	0%	5	5%
Total	***57***	59%	***39***	41%	***96***	100%

Table III. The volume and the quality of the disclosure summarised by category.

PANEL A: Volume	TOTAL			AVERAGE BY INDICATOR		
	ABI	*Non-ABI*	*TOTAL*	*ABI*	*Non-ABI*	*TOTAL*
Economic	826	257	1,083	6.40	3.34	5.26
Customer	421	1,118	1,539	4.73	2.42	2.79
Employee	1,208	0	1,208	2.61	0.00	2.61
Community	2,515	476	2,991	4.83	5.80	4.96
Environment	539	0	539	3.39	0.00	3.39
	5,509	***1,851***	***7,360***	***4.05***	***2.98***	***3.71***
PANEL B: Quality	**TOTAL**			**AVERAGE BY INDICATOR**		
	ABI	*Non-ABI*	*TOTAL*	*ABI*	*Non-ABI*	*TOTAL*
Economic	384	226	610	2.98	2.94	2.96
Customer	238	1,088	1,326	2.67	2.35	2.41
Employee	1,225	0	1,225	2.61	0.00	2.61
Community	1,135	201	1,336	2.18	2.45	2.22
Environment	131	0	131	0.82	0.00	0.82
	3,113	***1,515***	***4,628***	***2.29***	***2.44***	***2.34***

Table IV. Independent variable correlations: *0.05 significant value; **0.01 significant value.

				ABI					Non-ABI		
		TQUAL	**TVOL**	**ECO**	**CUST**	**EMP**	**COM**	**ENV**	**ECO**	**CUST**	**COM**
	TOTQUAL	1									
	TOTVOL	.797**	1								
ABI	**ECO**	.586**	.505**	1							
	CUS	.668**	.651**	.339**	1						
	EMP	.823**	.634**	.454**	.571**	1					
	COM	.588**	.463**	.224*	.342**	.423**	1				
	ENV	.447**	.499**	.239*	.282**	.506**	.126	1			
NON ABI	**ECO**	.402**	.206*	.258*	.118	.198	.165	.125	1		
	CUS	.773**	.564**	.362**	.408**	.511**	.520**	.219*	.204*	1	
	COM	.380**	.369**	.090	.227*	.209*	.321**	.136	.118	.249*	1

Note: EmpNonABI and EnvNonABI are excluded because no associated data is available.

Table V. Regression analysis for the VOLUME of the disclosure.

Variables	**ABI**	**Non-ABI**	**H_0: ABI = Non-ABI** **H_a: ABI < Non-ABI**
ECO	9.533*	-0.204	*
CUS	20.067**	2.756*	**
EMP	0.741		
COM	1.356	11.855*	*
ENV	7.848**		
Grouped	4.542**	2.362*	
Adj R2 = 0.862			-
Std err = 35.97			-

Model 1: Dependent variable TOTVOL; no intercept model

** Significant at level <0.01; * significant at level < 0.05.

Grouped: Indexes are grouped together in ABI and Non-ABI indicators.

Table VI. Regression analysis for the QUALITY of the disclosure.

Variables	**ABI**	**Non-ABI**	**H_0: ABI = Non-ABI** **H_a: ABI < Non-ABI**
ECO	3.630***	3.818***	
CUS	5.088***	2.436***	*
EMP	2.826***		
COM	0.927***	4.499***	**
ENV	0.893*		
Grouped	2.228***	2.671***	
Adj R2 = 0.986			-
Std err = 6.541			-

Model 2: Dependent variable TOTQUAL; no intercept model
*** Significant at level <0.001; ** significant at level <0.01; * significant at level < 0.05.
Grouped: Indexes are grouped together in ABI and Non-ABI indicators.

