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The Impact of Sustainability Reporting and Digital Accounting Systems on the Financial Performance of Corporations

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Abstract: This article examines the impact of sustainability reporting and digital accounting systems on corporate financial performance. Through a systematic review of current literature, it is found that transparent sustainability reporting and adoption of digital accounting technology can improve operational efficiency and investor confidence, which ultimately have a positive impact on corporate financial performance. However, challenges such as implementation costs and regulatory uncertainty remain obstacles to the implementation of both aspects. This article also details findings from various journals that highlight the positive relationship between sustainability reporting and financial performance, as well as the tangible benefits of digital accounting systems in strategic decision making. This study provides a solid foundation for the development of an integrative model between sustainability and digitalization in corporate accounting practices.

Keyword: Sustainability Reporting, Digital Accounting, Financial Performance, Corporate Performance.

INTRODUCTION

Sustainability reporting has become an important part of modern business practices, especially to demonstrate a company's commitment to social and environmental responsibility. This reporting includes non-financial information covering the social, economic, and environmental aspects of the company's operations (Ali, 2023). Companies that adopt sustainability reporting are considered more transparent and responsible to stakeholders. This transparency has an impact on the company's reputation, which can then directly or indirectly affect financial performance (Gunawan et al., 2022). Therefore, it is important to understand how sustainability reporting contributes to a company's financial performance.

Along with the development of information technology, digital accounting systems have replaced manual systems in financial recording and reporting. Digital systems offer better speed, accuracy, and data integration, thereby increasing efficiency and effectiveness in managing company finances (Lestari & Sembiring, 2023). Companies that implement this system are expected to have a competitive advantage in making data-based financial decisions. In addition, the use of digital accounting systems can help companies meet increasingly complex reporting requirements, including sustainability reporting (Nasution & Rizki, 2023).

The influence of sustainability reporting and digital accounting systems on a company's financial performance has become an important topic in various academic studies and business practices. Sustainability reporting is believed to be able to increase consumer loyalty, attract environmentally conscious investors, and create long-term value (Putri, 2021). Meanwhile, digital accounting systems strengthen the accountability and internal oversight needed to maintain the company's financial health. The combination of the two provides a strategic approach to sustainable and efficient corporate financial management (Sunny & Apsara, 2024).

In the context of an increasingly competitive global economy, companies are required to implement business practices that are not only financially profitable but also socially and environmentally responsible. Sustainability reporting is one of the tools used to meet these demands, by presenting information that reflects the impact of the company's activities on society and the environment (Wardani & Kusuma, 2022). This also provides a positive signal to investors about the company's seriousness in risk management and good corporate governance.

Digitalization in accounting brings about a major transformation in the way companies manage financial information. Companies that have adopted technology-based accounting systems are reported to experience increased process efficiency, reduced operational costs, and faster decision-making (Wijaya et al., 2023). This system also supports companies in facing the industrial era 4.0, where data is a very important strategic asset. Thus, digital accounting systems are the main driver in improving modern financial performance.

However, there are still differences of opinion among researchers regarding the extent to which sustainability reporting and digital accounting systems actually affect a company's financial performance. Some studies show a positive and significant relationship, while others find a weak or inconsistent relationship (Yusuf & Halim, 2022). Therefore, a systematic literature review is needed to examine in depth the existing empirical evidence and understand the mechanisms of its influence.

This study is important to provide a more comprehensive understanding of how sustainability reporting and digital accounting systems together or separately affect a company's financial performance. By understanding the influence of these two variables, companies can formulate more targeted financial reporting and management strategies (Santosa & Tanjung, 2023). In addition, the results of this study are also useful for policy makers and stakeholders in encouraging sustainable and transparent business practices.

Based on this background, this article aims to systematically examine the role of sustainability reporting and digital accounting systems on corporate financial performance. This study uses a literature study approach by analyzing the results of relevant previous studies. Thus, this article is expected to provide theoretical and practical contributions to the development of sustainability accounting and digital transformation in the business world.

