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Usefulness of Financial and Sustainability Information in Kuwaiti Consumer Cooperatives

Abstract

Purpose: This study assesses financial inspectors' perceptions of the quality of financial and sustainability disclosure (social, environmental, and economic) by Consumer Cooperative Societies. It also explores the motivations behind such disclosures.

Study design/methodology/approach: This study adopts a quantitative approach. Data were collected using a structured questionnaire.

Sample and data: A survey study was distributed among all Kuwaiti financial inspectors (105) working in Kuwaiti Cooperative Societies Control and Inspection Department at the Ministry of Social Affairs and Labour (MSAL), yielding a 90% response rate.

Results: The analysis reveals consistent views among financial inspectors on disclosure quality, importance, and motivations. This supports all hypotheses and consistent with Legitimacy Theory.

Originality/value: This paper serves as the first comprehensive study to investigate the interplay between financial quality characteristics and sustainability reporting within coops in Kuwait. The paper underscores the importance of financial and sustainability information in user decision-making and highlights disclosure as a key strategy for enhancing the legitimacy, transparency, and accountability of consumer cooperatives.

Research limitations/implications: A key limitation of this study is its reliance on a single group of users of consumer cooperative societies' annual reports, which might not fully capture the perspectives of all users. The results provide clear guidance for policymakers and cooperative leaders. Policymakers and leaders should strengthen environmental disclosures practices through policy development or training and leverage internal consensus to standardise reporting practices. The motivations behind disclosures can be strategically employed to enhance transparency and stakeholder engagement. Consistent cross-role training is essential for sustaining reporting quality and values.

Keywords: Consumer Cooperative Societies, Qualitative Characteristics of Financial Information, Sustainability Information, Legitimacy Theory, Emerging Economies.

JEL classification: M4, M41, M410

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الملخص

أهمية المعلومات المالية ومعلومات الاستدامة في التعاونيات الاستهلاكية الكويتية

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الكويت

هدف الدراسة: تهدف الدراسة إلى تقييم تصورات المفتشين الماليين حول جودة الإفصاح المالي وغير المالي الخاص في الاستدامة: الاجتماعية، والبيئية، والاقتصادية. للجمعيات التعاونية الاستهلاكية، واكتشاف الدوافع خلف هذه الإفصاحات.

تصميم/ منهجية/ طريقة الدراسة: تعتمد هذه الدراسة على المنهج الكمي؛ فجمعت البيانات باستبانة.

عينة الدراسة وبياناتها: وُضعت الاستبانة على 105 من المفتشين الماليين في إدارة الرقابة والتفتيش التعاوني التابعين لوزارة الشؤون الاجتماعية والعمل في دولة الكويت، وبلغت نسبة الاستجابة 90%. نتائج الدراسة: بينت النتائج وجود توافق في آراء المفتشين الماليين بشأن جودة الإفصاح المالي وغير المالي وأهميته ودوافعه؛ ما يدعم جميع الفرضيات ويتماشى مع نظرية الشرعية.

أصالة الدراسة: الدراسة هي أول دراسة شاملة تبحث في التفاعل بين الخصائص النوعية للمعلومات المالية وغير المالية المتعلقة بعناصر الاستدامة داخل الجمعيات التعاونية في الكويت؛ لذلك أكدت على أهمية المعلومات المالية ومعلومات الاستدامة في دعم اتخاذ القرارات لدى المستخدمين، وأبرزت الإفصاح بوصفه إستراتيجية رئيسة تعزز الشرعية والشفافية والمساءلة في الجمعيات التعاونية.

حدود الدراسة وتطبيقاتها: اعتمدت الدراسة على فئة واحدة من مستخدمي التقارير السنوية للجمعيات التعاونية؛ مما قد لا يعكس كل وجهات نظر جميع المستخدمين. مع ملاحظة أن نتائج الدراسة قدمت العديد من الإرشادات لصناع السياسات في الجمعيات التعاونية؛ للاستفادة من أهمية توحيد ممارسات التقارير، وتعزيز الحاجة إلى المزيد من الإفصاح، ويمكن توظيف دوافع الإفصاح إستراتيجياً لتعزيز الشفافية ومشاركة أصحاب المصلحة. وأخيراً، إن تسليط الضوء حول أهمية التدريب المستمر عبر مختلف المستويات الوظيفية، يعد أمراً أساسياً للحفاظ على جودة التقارير.

الكلمات المفتاحية: الجمعيات التعاونية الاستهلاكية، الخصائص النوعية للمعلومات المالية، معلومات الاستدامة، نظرية الشرعية، الاقتصادات الناشئة.

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Introduction

The history of cooperatives reflects a longstanding global tradition of individuals who collaborate to meet common social and economic needs through jointly owned and democratically controlled enterprises. In various sectors, such as labour, agriculture, banking, credit and savings, energy, industry, insurance, fisheries, tourism, housing, construction, retail, utilities, social services, and consumer goods, members unite to form cooperatives (Langmore, 1997). Consumer cooperative societies (coops, hereafter) represent a successful business model operating across diverse countries and regions today. Accordingly, the study of coops remains important given their unique and growing role in the global economy, which differ significantly from traditional investor-owned businesses.

Like other formal organisations seeking legitimacy, coops prepare financial and sustainability reports. These reports assist users, including members, in decision-making (Rokhayati & Nahartyo, 2019). Improving the quality characteristics of financial and sustainability information within coops' annual reports is not merely a technical exercise; it represents a managerial strategic necessity. Such improvement fosters accountability, transparency, and sustainable growth.

In Kuwait, coops constitute a unique and vital component of the country's retail and social infrastructure. They function as community-owned supermarkets, offering essential goods at reasonable prices. Furthermore, they also contribute to social development through profit redistribution back into the community through sponsorships and aid. Consequently, coops play a crucial role in Kuwait's retail and consumer economy. Coops are often regarded as offering practical insights in economics, management, and ethics. As of 2023, there were 70 coops in Kuwait with more than 500,000 members, collectively achieving annual sales of approximately KD 1 billion (about USD 3,276,237,557) and profits reaching KD 60 million (approximately USD 196,550,913). Despite this growth, many coops continue to face challenges such as financial mismanagement, political interference, and operational inefficiencies. Improving the quality and transparency of financial and sustainability information can play a critical role in addressing these issues.

