Accounting Studies and Tax Journal (COUNT)
Vol 3 (2) 2026 : 887-897

SUSTAINABILITY ACCOUNTING PRACTICES AND CORPORATE PERFORMANCE

PRAKTIK AKUNTANSI KEBERLANJUTAN DAN KINERJA PERUSAHAAN

Adi Yosra[1], Eko Prasetyo[2]
Universitas Batam[1], Universitas Negeri Surabaya[2]
eko89905@gmail.com

**Corresponding Author*

ABSTRACT
The transition to a green economy requires firms to integrate sustainability accounting into strategic decision-making. This study employs a narrative review approach to synthesize literature on the relationship between sustainability accounting and firm performance through the lens of Institutional Theory and Stakeholder Theory. The synthesis indicates that in developed markets, ESG reporting serves as a value-creation mechanism driven by rigorous regulations and sophisticated investors. Conversely, in emerging markets, ESG reporting is often symbolic and susceptible to greenwashing due to weak legal enforcement. Corporate governance is identified as a crucial mediating factor that determines disclosure credibility. This study concludes that enhancing the quality of sustainability information in emerging markets requires strengthening institutional capacity, integrating digital technology, and establishing transparent audit mechanisms.
Keywords: Sustainability Accounting, Corporate Performance, Corporate Governance, Greenwashing, Emerging Markets.

ABSTRAK
Transisi menuju ekonomi hijau menuntut perusahaan mengintegrasikan sustainability accounting ke dalam pengambilan keputusan strategis. Namun, terdapat divergensi empiris yang kontras antara efektivitas praktik pelaporan keberlanjutan di pasar maju dan pasar berkembang. Studi ini menggunakan pendekatan narrative review untuk mensintesis literatur mengenai hubungan antara sustainability accounting dan kinerja perusahaan, dengan lensa Institutional Theory dan Stakeholder Theory. Hasil sintesis menunjukkan bahwa di pasar maju, pelaporan ESG berfungsi sebagai mekanisme penciptaan nilai (value-creator) yang didorong oleh regulasi ketat dan investor canggih. Sebaliknya, di pasar berkembang, pelaporan ESG sering kali bersifat simbolik dan rentan terhadap praktik greenwashing akibat lemahnya penegakan hukum dan terbatasnya kapasitas institusional. Tata kelola perusahaan diidentifikasi sebagai faktor mediasi krusial yang menentukan kredibilitas pengungkapan. Studi ini menyimpulkan bahwa peningkatan kualitas informasi keberlanjutan di pasar berkembang memerlukan penguatan kapasitas kelembagaan, integrasi teknologi digital, serta mekanisme audit yang transparan. Hasil penelitian ini memberikan kerangka kerja bagi regulator dan manajer dalam menyelaraskan praktik akuntansi keberlanjutan dengan tuntutan pasar global yang terus berevolusi.
Kata Kunci: Sustainability Accounting, Kinerja Perusahaan, Tata Kelola Perusahaan, Greenwashing, Pasar Berkembang.

1. INTRODUCTION

The transition to a green economy has positioned sustainability accounting as a crucial instrument in the global corporate reporting architecture. As pressure from global stakeholders on climate change and social responsibility increases, sustainability accounting is no longer viewed as a peripheral philanthropic activity, but rather as a fundamental dimension that integrates environmental, social, and governance (ESG) aspects into strategic decision-making processes. Amid this global urgency, companies are faced with a mandate to translate sustainability commitments into measurable data, which in turn is expected to improve company performance through operational efficiency, risk mitigation, and enhanced corporate reputation.

Copyright © 2024 THE AUTHOR(S). This article is distributed under a a Creative Commons Attribution-NonCommercial 4.0 International license.

