

# Indonesia's Accounting Majors Perceptions on the Benefits of Sustainability Reporting

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**Abstract**—This study aims to examine and analyze the influence of the scope and type of information, period of time, and company's commitment on accounting majors' perceptions of the benefits of Sustainability Reporting. This research is a quantitative study with purposive sampling method. The data were collected by using online questionnaire and the research obtained a sample of 160 accounting majors from 62 universities in 28 provinces in Indonesia. The analysis technique used in this study is multiple linear regression. The results of this study shows that the scope and type of information and the company's commitment influence the perception of accounting majors on the benefits of Sustainability Reporting, while the period of time has no influence on it. In addition, the research indicates that the most important benefits of Sustainability Reporting are related to the ethical and responsible behavior and increase in awareness of environmental and social issues by the company and in enhancing company's reputation.

**Keywords:** *Sustainability Reporting, perception, scope and type of information, periode of time, company's commitment*

## I. INTRODUCTION

The current globalization has led to an increase of awareness level and efforts of companies to contribute to the welfare of society and preservation of the environment around the company. This is in accordance to the contents of the Sustainable Development Goals (SDGs), which in Indonesia have been regulated in Presidential Decree No. 59/2017. Based on this regulation, it is stated that the implementer of SDGs in Indonesia are the government, philanthropy and business actors, academics, and community organization. As a form of support carried out by companies as business actors is to disclose non-financial performance through Sustainability Reporting.

The obligation to disclose Sustainability Reporting in Indonesia is regulated by the Financial Services Authority's (Otoritas Jasa Keuangan – OJK) in the form of the OJK Regulation (POJK) 51/POJK.03/2017 on the Application of Sustainable Finance for Financial Services Institutions, Issuer Companies, and Public Companies in Article 8 where companies are required to implement Corporate Social and Environmental Responsibility (CSER) and must be reported on in the Sustainability Report. According to Article 3, this regulation shall be applied progressively starting from 2019 to 2025. However, before this regulation, Indonesia had Law No.

40/2007 on Limited Liability Companies regulating the components of annual reports on Article 66, shall include the implementation of Social and Environmental Responsibility. Even though these regulations had been assigned on 2007 and 2017, since 2005 several companies had disclosed Sustainability Reporting and the number is growing until now.

The trend in disclosing Sustainability Reporting indicates the benefits obtained by the company and are expected to be useful to stakeholders. The standard adopted by most Indonesia companies is the Global Reporting Index (GRI) Standards. However, the components disclosed by the company could be adjusted to the needs of stakeholders. In order to meet the needs of report users, it is essential for companies to determine the exact scope and type of information to be disclosed, as well as the time period. The demand of stakeholders of non-financial reports disclosure is a challenge for companies and professional accountants in the future. Therefore, the preparation of Sustainability Reporting requires a high commitment by the company.

One of the implementers of SDGs is academics. As one of the parties expected to become a professional accountant in the future, accounting majors are expected to contribute to the development of Sustainability Reporting. According to the previous research focused on Sustainability and Integrated Reporting by James [1], the accounting majors in The U.S. at the Western Region University, tend to support both Sustainability as well as Integrated Reporting and perceived the components and time period of the reporting as an important aspect. These results are obtained with the fact of many of whom of the study participants have grown up on an environment that expects and values sustainability and are familiar to the sustainable related regulations for companies. While Indonesia has just recently had the regulation on Sustainability Reporting, it is important to study the accounting majors' perception and awareness of this matter. Thus, this study involves the perception of accounting majors to assess the benefits of the components as well as the benefits of the Sustainability Reporting itself to involve the accounting majors on the development process of sustainability reporting related regulations in Indonesia.

## II. LITERATURE REVIEW

### A. Perception Theory

According to CNX Psychology [2], perception refers to how information sensory is managed, interpreted, and consciously experienced. Démuth, A. [3] stated that perception theory could be divided into two groups based on the information's direction and flow, namely bottom-up and top-down process. Based on CNX Psychology, bottom-up process is formed by sensory input, while top-down process is formed by a sensation that is influenced by existing knowledge, experiences, and ideas.

### B. Triple Bottom Line

John Elkington argues in his book that a company should be concerned to three different aspects in running its business, these are People, Planet, and Profit. People refers to employees, workers involved in business activities, and broader community around the company. Planet indicates the company's efforts in suppressing ecological footprint to the minimum, and profit is seen as a part of a business plan.