To the best of current knowledge, this is the first comprehensive study to investigate the interplay between financial quality characteristics and sustainability reporting within coops in Kuwait – an emerging economy where such organisations play a pivotal role in socio-economic development. Thus, this research addresses

a significant gap in the literature by shedding light on the financial transparency and sustainability of a sector that has received limited academic attention globally. This study examines how users of annual reports from a specific group of coops perceive the value of financial and sustainability information. This approach seeks to determine whether coops' annual reports function as effective communication tools for those most familiar with their content, namely financial inspectors. In addition to addressing the three main research questions, the study also aims to uncover broader insights into user expectations and report effectiveness.

This study makes several contributions. Firstly, it sheds light on a unique and impactful aspect of Kuwaiti socio-economic life. Secondly, by improving the quality of financial and sustainability information in annual reports, coops can not only enhance their practical operations and governance but also offer potential theoretical contributions to accounting literature. These contributions span areas such as accountability, integrated reporting, qualitative characteristics of financial information, social and environmental accounting, and Legitimacy Theory.

The paper is structured as follows: The paper begins with an overview to consumer cooperative societies, the quality characteristics of financial information, and sustainability reporting within the Kuwaiti context. This is followed by a discussion of the research theoretical framework and the outlined research hypotheses. The research methodology is then presented, followed by the results. The findings are then discussed. Finally, the summary and conclusion are presented, including the research limitations and suggestions for future research.

Literature Review

Social Responsibility in Consumer Cooperatives: An Overview

Consumer cooperatives, which are democratically governed enterprises owned by their customers, have increasingly embraced social responsibility as a core strategic imperative in response to evolving stakeholder expectations and sustainability pressures. Recent literature highlights how these cooperatives are uniquely positioned at the intersection of economic solidarity and ethical responsibility, distinguishing them from conventional investor-owned firms.

Lema-Blanco and García-Mira (2025), emphasize that consumer cooperatives in Galicia, Spain, foster social learning and sustainable consumption behaviours through grassroots engagement, demonstrating how social responsibility extends

beyond compliance into the realm of transformative community education. Similarly, Mathuva et al. (2017) provide case-based evidence indicating that environmental social responsibility practices are becoming integral to how cooperatives gain legitimacy among environmentally aware consumers.

Exner et al. (2025) provide a broader socio-economic perspective, noting how consumer cooperatives form part of diverse food economies that promote food democracy and local sustainability. These institutions act as agents of “value-based governance” rather than mere retail entities. Ivashura et al. (2025) contributes to the discussion by exploring cooperative strategies in the restaurant and tourism sectors, where environmental challenges have pushed cooperatives to adopt stronger CSR mechanisms, such as energy-saving technologies and local sourcing, thus aligning operations with sustainable development goals.

On the organisational level, Bustamante and Devenin (2025) highlight the enabling role of policy and legal frameworks in promoting socially responsible cooperative models, suggesting that simplified registration processes and fiscal incentives are crucial for scaling ethical consumption through cooperatives. Further insights from Buenaventura et al. (2021) show that cooperative structures in agroecological settings help resist market commodification by emphasizing relational ethics, fair pricing, and inclusive governance. In Global South Contexts, Apaza and Chan (2025) explore Peruvian coffee cooperatives’ strategies, noting their alignment with international CSR norms as a pathway to competitiveness and fair-trade access. Finally, Cui et al. (2025) find that cooperative markets tend to achieve higher consumer surplus and better environmental outcomes in green product adoption compared to purely profit-driven firms, illustrating the strategic importance of cooperative CSR in sustainable transitions.

Overall, the literature suggests that consumer cooperatives extend beyond being ethical alternatives but key institutional actors in driving participatory, localized, and sustainable economic systems through embedded social responsibility.

Consumer Cooperative Societies (Coops): The History

The origin of coops or retail coops movement globally dates back to the 18th century. In 1844, the “Rochdale Society of Equitable Pioneers” emerged as the first cooperative consumer society, formed by 28 weavers and artisans in England to provide affordable, unadulterated food – especially flour, sugar, and butter – to working-class people. Beginning in the 19th century, a period marked by rapid

industrialisation, social inequality, and poor working conditions, the consumer cooperative movement began to spread widely across Europe in the late 1800s, particularly in countries such as France, Germany, and Sweden, as well as in Asia and the United States (Nakayiso & Nyakundi, 2023).

The International Cooperative Alliance (ICA) defines a cooperative, or Coop, as “*an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise*” (ICA, 2019). Cooperatives are thus established by individuals who identify a specific need and are willing to collaborate to operate and organise an enterprise to fulfil that need. Following the tradition of their founders, cooperative members adhere to the ethical values of honesty, openness, social responsibility, and caring for others. In 2019, the ICA adopted the revised Statement on Cooperative Identity, which outlines the values of cooperatives and their seven principles. These seven guidelines that put cooperative values into practice are: (1) voluntary and open membership; (2) democratic member control; (3) member economic participation; (4) autonomy and independence; (5) education, training, and information; (6) cooperation among cooperatives; and (7) concern for community.

Consumer Cooperative Societies in Kuwait: The Establishment, Uniqueness, and Challenges

Consumer Cooperative Societies (coops) in Kuwait were established in 1962 under the governance of the Ministry of Social Affairs and Labour (MSAL). Several laws and ministerial decisions have been issued since then, commencing with Law No. 20 of 1962, which was subsequently amended by Decree No. 24 of 1979 and later by Law No. 118 of 2013 (KUNA, 2022). These regulations aim to ensure that coops operate by providing goods at reasonable prices rather than focusing on maximising profits, as their role involves contributing to both community development and the national economy. As the number of cooperatives increased, the Union of Consumer Cooperative Societies was established in 1971 to (a) coordinate efforts within the consumer cooperative sector, (b) safeguard the interests of its member associations, and (c) align Kuwait’s cooperative sector with international standards. By March 1981, the Union had joined the International Cooperative Alliance (KUNA, 2022). As of 2024, there were 70 coops operating in the country.

