



# Non-Governmental Organization (NGO) Sustainability Reporting Practices in Indonesia

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**Abstract.** This study explores the development and significance of sustainability reporting practices in Indonesian Non-Governmental Organizations (NGOs). Evaluating NGOs issuing annual reports, it compares their practices with Filantropi Indonesia's guidelines. Insights from interviews with key NGO personnel reveal fluctuations in sustainability reporting from 2018 to 2021, notably declining in 2022 due to COVID-19. Corporate-affiliated NGOs show capability to make sustainability reporting, benefiting from greater resources compared to independent or internationally backed NGOs. Interviews highlight a widespread lack of awareness about Filantropi Indonesia's guidelines among NGO officials. Corporate-owned NGOs influence reporting standards, compelling others to follow suit for credibility. Despite challenges, there's enthusiasm in the NGO community for sustainability reporting guidelines. The study underscores potential benefits, including increased visibility, donor attraction, and enhanced internal controls. Acknowledging limitations, such as the need for larger samples and a triangulation method, the research illuminates the evolving landscape of sustainability reporting in Indonesian NGOs. It emphasizes further investigation while asserting that NGOs can gain significantly from bolstering their sustainability reporting practices.

**Keywords:** Non-governmental Organizations (NGOs), Sustainability Reports, Philanthropic

## 1 Introduction

In introducing sustainability reporting practices, Non-Governmental Organizations (NGOs) become important actors because of their influence regarding environmental and social information included in GRI guidelines. NGO also have a strong role in developing communities and society with both direct and indirect impacts (Asogwa, 2023; Agyemang et al., 2020). NGOs are generally defined as non-profit or voluntary community groups organized at the local, national, or internal level with the aim of alleviating suffering, promoting the interest of the poor, protecting the environment,

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providing basic social services, and formulating policies (World Bank, 1995). It is difficult to generalize research on NGOs because each of them has different roles and goals. Unlike private companies, NGOs are not formed to make profit, but to be able to continue operating. NGOs also need to make a profit (Lewis and Kanji, 2009; Gazzola et al., 2019). NGOs' goals to uphold social and environmental issues and the need to be profitable to continue operating, it has become important for NGOs to be responsible for their activities. Sustainability reporting practice can become important tools for NGOs for taking responsibility for organizational activities.

Gazzola et al. (2019) mention that NGOs operate based on donations received from external parties which raises a problem of transparency and responsibility for the funds received by NGOs. GRI mentions three main problems in the NGOs' activities. First, the nature of NGOs that encourage socio-economic development creates an obligation within NGOs to demonstrate to the public that their activities are consistent with the values they uphold. Second, stakeholders expect transparency from NGOs regarding the activities they carry out and expect the decision makers within NGOs always make decisions that reflect the values within the organization. Third, stakeholders also ask NGOs to show their activities credible and funds received from donors used effectively and efficiently.

So far, there has not been much research discussing sustainability reporting practices in NGOs. Asogwa (2023) explained that NGOs in Nigeria implement sustainability reporting practices to gain legitimacy which helps non-profit organizations in voicing policy-related impulses or discussing community problems as well as assisting in providing benefits to the NGOs targets. Gazzola et al. (2019) assumed NGOs will be more responsible for the impacts of their activities, and increased resources through government regulation will increase the transparency of NGOs through sustainability reporting practices. However, despite the increase in resources due to government regulations, NGOs in Italy have not increased transparency in their activities. Sustainability reporting practice can help NGOs provide transparency and prove to stakeholders that NGOs have carried out activities and are responsible according to what was promised to stakeholders. Unfortunately, in developing countries, sustainability reporting practices for NGOs still receive little attention (Asogwa, 2023; Hahn and Kühnen, 2013).

Stakeholder theory explains that a business or organization adapts a policy to fulfill the desires of various stakeholders such as investors, employees, regulators, government, or society (Freeman, 1984). The legitimate theory (Suchman, 1995) implied that organizations need to adapt their activities to the norms and values that apply in the place where the organizations operate. Resource-dependency theory (Lattemear, 2007) said that organizations are very dependent on the resources they own and obtain, and organizations must be able to manage their resources effectively and efficiently to survive. NGOs that carry out activities to solve social and environmental issues will receive pressure from various stakeholders who want responsibility and transparency from NGOs. Donors also expect that money given to NGOs is distributed exactly according to what is promised by NGOs. NGOs play a role in helping the government in spreading welfare, also NGOs can't be formed

without permission from the government. Therefore, the government wants to ensure that NGOs operating in the country do not shift from the goals that were formed. Lastly, NGOs rely heavily on donations provided by donors, NGOs must determine how the organization attracts more donors to ensure the organization's goals are achieved.

This research is an exploratory triangulation research. Observations begin with observing the annual reports of NGOs, this will show how far the reporting practices of NGOs are in accordance with the sustainability reporting practices indicated by GRI. After finding out how the sustainability reporting practices of NGOs are, observations will be deepened through interviews that will be conducted with the highest decision holders of NGOs.

## 2 Literature Review

Non-Governmental Organizations (NGOs) have been recognized as important actors in development programs, from restructuring efforts in Indonesia, India, Thailand, and Sri Lanka in 2004 since the Tsunami disaster, to international campaigns for aid reform and transactions such as the Make Poverty History movement (Lewis, 2009). Gazzola et al. (2021) said that NGOs play a role in accelerating social welfare by covering up the government's failure to develop and implement the principles of social justice and community welfare. In general, NGOs often carry out activities such as providing basic services to people in need and organizing policy advocacy and public campaigns related to change.

