

WHAT ARE THE REASONS BEHIND PUBLISHING NON-FINANCIAL REPORTS BY CROATIAN PUBLIC SECTOR ENTITIES? – A SURVEY OF PUBLIC MANAGERS*

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ABSTRACT The number of studies on non-financial reporting by public sector entities is steadily increasing. Public sector entities have begun to report non-financial data to meet the needs of various stakeholders. Previous research has shown that public entities have begun to disclose non-financial information through various non-financial reports, such as sustainability reports, popular reports, integrated reports, and reports on websites or social media. This paper examines the disclosure of non-financial information in the form of non-financial reports by Croatian public sector entities and the reasons for publishing or not publishing such reports. The research is based on a questionnaire survey of Croatian public sector executives conducted in 2022. The results show that Croatian public sector entities have started to publish non-financial reports and that publication in the future is viewed positively. However, most of those who indicated that their institution does not prepare non-financial reports and those who do not know if their institution prepares the report are unfamiliar with non-financial reporting and non-financial reporting standards. This paper adds to the limited literature on non-financial reporting in the public sector. It reveals that the most important reason for not publishing non-financial reports by public sector entities is the absence of a legal requirement for non-financial reporting.

KEYWORDS: *non-financial reporting, public sector, public managers, reforms, Croatia*

1. INTRODUCTION

Given a large number of stakeholders, in addition to financial accountability, the public sector requires a

far greater variety of forms of accountability, including political (or democratic), bureaucratic, managerial, public, personal, and professional accountability (Sin-

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clair, 1995). Climate change, sustainable development, tax evasion, biodiversity, and environmental problems are global issues that the public sector must address today (Steccolini, 2018). In this context, non-financial reporting (NFR) is essential for any private or public organization. There is no single definition of NFR that applies to all stakeholders. This term may describe different types of reporting across different frameworks and standards. In addition, NFR can be defined as a disclosure of information that is not based on the usual financial figures and refers to the disclosure of information related to the development and performance of the organization and the impact of its operations, i.e., environmental, social, human resources and issues related to respect for human rights, the fight against corruption and bribery, etc. The NFR improves the quality of the information in the annual financial reports and expresses awareness, strategic values, and corporate direction in future periods. When preparing a non-financial report, entities have a wide range of recommended frameworks that provide helpful guidance for preparing the report. The following institutions and guidelines play a significant role today: *UN Global Compact*, *UN Sustainable Development Goals*, *GRI-G4*, *Integrated Reporting (IR)*, *EU Directive 2014/95/EU*, *Sustainability Accounting Standards Board*, and *Principles for Responsible Investments*.

From many different institutions and frameworks addressing this topic, it is clear that NFR has become a critical reporting component in different private and public entities. However, compared to academic publications focusing on implementing NFR by private sector entities, the number of publications analyzing the adoption of different NFR formats by public sector entities has been scarce. Nevertheless, the importance of NFR for public sector entities is recognized, and there is a growing literature on the topic (Farneti & Guthrie, 2009; Williams et al., 2011; Lodhia et al., 2012; Cohen & Karatzimas, 2015; Greiling et al., 2015; Domingues et al., 2017; Guthrie et al., 2017; Biondi & Bracci, 2018; Manes-Rossi et al., 2020; Gherardi et al., 2021; Williams & Lodhia, 2021; Williams et al., 2021; Sonnerfeldt & Aggestam Pontoppidan, 2022; di Tullio & La Torre, 2022). However, a few articles deal with NFR in the Croatian public sector (Čičak et al., 2021; Redmayne et al., 2022; Dragija Kostić et al., 2022). Therefore, the main objective of this paper is to investigate the extent of publication of non-financial reports in Croatia and the reasons for publication or non-publication.

This paper is divided into six sections. The paper starts with a brief introduction and a literature review on NFR in the public sector. The third section is devoted to the main characteristics of NFR in Croatia.

Section four presents the research methodology with a description of the research questions, data sample, and methodology. In the fifth section, the empirical study is conducted with the results of the conducted research and discussion. The sixth and final section of this paper contains concluding remarks.

2. LITERATURE REVIEW ON NON-FINANCIAL REPORTING IN THE PUBLIC SECTOR

2.1. Different formats of non-financial reports

Although NFR is a relatively new topic in the public sector, the number of papers addressing it is steadily increasing. Various authors have begun to conduct a structural literature review and explored various ways public sector entities have implemented NFR. For this reason, Manes-Rossi et al. (2020) conducted a structural literature review of the formats of NFR in public sector entities. The authors concluded that most papers focus on sustainability reporting by local governments and higher education institutions (HEI), followed by state-owned enterprises in Europe, the United Kingdom, and Oceania. As for Europe, most research on this topic has been conducted in Italy and Spain. Organizations, especially those in the public sector, have started to manage their accountability to the public by presenting different non-financial reports focused on specific performances, such as the environmental report (Marcuccio & Steccolini, 2005; Lodhia et al., 2012; Contrafatto, 2014), social reporting (Marcuccio & Steccolini, 2005; Mussari & Monfardini, 2010; Monfardini et al., 2013), sustainability reporting (Guthrie & Farneti, 2008; Farneti & Guthrie, 2009; Fonseca et al., 2011; Lozano, 2011; Williams et al., 2011; Busco et al., 2018), integrated reporting (Guthrie et al., 2017; Katsikas et al., 2017; Montecalvo et al., 2018) and widespread reporting (Cohen & Karatzimas, 2015; Cohen et al., 2017; Biondi & Bracci, 2018; Manes-Rossi et al., 2019).