### C. Stakeholder Theory

Stakeholder theory is a theory where the relation between the business and the stakeholders are emphasized. The stakeholders itself are customer, supplier, employee, investor, society, and other interested parties in a company [4].

### D. Sustainability Report

Sustainability report according to the Global Reporting Initiatives (GRI) [5] is a report by a company of its business impact to the economic, environment, and social. Furthermore, a sustainability report also includes the value and governance of the company and illustrates the correlation between the strategy and the commitment of the company on the implementation of sustainable global economy.

### E. Scope and Type of Information

In accordance with the Reporting Principles by GRI it is stated that to determine the contents of the report should include Inclusiveness of Stakeholders, Contexts of Sustainability, Materiality, and Completeness [5]. Stakeholder inclusiveness means the reporting organization must identify stakeholders, sustainability means reporting organizational performance in the context of sustainability, materiality means covering components that influence stakeholder assessments and decisions, while completeness means the report includes a sufficient range of material topics and limitations.

### F. Time Period

Swardjono [6] argues disclosure is the provision of information more than what can be delivered in the form of a formal financial statement. Disclosure is basically done periodically with time as a measurement. The time interval that is generally used is one year, either calendar year or fiscal year [6].

### G. Company's Commitment

In the context of Sustainability Development and its reporting, companies must have a commitment in implementing the principles of sustainability development, including nurturing environment and achieving social welfare. This is in accordance to the principles of sustainable performance proposed by Epstein & Roy [7] specifically on the sixth and ninth principles, namely Community Involvement and Economic Development together with the Protection of the Environment. According to Epstein & Roy [7], companies that are committed to create sustainable development recognize the importance of the relationship between the company and the community and are committed to preserve the environment.

### H. Hypothesis Development

Scope, type, and comprehensiveness of information in a sustainability report is useful for stakeholders in assessing the overall impact of the company on the environment, social, and economy [1]. In addition to its benefits to external parties, determining the appropriate scope and type of information helps companies improve their ability to achieve goals. This is in line with the benefits for stakeholders. Thus, the H1 hypothesis is:

**H1: The type and scope of information influences the perceptions of accounting majors on the benefits of sustainability reporting.**

Theories regarding accounting principles have been studied by accounting majors since the first year of college. According to James [1], sustainability report will be beneficial for stakeholders if the report can be useful in evaluating performance over time, by presenting a comparison of the current year's performance with the past year. Then, the H2 hypothesis is:

**H2: The time period of disclosure influences perceptions of accounting majors on the benefits of sustainability reporting**

A study from the Massachusetts Institute of Technology [8] stated the benefits of implementing sustainability reporting can only be achieved if the company has a commitment to the implementation of the reporting process. A company that has a commitment influences the forming of a relevant, reliable and comparable sustainability reports. Therefore, the hypothesis H3 is:

**H3: The company's commitment influences the perception of accounting students on the benefits of sustainability reporting**

## III. METHODS

The population of this study are the undergraduate students in the accounting major from public and private universities in Indonesia. The sample of this research are the accounting majors with the criteria of enrolled as an active student in accounting major and had studied or known Sustainability Reporting. From the total of 329 responses obtained, 32 respondents were not an active accounting student, while 137

respondents have not studied Sustainability Reporting yet. Thus, the study sample was 160 accounting majors.

TABLE I. SAMPLE OF STUDY

| No                     | Information                 | Number     | Percentage    |
|------------------------|-----------------------------|------------|---------------|
| 1                      | Total of Respondent         | 329        | 100%          |
| 2                      | Nonactive Accounting Majors | 32         | 9,73%         |
| 3                      | Have not Studied SR         | 137        | 41,46%        |
| <b>Sample of Study</b> |                             | <b>160</b> | <b>48.63%</b> |

*A. Data Collection and Analysis Techniques*

The collection of data was done using a questionnaire replicated from the previous researcher [1] and are adjusted to fit the needs of this research. As a means of obtaining broader respondents, online questionnaire was distributed to accounting majors across Indonesia. To gain respondents' perceptions, the questionnaire used five Likert scales which stated strongly disagree-strongly agree or very unimportant-very important.