NGOs can be seen from the form of their affiliation. The first is a stand-alone NGOs, where a stand-alone non-profit organization is founded independently by individuals, families or groups who have the same goals. Independent NGOs generally have funding from the founders, either from family wealth or wealth accumulated by groups of individuals. The second is a non-profit organization formed by the company. Private companies that seek to implement sustainable practices or Corporate Social Responsibility (CSR) will form their own institutions that focus on carrying out the sustainable vision set by the company, and these institutions can be called NGOs. NGOs formed by private companies have funding sources from companies where the company sets aside a budget for sustainability programs which will later be distributed to beneficiaries. The third is a non-profit organization which was formed as another part of a non-profit organization which is already large scale or international in nature. Due to the different cultural and environmental characteristics in each country, several international NGOs form branches in several countries where each non-profit organization has a different governance and operating structure according to the location where the non-profit organization was formed. Initially international NGOs will aid in the form of direction and funding collected by international NGOs from the public in various countries. When this non-profit organization has a solid foundation and can obtain its own funding sources, international NGOs will stop interfering with NGOs formed in that country. Even

though it has been separated, the vision and mission of this local non-profit organization is still in line with the vision and mission of international NGOs. NGOs formed by international NGOs will be accountable for their activities to international NGOs.

Even though it has its distinctive characteristics, the actual definition of NGO itself is still unclear (Lewis, 2009). NGOs have different activities, structures, finances, and sizes, so there are many terms to describe NGOs. Lewis (2009) explains that there are various abbreviations for NGOs that correspond to their activities, structure, finances, and size. For example, BINGO (Big International NGO) which is a large international NGO such as Unicef which deals with human welfare or GRI which regulates company reporting practices, or ENGO (Environment NGO) which regulates environmental sustainability such as WWF. Apart from that, NGOs in each country have different characteristics, so there is the term Northern NGO (NNGO) which refers to NGOs originating from developed or industrial countries and Southern NGO (SNGO) which refers to NGOs originating from developing countries. This further makes it difficult for researchers to capture a general definition of NGOs.

Like other organizations, NGOs still must face several criticisms leveled at them. Some of the criticisms leveled at NGOs relate to accountability, pushing their own agendas and being self-serving, as well as problems where NGOs cannot meet expectations in aiding in emergency situations. These criticisms are closely related to the sustainability of NGOs in continuing to provide services and goods. Appe et al. (2019) explained that NGOs must be sustainable in meeting the needs of the poor, including the needs described in the sustainable development goals. For this reason, NGOs must provide strong and sustainable advocacy against systems that do not serve the poor and must be able to survive in fighting pressures and systems of power that do not serve the poor and vulnerable. One way to maintain the continuity of NGOs activities and survive pressure, NGOs need resources such as money from donors or employees who want to volunteer to work to provide welfare to the community.

NGOs are not profit-oriented, but it cannot be denied that NGOs cannot make a profit. Unlike private companies which create profits to be distributed to shareholders, profits generated by NGOs from activities such as reinvestment and providing social value will be reused to develop the NGO's operational activities in the form of increasing the number of employees, the number of beneficiaries, or the number of services or goods provided by NGOs (Asogwa et al., 2021). And as previously criticized, several NGOs were criticized for not being able to meet expectations in aiding or pushing personal agendas. Vlad (2012) explains that the goals of NGOs relating to the welfare of society require them to be responsible for the use of resources received from donors who are part of the stakeholders through proof of real impact that donations given to NGOs are allocated fairly and as described in the social objectives. NGOs. This allows NGOs to continue operating, maintain human resources, and meet the expectations of all societal actors within the NGO's sphere of influence.

The form of NGO responsibility to stakeholders is carried out through reporting practices that help NGOs to communicate the impact of their programs to

stakeholders (Arenas et al., 2009). Apart from that, NGOs must have adequate finances to continue operating (Zald, 2017). Sustainability reporting practices will help NGOs record and monitor their resources which ultimately has an impact on resource savings and sustainability. Lastly, sustainability reporting practices in NGOs will prove the NGO's commitment in the field of social and community sustainability which will increase the NGO's trustworthiness in the eyes of potential donors and employees working within the NGO (Ernst & Young, 2012).

NGOs are one of the parties that play an important role in promoting social and environmental sustainability. As an organization that has a legal entity, a non-profit organization also receives pressure from various stakeholder groups such as donors, the government, and beneficiaries to be responsible for the activities of NGOs. Sustainability reporting practices become a tool for effectively communicating organizational activities to stakeholders that the activities of NGOs are in accordance with what was promised to stakeholders.

## **2.1 Stakeholder Theory**

It is generally assumed that NGOs are responsible to the government as an important stakeholder because without the government no non-profit organization can carry out its operations. However, when looked at specifically, the stakeholder priorities of each nonprofit organization may differ based on their type of affiliation. Independent NGOs have information that is closed due to the nature of funding obtained from the founders of the organization so there is no obligation for NGOs to disclose information publicly. NGOs formed by companies do not have the obligation to publish reports to the public because of the funding they receive from the company. However, NGOs formed by companies have the aim of carrying out CSR functions in the company and it can be assumed that NGOs formed by NGOs will see the public as one of the stakeholders who must be considered to improve the image of companies affiliated with NGOs. In addition, the non-profit organization formed by the company has better resources compared to other NGOs, thus enabling the organization to carry out better reporting practices. Lastly, NGOs formed by international NGOs obtain funding from the public and must also maintain the image of the international non-profit organization that oversees them. Therefore, NGOs have an obligation to disclose information to the public as a form of responsibility for the funds they receive from the public.

## **2.2 Legitimacy Theory**

It is further explained by stakeholders that there are three general reactions to organizational legitimacy initiatives (Suchman, 1995). The first reaction is pragmatic legitimacy, in which stakeholders will react only if they feel there are benefits to be gained either directly or indirectly. Organizations can try to convince stakeholders using substantive or manipulative approaches in ensuring that stakeholders benefit from the organization's activities. Cognitive legitimacy where stakeholders will react with common sense without personal interests. Lastly is moral legitimacy where

stakeholders will only react based on moral justification. It is difficult for organizations to try to create cognitive reactions and moral reactions through substantive or manipulative approaches. What organizations can do to create cognitive reactions and moral reactions is in the form of indirect and minor persuasion.