Lodhia et al. (2012) examined the environmental reporting practices by public sector entities. They concluded that there was a slight variation in reporting practices across departments and that the observed entities did not universally accept the GRI guidelines. Fonseca et al. (2011) described the state of sustainability reporting at Canadian HEIs, specifically at the 25 largest Canadian universities, by the number of students enrolled and analyzed the content of the reports. Seven Canadian universities published a sustainability report, which is less than thirty percent of Canada's largest universities. The reports were mostly limited in scope, emphasizing environmental efficiency. Lozano (2011) also analyzed sustainability report-

ing practices at 12 HEIs and concluded that sustainability reporting at HEIs is at an early stage, considering the number of reporting institutions and the level of reporting, with a focus on environmental and economic dimensions at NFR. Guthrie and Farneti (2008) conducted research in Australia to analyze the state of voluntary sustainability reporting by seven Australian public agencies, including local government entities, state and federal agencies, and state public entities, by conducting a content analysis of the reports. The authors concluded that 32% of the GRI elements were used in sustainability reporting, with the most disclosures in the labor practices category and the fewest in the human rights category.

Montecalvo et al. (2018) examined the impact of IR on the sustainability reporting practices of the state-owned New Zealand Post. They decided to apply the IR framework to improve the reporting of sustainability-related information. The results show that adopting IR led to more balanced disclosure of material aspects and suggest that IR can improve sustainability reporting in state-owned enterprises and other public entities. The research by Williams et al. (2011) analyses the current and future state of sustainability reporting by Australian local governments. According to the research conclusions, local governments report on sustainability through various media, with the most information published in the social reporting category. However, the research also shows room for improvement, with half of respondents indicating that they do not currently report any sustainability-related information, with the most common reason being a lack of resources.

Farneti and Guthrie (2009), Domingues et al. (2017), and Guthrie et al. (2017) examined the participation of departments within public agencies in the NFR process. Domingues et al. (2017) surveyed public sector entities selected from the GRI Disclosure Database that published sustainability reports based on the GRI Guidelines. According to the results, most respondents indicated that only one department, primarily the social responsibility/sustainability department, was responsible for preparing the sustainability report. Farneti and Guthrie (2009), in their interviews with Australian public sector agencies, found that in most cases, corporate environmental departments were responsible for preparing sustainability information and including it in annual or sustainability reports. In addition, none of the entities indicated that finance or accounting departments were involved in sustainability reporting. Guthrie et al. (2017) analyzed five Italian public sector entities using published documents and in-depth interviews with key participants in the integrated reporting process. The authors concluded that the entities have started to adopt

or are currently adopting the integrated reporting framework and have accepted integrated thinking as a permanent change. From the analyzed literature, it appears that the formats of non-financial reporting vary from country to country, but they are mostly sustainability, environmental and social reporting. Very often, non-financial reports are combined with financial reports to form integrated reporting that includes financial and non-financial aspects.

2.2. Reasons for (not) publishing non-financial reports

The reasons for publication or non-publication of non-financial reports by public sector entities have been studied by Farneti and Guthrie (2009), Marcuccio and Steccolini (2005), Williams et al. (2011), Bellringer et al. (2011) and Greco et al. (2012). On the other hand, Al-Khater and Naser (2003) studied the reasons for the publication or non-publication of non-financial reports by private sector entities. According to the results of the research conducted by Farneti and Guthrie (2009), the main objective of disclosing sustainability information, according to the preparers, was to educate internal stakeholders. In addition, various media were used to report on the complexity of the entities' sustainability goals and activities. One of the media used to disclose sustainability information is the annual report. It was also clear from the interviews that the decision of public entities to initiate the sustainability reporting process was primarily driven by the position of a significant person within the respective organization (Farneti & Guthrie, 2009). Marcuccio and Steccolini (2005) researched to understand better the motives for adopting social and environmental reporting by Italian local governments by identifying the role of technological-economic and socio-psychological factors. To this end, the authors contacted nineteen local authorities and found that Italian public sector entities have started or are in the process of publishing a social or environmental report. Moreover, only three local governments have introduced both social and environmental reporting. The reasons for introducing environmental and social reporting are related to the people who initially advocated these practices in the institutions, and the interviews revealed that both state bodies and management bodies (public administration) have contributed to the introduction of the said reports.