Kuwaiti coops are member-owned organisations that operate based on dem-

ocratic principles, often summarised by the “one member, one vote” rule. The existence of Kuwaiti coops is driven by two main goals: economic and social. The economic goal involves organising individual efforts and public interests within the structure of the cooperative society, while the social goal aims to protect low-income groups from exploitation and to promote democratic values within society (Abduljader, 1990).

All local coops are organised by area and serve residents in their constituency. Each area has at least one main branch, typically established on a commercial plot allocated by the Kuwaiti government. All shops within the commercial plot are also managed by the local cooperative. These shops usually offer a variety of goods and services that the cooperative itself does not directly provide. In larger areas, the cooperative society may operate multiple branches to better serve the community. These branches are easily accessible to all residents. Some are located on smaller campuses that include a few additional shops, which are also overseen by the cooperative society.

Out of 1.5 million Kuwaiti citizens, about one-third (500,000 citizens) are eligible to become contributing shareholders and participate in coop societies, which entitles them to annual dividend payouts based on their level of purchases. While exact averages vary by society, total dividends and refunds are reported in the tens of millions of dinars each year, reflecting substantial economic value returned to households (Arab Times, 2021). Kuwaiti consumer coops distribute a portion of net profits even commissions or purchase rebates to their shareholders. For example, a retail co-op generating KD 60 million (around USD 196,550,913) in profit might allocate 12% of those earnings as consumer dividends, equating to an average of 2–4% cashback on member purchases an approach that blends patronage refunds with profit-sharing (Arab Times, 2021). A study of 48 Kuwaiti coops between 2012–2015 showed an average profit efficiency of 70–84%, even after bootstrap correction a notable outcome for community-based enterprises. Larger branch networks did not necessarily yield greater efficiency; smaller, well-capitalized coops with controlled labour costs performed better (Al-Mutairi et al., 2018). This operational discipline contrasts with many global coops, which prioritise social goals over efficiency metrics.

In Kuwait, coops often function as community hubs, with longstanding institutions like the Rawda & Hawally Co-op established in 1969 offering consistent retail services across entire districts. The vital role of coops in Kuwait during national

and international crises, such as the 1990 Iraqi invasion and the 2020 COVID-19 pandemic, further reinforced their role as essential pillars as essential pillars of both social cohesion and consumer trust in Kuwaiti society (Arab Times, 2021). During the Iraqi occupation, Kuwaiti coops acted as critical community institutions during periods of instability by safeguarding prices and stock availability. They were also used to distribute free food and emergency supplies to Kuwaiti families. This helped ensure adequate supplies for households, allowing residents to remain at home longer, while also reducing access to food stores by occupying forces (Alajmi & Somerset, 2015). More recently, during the COVID-19 pandemic, coops continued operating under hazardous conditions to provide essential goods and services to the public. They supported local citizens and non-Kuwaiti residents by offering free COVID-19 tests and mobilising volunteers to deliver essential goods to homes during periods of partial and total lockdowns (Al Tarrah et al., 2021).

Coops in Kuwait represent a distinctive model of community-centred retail and governance, one that diverges significantly from the traditional cooperative frameworks observed in other countries (Martin & Pall, 2022). While coops around the world often prioritise cost savings and democratic governance for members (Alabduljader, 2024), Kuwaiti coops are closely integrated with state institutions and local political structures, creating a unique hybrid of public-private partnership.

As mentioned earlier, one major distinction between Kuwaiti coops and coops in other international jurisdictions is the strong governmental oversight of the Kuwaiti government over the practices and activities of the coops. Although coops are legally independent and owned by citizens within local districts, they function under the regulation of the Ministry of Social Affairs, which monitors their financial operations, inventory, and board activities via a recently implemented automated system (Al-Darwish, 2023). This level of state integration contrasts with the more autonomous coops in Western contexts, where member-driven governance is typically more prominent.

Additionally, Kuwaiti coops serve as local centres of political and civic engagement. Elections for board members are held regularly, and these boards often act as intermediaries between citizens and the state. This role makes coops important platforms for political expression and community leadership, especially in a country where formal political channels are limited (Alabduljader, 2024). The coops not only manage retail operations but also allocate funds to support local schools, mosques, and health initiatives, reinforcing their role as social institutions.

As noted above, financially, Kuwaiti coops are structured to distribute profits among shareholders typically residents of the surrounding district rather than reinvesting all earnings into the enterprise or community at large (Al-Muzaini, 2005). This model provides direct economic benefits to citizens and encourages local participation. Additionally, Kuwaiti coops control an estimated 60–70% of the national grocery retail market, giving them significant economic influence with annual sales near KD 1 billion (around USD 3,276,237,557). These figures underscore not only their commercial dominance but also their deep integration into the daily economic lives of Kuwaiti citizens. Their resistance to privatisation efforts also further highlights their socio-economic power, as demonstrated by organized campaigns against proposed reforms (Voinea, 2023).

In summary, Kuwait's consumer coops are unlike most global counterparts due to their integration with the government, political relevance, profit-sharing model, and dominant market role. These differences are rooted in Kuwait's unique political economy and social structure, where state-backed capitalism coexists with citizen-driven participation.

Quality Characteristics of Financial Information

Despite their success, coops in Kuwait face several challenges, including corruption and mismanagement (Al Amir, 2025). Between May 2024 and May 2025, Kuwait's Ministry of Social Affairs referred 208 individuals – 96 Kuwaiti citizens and 112 expatriates – to the public prosecution for alleged financial and administrative violations within cooperative societies. These individuals included board members and employees across various roles (Al Amir, 2025). Another key challenge for coops in regaining market share is the increasing competition from new entrants in the retail sector. The emergence of large local merchants, such as Sultan Centre, alongside international retail chains like Carrefour and Lulu Hypermarket, has significantly impacted the coops' dominance. These modern retailers offer competitive pricing, diversified product ranges, and superior shopping experiences, drawing consumers away from traditional cooperative models (Al-Mutairi et al., 2018). Such issues highlight several calls for increased transparency and enhanced governance in coops (e.g., Daan, 2014; Tadesse, 2024). In this regard, it can be argued that issuing an annual report with quality financial information would improve the transparency and accountability of the Kuwaiti cooperative sector. It is worth mentioning that empirical accounts of this matter remain limited.