IV. RESULTS

*A. Overview of Respondents*

TABLE II. CHARACTERISTICS OF RESPONDENTS

| No.          | Table                     | Number     | Percentage  |
|--------------|---------------------------|------------|-------------|
| <b>1</b>     | <b>Sex</b>                |            |             |
|              | Male                      | 52         | 32.50%      |
|              | Female                    | 108        | 67.50%      |
| <b>Total</b> |                           | <b>160</b> | <b>100%</b> |
| <b>2</b>     | <b>Semester</b>           |            |             |
|              | 1 (S-1)                   | 8          | 5,00%       |
|              | 2 (S-1)                   | 2          | 1,25%       |
|              | 3 (S-1)                   | 1          | 1%          |
|              | 4 (S-1)                   | 8          | 5,00%       |
|              | 5 (S-1)                   | 2          | 1%          |
|              | 6 (S-1)                   | 59         | 36,88%      |
|              | 7 (S-1)                   | 11         | 6,88%       |
|              | 8 (S-1)                   | 69         | 43,13%      |
| <b>Total</b> |                           | <b>160</b> | <b>100%</b> |
| <b>3</b>     | <b>Type of University</b> |            |             |
|              | Public Universities       | 113        | 70.63%      |
|              | Private Universities      | 47         | 29,38%      |
| <b>Total</b> |                           | <b>160</b> | <b>100%</b> |
| <b>4</b>     | <b>Works while Study</b>  |            |             |
|              | Yes                       | 22         | 13.75%      |
|              | No                        | 138        | 86.25%      |
| <b>Total</b> |                           | <b>160</b> | <b>100%</b> |

The majority of respondents in this study were women and dominated by the third and fourth year students, where 22 of them are currently working. From the data obtained, 113 respondents came from Public Universities, while 47 others are Private University Students.

*B. Descriptive Statistics*

The statistical result obtained for the independent and dependent variables as follows:

TABLE III. STATISTIC DESCRIPTIVE

|   | N          | Min.      | Max.      | Std. Deviation |
|---|------------|-----------|-----------|----------------|
| Scope and Type Information                          | 160        | 64        | 120       | 12.943         |
| Period of Time                                      | 160        | 24        | 120       | 28.704         |
| Company's Commitment                                | 160        | 57        | 95        | 9.840          |
| Accounting Majors' Peceptions on the Benefits of SR | <b>160</b> | <b>20</b> | <b>35</b> | <b>3.532</b>   |
| Valid N (listwise)                                  | <b>160</b> |           |           |                |

*C. Hypothesis Testing Results*

1) *Multiple Linear Regression Analysis.* The multiple linear regression analysis using SPSS 21 presents the following coefficient and significance values.

TABLE IV. MULTIPLE LINEAR REGRESSION ANALYSIS

|                                    | Coefficient   | Sig.         |
|------------------------------------|---------------|--------------|
| <b>Constanta</b>                   | <b>10.160</b> | <b>0.000</b> |
| Scope and Type of Information (X1) | 0.137         | 0.000        |
| Period of Time (X2)                | -0.006        | 0.424        |
| Company's Commitment (X3)          | 0.073         | 0.025        |

Referring to Table IV., the regression equation is:

$$Y = 10.160 + 0.137X1 - 0.006X2 + 0.073X3 + e$$

2) *Coefficient of Determination (R<sup>2</sup>)*

TABLE V. DETERMINATION COEFFICIENT (R<sup>2</sup>)

| Model    | R            | R Square     | Adjusted R Square | Std. Error of the Estimate |
|----------|--------------|--------------|-------------------|----------------------------|
| <b>1</b> | <b>0.658</b> | <b>0.434</b> | <b>0.423</b>      | <b>2.683</b>               |

According to Table V., the coefficient of determination value is 0.423 which states that the dependent variable can be explained by the independent variable at 42.3%.

3) *T Test.* The test is done by comparing the independent variables' p-value with t table at the rate of 5% [9]. Calculation of t table is (df) = n - k - 1. Hence, 160 - 3 - 1 = 156. Therefore, the value of t table is 1.654.

TABLE VI. T TEST

| Variable | B      | t      | Sig.  | Result               |
|----------|--------|--------|-------|----------------------|
| X1       | 0.137  | 5.512  | 0.000 | <b>Has Influence</b> |
| X2       | -0.006 | -0.801 | 0.424 | <b>No Influence</b>  |
| X3       | 0.073  | 2.263  | 0.025 | <b>Has Influence</b> |

V. DISCUSSION

TABLE VII. SCOPE AND TYPE OF INFORMATION & PERIOD OF TIME

| Scope and Type of Information (James, 2015) | Current Year | Comparative Year |
|---|--------------|------------------|
|   | Mean         | Mean             |
| <b>Environmental and Safety</b>             |              |                  |
| Water Usage                                 | 4.43         | 4.08             |
| C02 Emissions                               | 4.33         | 4.06             |
| Energy Efficiency                           | 4.40         | 4.03             |
| Waste Management                            | 4.50         | 4.10             |
| Recycling                                   | 4.46         | 4.07             |

