

The Effect of Sustainability Reporting on Company Profitability Using Literature Review Method (Asian Sphere)

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Abstract : Purpose: Over the last few years, the company has been implementing sustainability practices to ensure business continuity. However, there are pros and cons regarding the impact of financial reports if companies provide non-financial reports. So this paper aims to prove what the effect of Sustainability Reporting (SR) has on company profitability, as well as things that can be considered as the decision-making of SR disclosure. Methodology: This paper uses the literature review method to describe the results of published articles concerning Sustainability Reporting and Profitability. This study links and analyzes the essence of 50 previous studies related to SR on company profitability, most of which were conducted in Asia. Therefore this research is limited to only 23 studies in Asia. Findings: Sustainability Reporting does not have a significant impact on company profitability because the SR quality of each company varies based on Agency & Legitimacy Theory considerations. Stakeholders are required to focus not only on profitability but also on the long-term of the company. Thus, it is found that SR is used by companies as a sustainable investment, which can improve overall company performance by reducing capital costs and generating positive company value in increasing reputation capital. Value: This paper focuses on how sustainability reporting affects company profitability, as well as things that can be considered as the decision-making of SR disclosure.

Keywords : sustainability reporting, profitability, agency theory, legitimacy theory

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