METHOD

This study uses a systematic literature review approach to examine the influence of sustainability reporting and digital accounting systems on corporate financial performance. Data were obtained from national and international scientific journals published in 2021–2024 through databases such as Google Scholar, Scopus, and ScienceDirect. Selection was based on topic relevance, full-text availability, and methodological quality. Of the initial 73 articles, 25 articles met the inclusion criteria and were further analyzed. The analysis was conducted thematically, grouping findings based on the contribution of each variable to financial performance indicators such as profitability, efficiency, and firm value.

RESULTS AND DISCUSSION

Sustainability Reporting and Financial Performance

Sustainability reporting has evolved into a strategic communication tool between companies and stakeholders. This report usually covers environmental, social, and governance (ESG) aspects, which are considered to be able to improve the company's image and investor confidence (Ali, 2023). A study by Sunny and Apsara (2024) shows that structured sustainability reporting can increase Return on Assets (ROA) and Return on Equity (ROE) in manufacturing companies in Southeast Asia.

In the Indonesian context, companies that routinely publish sustainability reports show more stable stock performance during the economic crisis, compared to companies that do not (Putri, 2021). Sustainability reporting also contributes to increasing customer loyalty and brand reputation, which indirectly impacts sales performance and profitability (Ali, 2023). Research by Gunawan et al. (2022) confirms that sustainability disclosure in accordance with GRI (Global Reporting Initiative) standards has a positive effect on company value.

A study by Nasution and Rizki (2023) found that adopting sustainability reporting provides a competitive advantage in the long term. Companies that adopt ESG reporting practices experience more sustainable growth in revenue and cost management. This is because ESG integration helps companies to be more sensitive to regulatory changes and consumer expectations. In addition, institutional investors show a preference for companies with comprehensive sustainability reports. This creates a more stable financial environment for companies. Therefore, sustainability reporting is not only a communication strategy, but also an important management tool (Nasution & Rizki, 2023).

In a cross-industry study conducted by Wardani and Kusuma (2022), it was found that the energy and manufacturing sectors benefit the most from sustainability reporting. This is because these sectors are vulnerable to significant environmental and social impacts. The implementation of sustainability reporting in this sector helps companies reduce legal costs and increase energy efficiency. In addition, regular reporting encourages more responsible decision-making. This study shows that the benefits of ESG reporting are sectoral and depend on industry characteristics. However, in general, there is a positive relationship between sustainability reporting and financial performance (Wardani & Kusuma, 2022).

Sustainability reporting also encourages innovation in the company's business processes. Companies committed to sustainability often develop new technologies to reduce environmental impacts. This innovation not only reduces risk but also creates new market opportunities. A study by Ali (2023) shows that innovative companies that have sustainability reports get higher value in the capital market. This indicates that ESG reporting encourages creativity and healthy business growth. Thus, sustainability reporting acts as a driver of positive organizational change (Ali, 2023).

Digital Accounting Systems and Financial Performance

Digital accounting systems enable companies to manage financial transactions more efficiently and accurately. A study by Yusuf and Halim (2022) found that digitalization of accounting reduces human error and accelerates financial reporting. With this system, managers can make strategic decisions based on real-time data. This increases the organization's agility in responding to market dynamics. In addition, digital accounting facilitates compliance with tax regulations and international reporting standards. Therefore, the implementation of a digital accounting system directly contributes to the efficiency and reliability of financial information (Yusuf & Halim, 2022).

Research by Lestari and Sembiring (2023) shows that the use of cloud accounting accelerates the audit process and increases transparency. This is important to build trust between companies and external stakeholders. Companies that use digital systems also tend to be better prepared for external audits because data is stored in a structured and secure manner. In addition, this system reduces dependence on physical documents and speeds up internal workflows. Thus, digital transformation in accounting contributes to administrative efficiency and operational cost savings. These results support the adoption of digitalization in the company's financial system (Lestari & Sembiring, 2023).

The adoption of digital accounting technology also allows integration with a broader ERP (Enterprise Resource Planning) system. According to a study by Wijaya et al. (2023), this integration improves data consistency across divisions and accelerates budget planning. This system also provides better visibility into business unit performance in real time. This helps companies in data-driven decision making and minimizes inefficiencies. Companies that have adopted this system have experienced an increase in profitability of up to 15% in the first two years. Therefore, accounting digitization has a real impact on financial performance (Wijaya et al., 2023).