Regarding the disclosure of sustainability information in Australian local governments, the results of a study by Williams et al. (2011) suggest that the most common reason for non-disclosure of sustainability information is the lack of resources. Bellringer et al. (2011) investigated the reasons for sustainability

report disclosure by New Zealand local governments by conducting semi-structured interviews with sustainability report preparers. According to the research results, local self-government units were encouraged to adopt sustainability reporting for leadership, accountability, financial incentives, and the need to support vital internal stakeholders. In this case, inherent environmental and sustainability concerns are not a major driver for sustainability reporting. One of the primary motivations for adopting sustainability reporting was related to legitimacy, i.e., the goal of providing leadership by serving as a role model that encourages communities to emulate local government sustainability efforts. The goal of raising community awareness of current environmental issues in society was another critical component of the leadership motive. In addition, interviewees pointed to the need for greater public awareness of "the direction and progress so far in terms of sustainability." They emphasized that "if we start documenting the story, people get an idea about the size of the issues that we are working through" (Bellringer et al., 2011, p.132).

A financial motive was the expectation that increased sustainability reporting by local governments would attract more investors who prefer the (so-called) "green" or sustainable businesses. Several respondents indicated that their council was incentivized to begin reporting to let taxpayers know that council fees and charges are being used wisely and sustainably. The authors emphasize that some local self-governing units do not realize their reports' importance to sustainable development. However, with the increase in training, education, and policy guidance from organizations such as New Zealand's local government, it seems likely that local authorities will become more aware of the importance of outstanding sustainability reports.

Greco et al. (2012) also investigated possible reasons for reporting between the local councils in Italy and Australia. The findings show that sustainability reporting is an internal initiative of local councils supported by political entities in search of a match between citizens' demands and political agendas. In addition, local issues such as severe droughts, rising temperatures, and population pressures have also led to expanded reporting. In some cases, the sustainability report is intended as a report for political campaigning. In addition, the lack of precise legal requirements appears to be a barrier to reporting. The authors also concluded that introducing sustainability reporting by municipalities in Italy was linked to educating and informing the "relevant public" about the organization's operations and performance (Greco et al., 2012).

On the other hand, regarding private sector

entities, Al-Khater and Naser (2003) explored the potential reasons for disclosing corporate social information. The interviewees indicated that private sector companies in Qatar do not currently disclose such information because they face administrative challenges, and management does not recognize its social responsibility. They also mentioned that the company's goals emphasize economic rather than social success. They also believed that companies lack incentives to provide corporate social responsibility (CSR) information due to the lack of regulatory requirements (Al-Khater & Naser, 2003).

The preparation of non-financial reports in Croatia is still predominantly associated with the private sector, as the public sector only public interest entities that are also large companies with more than 500 employees are required to prepare these reports under the Croatian Accounting Act. Therefore, there has been no previous research in Croatia on the reasons for publishing non-financial reports in the public sector.

2.3. Non-financial reporting in the public sector of Croatia

European Union Directive 2014/member states adopted 95/EU on NFR in December 2014. It was adopted in line with the EU's Corporate Social Responsibility (CSR) initiative, which includes supporting and reporting on smart, sustainable, and inclusive growth in achieving the Union's objectives by 2020. According to the Directive, the NFR is mandatory from January 1, 2017 for public interest entities with more than five hundred employees ("Directive 2014/95/EU of the European Parliament and of the Council of October 22 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups", 2014). The European member states have incorporated the NFR into their legislative frameworks per the Directive. Following the Directive, the Croatian Accounting Act stipulates that large companies in the Republic of Croatia that are of public interest and employ more than 500 employees on average during the fiscal year must publish the NFR in their official statements (Accounting Act, Official Gazette No. 120/16). The non-financial report should contain the information necessary to understand the entities' growth, position, and results of the company, the impact of measures related to labor, social and environmental issues, information on the protection of human rights, and the fight against bribery and corruption. Table 1 summarizes the definition of significant public interest entities and the non-financial report content according to the Croatian Accounting Act.

TABLE 1. Legislative requirements for the NFR in the Public Sector of Croatia

Large public interest entities (entities exceeding 2 out of 3 criteria)	20,000,000.00 EUR Total assets 40,000,000.00 EUR Revenue 250 or more employees on average
Content of the non-financial report	Brief description of the business model, description of the policies, including the procedures of the in-depth analysis carried out, the policies' results, the entities' risks concerning the entities' operations, and the main non-financial performance indicators.

Source: Authors (based on the legislative framework)

TABLE 2. Obligation to CSRD

January 1 2024	companies already subject to the NFR Directive
January 1 2025	large companies not currently subject to the NFR Directive
January 1 2026	listed SMEs, small and non-complex credit institutions, and captive insurance undertakings

Source: Authors.

According to the Croatian legislative requirements, when it comes to public sector entities, only the state-owned enterprises (SOEs) that are considered public-interest entities and meet the criteria above (see Table 1) are required to prepare non-financial reports. For the rest of the public sector entities, the NFR is not mandatory. The voluntary NFR remains an option for these entities.

