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MACROECONOMIC SUBSTANTIATION OF THE NATURE OF QUALITY AS AN OBJECT OF ACCOUNTING IN THE MARKET ECONOMY

Abstract:This paper is aimed at determining the connection between the provision of companies' financial information on the indicator of quality and the macroeconomic development of countries.
In this research, we use the following methods: the method of categorization, the method of comparative analysis, statistical analysis and the forecast method.
The scientific novelty of this research is due to the development of the theoretical and practical characteristics of informing consumers on the activities of companies in the sphere of managing the system of the indicators of quality and determination of the dependence of the macroeconomic characteristics of countries on the implementation of the measures of accounting and provision of information on the indicators of quality.
We analyse the main advantages and drawbacks of quality management in the selected developed and developing countries, which have a significant impact on the world economy. The developed offers in the sphere of accounting information on the indicators of quality are formulated from the position of growth and sustainable macroeconomic development.

Keywords: *quality, efficiency, financial reporting, consumers, financial accounting, macroeconomic development, competitiveness, GDP.*

1. Introduction

Accounting and financial reporting, which is compiled according to the norms of International Financial Reporting Standards (IFRS), characterises the financial and economic (data on the balance indicators of resources and capital, information on the structure of revenues, expenditures and movement of financial flows), social (data on expenditures for salary, deductions from salaries to various social funds of the state budget) indicators of companies' development. The existing international approach to the reflection of the results of financial & economic and social activities of companies has been implemented in 167 legal systems (IFRS, 2022). A certain peculiarity of its use is the mandatory character or permission to use for the subjects of small and medium businesses. Entrepreneurial structures that belong to the

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category of SMEs and that are oriented toward the work with international partners and investors perform financial accounting and reporting based on the IFRS. At that, the data of financial accounting and reporting do not take into account the interests of consumers, which primarily concern the quality of products (services), as well as all production processes. These parameters of quality are important for the category of consumers who focus on responsible consumption of products, which are created without any harm to the environment and which do not contain hazardous elements and substances. The same is true for the order of services which quality envisages the execution of the declared works and compliance with all requirements to safety and ecology. Given the fact that many modern consumers (groups of consumers, presented by works groups and public organisations) have the possibility and knowledge to assess the data of financial reporting, published by companies that are participants in certain markets, there is no access for them to the information on quality within the estimated indicators. Accordingly, quality information, as an estimated indicator of development, is not an object of accounting and financial reporting, which reflect its main results. Besides, many consumers are potential buyers of the shares of various companies, and the absence of information on quality in financial accounting is a barrier to this purchase. Quality information is provided in the provisions of corporate reporting by some companies. Given this, it is possible to state that the provision of financial information on quality is not just companies' problem; the need for this information at the level of economic subjects is important at the macroeconomic level for a country on the whole. The hypothesis of this research is the assumption that quality information positively influences the sales volume and competitiveness of companies, thus leading to an increase in GDP.

The purpose of this paper is to reveal a connection between the provision of companies' financial information on the indicator of quality and the macroeconomic development of countries. To reach this purpose, the following tasks are solved: determining estimate characteristics of the quality of products (services) and determining the factual sources of information in which they are provided; assessing the influence of the accounting identification of quality on the macroeconomic state of countries; identifying the ways to improve the system of accounting and financial reporting in the direction of implementing the estimated indicator of quality.

2. Materials and method

This research is based on the analysis of the scientific and analytical materials on the list and characteristics of the indicators of quality at the level of companies and assessment of the sources of their provision: (Das Guru and Paulssen, 2020), (De Farias et al., 2022), (De Sales et al., 2022), (Nanjundeswaraswamy et al., 2019), (Saeed et al., 2021); (Shah et al., 2022); (Uddin, 2020); (Yusuf et al., 2019) (Arsovski 2023). In the following works, the characteristics and advantages of accounting and financials compared to the materials of internal data of corporations are described: (Evana and Dewi, 2017), (Schöndube-Pirchegger and Schöndube, 2017).

The above issues have been considered by the authors primarily in the theoretical aspect, at the level of selected companies and groups of companies; there is no comprehensive assessment of the necessity to form the official reporting on the state of quality and there is no substantiation of the influence of this measure on the market and economic development of companies and increase in the macroeconomic state of companies.