Legitimacy theory is often used in research to explain the reasons or incentives for organizations to carry out sustainability reporting practices. A case study conducted by Florio and Sproviero (2020) on an automotive company explains how the company uses various types of sustainability strategies involving sustainability reports to repair the company's legitimacy damaged by the company's activities. Companies often legitimize when a scandal occurs that is either directly or indirectly related to the company. The scandal carried out by one of the NGOs in Indonesia in 2019, made other NGOs attempt to legitimize their actions to ensure that the activities of NGOs are acceptable to society and have no other intention than to develop social and environmental welfare.

### **2.3 Resource Dependency**

Brass et al. (2018) found that RDT is often used by researchers to explain the influence of donors as stakeholders on several aspects of NGOs such as the choice of non-profit organization programs which are generally caused by the non-profit organization's fear of complaints from donors. NGOs do not have an element of competition in carrying out their activities. However, NGOs rely heavily on resources obtained from donors to maintain the organization's goals, namely, to provide welfare to society. Often NGOs often collaborate with the government in providing services, and it is not uncommon for there to be conflicts between NGOs and the government, especially when dealing with providing aid or mediating conflicts. Gazzola et al. (2019) explain that NGOs can attract more resources and retain them with sustainability reporting practices that help organizations be responsible for their resources to stakeholders, namely donors and beneficiaries, as well as attracting potential new employees that NGOs really need. Asogwa (2023) proves that NGOs in Nigeria carry out sustainability reporting practices to attract more donors to maintain operational activities.

## **3 Research Method**

The research will be conducted in an exploratory form by observing NGOs operating in Indonesia. Data on the population of NGOs operating in Indonesia was obtained from the database of the Filantropi Indonesia which has played a role in regulating the existence of NGOs in Indonesia. The population obtained from Philanthropy Indonesia was 102 NGOs. Furthermore, the research population will be filtered to

obtain a research sample by looking at NGOs that publish annual reports from 2018 to 2022. When voluntary reporting practices are implemented by companies, they are generally integrated into annual reports and separate financial reports. Therefore, sustainability report points will be observable from the organization's annual report.

The observation period was carried out from 2018 to 2022 to coincide with the publication of Pedoman Pelaporan Keberlanjutan Terintegrasi Untuk Sektor Filantropi/Nirlaba (Guidelines for Preparing Integrated Sustainability Reporting for the Philanthropic/Non-Profit Sector) which was published by Filantropi Indonesia in 2020. With the specified observation period you can see whether there have been any changes in the practice of annual reporting of NGOs before and after publication of guidelines.

Of the 102 NGOs that made up the research population, after screening, a research sample of 25 NGOs that published annual reports from 2018 to 2022 was obtained. So, the result of the research observation sample was 125 years of observations of the annual reports of NGOs.

This research seeks to answer the research question, namely how urgent sustainability reporting practices are for NGOs and what the development patterns of sustainability reporting practices are for NGOs in Indonesia. To answer this research question, the steps taken consist of three steps.

The first step was taken to answer the development pattern of sustainability reporting practices of NGOs in Indonesia. This is done by tabulating the annual reports of NGOs carried out from 2018 to 2022. As previously explained, the observation period is determined from 2018 to 2022 in connection with the publication of Guidelines for Preparing Sustainability Reports for Philanthropies/Non-Profits published by Filantropi Indonesia. Annual report tabulation will help see if there are any changes or improvements to the sustainability reporting points included in a nonprofit organization's annual report. The increase in reporting points in the annual reports of NGOs can be attributed to the influence of the publication of guidelines for preparing sustainability reports. A look at annual reports can also help see which aspects of sustainability a nonprofit organization's reporting focuses on and whether they align with the nonprofit's goals.

Next, interviews were conducted to answer questions regarding the urgency of the sustainability reporting practices of NGOs in Indonesia and confirm the tabulation results of NGOs' annual reports. Interviews are conducted with the highest decision makers of NGOs such as the founder or main director of the non-profit organization. The topic of the interview will discuss the impetus for carrying out annual reporting practices, the benefits expected to be received from carrying out annual reporting practices, understanding the sustainability reporting practices of GRI and Filantropi Indonesia, as well as asking whether the practice needs to be regulated for NGOs. Interview questions were developed from several previous studies such as Abdullah et al. (2018), Gazzola et al. (2021), and Zald (2017), as well as developing tabulated observations of the annual reports of NGOs.

