
LITERATURE REVIEW: THE EFFECT OF SUSTAINABILITY ACCOUNTING ON COMPANY PERFORMANCE

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ABSTRACT

The focus of public attention in recent times has been on companies that have gone public. This can be seen from the economic, environmental and social performance provided by the Company. The environment accompanied by social responsibility is able to encourage performance and reduce the company's risks. This research aims to examine in literature the influence of sustainability accounting on the performance of companies listed on the Indonesian Stock Exchange. This research is descriptive research. This research uses secondary methods with a literature review. The data used is research data from several journals that are relevant to the research conducted. Research using the literature review model will discuss or summarize the thoughts obtained from the author's ideas through reviewing several documents on relevant topics. Based on the results of the literature review, it was found that sustainability accounting in the economic disclosure dimension has no influence on the economic performance of a company. The same thing also happens to the environmental disclosure dimension which has no influence on the company's economic performance. In fact, disclosure of social performance has no effect on financial performance. In this case financial performance is represented by return on Assets (ROA). The same thing happens if company performance is replaced with ROS (return on sales), but social disclosure has an effect on company performance as represented by the ROE variable.

KEYWORDS

Company, Company Performance, Sustainability Accounting



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INTRODUCTION

Accountants can play a strategic role and encourage sustainable business practices through extensive studies and implementation of sustainability accounting. Accountants have a strategic role to optimize the challenges of sustainability accounting in Indonesia. There is a separate formulation for overcoming problems regarding the development of sustainability accounting which develops through two main paths, namely corporate sustainability accounting and managerial oriented path to sustainability accounting. Regarding information that can be disclosed by the Company's environment and social impacts, it is an important note. This problem will gradually disappear. Decisions or views on corporate sustainability accounting are reflected as a tool for managers to take solutions and decisions from existing problems. Accounting information can of course be used as important support for taking appropriate action.

The focus of public attention in recent times has been on companies that have gone public. This can be seen from the economic, environmental and social performance provided by the Company. The environment accompanied by social responsibility is able to encourage performance and reduce the company's risks (Eriandani & Wijaya, 2021). The company revealed that it is actually important to display sustainability reporting because it contains a description of all the company's social, economic and environmental activities. Of course, this has been regulated in Financial Services Authority Regulation Number 51/POJK.03/2017 by providing an appeal to increase awareness for every company in preparing sustainability reports. The nature of presenting a sustainability report is actually voluntary, but the additional years for companies willing to disclose will have a big impact and benefits (Eriandani & Winarno, 2021).

There are three aspects of performance in Sustainability reporting, namely social, economic and environmental. All three are a reflection of the responsibility carried out by the company towards stakeholders. The performance of these three aspects can be described in the operational activities of a company. Disclosures are important for companies to show economic performance as well as provide information to shareholders that transparency has been carried out by the company. Shareholders and potential investors need to know all kinds of information, especially the company's economic performance, so that they don't make mistakes when making decisions. Reporting economic performance in sustainability reporting, if done regularly, will indirectly improve the company's profits. The higher the profits generated by the company, the interest of potential investors will also increase. Economic performance which is in line with its influence on company value proves empirically that economic performance is interconnected with company value as shown by the Tobin's Q value (Anna, 2019).

Sustainability reporting can be used as an illustration of a company's performance. Analysis is usually carried out on several companies listed on the Indonesian Stock Exchange. Calculations are also usually carried out in the first year until the following year. This is used to see the development of the influence of sustainability reporting on its influence on the company's financial performance. The object of research that is commonly used is financial reporting in several listed companies. The activities carried out by companies in operating their products and selling them to consumers will certainly not be free from sustainability reporting, especially environmental aspects. This is because many companies cannot be separated from environmental pollution indicators, where this aspect is closely related to sustainability accounting, specifically sustainability reporting. Several financial ratios are also used to see how effective the company is in generating profits and optimizing its assets, which is reflected in the Return On Assets (ROA) ratio. This variable measurement can also be replaced with another variable which is no less efficient, namely

Return On Equity (ROE). Return on Sales can also be used to measure company performance because it is related to the company's operating profit margin. This variable is able to measure how big the profit is from the sales value of the product so that it looks more efficient or not. This research aims to examine in literature the influence of sustainability accounting on the performance of companies listed on the Indonesian Stock Exchange.