To achieve the selected research goal, we use a range of methods. The method of categorization is used to distinguish and identify the types of indicators of companies' quality, characterised within empirical studies. The method of comparative analysis is used to compare the advantages of using the data on quality, provided in unofficial sources and materials of accounting and financial reporting of companies. Statistical analysis is utilised to determine the indicators of development of countries at the macroeconomic level: indicators of GDP (The World Bank, 2022), an indicator of the competitiveness of countries (IMD, 2022; Tradingeconomics, 2022). The forecast method is used to formulate the measures of optimisation and universalisation of approaches to the provision of information on quality, which could be adapted for use for the purpose of improvement of the market and economic development of companies and the macroeconomic growth of countries.

We study the development of two developed (the USA and Norway) and four developing countries (Pakistan, Brazil, India and Indonesia). We chose the USA because the main global companies are based in the USA; the choice of Norway is due to the fact that Norwegian companies pay a lot of attention to the issues of quality. Consideration of the macroeconomic picture of the development of Pakistan is explained by the growth of its economy, while Indonesia's economy has been developing quickly over the last five years. Analysis of the macroeconomic development of Brazil is due to its being a quickly developing country in Latin America, with a large potential for growth due to the use of a range of advantages. The focus on the macroeconomic indicators of India's development is due to the large GDP of India.

Table 1 contains data on the GDP of Pakistan, Indonesia, Brazil, the USA and Norway for 2019-2021.

Table 1. GDP of Pakistan, Indonesia, Brazil, the USA and Norway for 2019-2021.

Country	2019		2020		2021	
	GDP, $ billion	Rank	GDP, $ billion	Rank	GDP, $ billion	Rank
Pakistan	278.2	44	263.7	45	347.743	46
Indonesia	1,119.19	16	1,058	16	1,186	16
Brazil	1,839.76	9	1,444.72	12	1,645.84	12
India	2,785.14	5	2,660.24	6	2,946.06	6
USA	21,427.7	1	20,893.75	1	22,939.58	1
Norway	403.336	31	362.52	33	445.51	32

Source: compiled by the authors based on The World Bank (2022).

The data presented in Table 1 demonstrate that the USA is the world leader by the level of GDP, which somewhat reduced in 2020 and then grew in 2021. The reduction was caused by the influence of the pandemic on the decrease in production, consumption and investments (private investments in the sphere of real estate and expenditures and investments of budgets of various levels) and sales volumes; US-China trade wars; the global economic crisis (Walmsley et al.,

2021). Norway's GDP also changed over the three years: in 2020, it reduced, which was caused by the global economic crisis and the impact of the pandemic on the development of production; in 2021, Norway's GDP grew up to $445.51 billion. The GDP of Pakistan also grew over the studied years, but this did not lead to an increase in the country's position in the ranking. Like many other countries, India demonstrated a decrease in GDP in 2020, which was caused by the

impact of the pandemic, reduction in consumption and production and social distancing.

For the purpose of this research, we need also to consider the indicator of national competitiveness (Table 2). The indicator of the competitiveness of Pakistan is determined based on the data of the Global Competitiveness Report (Tradingeconomics, 2022) since the materials of the World Competitiveness Ranking (IMD, 2022) do not contain data on this direction.

Table 2. Indicator of competitiveness of countries for 2019-2021.

Country	World Competitiveness Ranking, Rank		
	2019	2020	2021
Pakistan	110	107	110
Indonesia	32	40	37
Brazil	59	56	57
India	43	43	43
USA	3	10	10
Norway	11	7	6

Source: compiled by the authors based on IMD (2022) and Tradingeconomics (2022).