Recently, in June 2022, a preliminary political agreement was reached between the European Parliament and the Council on the Corporate Sustainability Reporting Directive (CSRD). The proposal aims to address shortcomings in the current rules on the disclosure of non-financial information, which were not of sufficient quality to allow investors to consider it properly. These deficiencies hinder the transition to a sustainable economy. Under the CSRD, which also provides more detailed reporting standards, large companies are expected to report on sustainability issues such as social, environmental, human rights, and governance factors. All large companies and all listed companies are subject to EU regulations on non-financial information. Listed SMEs are also subject to the rules, as are all non-European companies with a net turnover of at least €150 million in the EU and at least one branch or subsidiary in the EU. Table 2 shows the application of the regulation (New Rules on Corporate Sustainability Reporting: Provisional Political Agreement between the Council and the European Parliament, 2022).

In the Republic of Croatia, the NFR is implemented only when companies are required to do so, and there are about 70 companies that comply with the NFR (Čičak et al., 2021). As a result, the NFR is poorly implemented in Croatia, not only in the public sector. Only a few papers deal with non-financial reporting by Croatian public sector entities (e.g., Čičak et al., 2021; Redmayne et al., 2022; Dragija Kostić et al., 2022.) Recently, Redmayne et al. (2022) examined how state-owned enterprises in Slovenia, Croatia, and Serbia adopted the NFR. The information was collected from publicly available financial reports. The quality of disclosure of the collected data was assessed against the content elements of the IR framework. The results show that the NFR is present in Croatian state-owned enterprises but rarely takes the form of the IR Framework. Furthermore, Dragija Kostić et al. (2022) have examined the impact of six different variables, including the IRD index, number of employees, profitability, leverage, state ownership, and net profit on the non-financial reporting of Croatian public sector SOEs.

According to the UN Global Compact website database, several Croatian public entities support the ten principles of the UN Global Compact related to human rights, labor, environment, and anti-corruption. They voluntarily commit to reporting to their stakeholders and the public in various formats. Non-corporate participants must submit a COE (Communication on Engagement) every two years to document their commitment to the UN Global Compact. The

COE discloses the specific activities undertaken to support the UN Global Compact to interested stakeholders. The report can be produced in any language and has a customizable format. (Communication on Engagement I UN Global Compact, 2023). Participants include Croatian local and regional self-government units: the City of Dubrovnik and the City of Pula; HEI - University of Zagreb - Faculty of Organization and Informatics and local non-profit organizations: Institute for Socially Responsible Business – Zagreb and Reach for Change Croatia (Our Participants I UN Global Compact, n.d.). The City of Pula and the City of Dubrovnik have started to provide non-financial information in the form of non-financial reports, i.e., sustainability reports.

On the other hand, the Faculty of Organization and Informatics of the University of Zagreb committed in June 2022 to conduct applied research and teach leadership skills to improve best practices, promote the Ten Principles of the UN Global Compact, and educate a broad audience about sustainability. They committed to reporting on their progress within two years of joining the Global Compact and following the Global Compact COE policy every two years after that. At the same time, the National study on the state of non-financial reporting in Croatia for 2019 and 2020 revealed that only a small number of companies in Croatia (both in the private and public sectors) prepare non-financial reports. The number of entities obligated to report was 76 in 2022, while 16 companies opted for voluntary reporting in 2019-2020 (National study on the state of NFR in Croatia 2019, 2020, 2022). This may indicate that the application of voluntary NFR in Croatia is low, not only in the public sector.

3. RESEARCH METHODOLOGY

Our research is based on a survey conducted as part of the project *“Challenges of financial and non-financial reporting by public sector entities in the changing user needs environment.”* The survey was conducted by a specialized market research agency by telephone from February to April 2022 and targeted public managers in Croatia. For the research, we defined public executives as members of the Croatian government, county-level executives (counties prefects, deputy prefects), local-level executives (mayors, municipality mayors, deputy mayors, deputy municipality mayors), heads of the state budget users, and heads of budget users of local and regional self-governments. Based on publicly available sources, a database of public administrators was created. According to the information available on the websites of the Croa-

tian government, counties, and local self-government units, data from the State Election Committee and the Register of Budgetary and Extrabudgetary Beneficiaries of the Ministry of Finance (Official Gazette 54/2021 (May 20, 2021)), there are currently 3942 public administrators in Croatia. The representation of all categories of respondents was also considered when selecting the sample. The respondents were selected through a random selection of respondents from previously created databases through a snowballing process based on contacts made or through gatekeepers (secretaries and other administrative staff). Five hundred-eleven responses were received, and the response rate was 13%.

The literature review shows that many public sector entities worldwide have started to publish non-financial reports. Entities provide various non-financial reports that focus on specific performance, such as environmental reporting (Marcuccio & Steccolini, 2005; Lodhia et al., 2012; Contrafatto, 2014), social reporting (Marcuccio & Steccolini, 2005; Mussari & Monfardini, 2010; Monfardini et al., 2013), sustainability reporting (Guthrie & Farneti, 2008; Farneti & Guthrie, 2009; Fonseca et al., 2011; Lozano, 2011; Williams et al., 2011; Busco et al., 2018), integrated reporting (Guthrie et al., 2017; Katsikas et al., 2017; Montecalvo et al., 2018), and popular reporting (Cohen & Karatzimas, 2015.; Cohen et al., 2017.; Biondi & Bracci, 2018.; Manes-Rossi et al., 2019.). In addition, Lozano (2011) concluded that sustainability reporting at HEIs is at an early stage, considering the number of reporting entities and the level of reporting. Since previous research shows different reporting practices, we intended to analyze the state of non-financial reporting of Croatian public sector entities to complement the existing literature in this field. The literature review also shows different reasons for a public sector entity's decision to (not) participate in reporting.