The varying accounting standards for cooperatives, even within the same cooperative sector, indicate a lack of comparability, faithful representation, and understandability (Polo-Garrido et al., 2022). Annual organisational reports are significant; however, for them to be useful, the financial information it contains must exhibit high quality. According to Hussin et al. (2021) qualitative characteristics (QCs) are essential for producing high-quality financial reporting, thereby increasing the usefulness of financial information for users. These users include not only managers and customers but also analysts, auditors, and regulators who interpret and assess the attributes that contribute to useful financial information (Kieso et al., 2011). Therefore, user perceptions are important, as they influence how financial information is prepared and utilised for decision-making. In other words, for financial information to be useful to diverse users, it must be relevant and faithfully represent what is being reported. Its usefulness is further enhanced when the information is comparable, verifiable, timely, and understandable.

Coops' annual reports are expected to demonstrate high levels of transparency and accountability to both members and regulators. Therefore, they must meet the following qualitative characteristics: (1) relevance – by addressing the needs of users, enabling informed economic and voting decisions; (2) faithful representation – by presenting all essential aspects of financial and non-financial activities accurately, without exaggeration or understatement; (3) comparability – by allowing users to make meaningful comparisons across reporting periods or between organisations; (4) verifiability – as information must be supported internally by receipts, invoices, and financial contracts, and externally by audit services; (5) timeliness – as annual reports must be prepared and submitted within the regulatory timeframe and discussed at the annual general assembly; and (6) understandability – as the content of the annual reports must be clear, well-organised, and accessible to users (Obaidat, 2007).

Various professional bodies, such as the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB), have formalised qualitative characteristics to enhance the quality of accounting information and to increase the likelihood that both internal and external users can rely on it (Mechta et al., 2023). Agienohuwa and Ilaboya (2018), in their study, revealed improvements in financial reporting quality following the adoption of IFRS in Nigerian Money Deposit Banks (MDBs) across five qualitative features: relevance, faithful representation, comparability, understandability, and timeliness.

In Kuwait, coops' annual reports are guided by accounting, legal, and governance standards. They are prepared in accordance with the standards of the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB), in addition to the laws and regulations issued by the Ministry of Social Affairs and Labour. The coops' financial statements include the balance sheet, income statement, cash flow statement, and the statement of members' shareholder capital. These statements are usually audited by an external auditor appointed during the general assembly.

Accounting standards for cooperatives are fragmented both nationally and internationally (Mantzari et al., 2021). Therefore, several national regulations, along with numerous ministerial decisions and circulars, are published to outline how coops should manage their finances and report on their activities. These decisions establish standards for the format of annual reports, submission timelines, report content, and the approval process. For example, in 2023, the statement of profit distribution included the following allocations: Legal Reserve Fund (5%); Social Contribution Fund (15%); National Projects (5%); Members' Capital Fund (2%); Members' Purchases Dividend Fund (12%); and board members' allowance (the lower of 10% of net profit or KD 9,000). The remaining excess was reserved for future projects. This distribution structure is subject to change based on decisions issued by the Ministry of Social Affairs and Labour (MSAL).

Sustainability Reporting

Although sustainability “*is primarily a global concept*” (Gray, 2006, p.6) and the World Commission on Environment and Development broadly defines it as “*meeting the needs of the present without compromising the ability of future generations to meet their own needs*”, overlapping definitions and related concepts are prevalent in the literature. Essentially, sustainability involves managing resources without depleting them for future generations. Sustainability Reporting (SR) is an accounting subject that involves integrating the principles of the Triple Bottom Line (social, environmental, and economic) for sustainability. It provides a means of measuring, analysing, and reporting business's social, environmental, and economic impacts.

SR in cooperatives serves to communicate their commitment to social, environmental, and economic responsibilities. However, the extent and quality of such reporting vary widely (Yakar Pritchard & Caliyurt, 2021). Therefore, for coops to remain accountable and aligned with their social and environmental missions,

they need to adopt robust sustainability accounting frameworks. These tools help assess and report on the sustainability (social, environmental, and economic) impacts of their operations. Equally important is the commitment to transparent communication and participatory governance, particularly by actively engaging employees and members in sustainability dialogues and decision-making processes (Battaglia et al., 2015).

Two main reasons account for the publication of SR. First, increasing demands to revise the traditional reporting model and the growing emphasis on mandatory disclosure of sustainability information led to the emergence of ‘integrated reporting’ (Busco et al., 2013). This new model evaluates and reports organisations’ activities using a broader lens that integrates both financial and non-financial information. Second, a range of accounting scandals involving well-known and large multinational companies such as Enron, Sunbeam, Waste Management, and WorldCom also contributed (Ahmad, 2015).

Within the accounting literature, corporate SR offers several advantages, including: (1) demonstrating transparency and accountability; (2) measuring and improving sustainability performance; (3) building trust with users such as customers, investors, employees, and governments; and (4) supporting regulatory compliance and risk management (Aifuwa, 2020; Farisyi et al., 2022).

Despite the advantages of issuing SR, several challenges have been identified by De Silva and Nilipour (2025), including: (1) a lack of awareness among instructors regarding its importance; (2) faculty scepticism and negative attitudes toward sustainability; (3) a lack of instructor knowledge or awareness, with the ideal educator being skilled in both their discipline and sustainability; (4) a general lack of interest; (5) a lack of resources, including those needed for course development, teaching, updating content, and assessment; (6) a lack of support from senior management; and (7) the absence of significant tensions between sustainability and accounting, which may reduce the urgency of integrating the two.

In Kuwait, coops are increasingly expected by key stakeholders—such as regulators, investors, and the wider community—to disclose not only financial information but also non-financial information, including sustainability sustainability-related practices. However, as of 2026, cooperative societies in Kuwait are not legally mandated to publish formal sustainability or Environmental, Social, and Governance (ESG) reports. Therefore, for non-listed entities like coops, sustainability reporting remains voluntary.

These coops play a unique and impactful role in Kuwaiti socio-economic life by providing a deeper understanding of how collective consumer efforts can shape markets, support communities, and influence national development. On one hand, they support economic stability, reduce monopoly practices, and enhance market competition; on the other hand, they contribute to social development by redistributing profits back into the community through sponsorships and aid. Therefore, coops in Kuwait are more than just supermarkets – they are community institutions that promote economic self-sufficiency, social welfare, and local development. Despite facing modern challenges, they remain a cornerstone of Kuwaiti daily life and culture.