RESEARCH METHOD

This research is descriptive research. This research uses secondary methods with a literature review. The data used is research data from several journals that are relevant to the research conducted. Research using the literature review model will discuss or summarize the thoughts obtained from the author's ideas through reviewing several documents on relevant topics (Yuhertiana, 2015). This research will examine the influence of sustainability accounting on the performance of companies listed on the Indonesian Stock Exchange. Secondary data obtained and used in this research came from the internet and several journals, both national and international. References for this research were also obtained from Google Scholar by applying the criteria that the researcher wanted. References from trusted international journals and indexed national journals. In obtaining information, journals from the last 10 years were used to discuss the influence of sustainability accounting on company performance. In determining the research steps, start from determining the topic you want to write about, then looking for article references according to the desired topic. After that, look for articles on the internet, namely several selected national and international journal articles. The next step is to review and review observations and make a summary of several articles found. The researcher continues by compiling the results of the analysis and drawing conclusions as well as providing suggestions for the literature review that has been carried out.

RESULT AND DISCUSSION

Dimensions in measuring Sustainability Accounting

Sustainability is measured using a quantitative basis as a basis for providing management information. The Republic of Indonesia has regulated this in regulation no. 47 of 2012 concerning the social and environmental responsibility of limited liability companies. The basis for disclosure of Sustainability Reporting that occurs in Indonesia is still at a voluntary level, but several companies that are listed on the Jakarta Stock Exchange (BEI) have published sustainability reports. The reports published by most companies are customized based on Global Reporting Initiative (GRI) standards. This organization is an organization that helps both governments and businesses independently at the international level and is able to communicate the impact of business on several related issues such as corruption, humanity, climate change and many others. This practice transformation was born and then adopted by most developing organizations. There are three aspects when discussing sustainability accounting, namely:

(1) Disclosure of Economic Aspects. Disclosure of economic aspects is one dimension of disclosure in sustainability accounting. This dimension will show whether or not there is an impact from the founding of the organization on economic sustainability for some stakeholders. The economic system that is formed will of course be divided into several levels such as local, national and global. The Economic category describes the flow of capital between different stakeholders, and the ultimate economic impact of organizations across all levels of society. (2) Disclosure of Environmental Aspects. The environmental

aspect dimension will discuss the relationship between organizations and environmental and natural aspects, both non-living and living, such as several elements, namely air, water, land and existing ecosystems. Environmental aspects also relate to several inputs and outputs used. Inputs consisting of water and energy as well as outputs consisting of emissions, waste and effluent are considered in disclosing environmental aspects. Environmental aspects also discuss the products and services provided by the company and provide allusion to transportation and biodiversity as well as incurring environmental costs so that the principle of compliance is needed in disclosing the dimensions of environmental aspects. (3) Disclosure of Social Aspects. Disclosure of social aspects will discuss the relationship with the social system in which the organization operates. Social disclosure is always related to labor and the comfort of human resources. Apart from this aspect, if we discuss the disclosure of social aspects, it is also in line with human and community rights so that the organization is fully responsible for the products produced. Most of the sub category content is based on internationally recognized universal standards or other relevant international references.