According to the literature review, some of the most common reasons for reporting are meeting the needs of different stakeholders, reasons related to the individual who initially advocated these practices in companies, reasons related to raising community awareness of existing environmental problems in society, and reasons related to increasing potential investment in companies. On the other hand, a lack of resources and precise legal requirements are barriers to reporting. Therefore, we wanted to find out if there are different reasons for the publication of non-financial reports by Croatian public sector entities because the literature review revealed different reasons for the publication or non-publication of non-financial reports. Furthermore, according to the Croatian legislative requirements, only the state-owned companies considered public-interest entities and meet

specific criteria are required to prepare non-financial reports if they are public sector entities. Therefore, we assume that Croatian public sector entities do not usually prepare or publish non-financial reports. Therefore, we wanted to investigate the familiarity with non-financial reporting standards and guidelines among those public sector executives whose entities do not publish non-financial reports. This is because familiarity with reporting standards and guidelines can benefit public managers who choose to prepare reports in the future. Therefore, answering the following research questions (RQs) was the main objective of this paper:

RQ1: *Do Croatian public sector entities publish non-financial reports, and how do they see publishing in the future?*

RQ2: *What are the reasons for Croatian public sector entities' publication/non-publication of non-financial reports?*

RQ3: *Are public sector managers whose entities do not publish non-financial reports familiar with non-financial reporting standards?*

To analyze the results of these research questions, descriptive and inferential statistics were used

in the SPSS program. The inferential analysis consists of the Pearson Chi-square test and the application of the Pearson r-correlation coefficient. Pearson's Chi-square test was used to determine if there was a relationship between familiarity with non-financial reporting and familiarity with non-financial reporting standards among public executives. It was also used to determine if there is a relationship between the educational background of public managers and the disclosure of non-financial reports. Pearson's R correlation coefficient was used to assess the correlation between publishing non-financial reports and the intention to publish non-financial reports.

4. RESULTS AND DISCUSSION

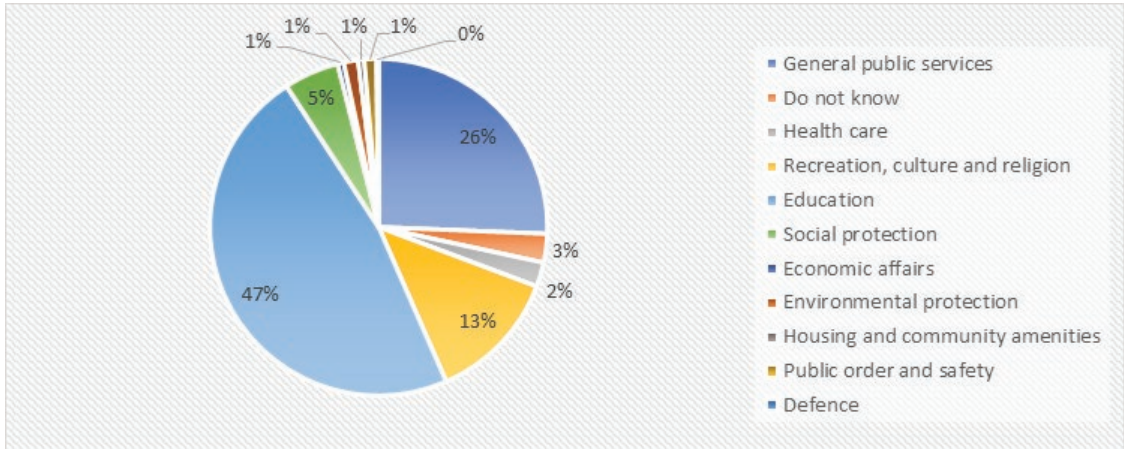
Table 3 provides demographic information about the respondents in the sample, highlighting that most respondents studied in a social studies field other than economics (69.28%). In addition, only 2.5% of the respondents have an education in accounting. This is essential information, as knowledge of economics is a crucial prerequisite for understanding non-financial and financial reporting.