Analysis of the above data demonstrates that Norway, among the considered countries, has been holding the leading positions by the level of competitiveness (the position in the world ranking); the USA also demonstrates high competitive positions (10th position in 2021). At that, the US position dropped down from 3rd in 2019 to 10th in 2021. This is largely due to the reduction in macroeconomic development, namely the decrease in US GDP in 2020. Indonesia demonstrates the changes in the indicator of the ranking of competitiveness in the world (2019 – 32nd position, 2020 – 40th position, 2021 – 37th position). On the whole, such positions show that though Indonesia is not a leader, the country focuses on the achievement and support for the medium level of competitiveness. The study of the macroeconomic indicators of the development of Pakistan is rather difficult due to the closed character of the economy (Yokomatsu et al., 2020). The value of the considered indicator in Brazil changed from the 59th position in 2019 to the 56th position in 2020 and the 57th position in 2021. As could be seen, the growth of GDP did not ensure an increase in competitiveness. India demonstrated stable positions by competitiveness: 43rd position in 2019, 2020 and 2021.

It should be noted that the elements of competitiveness determine the level of effectiveness of their management; the key role among them belongs to quality in each sphere.

3. Results

Let us determine the list of estimated characteristics of the quality of products (services) in all spheres of corporate management and formulate the list of the existing sources of information in which the data can be given. The research is performed based on the analysis of the empirical materials of companies of countries that ratified financial accounting and reporting according to the IFRS.

We should note the approach to determining the indicators of quality that are used in the activities of Pakistani companies. The analysis is performed in the work of Shah et al. (2022) by the example of the assessment of quality management of the small and medium businesses of the food industry (export-oriented sector of the economy). The authors designate the list of the indicators of quality, the support of which is of top priority for the given subjects of business:
- Quality of leadership, which implies the orientation of company management toward

long-term functioning, not the achievement of short-term goals, and striving toward the use of high-quality resources;

- Quality of HR policy, connected with the implementation of a responsible attitude toward labour, the use of the systems of professional growth and development of communication in the workgroup, team-building approaches, safe labour conditions and protection of personnel's health;

- Quality of strategic planning, which envisages the development of strategic documents that imply the provision and improvement of quality in all spheres;

- Quality of management of information flows, connected with the assessment of approaches to the management of quality and the influence of the improvement in quality on the environment and the implementation of the existing norms and tendencies of the growth of quality in own processes and norms;

- Quality of processes, which is based on the development of all processes of the company with the focus on the provision and control of quality; management of processes, which includes the system of avoiding errors; assessment of the quality of products (services) on the constant basis and with the continuous creation of measures on its improvement;

- Quality of managing the logistics interaction with suppliers, which includes the formation and functioning of the system of interrelations with intermediaries in the context of a focus on the provision of quality supplies of products (services); observation of delivery terms, envisaged by agreements; equal interaction with suppliers, which can, in the long-term, led to the successful inter-company integration;

- Quality of managing the interaction with customers, which implies the focus on implementing the requirements and needs of consumers; acceptance of feedback, including negative (in the online form); focus on the resolution of complaints from customers;

- Quality of service (exploitation) characteristics of products, which is connected with such indicators as reliability, durability, the possibility for maintenance (including warranty and repair services); effectiveness of the product.

Analysis of the statistical and analytical data of the works by Dar et al. (2017), Manzoor et al. (2021) and Zafar and Mustafa (2017) allowed revealing that companies of small and medium business account for approximately 30% of the total number of economic subjects; their contribution to GDP equals 40% and the share in national export revenues – 30%. These companies provide employment for 80% of citizens who work in the national industrial sector. Large, medium and small companies in Pakistan use similar approaches to the assessment and identification of the indicators of quality. Given the above, it is possible to state that the list of indicators of quality, which is formulated in (Shah et al., 2022) is used for all categories of Pakistani companies. Large attention to the indicator of quality is determined by the striving of the country and business toward an increase in the level of development and achievement of results in the domestic and external markets.

There is an important indicator of products' quality, which is also present in most companies in the food industry of Pakistan. In the work by Saeed et al. (2021), the authors mention the indicator of the quality of products' safety management. The researchers evaluate the information on the state of this indicator based on a questionnaire survey, which is performed online.

Analysis of the materials on the determination of quality indicators allows stating that corporate reporting, as well as financial accounting and reporting, does not contain the data on the state of the above data. At that, the researchers, identify the level of quality within online questionnaire surveys (respondents are authorised representatives of Pakistani companies). One

can assume that even though the given list of the indicators of quality, at which Pakistani enterprises look, is formulated not based on official reports but based on the materials of questionnaire surveys, its results are true (reliable). The requirement of correctness is one of the principles of accounting (Schöndube-Pirchegger and Schöndube, 2017), which, in our opinion, is an important argument in favour of using reporting for the provision of data on the state of quality management at a company.