However, empirical reality shows a stark disparity between reporting and actual performance. A meta-analysis study showed that although 90% of companies in the S&P 500 publish sustainability reports, the correlation between ESG scores and Return on Assets (ROA) remains inconsistent, with an average correlation coefficient ranging from only 0.05 to 0.12 (Friede et al., 2020). In Indonesia, a similar phenomenon occurs; although the Financial Services Authority (OJK) report (2024) notes that 85% of issuers on the IDX have prepared Sustainability Reports, empirical data shows that the Return on Equity (ROE) of companies with high ESG scores did not significantly outperform those with low scores in the 2021–2025 period. This "decoupling" phenomenon is further exacerbated by greenwashing practices, with the OECD (2024) reporting that 60% of environmental claims in the global manufacturing sector are not supported by transparent empirical evidence. In Indonesia, this challenge is validated by the findings of ACFE Indonesia (2023) which stated that 42% of auditors had difficulty validating reported carbon emissions data.

This uncertainty is compounded by the transition to international reporting standards. The IFRS Foundation (2025) noted that only 25% of multinational companies are ready to integrate ISSB standards (IFRS S1 & S2) into their audit reports. In Indonesia, the transition from POJK 51/2017 to global standards faces data infrastructure challenges, with only around 15% of large-cap companies having adequate information systems (OJK, 2024). Although the IMF (2024) Global Financial Stability Report indicates that strong ESG performance can reduce the cost of equity by 10–15%, the liquidity premium for sustainable companies in emerging markets like Indonesia still shows no clear trend compared to global markets. Furthermore, the competency gap in the MSME sector, which contributes 61% of Indonesia's GDP, remains wide, with sustainability accounting literacy recorded at below 10% (Ministry of Cooperatives and SMEs, 2024).

This data inconsistency indicates that the use of a one-size-fits-all approach to justifying the relationship between sustainability accounting and company performance tends to ignore the complexity of the business ecosystem. There is a substantial gap in academic understanding regarding how differences in institutional quality, national regulations, and market maturity influence the effectiveness of sustainability accounting practices. Furthermore, the limited ESG audit mandate, with only 35% of global internal audits focusing on ESG data (Institute of Internal Auditors, 2024), and very minimal involvement in the Indonesian banking sector (2025), increases the risk of management manipulation.

Therefore, this article aims to critically evaluate the divergence of empirical findings between developed and emerging markets. Using a systematic literature review approach, this study will synthesize how variations in institutional contexts and business cultures shape the effectiveness of sustainability accounting as a determinant of corporate performance. This analysis is expected to decompose the assumption of homogeneity frequently encountered in the literature and provide a more nuanced conceptual framework regarding the role of sustainability accounting as a value creation mechanism in a heterogeneous economic ecosystem.

To understand the divergence of effectiveness/sustainability accounting across various market contexts, this framework integratesInstitutional Theory with Agency And Stakeholder Theory. Institutional Theory provides a lens through which to view how external pressures shape corporate accounting practices. Coercive isomorphism emerged through government regulations and reporting mandates that forced companies in developed markets to adopt sustainability standards. On the other hand, mimetic isomorphism is more dominant in emerging markets, where companies tend to emulate the reporting practices of multinational corporations or perceived successful domestic competitors to reduce uncertainty. Meanwhile,normative isomorphism developed through the professionalization of accountants and industry associations that set ethical standards and best practices, which often have varying degrees of penetration between markets with high and low institutional maturity.

In the frameworkAgency Theory, sustainability reporting is seen as a mechanism to reduce information asymmetry between managers (agents) and shareholders (principals). In developed markets, where capital market mechanisms have matured, sustainability disclosure serves to lower the cost of capital and reputational risk. In contrast, in emerging markets, agency challenges are often more complex due to the involvement of controlling owners (controlling shareholders) is dominant, sustainability accounting sometimes seen not as a tool for transparency, but as an instrument of legitimacy or a tool to meet stakeholder demands (Stakeholder Theory) certain.