Table 7. Cont.

|   |      |      |
|---|------|------|
| Investment in Renewable Energy            | 4.37 | 4.00 |
| Environmental Incidents                   | 4.26 | 3.97 |
| Transportation Incidents                  | 4.08 | 3.83 |
| <b>Employee and Community</b>             |      |      |
| Number of Employees                       | 4.05 | 3.77 |
| Employee Training and Development         | 4.46 | 4.00 |
| Employee Turn Over                        | 3.88 | 3.66 |
| Percentage with Health Insurance          | 4.29 | 3.90 |
| Percentage with Retirement Plans          | 4.12 | 3.82 |
| Absentees per Employee                    | 4.13 | 3.75 |
| Management Composition                    | 3.80 | 3.62 |
| Injuries                                  | 4.12 | 3.83 |
| Donations to Community Project            | 4.15 | 3.87 |
| <b>Corporate Governance</b>               |      |      |
| Oversight Structure                       | 4.48 | 4.08 |
| Executive Compensation                    | 3.98 | 3.76 |
| Customer Relationship                     | 4.49 | 4.06 |
| Risk Management                           | 4.52 | 4.10 |
| Stakeholder Communications                | 4.50 | 4.09 |
| Code of Ethics Enforcement and Violations | 4.47 | 4.06 |

TABLE VIII. COMPANY'S COMMITMENT

| <i>Company's Commitment<br/>(Epstein &amp; Roy, 2003)</i>  | <i>Current Year<br/>Mean</i> |
|--|------------------------------|
| <b>Community Involvement/Economic Development</b>  |                              |
| Hours of Training and Number of Employees Trained in Community-Relationship-Building Skills                  | 4.33                         |
| Local Jobs Created   | 4.54                         |
| Value of Goods Donated   | 3.96                         |
| Percentage of Pre-Tax Profits Set Aside To Improve The Quality of Life in Communities Where It Does Business | 4.27                         |
| Percentage of Employees Who Participate In Company Sponsored Volunteer Activities                            | 4.07                         |
| Community Awards Received  | 4.20                         |
| Dollar Amount and Percentage of profits Donated  | 3.96                         |
| Emergency Response Programs  | 4.35                         |
| Number of Plant Closings   | 3.84                         |
| <b>Protection of The Environment</b>   |                              |
| Level of Emissions, by Type of Pollution   | 4.40                         |
| Amounts of Energy Consumed and Conserved   | 4.42                         |
| Reductions Achieved in Emissions and Waste   | 4.47                         |
| Amounts of Materials That Are Recycled   | 4.39                         |
| Funds Committed for Research and development on Pollution Control and Energy Conservation Efforts            | 4.40                         |
| Number of Complaints, Suits, and Final Judgements Involving The Firm For Each Type of Pollutant              | 4.33                         |
| Certification to ISO14001 by Number And Percentage of Facilities   | 4.44                         |
| Proportions of Products That Have Minimal Disposable Packaging   | 4.28                         |
| Percent of Recycled Material Used  | 4.42                         |

#### A. The Influence of Scope and Type of Information on Accounting Majors' Perception on the Benefits of Sustainability Reporting

From the test results, the p-value of scope and type of information is greater than t table ( $5.512 > 1.654$ ) and the significance value is less than 0.05 ( $0.000 < 0.05$ ). Therefore, it can be concluded that the scope and type of information have a significant impact on the dependent variable. According to Stakeholder Theory, companies must carry out social disclosure as a responsibility to stakeholders, and based on the Triple Bottom Line concept, a company must pay attention to

three different basic aspects in carrying out its business activities, namely People, Planet, and Profit. Thus, the scope and type of information included in the questionnaire are divided into three parts, namely the environment and work safety, employees and the community, also corporate governance. Referring to the characteristics of respondents, the majority of respondents are third and fourth year students who have studied Business Ethics, and Corporate Governance. Thus, overall respondents stated that the three sections on the questionnaire have an important role in the sustainability of a company. The results of the research analysis prove the indicators on environmental preservation and work safety as a whole are considered very important by accounting students in disclosure of sustainability reporting information, especially on waste management, recycling activities, amount of water usage, and energy efficiency information. On employees and the community part, two items that are included as very important are employee training and development, as well as health insurance percentages. Respondents as a whole have the opinion that the scope of information regarding corporate governance needs to be disclosed in the sustainability report, especially information on risk management, the company's relations to customers, and the company's management structure. These results are in accordance with the result of the previous research by James [1] where the accounting majors perceived that reporting aspects relating to environment and safety, employees and community, and corporate governance is important.