Coops in Kuwait have adopted various approaches to enhance their legitimacy and sustainability across multiple dimensions:

- *Social Initiatives:* Coops are deeply embedded in their communities, often organising and supporting local events, educational programs, and health initiatives. They actively promote the employment of Kuwaiti nationals within cooperative societies, especially in supervisory and managerial roles, thereby fostering local workforce development. Furthermore, they support entrepreneurs, particularly those impacted by economic challenges such as the COVID-19 pandemic.
- *Environmental Efforts:* Coops have collaborated with private sector entities and governmental bodies to launch environmental initiatives aimed at encouraging eco-friendly practices and reducing plastic use. These initiatives are complemented by educational campaigns that raise awareness about the harmful effects of plastic pollution, including the large quantities of plastic waste collected from Kuwait's shores.
- *Economic Impact:* Coops play a central role in the retail sector, supplying approximately 70% of all goods and services in the local market. They operate under price regulation guidelines to ensure affordability and enable consumers to monitor and compare prices across different coops, thereby promoting transparency and preventing unjustified price increases. Additionally, coops actively promote national products and support small and medium-sized enterprises (SMEs), especially through annual festivals and initiatives designed to strengthen local agriculture and industry.

In this regard, exploring user perceptions of sustainability reporting are crucial – specifically, how much users of coops’ annual reports value and view the social, environmental, and economic aspects of these sustainability reports.

In summary, this study formulates the following questions to investigate the interplay between financial quality characteristics and sustainability reporting within coops in Kuwait.

1. How do users perceive the quality of qualitative characteristics (QCs) of financial information disclosed by Consumer Cooperative Societies (coops)?
2. How do users perceive the sustainability information quality (social, environmental, and economic) by Consumer Cooperative Societies (coops)?
3. Why do Consumer Cooperative Societies (coops) disclose sustainability information (social, environmental, and economic)?

Theoretical Framework and Hypotheses Development

Legitimacy Theory posits that an organisation seeks to ensure its operations are perceived as legitimate, whereby their actions align with the norms, values, and expectations of the society in which it operates (Deegan, 2002; Patten, 2019). In other words, the community grants organisations the legitimacy to operate and access resources to function and access resources (Hahn & Kuhnen, 2013). This theoretical framework is particularly relevant to coops, which are community-based entities that operate not only for profit but also to fulfil social, economic, and environmental responsibilities.

Adams et al. (1998) argue that Legitimacy Theory is considered central for assessing corporate social disclosure motivations across different contexts, particularly in Western countries. By publishing social and environmental information, in addition to economic data, cooperatives can align more closely their reporting practices with their values and meet the expectations of their users.

In the context of coops in Kuwait, Legitimacy Theory helps explain why these societies engage in various sustainability initiatives, community development programmes, and transparent financial reporting. By doing so, coops maintain and strengthen their legitimacy among users, including members, regulators, and the public, demonstrating that their operations are aligned with societal expectations.

Social legitimacy is reinforced, for example, through community engagement, employment of Kuwaiti nationals, and support for local entrepreneurs. Environmental legitimacy is gained through initiatives such as reducing plastic waste and promoting eco-friendly practices. Finally, economic legitimacy is achieved by regulating prices, promoting national products, and supporting SMEs. By publishing annual reports that reflect high-quality financial and sustainability disclosures, coops enhance transparency and accountability, which are key factors in maintaining stakeholder trust and long-term legitimacy.

Hypotheses Development

The researchers formulate the following null hypotheses to guide the empirical investigation:

H1: *There are no significant differences among financial inspectors in the perceived importance of qualitative characteristics of financial information.*

H2: *There are no significant differences among financial inspectors regarding the perceived importance of environmental information.*

H3: *There are no significant differences among financial inspectors about the perceived importance of social information.*

H4: *There are no significant differences among financial inspectors about the perceived importance of a set of economic information.*

H5: *There are no significant differences among financial inspectors about the motivations for disclosing sustainability information (social, environmental, and economic).*

Research Methodology

This research adopts an empirical research design, utilising survey data to test the proposed hypotheses. Specifically, a survey study was distributed among practicing Kuwaiti professionals in Kuwait, targeting 105 financial inspectors working in the Kuwaiti Cooperative Societies Control and Inspection Department at the Ministry of Social Affairs and Labour (MSAL). Around 95 participated in the survey, resulting in a response rate of approximately 90%. This is considered a unique sample, distinguishing it from samples commonly used in similar studies, as financial inspectors play a critical role in overseeing the financial operations of coops. They are responsible for reviewing and evaluating cooperatives' annual financial reports, ensuring compliance with reporting standards and regulatory

requirements. This position provides them with in-depth knowledge of how shareholders' funds and cooperative finances are managed and reported.

A questionnaire was developed to gather input from respondents on the quality of financial and sustainability information disclosed, based on the accounting literature (e.g., Ahmed, 2022). The survey was pre-tested with academics and researchers from the Department of Accounting at the Public Authority for Applied Education (PAAE) and Training. Based on the feedback provided, the structure of the questionnaire was improved. Data for this study were collected from an open survey conducted during a session held at the Kuwait Society of Accountants and Auditors attended by financial inspectors on December 2–3, 2024.

The questionnaire consists of six parts. Part 1 explores participant perceptions of the quality of financial information (12 statements) (for review, see Gjoni-Karameta, et al., 2021). Parts 2, 3, and 4 (for review, see Xu et al., 2024) asked participants about their opinions on sustainability information published related to the environment (5 statements), social issues (5 statements), and economic factors (5 statements), respectively. Part 5 of the questionnaire aims to examine user perceptions of the reasons for coops' inclusion of sustainability information dimensions (7 statements) in their annual reports (for review, see Manetti et al., 2019). All statements were presented using a 5-point Likert scale, where 1 represents "strongly disagree" and 5 represents "strongly agree." The Likert scale was chosen as a widely used research tool to assess user attitudes toward a specific matter, given its prevalence in the literature for evaluating attitudes toward qualitative characteristics of financial and non-financial information (e.g., Michelon et al., 2015; Van Beest et al., 2009). The final part of the questionnaire includes questions about the demographic characteristics of the participants (gender, age, years of work experience, educational background, and job title within the department).