Appendix I. Examples of score attribution

Score	Meaning	Example	Area
0	issue is not present	---	
1	vague and descriptive way	'The bank contributes to sustainable development through the management of its activities by adopting measures that preserve the environment, foster awareness in the community, and promote specific banking products'.	Environment
2	specific qualitative description	'The bank also provides the community with some structures for various social, cultural and recreational activities. For example: the "Ivo Teglia" room in the building where the Monzuno branch is located, the "Fantazzini" room in the building where the Loiano branch is located, the multipurpose room at the facility where the Pianoro branch is located, Sala Colonne at the bank's headquarters in Via Mazzini and Sala Marconi at the bank's headquarters in via Trattati Comunitari. In addition, in the Monzuno building owned by the bank, a room is made available for meetings of the members of local committees, and a space is used as an archive/library on loan for free to the Savena Setta Sambro Study Group. In Loiano, the bank rented two apartments that were loaned for free to the Ramazzini Institute (cancer research) and to a local choir. In Molinella, a historic site, the third floor is on free loan to the Morfeo (cultural) club with a small reimbursement of expenses for utilities. The second floor is available to the community and has been used by the association 'Friends of Art'.	Community
3	quantitative disclosure	'The bank has invested €50,000 in employee professional improvement and skills enhancement for a total of 7,748 hours of training'.	Employee

Appendix II. Average volume and average quality score by CBs for all information

	AVERAGE VOLUME			AVERAGE QUALITY SCORE		
CATEGORIES and INDICATORS	**ABI**	**Non-ABI**	**TOTAL**	**ABI**	**Non-ABI**	**TOTAL**
ECONOMIC						
Added value	12.19		12.19	3.00		3.00
Equity amount	1.80		1.80	2.96		2.96
Equity trend		2.56	2.56		2.89	2.89
Profit destination		3.13	3.13		3.00	3.00
Profit and loss account		1.92	1.92		3.00	3.00
Macro indicators		7.92	7.92		2.92	2.92
Assets under management		2.13	2.13		2.75	2.75
Profitability indicators	3.80		3.80	3,00		3.00
Capital indicators	2.20		2.20	3.00		3.00
Efficiency indicators	3.50		3.50	3.00		3.00
Productivity indicators	2.75		2.75	3.00		3.00
Balance sheet		1.50	1.50		3.00	3.00
Total brokerage		1.00	1.00		3.00	3.00
Indicators of risk	1.67		1.67	3.00		3.00
Trend assets under management	5.33		5.33	3.00		3.00
Direct deposits		2.00	2.00		3.00	3.00
Credit risk	2.00		2.00	2.00		2.00
Deployment of funds		8.00	8.00		3.00	3.00
Accounts uncollectible		7.00	7.00		3.00	3.00
TOTAL	**6.40**	**3.34**	**5.26**	**2.98**	**2.94**	**2.96**
CUSTOMER						
ATM and sales channels		2.56	2.56		2.73	2.73
Deployment of funds		2.83	2.83		3.00	3.00
Direct deposits		1.37	1.37		3.00	3.00
Products for students		2.97	2.97		1.85	1.85
Customer analysis	2.36		2.36	2.92		2.92
Products for families		2.86	2.86		2.00	2.00
Indirect deposits		1.07	1.07		2.93	2.93
Claims management	8.88		8.88	2.50		2.50
Real estate products		3.35	3.35		1.91	1.91
Products for enterprises		4.26	4.26		2.17	2.17
E-services (online)		2.09	2.09		1.95	1.95
Customer assurance		3.63	3.63		2.05	2.05
Bonds		2.53	2.53		1.82	1.82