TABLE 3. Demographic information

		N	% Percent
Gender	Female	312	61.06
	Male	199	38.94
	Total	511	100.00
Field of education	Economics - accounting major	13	2.54
	Economics - other than accounting	51	9.98
	Social studies - other than economics	354	69.28
	Other fields of science	91	17.81
	Do not want to answer	2	0.39
	Total	511	100.00
Level of education	High school	30	5.87
	Bachelor's degree	41	8.02
	Master's degree	339	66.34
	Postgraduate specialist studies	37	7.24
	Master of Science – postgraduate scientific studies	41	8.02
	PhD	23	4.50
	Total	511	100.00

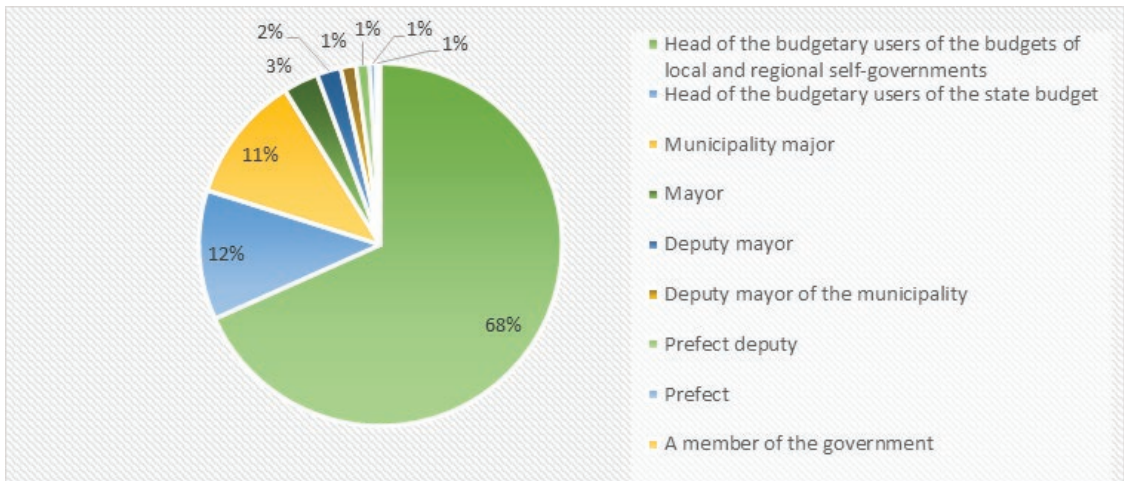
Source: Authors.

FIGURE 1. Functional classification (COFOG)



Source: Authors.

FIGURE 2. Respondent's current position



Source: Authors.

According to the survey results, most respondents work in educational institutions with a total of 47%, followed by general public services with 26%. Full results can be seen in Figure 1.

Regarding the position held by our respondents, Figure 2 shows that most % of our respondents, 68%, work as budget managers for local and regional self-government budget users. The full results are shown in Figure 2.

To answer the first research question (RQ1), respondents were asked to indicate whether they have published non-financial reports and plan to publish non-financial reports in the future. The results obtained are shown in Table 4. Two hundred seven-

ty-two (53.23%) respondents indicated that they had published a non-financial report in the past years. This was not expected, as non-financial reporting is mandatory by law only for state-owned enterprises that meet specific criteria, and the literature has indicated that only a small number of companies publish such a report. Furthermore, most of our respondents (63.60%) indicated that they would publish non-financial reports. Therefore, we can conclude that Croatian public sector entities mainly publish non-financial reports and intend to publish such reports in the future.

TABLE 4. Publishing of non-financial reports

	(1) Has your institution published a non-financial report for the past several years?		(2) Does your institution intend to publish a non-financial report in the future?	
	N	%	N	%
Yes	272	53.23	325	63.60
No	178	34.83	87	17.03
Do not know	61	11.94	97	18.98
Do not want to answer	0	0.00	2	0.39
Total	511	100	511	100

Source: Authors.

TABLE 5. Correlations between the publication of non-financial reports and the intention to publish non-financial reports in the future

		Publication of non-financial reports	Intention to publish non-financial reports in the future
Publication of non-financial reports	<i>Pearson Correlation</i>	1	0.625
	<i>p-value</i>		0.000
	<i>N</i>		511

Source: Authors.

Next, we wanted to examine a correlation between the publication of non-financial reports and the intention to publish non-financial reports in the future (see Table 5). Pearson's R correlation coefficient was used to test the correlation at the 0.05 significance level. Since the correlation coefficient values are close to 0.7 (0.625), there is a strong positive correlation between the publication of non-financial reports and the intention to publish non-financial reports. Since the p-values are less than 0.05, we can conclude that the correlation between the publication of non-financial reports and the intention to publish non-financial reports in the future is statistically significant. Furthermore, it is also significant at a significance level of 0.01.

Since most of our respondents are educated in social studies other than economics (69.28%), we wanted to investigate whether there is a relationship between the field of education and the publication of non-financial reports by public sector entities. A Pearson's chi-square test was used to determine the relationship. The relationship between public managers' field of education and the publication of non-financial reports is shown in Table 6. There was no

significant relationship ($p\text{-value} > 0.05$) between the observed variables, which means that although public sector managers are educated in various fields, mostly not in accounting or even economics, the field of education does not affect the publication of non-financial reports.

To answer the second research question (RQ2), public sector executives were asked to indicate the reasons for the publication and the non-publication of non-financial reports. Public sector executives whose organization publishes a non-financial report were asked to provide no more than three reasons for publishing a non-financial report, and those whose organization does not publish a non-financial report were asked to provide no more than three reasons for not publishing a non-financial report.