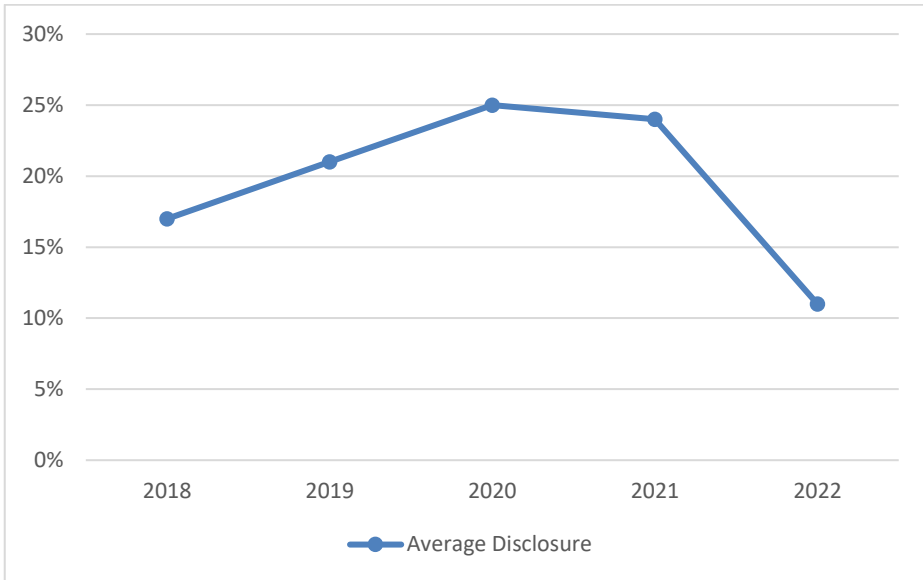
## 4 Results

Even with the publication of guidelines for preparing sustainability reports in 2020, it does not show an increase in sustainability reporting disclosures, instead what has happened is a decrease in sustainability report disclosures. This phenomenon can be attributed to the influence of the COVID-19 pandemic which began to spread in 2020. In contrast to private companies which experienced the impact of the pandemic in the same year, NGOs only experienced the impact of the pandemic several years later. This can be explained from the way NGOs work and how the performance of NGOs is measured. NGOs work for the welfare of society or beneficiaries; therefore, organizations measure their performance based on the results obtained by beneficiaries. Based on this system, when a pandemic occurs, the first to be affected are the beneficiaries, therefore NGOs wait for the performance of the beneficiaries after that, then the non-profit organization can measure the policies that must be taken. Therefore, the decline in sustainable reporting practices only occurred two years after the COVID19 pandemic occurred.

**Table 1.** Observations of All Samples

Year of observation	2018	2019	2020	2021	2022
Average disclosure	12.24	15.36	17.88	16.92	7.63
Average disclosure (%)	17%	21%	25%	24%	11%
Min	0.00	0.00	0.00	0.00	0.00
Max	46.00	46.00	49.00	44.00	44.00
Standard deviation	12.12				





**Table 1.** Fig. 1. Observations of All Samples

In the guidelines for preparing sustainability reports for philanthropy/non-profits published by Filantropi Indonesia, it is explained that there are three aspects to sustainability reporting practices. The first is the economic aspect related to cash flow and the number of environmentally friendly programs and services. Second, regarding environmental aspects related to energy savings, waste reduction such as recycling, emission reduction, and biodiversity conservation actions and initiatives. Lastly, it is related to the social aspect which discusses the impact of the program and ongoing support for the community.

Of a total of 25 NGOs with five years of observation, the three sustainability aspects that are the focus in the sustainability reporting guidelines are social aspects regarding program impacts and sustainable support for society and the environment with a disclosure percentage of 64%. The next biggest disclosure point is disclosure of economic aspects, especially disclosure related to total operational expenditure at 51% and followed by disclosure of total income at 48%.

The reason why social aspects are mostly disclosed is related to the research sample which is dominated by NGOs operating in the social sector. Some NGOs that work in environmental conservation also work in social aspects such as children's education and learning for communities where the non-profit organization operates. Reporting on total operational expenses and income is also high in relation to the responsibility of NGOs towards funds obtained from donors and ensuring that funds received from donors are channeled properly.

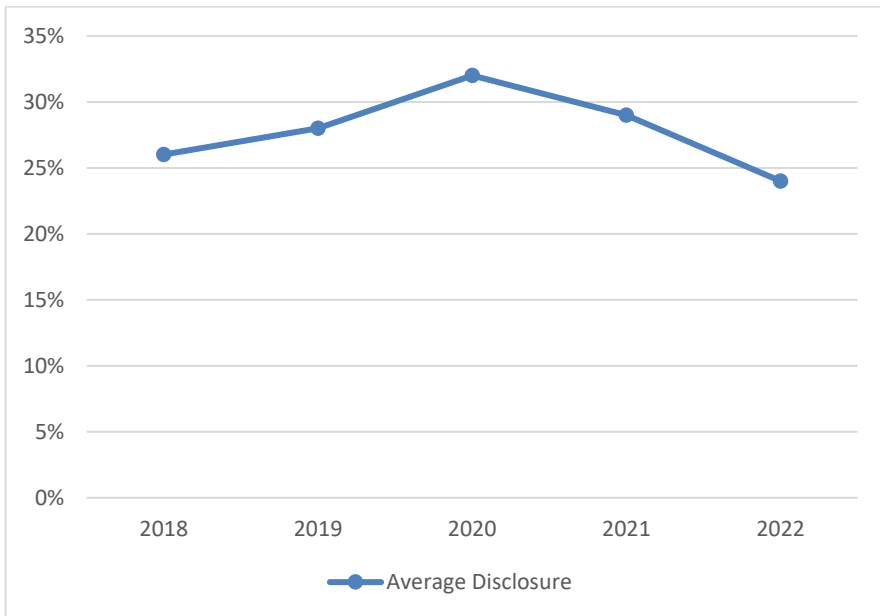
**Table 1.** Sustainability Reporting Points

Description	2018	2019	2020	2021	2022	Total	Average (%)
<b>Reporting Information</b>							
Reporting theme	7	10	8	9	5	39	33%
Basic reporting information: basic information on reporting presentation, changes in reporting, reporting period, reporting date, reporting cycle, contact person responsible for reporting, claim level of conformity with GRI standards	5	8	8	10	3	34	28%
<b>List of important events and an overview of the institution's sustainability performance</b>							
<b>Economic aspect</b>							
> total income	12	14	13	13	5	57	48%
> total operational expenditure	13	15	14	14	5	61	51%
> total liabilities	7	9	8	7	3	34	28%
> number of environmentally friendly programs and services	9	9	9	10	5	42	35%
> involvement of local parties regarding sustainability programs	8	8	9	8	5	38	32%
<b>Environmental aspects</b>	0	0	0	0	0		0%
> energy use (electricity and water)	0	1	0	1	1	3	3%
> waste reduction	0	1	2	3	1	7	6%
> emission reduction	1	1	2	2	1	7	6%
> biodiversity conservation actions and initiatives	2	4	5	4	3	18	15%
<b>Social aspects: positive and negative impacts of program implementation</b>	13	19	20	18	7	77	64%

Observations of samples that consistently publish annual reports provide a similar picture where there is an increase in disclosure points from 26% in 2018 to 32% in 2020, then in the following year there is a decrease to 29% in 2021 and 24% in 2022. The reduction in disclosure points in the sample is not extreme compared to observations in the sample. The results of observations on samples that consistently issued annual reports for five consecutive years showed the same results as initial observations. This shows that even though the publication of sustainability reporting guidelines does not immediately improve sustainability reporting practices in the annual reports of NGOs and the impact of the COVID19 pandemic has made it difficult for NGOs to carry out operational activities as in previous years.