Products for young people		2.19	2.19		1.75	1.75
Deployment of funds: description		2.29	2.29		3.00	3.00
Products for agricultural customers		2.50	2.50		1.71	1.71
Products for freelancers		1.29	1.29		1.36	1.36
Ethical finance	4.08		4.08	2.50		2.50
Loans to customers		1.60	1.60		2.60	2.60
Products for senior citizens		1.60	1.60		1.60	1.60
Terms of business	3.00		3.00	2.56		2.56
Direct deposits: description		1.67	1.67		3.00	3.00
Indirect deposits: description		1.71	1.71		3.00	3.00
Deployment of funds: description by sector		1.86	1.86		3.00	3.00
Products for foreigners		3.00	3.00		2.00	2.00
Pension/retirement products		1.43	1.43		1.43	1.43
Marketing development	3.60		3.60	2.60		2.60
Third Sector		2.00	2.00		2.00	2.00
Customer satisfaction	9.67		9.67	2.33		2.33
Direct deposits: description by sector		0.50	0.50		3.00	3.00
Proximity index		3.00	3.00		3.00	3.00
TOTAL	**4.73**	**2.42**	**2.79**	**2.67**	**2.35**	**2.41**
EMPLOYEE						
Description of employees (age, sex, qualifications, category, etc.)	2.44		2.44	2.44		2.44
Number of employees	1.23		1.23	1.23		1.23
Training (number of courses and number of participants)	4.84		4.84	4.84		4.84
Recruitments	1.54		1.54	1.54		1.54
Internal communication	4.59		4.59	4.59		4.59
Safety at work	4.03		4.03	4.03		4.03
Training costs	1.04		1.04	1.04		1.04
Labour costs	1.18		1.18	1.18		1.18
Equal opportunities	1.60		1.60	1.60		1.60
Social activities	3.87		3.87	3.87		3.87
Dismissals	1.07		1.07	1.07		1.07
Subdivision of employees into categories	1.56		1.56	1.56		1.56
Additional services	2.58		2.58	2.58		2.58
Industrial terms	1.91		1.91	1.91		1.91
Incentive schemes	2.80		2.80	2.80		2.80
Mutuality of personnel	1.40		1.40	1.40		1.40

Absences	1.33		1.33	1.33		1.33
Payment systems	4.67		4.67	4.67		4.67
Loyalty award	2.33		2.33	2.33		2.33
TOTAL	**2.61**		**2.61**	**2.61**		**2.61**
COMMUNITY						
People: Solidarity	5.11		5.11	2.19		2.19
People: Culture	8.05		8.05	2.00		2.00
People: Level of study	6.16		6.16	2.15		2.15
People: Sports	5.77		5.77	1.96		1.96
People: Total of social contributions	3.85		3.85	2.97		2.97
Economic contributions to the Third Sector		5.85	5.85		2.32	2.32
Local Authorities: Relationship with local authorities	2.40		2.40	2.06		2.06
Local Authorities: Taxes	1.67		1.67	2.67		2.67
Virtual Community: Safety for the protection of the virtual banking	2.12		2.12	1.76		1.76
Banks: Other banks	3.40		3.40	1.93		1.93
Banks: Category associations	2.14		2.14	1.93		1.93
Social intervention/commitment: Trends		2.23	2.23		2.85	2.85
Territorial development		11.22	11.22		2.67	2.67
People: Research	1.29		1.29	2.14		2.14
Banks: Assurance and financial intermediates	1.00		1.00	1.71		1.71
Banks: Banking foundations	1.00		1.00	1.86		1.86
Banks: Authorities	1.71		1.71	1.14		1.14
Local Authorities: Standards and control systems to ensure compliance with the law	3.33		3.33	2.33		2.33
Local Authorities: Contributions, subsidies and soft loans	5.00		5.00	2.20		2.20
Local Authorities: Relationships with the government	2.00		2.00	1.75		1.75
Virtual Community: Cultural awareness of IT among local communities, students and small businesses	7.33		7.33	1.67		1.67
Taxes: Geographically localised		1.00	1.00		3.00	3.00
TOTAL	**4.83**	**5.80**	**4.96**	**2.18**	**2.45**	**2.22**
ENVIRONMENT						
Discounts for setting up enterprises that respect the environment	2.39		2.39	0.84		0.84

Qualifying actions (green servers, etc.)	4.55		4.55	0.80		0.80
Training/education	3.06		3.06	0.94		0.94
Environmental management systems and risk management	2.75		2.75	0.50		0.50
Environmental audits	1.00		1.00	1.00		1.00
TOTAL	**3.39**		**3.39**	**0.82**		**0.82**
TOTAL	**4.05**	**2.98**	**3.71**	**2.29**	**2.44**	**2.34**