#### B. The Influence of Time Period of Disclosure on Accounting Majors' Perception on the Benefits of Sustainability Reporting

The results of the analysis show that the p-value of the disclosure period variable is less than the t-table value ( $-0.801 < 1.654$ ) and the significance value is greater than 0.05 ( $0.424 > 0.05$ ). Hence, these indicate that the time period of disclosure has no influence on the dependent variable. This is supported by the value of the standard deviation obtained, the number of 27,851 indicates a large variation in the sample data. Although the importance of the whole indicator is considered important by the majority of respondents, it does not necessarily affect students' perceptions of the benefits provided. In fact, a small proportion of respondents disagreed with the disclosure of a two-year data comparison. Based on disclosure theory, the amount of information that must be disclosed is called the level of disclosure. "Excessive information disclosure is as not beneficial as too less information disclosure" [6], then the exact level of disclosure must be determined by the company. According to the results of the study, there was a change in the value of the average number of respondents' answers decreased significantly between the interests of reporting the current year data with comparative data. Based on the analysis, the highest average values in each indicator section are sequentially waste management (4.10), employee training and development (4.00), and risk management (4.10). Thus, based on the average value, there are only a few components that are considered to have influence by the respondents.

### *C. The Influence of Company's Commitment on Accounting Majors' Perception on the Benefits of Sustainability Reporting*

Based on the results of the analysis, the p-value of the company's commitment is greater than t table ( $2.263 > 1.654$ ) with a significance value of less than 0.05 ( $0.025 < 0.05$ ). Then, this stated that company commitment has a significant influence on the dependent variable. In accordance with the definition of sustainability reporting by the Global Reporting Initiatives (GRI), in addition to disclosing aspects of people, planet, and profit, sustainability reporting also includes the value and the governance model of the company, as well as describing the relationship between the company's strategy and corporate commitment to sustainable implementation. The data shows that the three components with the highest average values on each indicator are creating employment, business opportunities generated for local communities, and having an emergency response program, and achieving a reduction in emissions and waste levels, having ISO14001 certification (Environmental Management System) adjusted to the number and percentage of facilities, and the level of emissions produced. The results obtained state that respondents tend to value activities that have a direct impact on the community as an important element in a company that carries out sustainability development. It states that accounting students support companies that are ethical and can provide benefits to society. This fact is then balanced with the results that show the accounting majors all agree with every activity aimed regarding environmental preservation.

### *D. The Most Important Benefit of Sustainability Reporting*

At the end of the research questionnaire section, there is a section with items of questions to test students' perceptions about the most important benefits of sustainability reporting to companies. Benefit options that can be chosen in accordance with James [1]: (1) Creation of ethical behavior and increased awareness of environmental and social problems; (2) Its effect on the quality and comparability of reports; (3) Enhancing company reputation; (4) Increased internal operations, products and services; (5) The achievement of financial success. The results obtained in this study indicate that the majority of respondents agreed that the most important benefits resulting from disclosure of sustainability reporting are the ethical behavior and increase in awareness of environmental and social issues, also in enhancing the company's reputation. Respondents are allowed to have other benefits. Then after summarizing it, there are; (1) Presentation of more relevant information and increase profits in the future; (2) As a report on the company's social and environmental performance; and

(3) Participating in supporting sustainable development programs.

## VI. CONCLUSION

Through multiple regression analysis, it can be concluded that the independent variables of the scope and type of information, as well as the company's commitment have a significant influence on the variable of accounting majors' perceptions on the benefits of sustainability reporting. While the independent variable of time period has no influence on the dependent variable. In addition, it is known that the most important benefits of sustainability reporting by the company is ethical behavior and increasing awareness of environmental preservation. The result of this research could be contributed in the development of sustainability related regulations in Indonesia and shows the importance of sustainability reporting topic to be taught in universities to improve accounting majors' understanding and awareness of sustainability reporting. In order to develop this research, it is recommended for future researchers to apply POJK No. 51/2017 as a research basis, expanding research samples, and adding independent variables that might influence the result of study, such as the reporting standards used.

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