Further, Stakeholder TheoryThis helps explain the evolution of managerial responsibility across two contrasting ecosystems. In developed economies, pressure from various stakeholders, including ESG-focused institutional investors, environmentally conscious consumers, and activist groups, is driving companies to integrate sustainability accounting as part of their long-term value creation strategies. However, in developing economies, stakeholder priorities are often more focused on domestic economic growth and social well-being. Therefore, companies in emerging markets tend to prioritize the social dimension in their sustainability reports in response to unique local stakeholder expectations, ultimately distinguishing the financial and non-financial impacts of sustainability accounting practices compared to companies in developed economies.

2. METHOD

This study uses a descriptive approach.narrative reviewto critically synthesize the literature on the relationship between practice/sustainability accounting and firm performance in the context of developed and emerging markets. This method was chosen because of its ability to integrate diverse theoretical perspectives and heterogeneous empirical findings, allowing researchers to identify patterns, divergences, and theoretical gaps that are often overlooked in large-scale quantitative studies.

The literature review process is carried out through three main stages:

1. Literature Search Strategy:The search was conducted on major academic databases, includingScopus, Web of Science (WoS), And ScienceDirect. The keywords used include a combination of:"Sustainability Accounting", "ESG Reporting", "Corporate Performance", "Firm Value", as well as "Emerging vs. Developed Markets". The search was limited to articles published within the last ten years (2016-2026) to ensure relevance to the latest developments in global sustainability regulations.
2. Selection and Election Criteria:Inclusion criteria include journal articles published in English and have gone through the peer review process.peer-review. We prioritize studies that use empirical quantitative methods that evaluate the impact sustainability accounting on financial performance (e.g. ROA, ROE, Tobin's Q). Opinion articles, industry reports, ornon-peer-reviewed white papersexcluded from the analysis to maintain academic integrity.
3. Analysis and Synthesis of Findings:After the literature was selected, the data were categorized based on the economic context (developed vs. emerging markets) and the institutional mechanisms discussed (regulatory quality, investor sophistication, and resource constraints). The synthesis process was conducted using a global lens.Educational Theory And Stakeholder Theory to build a coherent discussion, compare the effectiveness of practices across jurisdictions, and develop a relevant future research agenda.

3. RESULTS AND DISCUSSION

3.1. How law enforcement and tax incentives trigger sustainability disclosure.

Institutional theory provides a comprehensive conceptual foundation for explaining why and how companies disclose Environmental, Social, and Governance (ESG) information.

From this perspective, ESG reporting practices are influenced by three main mechanisms: coercive isomorphism, normative isomorphism, and mimetic isomorphism, which collectively shape organizational behavior in response to institutional pressures (Jain, 2025; Solimene et al., 2025).

Coercive isomorphism arises as a consequence of external pressure in the form of regulations, legal provisions, and oversight mechanisms that require companies to adopt specific reporting practices. In developed countries, coercive pressure is relatively strong because it is supported by a well-established regulatory system, effective oversight institutions, and law enforcement mechanisms that impose sanctions for non-compliance. This condition makes ESG reporting no longer voluntary but rather an obligation that companies must fulfill (Solimene et al., 2025).

Meanwhile, normative isomorphism develops through professional norms, international standards, and stakeholder expectations regarding organizational legitimacy. Normative pressure is reinforced by the use of global reporting frameworks, such as the Global Reporting Initiative (GRI) and the United Nations Global Compact (UNGC), which encourage companies to adopt ESG reporting practices as part of good corporate governance, particularly in countries with credible institutions (Jain, 2025; Solimene et al., 2025).

On the other hand, mimetic isomorphism occurs when a company imitates the practices of another organization that is perceived as successful or highly legitimate, particularly in situations of uncertainty. Through this imitation process, the company seeks to reduce risk, enhance its reputation, and gain legitimacy from the market and stakeholders (Jain, 2025; Solimene et al., 2025).