The Influence of Sustainability Accounting (Economic Performance) on Company Performance

In fact, disclosure of economic performance also does not have a real influence on the company's financial performance. This is because several perspectives reveal that a long-term assessment is needed in measuring disclosure of economic performance on company performance (Kuzey & Uyar, 2017). In a short period of time the effect will not be seen. The performance of a new company can be measured over a long period of time because the company funds used can only be read and trusted by investors who will invest their shares if they can manage the costs used over a long period of time. Concerns that using data in the short term allows companies to pay debts from costs that are directly related to their economic performance (Kuzey & Uyar, 2017). Not only that, the quality of sustainability reports is also influenced by the experience of the board of commissioners. This experience is related to the training received by the board of commissioners where the board of commissioners can make wise decisions in improving the quality of reports (Dalilawati, 2013). Based on previous research, the more experienced the board of commissioners is in producing quality sustainability reports, the greater the disclosure aspect of economic performance.

The Influence of Sustainability Accounting (Environmental Performance) on Company Performance

In general, environmental performance also does not show a significant influence on financial performance. Financial performance is often linked to environmental issues that touch the communities around the company. Disclosure of environmental performance in sustainability accounting will directly influence market response. Stakeholders tend to look at annual reports compared to sustainability accounting so that they can compare which market response is good, so that report is used. Environmental performance that does not have an impact is also due to the company's failure to meet community expectations. The same thing is also shown by research by Deswanto and Siregar (2018) which states that environmental performance has no effect on company value. Environmental studies should also be concerned with public rights and their legitimacy. Environmental disclosure relies on legitimacy theory to explain why management must disclose social and environmental actions as part of a company's business strategy (Buallay, 2019). Environmental disclosure related to the impact of environmental performance actually provides a positive response to companies that have a good ranking in environmental

management so that if it is linked to financial performance it does not have a direct effect (Yadav et al., 2015).

The Influence of Sustainability Accounting (Social Performance) on Company Performance

In fact, disclosure of social performance has no effect on financial performance. In this case financial performance is represented by return on Assets (ROA). The level of sales affects how big or small the ROA the company has. High and low sales actually have no influence on sustainability accounting. This is because stakeholders are not directly related to consumer buying and selling activities. Basically, disclosure of social performance will only influence market response. In the short term, in fact, disclosure of social performance has not been able to have a meaningful influence on financial performance. The same thing happens if company performance is replaced with ROS (return on sales). The lack of influence of social disclosure on ROS or company financial performance is in fact due to inability to assess. ROS is only a description of the company's portfolio, so investment in assets is needed to carry out social aspects of sustainability activities for stakeholders in social disclosure. Social disclosure influences company performance as represented by the ROE variable. Company productivity, which is represented by the company's good reputation by consumers, causes income to increase, therefore social responsibility towards stakeholders can be seen from the welfare and loyalty of employees so that the employee turnover rate can be reduced and will increase company productivity.

The social performance reported by most companies is still not in accordance with GRI guidelines so they cannot prove precisely what social performance actually is. This is because several companies do not really know the guidelines in GRI G4. Investors who do not pay too much attention to social performance have resulted in many companies not focusing on reporting social performance. Most investors focus on the company's operations and financial activities (Haryono and Iskandar, 2015). Stakeholders who do not really consider social performance and emphasize more on environmental and economic aspects cause social aspects to have no influence on financial performance. Social performance is basically the responsibility of company stakeholders both internally and externally. Good social performance will improve the quality of resources so that it will lead to a high increase in company productivity even though this occurs in the long term (Servaes & Tamayo, 2013).

CONCLUSION

Based on the results of the literature review, it was found that sustainability accounting in the economic disclosure dimension has no influence on the economic performance of a company. The same thing also happens to the environmental disclosure dimension which has no influence on the company's economic performance. In fact, disclosure of social performance has no effect on financial performance. In this case financial performance is represented by return on Assets (ROA). The same thing happens if company performance is replaced with ROS (return on sales), but social disclosure has an effect on company performance as represented by the ROE variable. Investors must look at the long-term impact of Sustainability Accounting before deciding to invest. Companies must also start adjusting the preparation of sustainability accounting reports in accordance with GRI guidelines.

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