It is necessary to determine the approach to the classification of the indicators of quality, which are of top priority in the functioning of production companies in Brazil (machine-building enterprises). Analysis of (De Sales et al., 2022) showed that the main indicators of quality at such companies are as follows:

- Management of customers' satisfaction with the characteristics of products. The authors point to the fact that provision of this indicator is achieved with the help of regular individual survey of customers' opinions regarding main parameters, level of services of the production sector's companies; focus groups of certain categories of consumers, performed by the representatives of manufacturers and by the invited specialists in the sphere of marketing. Based on the materials on the directions of demand and problems of products, approaches to assortment, parameters and processes are improved – for they determine the level of quality;

- Management of quality in the sphere of product sales, which implies the constant search and implementation of new approaches to the promotion of products (discounts, search for groups of consumers that are most loyal to purchase of certain products, etc.);

- Management of the quality of products, which is connected with the focus on an increase in own standards of production that are aimed at meeting customers' expectations;

- Management of the quality of communication channels with all participants of the production and logistics chains (suppliers, company personnel and customers). Companies focus on the creation of continuous interaction, without any idle time or untimely reaction to problems and queries. This indicator could be identified as an indicator of managing the quality of interaction between the participants of the production, logistics and commercial spheres;

- Management of the quality of coordination and communication at the internal level of companies (between personnel and managers; among employees; between managers of different levels). According to the authors, this indicator is achieved with the use of special programmes that are implemented at large companies (in this context, at Brazilian machine-building companies).

It should be noted that (De Sales et al., 2022) do not focus on the fact that the studied machine-building companies of Brazil do provide information on quality in their corporate reporting. Accordingly, the information on the state of elements of quality at these companies is identified based on unofficial sources (questionnaire surveys and focus groups).

According to (De Farias et al., 2022), companies in the Brazilian service sphere, similarly to production companies, do not provide information on the indicators of quality.

Even though the issues of quality are the objects of internal analysis, and Brazilian companies perform the forecasting of the improvement of the main indicators in this sphere, there is no systemic approach to the provision of information on their values at the level of reporting.

Another approach to the systematisation of the indicators of quality was formulated by (Nanjundeswaraswamy et al., 2019) based on the empirical studies of the functioning of the machine-building sphere of India and the assessment of the contribution of engineers to the achievement of high results. The

authors designate the following list of indicators:

- Indicator of the quality of labour life, which is of top priority in the provision of a high level of innovative development of production and achievement of the indicators of products' quality. Among the elements of this indicator, the authors distinguish the indicator of the quality of implementing commitments to the corporation; an indicator of effectiveness;

- Indicators of the quality of developments, products and processes, which depend on the level of formation of the quality of labour life.

The authors of (Nanjundeswaraswamy et al., 2019) substantiate the direct influence of the indicator of labour life's quality of engineers on the state of the above indicators. The statement of the impact of labour life's quality on the quality of processes and products connects the indicator of quality with the indicator of competitiveness. The methodology of assessment of the World Competitiveness Ranking (IMD, 2022) states that its components are the level of economy (macroeconomic indicators), level of infrastructure development; effectiveness of business; level of effectiveness of government. Accordingly, the quality of processes and the quality of products are the components of the indicator of the competitiveness of companies and countries. The same is true for other indicators of competitiveness of companies. Accordingly, the level of quality management in a country could be assessed through the indicator of its competitiveness (ranking).