To ensure the robustness of the research instrument, validity and reliability analyses were conducted, and for brevity, the tables are omitted. Pearson correlation coefficients for each item and its related dimension were all above 0.65, supporting construct validity. Cronbach's Alpha values, based on responses from 95 financial inspectors, indicated high reliability: qualitative financial information ($\alpha = 0.871$), environmental ($\alpha = 0.832$), social ($\alpha = 0.847$), economic ($\alpha = 0.862$), and sustainability motivations ($\alpha = 0.889$). All values exceeded the 0.70 threshold, confirming the instrument's reliability (Nunnally, 1978).

Results

Descriptive statistics (means and standard deviations) and inferential testing (a one-way ANOVA) were utilised in this study to assess perceived views of the quality of financial information and sustainability information.

Descriptive Statistics Results

Table 1
Demographic Characteristics of the Respondents

Characteristic	Group	Frequency (<i>n</i>)	Percentage (%)
Gender	Male	91	95.79
	Female	4	4.21
	Total	95	100
Age	25 - 35 years	10	10.53
	36 - 45 years	62	65.26
	Over 46 years	23	24.21
	Total	95	100
Educational level	Bachelor's degree	80	84.21
	Master's degree	14	14.74
	Doctorate	1	1.05
	Total	95	100
Years of experience	5 years or less	17	17.89
	6 – 10 years	28	29.47
	11 – 15 years	33	34.75
	16 years or more	17	17.89
	Total	95	100
Job title	Financial controller specialist	48	50.53
	Senior financial controller specialist	16	16.84
	Financial controller	14	14.74
	Senior financial controller	17	17.89
	Total	95	100

Table 1 shows that 95.79% of the 95 financial inspectors in the study were male, reflecting the gender imbalance typical of financial supervisory roles in Kuwait. Although female participation was limited, it provides limited diversity, with findings largely representing male perspectives in line with the work-

force reality. Regarding age, Table 1 shows a predominantly experienced group, with 65.26% aged 36–45 and 24.21% over 46. This suggests most participants are in mid-to-late career stages, thereby bringing valuable expertise and insight into financial and sustainability reporting. No respondents were aged under 25, highlighting the overall seniority of the sample. Additionally, Table 1 highlights a highly experienced group, with 64.21% have over 10 years of professional experience—34.74% between 11 and 15 years. This depth ensures informed, credible insights into financial and sustainability reporting practices. The sample is highly educated, with 84.21% holding at least a bachelor's degree and nearly 15% having postgraduate qualifications. This academic background likely enhances their ability to understand complex reporting standards and contributes to the reliability and depth of their insights. Finally, Table 1 shows a balanced mix of job titles, with 50.53% as financial control specialists, and others in senior or supervisory roles. This range ensures diverse perspectives—from operational to strategic—enhancing the study's generalisability across financial control levels in cooperative societies.

Overall, the demographic profile of the 95 financial inspectors reflects a highly qualified, experienced, and predominantly male sample. Most are middle-aged with over 10 years of experience and strong educational backgrounds. The mix of operational and strategic roles adds depth, enhancing the credibility, reliability, and generalisability of the study's findings on financial and sustainability reporting in Kuwaiti coops.

The descriptive statistics presented in Table 2 offer critical initial insights into how financial inspectors perceive the various dimensions of financial and sustainability disclosures in Kuwaiti consumer cooperatives. These results are foundational, as they reflect the central tendencies and distributional characteristics of the responses across the key thematic areas.

Table 2
The Descriptive Statistics of Financial Inspectors' Perceptions

Variable	N	Max	Min	Std. Deviation	Median	Mean (<i>M</i>)
Financial disclosure	95	5	1.92	0.49	3.67	3.70
Environmental disclosure	95	5	2.00	0.75	3.20	3.31
Social disclosure	95	5	2.60	0.64	3.80	3.77
Economic disclosure	95	5	2.00	0.76	3.60	3.62
Disclosure motivations	95	5	3.00	0.49	3.86	3.88

Table 2 shows that the overall perception levels are favourable across all five categories, with motivation ($M = 3.88$) and social disclosure ($M = 3.77$) scoring highest. The lowest mean score is for environmental disclosure ($M = 3.31$), suggesting comparatively lower emphasis in this area. The financial dimension scored highly, indicating strong perceived quality in cooperative financial reports—particularly in trustworthiness, comparability, objectivity, and accessibility. A low standard deviation (0.49) also shows strong agreement among respondents regarding this aspect.

Regarding sustainability dimensions, environmental disclosure had the lowest average score ($M = 3.31$), indicating that environmental issues are under prioritised in Kuwaiti cooperatives. Despite growing international attention to environmental accountability, the data suggest that environmental issues are comparatively under prioritised within Kuwaiti consumer cooperatives. This may indicate a potential gap between current reporting practices and rising sustainability expectations in Kuwait. In contrast, social responsibility disclosure scored highly ($M = 3.77$) with consistent responses ($SD = 0.64$), indicating that cooperatives are perceived as active in community support, employee welfare, and job creation—aligning with their core social mandate and reinforcing their legitimacy. The economic disclosure also scored well, indicating cooperatives are perceived as transparent about their local economic contributions, cost-saving measures, and efficiency—key aspects for internal accountability and external trust.

Finally, the motivations for sustainability reports achieved the highest overall mean ($M = 3.88$), underscoring a strong belief in the importance of voluntary and strategic disclosure. Financial inspectors likely recognise that cooperatives do not merely disclose information to fulfil legal obligations but also to enhance reputation, meet stakeholder expectations, and improve legitimacy.

Inferential Results

An inferential test was conducted to test the hypotheses, make predictions, and draw conclusions about the population. Table 3 illustrates the results of a one-way ANOVA test assessing whether perceptions of financial information quality vary among job titles.