Table 7 provides an overview of the reasons for the publication of non-financial reports by Croatian public sector entities. Among the respondents, the most common reason for publishing non-financial reports, as indicated by public sector executives, is the existence of a legal obligation for NFR. This was unexpected, as the literature review revealed that according to the Croatian legal regulations, public-in-

Table 6 Relationship between the field of education and the publication of non-financial reports

Publication of non-financial reports	Field of education					Total	Pearson Chi-Square	p-value
	Economics - accounting major	Economics -significant other than accounting	Social studies - other than economics	Other fields of science	Do not wish to answer			
Yes	10	32	178	51	1	272	10.159	0.254
No	2	14	134	28	0	178		
Do not know	1	5	42	12	1	61		
Total	13	51	354	91	2	511		

Source: Authors.

TABLE 7. Reasons for publishing non-financial reports

Reasons for publishing non-financial reports	n	%
Existence of a legal obligation for non-financial reporting	173	34%
Increasing the transparency of business operations towards users of non-financial reports	133	26%
A complete presentation of financial results	101	20%
Based on users' requests for information on non-financial reporting	42	8%
Involving users of non-financial reports in evaluating the institution's policies and operations	31	6%
Due to improvement in reputation	18	4%
Do not know	15	3%
Other	3	1%

Source: Authors.

terest entities that meet the previously mentioned criteria must prepare non-financial reports. It can be seen that the Croatian public sector companies that are required to prepare non-financial reports are primarily state-owned enterprises. The remaining public sector entities have the option to report voluntarily. In addition, state-owned enterprises were not considered for this research and were not included in the sample of respondents. The second most common reason for publishing non-financial reports is to increase transparency. Of all respondents, 26% indicated that their institution publishes non-financial reports to increase the transparency of operations towards users of non-financial reports. In addition, a complete presentation of financial results was cited as the third most common reason for public institutions to publish non-financial reports. These findings are consistent with previous research in which the reason for informing the "relevant public" was among

the most common reasons for public sector entities to publish nonfinancial reports (Greco et al., 2012).

Table 8 summarizes the reasons for the non-publication of non-financial reports by Croatian public sector entities. The most common reason for not publishing a non-financial report is the lack of legal requirements for non-financial reporting. This finding aligns with previous research where the lack of clear legal guidelines seem to be a barrier to reporting (Greco et al., 2012, Al-Khater & Naser, 2003). In addition, according to the literature review, non-financial reports are produced when entities are required to with regulations. According to public sector executives, the second most common reason for public sector entities not preparing non-financial reports was excessive workload for employees.

TABLE 8. Reasons for non-publication of non-financial reports

<i>Reasons for non-publication of non-financial reports</i>	n	%
Lack of legal requirements for non-financial reporting	100	20%
Do not know	66	13%
Excessive workload for employees	40	8%
Lack of demand for information by users of non-financial reports	30	6%
Inadequate use of non-financial reports by their users	23	5%
Replacing the non-financial report with other more effective reports for dialogue with users	20	4%
Other	11	2%
High costs for reporting and publishing	9	2%
A decision by the management of the public sector organization not to prepare a non-financial report	8	2%
The view that some information should be secret	7	1%
Poor performance of non-financial reports and fear of bad publicity	4	1%
Do not want to answer	2	0%

Source: Authors.

TABLE 9. Knowledge of non-financial reporting in the public sector and non-financial reporting standards and guidelines among survey respondents who do not prepare non-financial reports

	<i>Are you familiar with non-financial reporting in the public sector?</i>		<i>Are you familiar with non-financial reporting standards and guidelines?</i>	
	n	%	n	%
Yes	44	18.41	18	7.53
No	195	81.59	221	92.47
Total	239	100	239	100

Source: Authors.

The last research question (RQ3) was formulated to determine whether public sector managers whose entities do not publish non-financial reports are familiar with non-financial reporting standards. Respondents who have indicated that their entity does not prepare non-financial reports or those who do not know whether their entity prepares the reports ($n=178+61=239$) were asked to indicate whether they are familiar with non-financial reporting in the public sector and whether they are familiar with non-financial reporting standards and guidelines. The results show that more than 81% of respondents who do not prepare the report or do not know are unfamiliar with non-financial reporting in the public sector. Regarding the knowledge of non-financial reporting standards and guidelines, more than 92% of respondents who do not prepare non-financial reports or do not

know have indicated that they are not familiar with non-financial reporting standards and guidelines. The results are shown in Table 9.

We also examined the relationship between familiarity with NFR in the public sector and familiarity with NFR standards and guidelines among public managers. To test the relationship, Pearson's Chi-square test was conducted. The relationship between familiarity with NFR in the public sector and familiarity with NFR standards and guidelines is shown in Table 10. At a 5% significance level, there was a significant relationship ($p\text{-value}<0.05$) between familiarity with NFR in the public sector and familiarity with NFR standards and guidelines, implying that familiarity with NFR in the public sector impacts familiarity with NFR standards and guidelines.