**Table 1.** Additional Tests

Year of observation	2018	2019	2020	2021	2022
Average disclosure	18.50	20.25	23.38	21.00	17.50
	26%	28%	32%	29%	24%
Min	3.00	6.00	6.00	1.00	3.00
Max	46.00	46.00	49.00	44.00	44.00
Standard deviation	12.86				



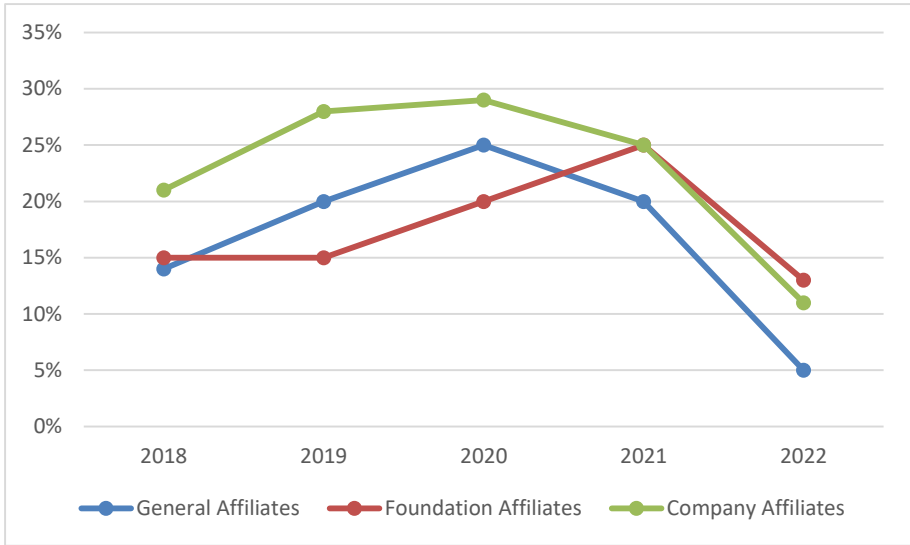
**Fig. 2.** Additional Test

Dividing the sample based on affiliation can provide an idea of the impact of the issuance of guidelines and the pandemic on nonprofit organizations based on their

affiliation. It can be seen from the results of observations that the three sample groups both experienced a decrease in sustainability reporting points in 2022, but NGOs that have general affiliations or are independent experienced the largest decrease and became only 5% in 2022. NGOs affiliated with companies had a high disclosure value in 2018 compared to NGOs affiliated with foundations or standing alone, with a disclosure value of 21%. In addition, looking at the changes each year, NGOs affiliated with companies have developments in reporting practices that are not too extreme except in 2022. This can be indicated that NGOs affiliated with companies are trying their best to maintain the reputation of the company that houses them. For-profit organizations and corporate-affiliated for-profit organizations have better resources than foundation-affiliated or stand-alone organizations.

**Table 5.** Observations Based on Affiliation

General Affiliates					
Year of observation	2018	2019	2020	2021	2022
Average disclosure	10.00	14.71	18.29	14.43	3.29
	14%	20%	25%	20%	5%
Min	0.00	0.00	0.00	0.00	0.00
Max	19.00	21.00	35.00	33.00	23.00
Foundation Affiliates					
Year of observation	2018	2019	2020	2021	2022
Average disclosure	11.00	11.00	14.67	18.00	9.56
	15%	15%	20%	25%	13%
Min	0.00	0.00	0.00	12.00	0.00
Max	38.00	34.00	38.00	39.00	25.00
Company Affiliates					
Year of observation	2018	2019	2020	2021	2022
Average disclosure	15.22	20.22	20.78	17.78	8.22
	21%	28%	29%	25%	11%
Min	0.00	6.00	5.00	0.00	0.00
Max	46.00	46.00	49.00	44.00	44.00



**Fig. 3.** Observations Based on Affiliation

If we look at the total sustainability reporting points in the annual report, it also shows that NGOs affiliated with companies have the highest total disclosures among the three groups of NGOs. However, if you look in detail, there are several points of disclosure that look different. Disclosure of economic aspects related to total income and total operational expenditure in NGOs affiliated with foundations is higher compared to stand-alone organizations or those affiliated with companies. Standalone NGOs are generally formed by families or groups of people who have the same goals, and some NGOs operate with personal sources of money or from the organization's founder, and NGOs that are affiliated with companies have funding sources from the parent company that houses the organization. NGOs affiliated with foundations are branches of larger NGOs or branches operating in other locations. Since the beginning, these NGOs have operated based on funding from donors which was initially collected by the foundation or parent non-profit organization and then distributed to NGOs from branches to other organizations. These non-profits can obtain funding independently. Therefore, the obligation to report income and expenses in NGOs affiliated with foundations to the public is higher compared to stand-alone NGOs or affiliated with companies.

**Table 6.** Reporting Points Based on Affiliation

Description	General		Foundation		Company	
<b>Reporting Information</b>						
Reporting theme	13	11	9	8%	17	14%

		%				
Basic reporting information: basic information on reporting presentation, changes in reporting, reporting period, reporting date, reporting cycle, contact person responsible for reporting, claim level of conformity with GRI standards	10	8%	13	11%	11	9%
<b>List of important events and an overview of the institution's sustainability performance</b>						
<b>Economic aspect</b>						
> total income	12	10%	27	23%	18	15%
> total operational expenditure	16	13%	27	23%	18	15%
> total liabilities	8	7%	12	10%	14	12%
> number of environmentally friendly programs and services	8	7%	16	13%	18	15%
> involvement of local parties regarding sustainability programs	6	5%	15	13%	17	14%
<b>Environmental aspects</b>						
> energy use (electricity and water)	1	1%	2	2%	0	0%
> waste reduction	2	2%	1	1%	4	3%
> emission reduction	0	0%	2	2%	5	4%
> biodiversity conservation actions and initiatives	4	3%	7	6%	7	6%
Social aspects: positive and negative impacts of program implementation	18	15%	24	20%	35	29%

#### 4.1 NGOs Perception on Sustainability Reporting

The results of the interviews showed that most of the interviewees really knew about the *Sustainable Development Goals* (SDG) and were indeed moving towards fulfilling the SDGs. However, when asked about sustainability reporting practices for NGOs published by GRI and Filantropi Indonesia, many said they did not know about these guidelines.