The work by Uddin (2020) is devoted to the issues of the growth of the quality of products, which predetermines the growth of efficiency of production through the reduction of technological defects. The author determines the list of indicators of quality by the example of wood flooring manufacturers in the USA. Medium enterprises in this sphere (example of Harris Wood from Tennessee is considered) (Harriswoodfloors, 2022), are oriented toward the assessment and resolution of customers' complaints regarding quality. These activities are mainly related to the acceptance of products with defects, compensations, or replacement of low-quality products. The losses of Harris Wood equalled approximately $90,000 annually, which included expenditures for the return of products (money or products); expenditures for utilisation or transportation of waste due to the given defects. Because of the negative influence of losses on the companies' results, their managers changed approaches to the system of quality management (since 2016). The new system of quality management includes the following indicators (Harriswoodfloors, 2022), (Uddin, 2020):

- Indicators of the quality of products, which include technical parameters of each type of product, which are constantly optimised; quality of materials that fit the best the manufacture of certain types of products; design, which is formed in the process of communication with customers and based on their feedback; quality of cleaning of materials (raw materials), which are used in production; protection from external damages of finished products, which is an advantage for budget customers;

- Indicators of the quality assurance of products (control over processes, control over the parameters of products);

- Indicator of efficiency (quality of production), which is ensured through the elimination of the problems of technological and production provision (improvement of technologies, upgrade of equipment);

- Indicators of the quality of personnel training on a constant basis;

- Indicators of the quality of provision of personnel's safety at production or logistics;

- Indicators of the quality of provision of energy efficiency through implementing modern lighting equipment, which allows reducing traditional expenditures for electric energy by 75% and helps achieve the Sustainable Development Goals in the sphere of ecologisation.

The implementation of the described system of supporting quality allowed Harris Wood and other rival enterprises, which function within these tendencies of management, to eliminate the causes of losses from defects of products and raise production and sales volumes. Harris Wood was able to reduce losses by $90,000 per year and raise the production of goods and sales by 1.7% per year (Uddin, 2020). These results positively influence the growth of GDP of the state, sector and country on the whole. Analysis of the characteristics of quality management of Harris Wood (USA) showed that the considered economic subject comprehensively informs consumers on the results in this sphere (Harriswoodfloors, 2022). Though the company's website does not contain corporate reporting with the data on quality, as a management object, there is information on the achievement of the above indicators, which is an important advantage in the attraction of customers who are oriented toward the purchase of products with characteristics that meet their expectations. This information is official, for it is published by the company openly, instead of being gathered in the course of unofficial questionnaire surveys of personnel or customers. It should be noted that the study of the indicators of quality of products of enterprises of production sectors in the USA, presented in (Das Guru and Paulssen, 2020), also focuses on the fact that these subjects list information on quality on their websites. According to the research results, the authors, based on the questionnaire survey of consumers, distinguish four groups of indicators of products' quality, which, on the whole, conform to the list of categories of indicators that are given on the websites. We believe that a larger advantage belongs to companies that declare goals and achievements in the sphere of quality management within the form of corporate reporting. Accordingly, customers (consumers) who are interested in quality, in the age of development of information digital technologies, will be more loyal to official data, not to the list of indicators of quality that may have a formal character.

It is necessary to note the approach to determining the indicators of quality that is peculiar for production companies in Indonesia (Yusuf et al., 2019). Based on the empirical materials on the assessment of quality in the country, it is possible to state that focus is made on the indicators of the quality of products (aesthetics, functionality, convenience of use and durability); quality of the procedure of control over observation of requirements to the quality of products. The start of production by Samsung in Indonesia implies the local manufacturer's complying with the declared guarantees of the quality of products and control. Indonesian manufacturers, like many companies from other developing countries, do not inform their consumers (customers) about the quality of products in the official form – e.g., with the help of corporate reporting.

There is also an approach to the provision of information on the quality that is used by Norwegian exporting companies in the sphere of fish products. Large Norwegian companies (including those working in the sphere of fish production) use the official channel of provision of information on the indicators of quality. By the example of the largest manufacturer of fish products in Norway - Pelagia Holding AS –it has been revealed that such indicators are published within the unified materials of financial accounting and corporate reporting. The company informs users on a range of indicators of quality, which include the parameters of the quality of products (requirements to fish, fishmeal, etc.); indicators of the quality of management of the main spheres and processes; indicators of HR management; indicators of the quality of management of interaction with consumers and suppliers.

Let us study the influence of the identification of quality on the macroeconomic state of countries. Table 3

presents the dynamics of the change in ranking positions of the studied countries by the macroeconomic indicator of GDP and competitiveness depending on the transformation of quality information.

Table 3. Dynamics of the rankings of macroeconomic indicators of countries under the influence of the transformation of information on quality for 2019-2021.