Table 3
Summary of One-Way ANOVA Test for Perceptions toward Financial and Sustainability Disclosure, and Motivations

Variable	F-value	Sig. (p-value)
Financial disclosure	0.040	0.989
Environmental disclosure	0.994	0.400
Social disclosure	0.671	0.572
Economic disclosure	1.781	0.156
Disclosure motivations	0.956	0.417

Qualitative Characteristics of Financial Disclosure (H1)

Table 3 shows no significant differences among **financial inspectors** ($F = 0.040$, $p = 0.989$) regarding their perceptions of financial disclosure quality. The p -value, well above the common alpha threshold of (0.05), confirms that differences between groups are not statistically significant. Therefore, the null hypothesis (H1) is accepted, indicating that financial information quality is consistently perceived across roles.

The absence of statistically significant differences ($p = 0.989$) indicates broad consensus among financial inspectors, regardless of job title. All respondent groups—whether junior specialists or senior supervisors—consistently perceive financial reporting characteristics such as objectivity, transparency, credibility, and accessibility as highly important.

This result reinforces the strength of the financial reporting culture within Kuwaiti coops. It may also reflect effective training, shared institutional norms, and centralised regulations that promote a consistent understanding of financial disclosure requirements. From a Legitimacy Theory perspective, this finding is significant. It suggests that the Control and Inspection Department has institutionalised a shared belief system about the role of financial information in promoting transparency and building stakeholder trust.

Environmental Disclosure (H2)

The results in Table 3 show no statistically significant differences in environmental disclosure perceptions across job titles, as indicated by a p -value of (0.400) well above the (0.05) threshold. This result supports the null hypothe-

sis, confirming that environmental disclosure is viewed with similar importance across all professional levels. Whether a senior auditor or a junior analyst, each respondent shares a common understanding and valuation of environmental aspects in cooperative annual reports.

However, it's important to note that despite this agreement, the mean environmental score (3.31) is the lowest among all five disclosure domains in Table 2. This suggests that environmental information is collectively under prioritised by financial inspectors, indicating an organisation-wide pattern rather than one limited to any specific subgroup.

From a theoretical lens, this may represent a partial legitimacy gap. Environmental transparency is a growing global concern, and its relative under prioritisation could challenge the perceived legitimacy of cooperatives in the eyes of environmentally conscious users. Practically, this highlights the need for capacity-building and policy focus to promote environmental disclosures as key to long-term legitimacy and stakeholder trust—not just compliance.

Social Disclosure (H3)

As shown in Table 3, the ANOVA test indicates no statistically significant difference among job titles in how social disclosures are perceived. The p -value of (0.572) far exceeds the (0.05) threshold, confirming that the null hypothesis is retained. This result highlights a strong consensus among financial inspectors regarding the relevance and importance of social responsibility information in the annual reports of coops. Social disclosures include statements about community involvement, employee welfare, local employment, and internal capacity development. The consistently high mean score (3.77) further supports that such activities are viewed positively and are perceived as integral to the cooperative model.

This consistency across roles reflects a shared professional ethic towards the cooperative social mandate. It also strengthens the credibility of these disclosures as a widely accepted organisational value rather than a function of role-specific bias or strategic positioning. From the perspective of Legitimacy Theory, the findings affirm that social reporting is well-aligned with stakeholder expectations and internal cultural norms. Unlike environmental disclosure (which had a lower mean score), the social domain appears to be institutionally embedded, reinforcing legitimacy through community engagement, staff development, and inclusivity.

Economic Information (H4)

The ANOVA result shows that differences in perceptions of economic disclosure are not statistically significant across job titles. The p -value of (0.156) exceeds the (0.05) threshold, which indicates that the null hypothesis is accepted. This result suggests that financial inspectors, regardless of seniority or role, generally agree on the importance of economic information in cooperative annual reports. Economic disclosure in this context refers to issues such as the cooperative's financial efficiency, cost reduction strategies, investment in local economic infrastructure, and sustainable resource utilisation.

While the F -value is the highest among all five hypotheses tested so far, it still does not reach the threshold for significance. This might indicate slight perceptual variation, but it is not strong enough to conclude that job roles meaningfully shape opinions on this topic. The mean score for economic disclosure (3.62) is relatively strong, showing that financial professionals acknowledge the role of cooperatives in contributing to local economies and improving financial performance. However, because perceptions are statistically similar across all roles, it reinforces the idea that economic performance is a universally shared concern among financial professionals.

Motivations for Issuing Sustainability Information (H5)

As illustrated in Table 3, the one-way ANOVA test reveals no statistically significant variation among job titles regarding the perceived motivations for issuing sustainability disclosures. The p -value is (0.417), which is well above the 0.05 threshold for statistical significance.

The results indicate a broad professional consensus among financial inspectors on why cooperatives disclose environmental, social, and economic information. Whether a respondent is a junior specialist or a senior auditor, a shared understanding of the strategic drivers behind disclosure is shared, such as responding to legal and regulatory requirements, enhancing reputation and public trust, improving stakeholder communication, differentiating the cooperative in the marketplace, and fulfilling social responsibility expectations.

The mean motivation score was the highest among all categories (3.88), suggesting that financial inspectors strongly perceive the value and purpose behind disclosure — not just as a formal obligation, but as a strategic and ethical necessity.

Discussion

This study aims to assess financial inspectors' perceptions and agreement regarding the quality of qualitative characteristics (QCs) in financial and sustainability (social, environmental, economic) disclosures by coops. It also explores the motivations behind these disclosures. The study's results offer a comprehensive view of the perceptions of financial inspectors concerning the quality and motivations of financial and sustainability disclosures in Kuwaiti consumer cooperatives. Through descriptive statistics and inferential testing, a high degree of perceptual consistency was observed, confirming the initial hypotheses (H1–H5) and reinforcing theoretical expectations drawn from Legitimacy Theory. The study's results are discussed in the following sub-sections.

Uniformity Across Roles and Dimensions

A key finding across all hypotheses is the absence of statistically significant differences among job titles in how financial inspectors perceive various aspects of disclosure. Whether evaluating the credibility of financial reports (H1), the importance of environmental (H2), social (H3), or economic (H4) information, or the motivations behind disclosure (H5), the data consistently reflect high mean scores with no meaningful divergence across professional ranks. This implies a well-aligned institutional culture where disclosure practices are widely understood and accepted. Such internal consensus supports the theoretical claim that organisations—especially cooperatives with strong community ties—seek to maintain legitimacy by internalising norms and aligning practices with stakeholder expectations. These findings confirm that disclosure is not merely a matter of regulation or individual initiative, but a shared organisational orientation.