"Yes, there are rules... I'll have to check again... but I know because some of our friends are also active in philanthropic organizations."

"I don't know what the actual contents of a sustainability report are, but if we have an annual report... we have something like an annual report every year and it's also made public."

Some only became aware of the existence of sustainability reporting practices for NGOs after the author conducted research with sources.

"I'm not really aware of that (Indonesian philanthropy guidelines) ... I'm not really aware of sustainability reporting."

"I've read that we don't report regularly because we have obligations to Baznas."

Even though the interviewees did not understand sustainability reporting practices, they still carried out annual reporting practices. Their aim in carrying out annual reporting is basically related to regulatory issues where they carry out reporting practices because they want to obtain permission from the government and as a form of responsibility towards donors and seeking funding from the public.

" We are a foundation which is also under the government's regulations, the Ministry of Social Affairs... secondly, we also receive donations from the community... the Ministry of Social Affairs gives permission... then we have to report it to the Ministry of Social Affairs... secondly that we really have to do it (non-profit organization programs) with prudence."

"...now (NGOs) have been registered as foundations with the government... because we ourselves are part of the philanthropic community... so as a foundation organization we can have *local funding authority* ... as a form of accountability to stakeholders."

In contrast to NGOs that take funding from the public, NGOs that obtain funding from companies or from family or founder funds carry out reporting practices with the aim of maintaining their image in the eyes of stakeholders.

"Because we are attached to the company. "So if companies are required by POJK 51 to issue (sustainability reports) every year... in addition to the annual report"

One of the goals of NGOs is to help governments address social and environmental problems that governments cannot address or when governments lack the resources to address social and environmental problems in their countries. However, the government cannot give this responsibility to just any person or group that it cannot trust. The government needs concrete guarantees when they want to ask for assistance from certain groups. To obtain permits to carry out activities in managing social and environmental sustainability, NGOs try to legitimize their operational activities to the government as the permit provider by reporting their operational activities to the government.

Sources of funding for the operating activities of NGOs come from public donors, the company that owns the organization, or personal money from the founder of the organization. NGOs channel the money received by donors or companies and founders for activities that are the main program of the non-profit organization. Companies or groups of individuals form NGOs with their goals and interests in mind. NGOs under the auspices of groups of individuals have an obligation to report their activities to the founders as a form of internal control and there is no purpose for publishing reports to the public because. However, companies form NGOs with the aim of upholding their SDG programs. In this condition, companies as owners of NGOs become stakeholders who really need NGOs to be transparent and accountable to the public. So that NGOs owned by companies will try to equate their reporting practices with the reporting practices of the company that owns the organization. In addition, the resources of NGOs owned by companies are greater than NGOs that

stand alone or depend on public donors, so it is very possible for NGOs owned by companies to carry out sustainable reporting practices.

At first glance, donors and share owners have similarities as sources of funding for institutional operations. The difference is, donors do not expect any return from the money given to NGOs, so donors only give their funds to NGOs with the hope that the money they give is used appropriately for social and environmental sustainability in accordance with the promised organizational activities. Similar to the government, donors do not give their money voluntarily to NGOs. Donors will see whether the nonprofit organization they are helping can be trusted. To attract the trust of potential donors, NGOs must provide evidence that their organization can be trusted with the funds provided by donors, so they publish reports to the public so that many potential donors can see that their organization can be trusted.

"We have a published report to stakeholders... including mustahiq (donors) as well as our participants who receive assistance (beneficiaries)... and also the authorities."

Therefore, NGOs must legitimize their operational activities by carrying out accountability reports to the government as the party that grants permits to NGOs.

Reporting practices are not something that is mandatory for NGOs, but for some NGOs that have names and collaborate with several parties, they have responsibility for their operational activities to several stakeholders. There are three levels of stakeholders for NGOs. First, the most important and highest is the government and regulators who are the parties who give permission to NGOs to carry out their operational activities. Second are partners or fellow independent institutions or other NGOs who collaborate with NGOs in carrying out their activities. Sometimes these institutions also ask for help from NGOs that have expertise in their fields to carry out joint activities. The final stakeholders are donors and beneficiaries.

However, because there are no regulations or standards regarding reporting practices for NGOs, this means that stakeholders request reporting in different formats. NGOs formed by companies make reports similar to those of companies they own, and several NGOs take the initiative to imitate the reporting practices carried out by companies even though they do not reach the audit stage because of the large audit costs which are thought to disrupt the distribution of funds for social and environmental sustainability. However, the government as a regulator sometimes requires reporting in its own format. One non-profit organization commented that sometimes the government requests reporting which is considered irrelevant and makes it impossible for NGOs to carry out such reporting. This certainly burdens NGOs in being responsible for their operational activities related to sustainability programs.

"Most of us don't really have any requirements regarding reports, except for reporting the use of funds to Baznas, the Ministry of Religion, then to BWI... we just follow the existing formats."

"For self-reporting, we are responsible in accordance with the legal entity... so we are a foundation... so we depend on permits."