Digital accounting systems can also support companies in minimizing operational costs. Research by Santosa and Tanjung (2023) shows that by using an automated system for recording transactions, companies can reduce administrative burdens and allocate resources to more strategic activities. In some cases, companies reported a reduction in operational costs of up to 20% after implementing a digital system. Thus, the efficiency created through digitalization has the potential to improve long-term profit margins (Santosa & Tanjung, 2023).

Digitalization of accounting also strengthens the company's capacity to manage financial risks. Research by Fahmi and Budi (2022) revealed that by using a cloud-based digital accounting system, companies can perform real-time data analysis which helps in identifying potential risks earlier. This allows companies to mitigate risks more effectively, thereby reducing the possibility of financial losses. In addition, this digitalization also supports more efficient management of accounts payable and receivables, optimizing the company's cash flow (Fahmi & Budi, 2022).

Adopting a technology-based accounting system also facilitates budget planning and financial supervision. A study by Setiawan et al. (2023) highlighted that companies that have adopted digital accounting systems are able to monitor and adjust budgets more quickly. This not only improves budgeting accuracy but also allows for more responsive decision-making to changing market conditions. With more precise monitoring, companies can maintain financial health and maximize existing resources (Setiawan et al., 2023).

One of the main advantages of digitalization in accounting is the integration between accounting and human resource management (HRM) functions. In a study by Sari and Mahendra (2022), it was found that a digital accounting system integrated with an HRM system makes it easier for companies to calculate salaries, taxes, and benefits automatically. This integration reduces administrative errors and improves compliance with employment regulations. In addition, companies that adopt this system also report increased employee performance due to more transparent and efficient processes (Sari & Mahendra, 2022).

Digital transformation in accounting also affects the external audit process. According to a study by Nugroho and Utami (2023), auditors can access company data more easily and transparently through a digital system, which speeds up the audit process and increases the accuracy of audit results. This strengthens the relationship between the company and the auditor, and reduces the potential for errors or misuse of financial data. This increased trust has an impact on the company's reputation in the eyes of investors and stakeholders (Nugroho & Utami, 2023).

The application of technology in accounting also contributes to increasing the company's resilience to economic crises. A study by Prabowo et al. (2023) shows that companies that have implemented a digital accounting system can better manage the impact of the global crisis, thanks to tighter and data-based financial monitoring. This allows companies to identify and respond to market uncertainty more effectively, maintaining financial stability in the face of economic shocks (Prabowo et al., 2023).

Digitalization of accounting can also accelerate the decision-making process at the managerial level. According to research by Hadi and Wulandari (2023), data generated by a digital accounting system provides more complete and faster information, allowing managers to make better decisions. This system also provides analytical tools that help in evaluating financial performance in more depth, improving operational efficiency, and facilitating long-term financial planning (Hadi & Wulandari, 2023).

In addition, digital accounting allows companies to be more effective in managing relationships with stakeholders. Research by Wijaya et al. (2023) shows that with more transparent financial reporting through a digital system, companies can increase trust from investors and creditors. This system also accelerates the response to requests for information from external parties, strengthens the company's reputation and increases opportunities for access to better financing (Wijaya et al., 2023).

The integration of sustainability reporting and digital accounting offers opportunities to increase synergy between two important aspects of corporate accounting. Research by Putra and Hasanah (2023) suggests that companies that combine these two approaches are able to create a more holistic financial strategy, taking into account sustainability factors and operational efficiency. rational. This merger also increases the company's competitiveness in the global market, as it shows a commitment to sustainability while optimizing financial performance through digital technology (Putra & Hasanah, 2023).

CONCLUSION

This literature review shows that sustainability reporting and digital accounting systems have a significant positive impact on corporate financial performance. Sustainability reporting helps improve reputation, investor confidence, and operational efficiency, while digital accounting promotes transparency and data-driven decision-making. Both aspects are not only strategically relevant but also support compliance with regulations and market expectations. The study also found that the benefits of integrating these two approaches are highly dependent on the technological readiness and organizational culture of the company. Therefore, companies are advised to develop adaptive and proactive accounting policies in facing global challenges. Further research is recommended to explore the causal relationship empirically with more comprehensive quantitative data.

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