TABLE 10. Relationship between familiarity with NFR in the public sector and familiarity with NFR standards

	Pearson Chi-Square	p-value
Relationship between familiarity with NFR in the public sector and familiarity with NFR standards	91.477	0.000

Source: Authors.

5. CONCLUDING REMARKS

In recent years, the issue of NFR has gained much importance in the public sector, as public institutions are under constant pressure to be more accountable, including political, public, managerial, bureaucratic, professional, personal, and financial accountability. For this reason, the number of studies on non-financial reporting formats generated by public sector entities is steadily increasing. The literature review has revealed that the focus is mainly on sustainability reports. Social and environmental reporting, on the other hand, is not as prevalent among public bodies. Regarding the reasons for publishing non-financial reports, it can be stated that they can be primarily related to legal requirements, or in a few cases, to requests from internal stakeholders, more specifically from public managers.

Empirical research has shown that Croatian public sector entities have started to prepare non-financial reports. More than 53% of respondents stated that they have started to prepare non-financial reports. This result was unexpected, as in Croatia, only state-owned enterprises that meet specific criteria are among the public sector entities required to prepare non-financial reports. There was no correlation between the field of education and the publication of non-financial reports. The most common reason for publishing non-financial reports is the existence of a legal obligation for non-financial reporting. This is the most common reason for increasing the transparency of business operations and a more complete presentation of financial results. Among respondents who indicated that they do not prepare non-financial reports or do not know if their institution does, the most common reasons for not publishing a non-financial report are the lack of legal requirements for non-financial reporting, excessive workload for employees, and a lack of demand for information from users of non-financial reports in the public sector. A very interesting finding is that more than 81% of respondents who do not prepare a non-financial report or do not know if their institution prepares such a report are unfamiliar with NFR in the public sector, and more than 92% are unfamiliar with NFR standards and guidelines. This finding suggests that it is critical to

educate public sector leaders about the NFR framework before implementing mandatory public sector reporting, mainly because our research showed that most respondents are educated in social sciences, not economics. In addition, most of our respondents (63.60%) indicated that they would publish non-financial reports. The fact that public managers and sector executives generally favor publishing non-financial reports is undoubtedly encouraging.

Although the above points to interesting results, the study also has limitations. The research was conducted in only one country - Croatia, which limits the possibility of generalizing the findings to the population. Future research could expand the sample and consider other research methods, such as in-depth interviews, to understand better public sector managers' attitudes towards publishing non-financial reports. Despite the limitations above, our study contributes to the academic literature on non-financial reporting by public sector entities and to the literature on public sector managers' attitudes toward publishing non-financial reports. A comprehensive understanding of public sector entities' NFR practices and the determinants that may affect the public sector executives' attitudes toward NFR may be necessary to standard setters, practitioners, and academics. Findings based on the results of this study may provide guidance to standard setters in developing NFR standards and guidance specific to public sector entities or in developing national standards and guidelines.

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KOJI SU RAZLOZI OBJAVLJIVANJA NEFINANCIJSKIH IZVJEŠTAJA JEDINICA U JAVNOM SEKTORU U HRVATSKOJ? - ANKETA MENADŽERA U JAVNOM SEKTORU

SAŽETAK

Broj istraživanja o nefinancijskom izvještavanju u jedinicama javnog sektora je u porastu. Jedinice javnog sektora počele su objavljivati nefinancijske izvještaje kako bi zadovoljili potrebe za informacijama različitih skupina korisnika izvještaja. Prema prethodnom istraživanju, jedinice javnog sektora počele su pružati nefinancijske informacije putem različitih izvještaja kao što su: izvještaj o održivosti, popularni izvještaji, integrirani izvještaji kao i izvještavati putem web stranica ili kroz društvene medije. Ovim se radom istražuje objavljivanje nefinancijskih izvještaja jedinica javnog sektora Republike Hrvatske kao i razlozi koji stoje iza objavljivanja i neobjavljivanja nefinancijskih izvještaja. Istraživanje je provedeno 2022. godine putem anketnom upitnika upućenog javnom menadžmentu. Rezultati pokazuju da su jedinice javnog sektora Republike Hrvatske počele objavljivati nefinancijske izvještaje te da postoji pozitivan stav za objavljivanjem u budućnosti. Međutim, većina ispitanika koji su naveli da njihova institucija ne objavljuje nefinancijske izvještaje te onih koji ne znaju objavljuje li njihova institucija nefinancijske izvještaje, nisu upoznati sa nefinancijskim izvještavanjem i standardima nefinancijskog izvještavanja. Ovaj rad nadopunjuje ograničenu literaturu o nefinancijskom izvještavanju u javnom sektoru i otkriva da je najvažniji razlog neobjavljivanja nefinancijskih izvještaja od strane jedinica javnog sektora nepostojanje zakonske obveze nefinancijskog izvještavanja.

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KLJUČNE RIJEČI: *nefinancijsko izvještavanje; javni sektor; javni menadžment; reforme; Hrvatska*