"Actually, we will read annual reports from public companies from the past, because we happen to be employees (of companies that own NGOs)"



The government previously had regulations relating to NGOs, more precisely regarding self-help community organizations. However, this regulation is considered very old and needs updating. One of the sources commented on the regulations governing NGOs, the source said that the regulations made by the government too generalize NGOs without seeing directly in the field how NGOs have different aspects from one another. With regulations that overly generalize NGOs, this burdens some NGOs where these rules are not in accordance with the activities of NGOs.

"In government regulations there are rules that require us to report our activities and our finances to the government... but these regulations have not been issued in detail by the government"

NGOs understand the role of sustainability reporting practices as evidence of responsibility for their social and environmentally sustainable activities. However, they still consider that sustainability reporting is not a priority in carrying out social and environmental sustainability in accordance with the goals of NGOs.

"If philanthropy is actually the spirit... it's not just sustainability reports, but how do we ensure that we contribute to the SDGs... so for us the sustainability report is the result at the end."

We asked if NGOs engaged in sustainability reporting practices, the benefits they would most expect were related to attracting attention from the public. What is most hoped for is public and community trust that NGOs correctly carry out sustainability practices in accordance with what the non-profit organization promises to the community. NGOs hope that more and more people will trust their NGOs as institutions worthy of carrying out social and environmental sustainability activities.

"We want there to be benefits from our existence to society."

"One of the (expected benefits) of Mas coming here... is that people believe that we are a foundation that is truly responsible for whatever we do... especially the case a few moments ago when so much money was misused."

"Hopefully we can be seen more. Not just seen... so as proof that we are trying to be *accountable*. So, there is more *acknowledgment* from the friends we researched"

Several interviewees saw sustainability reporting practices as a form of internal governance that could help them to see the goals and activities of NGOs that had been carried out.

"So, we make a report not because we want to convince people out there but it has to be part of *internal governance* ... because in the end the report is for us, to improve... secondly, learning from the report... one of the purposes of reporting that's a replication skill up"

"What is clear is that there are several benefits for the organization itself... firstly to improve itself... secondly, this is definitely a material for reflection internally"

Gazolla et al. (2021) explain that sustainability reporting practices can provide several benefits for NGOs. It was explained that sustainability reporting practices can help the sustainability of NGOs by helping to see realistic and feasible steps that organizations can take regarding feasible future developments and the challenges that organizations must face. What appears to be, NGOs see sustainability reporting practices as a form of investment to attract attention. Sustainability reporting practices are considered to be an opportunity for NGOs to reflect the organization's social

responsibility and commitment to stakeholders. The reasons NGOs expect attention from sustainability reporting practices can be related to *resource dependency theory* and legitimacy theory. Which NGOs hope that increasing attention from the public will make more and more potential donors entrust their money to NGOs in overcoming social and environmental problems and to legitimize their activities to potential beneficiaries that they carry out benevolent activities with good intentions without ulterior motives. so that beneficiaries do not hesitate to refuse assistance from NGOs.

After asking nonprofit organizations about expectations from sustainability reporting practices. We ask whether these sustainability reporting practices need to be regulated. The sources said that sustainability reporting practices need to be regulated by the government, but they also added that the government must ensure that if it wants to regulate sustainability reporting practices for NGOs, the government must first look at the practices of NGOs and not generalize NGOs. Regulators must understand that the non-profit or philanthropic organization sector has changed a lot and cannot be equated with the government's definition of non-governmental organizations that was previously established. The interviewee said that NGOs that operate from donor donations in certain amounts need to be regulated to carry out sustainability reporting practices to ensure that the funds they receive are managed well.

"It would be nice if they (NGOs) could report on this aspect (sustainability) in their activities... I think they should."

"The government must strengthen the sector (NGOs) in terms of this reporting ... it must also understand that these organizations have changed so much compared to the old law."

"First of all, ... those who receive funding from the public... should be forced to do this. Distinguish between philanthropists who receive money from the public and those who receive their own money."

"Sometimes the government makes reports without knowing our conditions in the field, so they ask for data that we actually feel is irrelevant in the field."

"Reporting (sustainability) is actually only one (way) of creating a healthy ecosystem... right now we have at least four laws that are directly related to the philanthropic ecosystem in Indonesia... where we synchronize these laws like that."

"What needs to be underlined is perhaps this is clustering for (non-profit) organizations for civil society?"

Regulators need to pay attention that resource organizations provide advice to regulators not only to regulate sustainability reporting practices but also provide incentives to encourage NGOs to implement sustainability reporting practices. The incentive in question is ease of running operations, some hope for exposure from the government which allows NGOs to gain the trust of the community or other organizations that are looking for partners.

"If the government forces all philanthropists to make CSR reports, which CSR? Which philanthropy?"

"If the government forces it, will the government give incentives or not? "The government can't just control it, but it doesn't provide anything... the government can

use NGOs to carry out policies to help the community, but on condition that it has proof that the NGO can be trusted, then the report can be used as a tool of trust."

"For example, in America... (NGOs) are required to report because they (have) tax deduction. "So, the report will automatically be used to then calculate... we hope that the report can be used for mapping and also to identify strengths (and) weaknesses in the philanthropic sector ecosystem."

However, the interviewees were still worried that if the regulated sustainability reporting practices were to be as serious as the GRI standards for companies, then NGOs would object to carrying out sustainability reporting practices and would actually eliminate the vision and mission of NGOs related to social and environmental sustainability.

"There is no need for a company strategy, but reporting such as sustainability reports must exist (in NGOs)"

"For very rigid reporting standards such as GRI or Philanthropy, we still need a transition in that direction."

The researcher briefly explained to the resource person the sustainability reporting guidelines for philanthropy/nonprofits published by Filantropi Indonesia and asked whether there were any sections of the guidelines that could be developed for NGOs. One source said that NGOs could try to imitate the banking sector as a reference for carrying out philanthropic activities or NGOs. This is intended because the operations of NGOs operate not from buying and selling activities but from funding received from the public. Therefore, sustainability reporting practices for the banking sector are considered to be an initial example for NGOs after adjustments to the operational activities of NGOs.