Strengths in Social and Economic Disclosure and Weakness of Environmental Disclosure

While social and economic disclosures received strong ratings, reflecting the cooperatives' foundational role in supporting local communities and economies, environmental disclosure was rated lowest. The strong support for social responsibility reporting (H3) aligns with the sector's mission, while the valuation of economic transparency (H4) reflects growing awareness of performance-driven accountability. However, cooperatives may still perceive environmental issues as secondary concerns or lack sufficiently developed systems for effective reporting on energy use, resource consumption, or environmental initiatives. This highlight

concerns regarding the sector's readiness to meet evolving stakeholder demands for ecological responsibility and may expose a potential legitimacy gap in the near future.

Strategic Role of Motivation

Among the five categories, motivations for disclosure scored the highest. This suggests that financial inspectors perceive disclosure serves not only legal or formal requirements but also strategic objectives such as reputation enhancement, stakeholder engagement, and long-term sustainability. This supports the view that cooperatives are not merely passive actors complying with disclosure demands, but active participants in shaping their legitimacy through voluntary, purposeful communication. The consensus on motivations (H5) demonstrates a strong legitimacy orientation. It also suggests a high level of professional alignment and ethical responsibility among financial inspectors, who see disclosure as integral to trust-building and public accountability.

Summary and Conclusion

This research assessed financial inspectors' perceptions of the quality of financial and sustainability disclosures by coops and explored the motivations behind these disclosures. Through descriptive statistics and inferential testing, a high degree of perceptual consistency was observed, confirming the initial hypotheses and consistent with theoretical expectations drawn from Legitimacy Theory.

From a theoretical perspective, the results provide strong empirical support for Legitimacy Theory. The consistent responses across all job titles demonstrate how deeply embedded disclosure values are in cooperative governance structures. The findings indicate that financial and sustainability reporting are not only compliance-driven but institutionally embedded, serving to preserve organisational legitimacy and meet the expectations of both internal and external users.

Regarding practical implications, the results offer practical insights for policymakers and cooperative leaders: (1) strengthen environmental disclosure practices through policy mandates or internal training to close the perception gap; (2) leverage the strong internal consensus to standardise reporting frameworks and build a unified reporting culture; (3) utilise disclosure motivations strategically to improve voluntary transparency and stakeholder engagement; and (4) implement structured cross-role training to maintain this consistency and ensure new staff

internalise disclosure values. Serebryakova et al. (2022) suggest that to enhance coops' governance of social initiatives more effectively, one must balance cost and social benefit by utilising a specific set of financial and non-financial indicators, tracking cost and outcomes through managerial accounting, and applying budgeting to compare planned and actual spending on social activities.

Similar to other studies, this research has several limitations. First, the questionnaire was designed to elicit perceptions from a single user group, specifically financial inspectors, regarding the quality of coops' financial and sustainability information, as other user groups were not involved. Secondly, the generalisability of the findings is limited to this particular user group (financial inspectors) and not to the broader population of users. These limitations present a good opportunity for future research to be conducted employing more diverse groups, such as coops' shareholders and customers.

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Appendix
Survey - Assessing the Quality of Financial and Sustainability
Disclosure in Coops' Annual Report

Section 1. The Quality of Financial Information	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Financial information provided in the annual reports of coops is trustworthy.					
coops' financial information provides reliable and accurate future forecasts.					
Coops' financial information discloses relevant administrative and financial information.					
Coops' financial information is characterized by objectivity (free from bias and personal judgment.					
Users can compare financial information across coops and over time.					
Coops' financial information is prepared in the same format every year.					
Coops' financial information includes information that enable the assessment of their administrative and financial performance.					
Coops' financial information is largely consistent across coops.					
Coops' financial information is easily accessible to users.					
Coops' financial information adequately meets the needs of their users.					
Financial information is supported by evidence like invoices, contracts, etc.					
Financial information is prepared using electronic systems.					

Section 2. Sustainability Information Published Related to the Environment	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Coops disclose their efforts to reduce energy consumption and promote energy efficiency.					
Coops disclose any fines incurred for failing to meet their environmental responsibilities.					
Coops disclose their environmental activities.					
Coops disclose initiatives aimed at raising environmental awareness among members of the community.					
Coops disclose their consumption of natural resources (e.g., water and electricity).					

Section 3. Sustainability Information Published Related to Social Issues	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Coops disclose their social activities.					
Coops disclose the cost of their social activities.					
Coops disclose information regarding the provision of job opportunities for residents of the area.					
Coops disclose activities offered to employees (e.g., Umrah trips and training courses).					
Coops disclose their efforts to improve and develop administrative and organizational capacities.					

Section 4. Uustainability Information Published Related to Economic Factors	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Coops disclose the associated with initiatives contributing to the local economy.					
Coops disclose the financial contributions to national infrastructure of the national economy.					
Coops disclose cost reductions resulting from improvements in their financial position.					
Coops disclose their efficient use of available financial resources.					
Coops disclose their adoption of best practices to improve operational efficiency and reduce costs.					
Section 5. Reasons for Coops Including Sustainability Information in their Annual Report	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Disclosure is based on legal requirements that compel coops to disclose information.					
Coops' annual reports serve as a communication tool with various users.					
Coops voluntarily disseminate their annual reports through multiple channels.					
Coops are responsive to public opinion regarding disclosures.					
Coops are place importance on financial disclosures, particularly regarding shareholder profits.					
Annual reports contribute to creating added value for coops.					
Annual reports contribute to enhancing the reputation of coops.					

Section 6. The Demographic Characteristics of the Participants

1. Gender	Female Male
2. Age	Under 25 years old Between 25 and 35 years old Between 36 and 45 years old Over 46 years old
3. Years of experience	5 years or less Between 6 and 10 years Between 11 and 15 years Above 15 years
4. Qualification	Diploma Bachelor's degree Master's degree Doctorate
5. Title	Cooperative Financial Audit Specialist Senior Cooperative Financial Audit Specialist Cooperative Financial Auditor Senior Cooperative Financial Auditor

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