Country	Dynamics of GDP, + (reduction) / - (growth), Rank	Dynamics of World Competitiveness Ranking, + (reduction) / - (growth), Rank	Transformation of information on quality
Pakistan	+2	0	No official information in the form of reporting; the data could be only obtained unofficially (surveys). Transformations are absent in the information.
Indonesia	0	+5	Similarly to Pakistan's approach
Brazil	+3	-2	Similarly to Pakistan's approach
India	+1	0	Similarly to Pakistan's approach
USA	0	+7	Official information at websites. Improvement of approaches to the assessment of indicators of quality. Transformations are absent in the information.
Norway	+1	-5	Official information within the unified materials of financial accounting and corporate reporting. Transformations are absent in the information.

Source: compiled by the authors based on the data from Tables 1 and 2.

According to Table 3, companies of Pakistan, Indonesia, Brazil and India did not use in 2019-2021 official reporting information on the indicators of quality; these data were determined unofficially (using questionnaire surveys). There were no changes in this sphere with the companies of the considered countries that would stimulate communication with consumers on the level of quality and meeting their expectations at the level of processes, parameters of products and other indicators of quality. Despite a certain improvement of the macroeconomic indicators, the considered developing countries did not ensure a significant improvement in their growth, which was partially caused by the absence of official information on the implementation of quality policy. We think that this does not stimulate the attraction of customers who are aimed at the purchase of products (services) of companies that use high standards of quality in all spheres.

As for the approach to informing about quality, which is implemented by American companies, it is possible to note that they focus on the provision of extensive data in the form of reports but in the form of information that is published on the website. Due to the consumers' experience with the quality of products (services), which are manufactured by American companies, and large-scale informing about quality (including its improvement), American companies achieve large sales volumes and their growth, which leads to the growth of GDP.

The analysis showed that Norway has a high level of informing consumers about quality; the information is provided in the official

reporting form. Thus, the indicators of quality of most of the production companies of Norway are determined as the object of accounting and reporting. Such an approach facilitates the improvement of the macroeconomic indicator of competitiveness and growth of GDP. We can assume that publication of the above forms of reporting, including the data on quality, is performed by Norwegian companies particularly for informing the interested parties, including consumers.

4. Discussion

Based on the research materials, let us attempt at designating the directions for improvement of the system of accounting and financial reporting as to information about the estimated indicator of quality, which includes the following:

1) Possibility to determine quality as an object of accounting (in the context of the indicators of reduction of expenditures due to decrease in defects; an indicator of the movement of assets from an increase in quality along the main directions of company management; balance indicators of equipment and tools that are put into operation in the context of the economic operations on the provision of new production assets, which are necessary for improving the indicators of quality, providing personnel's safety and protecting the environment).

2) Possibility to introduce into the system the indicators of quality of elements that conform to the characteristics of products and the sphere of companies' activities. This measure is required for accounting for all specific features of managing the system of quality at companies.

3) Possibility to implement official publication of reporting (financial and corporate), the unified form of which might contain extensive information on the

estimate indicators of quality; methodology of their determination; their norms and factual level of achievement by the considered company. To avoid ambiguity in the forms of unified/consolidated reports, it is possible to implement this measure at the level of international committees and councils on the organisation of accounting and financial reporting. Such reporting might be also published on companies' websites and online portals. This measure could facilitate the attraction of new customers and increase in the loyalty of current customers.

5. Conclusion

It is possible to state that the described indicators of quality differ by types and categories. Certain countries' companies focus on the achievement of a small number of estimate indicators (e.g., Indonesia, where primarily the indicators of products' quality and the indicators of quality assurance are used). Such estimated milestones do not stimulate the achievement of highly competitive positions. However, it should be noted that in most of developed countries and countries that demonstrate a quick growth of economy, a wide list of the indicators of quality, relating to the main spheres of corporate management, is used. This facilitates the achievement of competitiveness and, in some cases, its improvement, and growth of GDP.

The revealed results of the provision of information on quality demonstrated that only Norway was able to reach high results in this sphere. Industrial enterprises form integrated reporting, which includes a detailed description of the indicators of quality and the level of their achievement. Such an approach could be considered as an example during the work on improvements in this sphere.

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