"I think the banking industry has become a very good example... the important thing is that there are actors, there is authority to make policies, there are supervisors, there are three important things, right?"

In practice, it is hoped that regulators will not step in and become actors in carrying out philanthropic activities. Like the banking industry, there needs to be a clear separation between the roles of actors, policy makers and supervisors. When the government participates as an actor in the philanthropic sector, such as forming BAZNAS, the public will actually choose the government in handing over their funds to be compared with NGOs. The philanthropy sector is a community activity for community sustainability. If the government becomes a perpetrator, this will hinder the development of NGOs and can even kill the power of civil society.

"These philanthropic funds must still be managed by the community. Don't let the government become the party that also collects philanthropic funds... because the source of funding for community activities is the community itself... we are worried that if all these philanthropic funds are managed by the state, it will kill the power of civil society."

In developing sustainability reporting practice guidelines for NGOs, it is important to note that the main goal of NGOs is to contribute to the development of social and environmental sustainability, and sustainable development goals. Sustainability reporting practices are one way to prove that an organization has carried out programs in accordance with what the organization promised to the public. NGOs must

prioritize their main vision and mission to develop social and environmental sustainability.

"The question is how, since we design, ensure that our project makes a contribution there... that's what we have to prove in the design and in the output and impact... this is what makes the difference because in many institutions now sustainability reporting is seen as compliance."

## 5 Conclusion

This research aims to look at the development pattern and urgency of sustainability reporting practices for NGOs in Indonesia by looking at NGOs that publish annual reports compared with the sustainability reporting practice guidelines for philanthropy and non-profits from the non-profit organization Filantropi Indonesia, and interviews with sources from several NGOs which publish annual reports.

From the results of observations of NGOs' annual reports, there were efforts to increase sustainability reporting practices from 2018 to 2021, however there was a decline in 2022 which could be attributed to the COVID-19 pandemic. NGOs formed by companies have more ability to implement sustainability reporting practices because of their greater resources compared to NGOs formed by international institutions or those that stand alone. The theme of sustainability reports that is often discussed in the annual reports of NGOs is about economic aspects such as income and operational expenses. This relates to the responsibilities of NGOs regarding the money that NGOs receive from donors, whether from the public, founders, or companies. Most NGOs in the research sample operate in the social sector so that sustainability reporting related to social aspects is greater than reporting on environmental aspects.

The results of annual report observations were strengthened by conducting interviews with senior officials in NGOs. Most of the interviewees were not aware of the sustainability reporting practice guidelines published by Filantropi Indonesia. Most sustainability reporting practices adopted by NGOs are carried out because companies that form NGOs are required to carry out sustainability reporting practices due to the issuance of POJK 51 of 2017 by the Indonesian government. The non-profit organization formed by the company tries to maintain the image of the company by participating in making reports similar to those of the owner company. This has an impact on several other NGOs that stand alone or are formed by international institutions which also try to follow the company-owned NGOs as best they can with existing resources. Nevertheless, NGOs are enthusiastic about sustainability reporting practice guidelines for NGOs.

Decision making in NGOs can be linked to three existing theories, namely: stakeholder theory, legitimacy theory, and resource dependency theory. The reason why NGOs publish annual reports is related to the responsibility of NGOs towards stakeholders such as the government or regulators, donors, and beneficiaries, which is in line with stakeholder theory. The stakeholder in question is the government as the party that grants NGOs permission to carry out their operational activities. The

government wants NGOs to be able to carry out their duties to improve the welfare of society and help the government with welfare programs that they cannot cover. The non-profit organization explained that it creates annual reports for potential beneficiaries. An annual report will help NGOs explain to potential beneficiaries about their activities and be proof to the public that they intend to improve the welfare of society without any ulterior motives. It can be said that the practice of annual reporting will help NGOs legitimize their operational activities to potential program beneficiaries. Resource dependency theory explains that organizations need resources to operate and must manage resources well to operate smoothly. Because nonprofit organizations depend on grants from public donors, nonprofit organizations strive to prove that their operations are credible and trustworthy. For this reason, annual reports are created with the aim of attracting potential donors to entrust their funds to be distributed appropriately and definitely in accordance with the promises and goals of the non-profit organization. Apart from that, annual reports also help NGOs as internal controls and see the development of NGOs by comparing them with the organization's performance in the previous year.

Gazzola et al. (2021) provide an overview of seven benefits that NGOs can receive when they implement sustainability reporting practices. When asked to interviewees, one of the most expected benefits if they could implement appropriate sustainability reporting practices was to gain more attention to their non-profit organization. They hope that implementing sustainability reporting practices will increase the value of NGOs and make more people pay attention to their existence and contribution to social and environmental sustainability. If related to the previous question session, the more attention referred to by NGOs means that more attention from the public regarding the implementation of sustainability reporting practices will increase potential donors or accept offers of social and environmental projects from institutions or the government. Some also see sustainability reporting practices as a form of internal control which is considered to provide a better picture of the goals and performance of NGOs in economic, social, and environmental aspects than just carrying out regular annual reporting.

This research has several weaknesses. First, the research was conducted with samples taken from third parties so that the number of annual report samples obtained was insufficient to generalize the results of the annual report tabulation. It is hoped that future research can use a larger sample of observations to obtain results that explain in general the observations of sustainability reporting practices in NGOs. Second, it is hoped that future research will be carried out using the triangulation method by adding a questionnaire method to several employees of NGOs who work directly in the field. Questionnaires with employees of NGOs will help see the condition of the organization's field and employees can better assess whether the sustainability reporting practices regulated in the reporting guidelines from Filantropi Indonesia can be implemented properly. One of the interviewees commented regarding research on sustainability reporting practices in NGOs that researchers must be careful when researchers conduct research related to policies or practices that can change the operational activities of NGOs. So, if researchers want to conduct research

again on the sustainability reporting practices of NGOs, they will not only research compliance but can build a foundation for sustainability reporting practices for NGOs.

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