The relative strength of these three forms of institutional pressure determines the orientation of ESG reporting in different countries. In strong institutional environments, ESG reporting tends to be compliance-driven, while in environments with weaker regulatory pressures, reporting is more directed at gaining legitimacy through normative and mimetic pressures. Therefore, the quality, comparability, reliability, and substance of ESG information are strongly influenced by the strength of coercive pressures and the accompanying institutional incentives (Solimene et al., 2025; Jain, 2025).

Various studies have shown that developed countries have mature institutional structures, leading to ESG reporting practices being primarily driven by coercive isomorphism. Mandatory regulations, supported by financial sector supervisory bodies and regulatory authorities with strong enforcement capacity, make ESG reporting a systematically monitored obligation, rather than simply a voluntary practice (Solimene et al., 2025; Jain, 2025).

In addition to regulatory pressure, various fiscal incentives also strengthen corporate compliance with sustainability reporting. These incentives can include tax breaks and easier access to green financing for companies with high ESG ratings. The combination of stringent regulations and economic incentives creates a rational motivation for companies to implement more comprehensive, accurate, and consistent reporting standards, thereby improving the quality of the ESG information they produce (Solimene et al., 2025; Jain, 2025).

As a consequence, developed countries generally produce sustainability reports with higher levels of reliability and comparability. Effective oversight systems and the imposition of sanctions for non-compliance make the legal and regulatory architecture a key determinant of ESG reporting quality, even surpassing the influence of individual normative and mimetic pressures (Solimene et al., 2025; Jain, 2025).

Unlike developed countries, developing countries generally still face limited institutional capacity, bureaucratic complexity, and inconsistent regulatory implementation. These conditions result in relatively weak coercive pressures, allowing companies greater latitude to implement voluntary reporting or comply-or-explain approaches. This situation opens the opportunity for decoupling, a mismatch between a company's sustainability

narrative and its actual environmental and social performance (Solimene et al., 2025; Jain, 2025).

Limited fiscal incentives also reduce the economic incentive for companies to invest seriously in sustainability accounting systems. As a result, many companies simply strive to meet minimum administrative requirements rather than make substantive improvements to environmental and social risk management (Solimene et al., 2025).

In this context, ESG reporting practices in various developing countries tend to function as instruments for seeking symbolic legitimacy. Normative and mimetic pressures outweigh coercive pressures, resulting in significant variation in reporting quality and a sustainability information gap between countries (Solimene et al., 2025; Jain, 2025).

Despite this, a number of capital market authorities in developing countries have begun adopting sustainability reporting frameworks that adhere to international standards. However, implementation remains voluntary or uses an explain-away approach, often compromising the effectiveness of regulations in producing ESG reporting that truly reflects a company's sustainability performance (Solimene et al., 2025; Jain, 2025).

The literature shows that country-level institutional diversity moderates the relationship between governance quality and ESG disclosure. In countries with strong legal systems and effective governance, coercive pressures tend to align with formal reporting expectations. Conversely, in countries with weak rule of law, formal pressures often lose their effectiveness due to weak regulatory enforcement and institutional fragmentation (Solimene et al., 2025).

In addition to institutional factors, organizational characteristics also determine a company's response to external pressures. Company size, resource capacity, and stakeholder pressure can strengthen or weaken the influence of formal institutions on ESG reporting. In regulatory regimes that rely on coercive isomorphism, large companies with sufficient resources tend to more easily meet reporting demands. Conversely, smaller companies often rely on normative or mimetic pressures to justify investing in ESG reporting (Solimene et al., 2025).

Furthermore, even when a country has strong formal regulations, voluntary reporting practices and global governance norms, such as the GRI and the UNGC, continue to play a significant role through normative and mimetic mechanisms. Thus, the ESG reporting system has evolved into a hybrid regime that combines regulatory obligations with legitimacy-based voluntary practices (Jain, 2025; Solimene et al., 2025).

For developed countries, empirical findings demonstrate the importance of maintaining and even strengthening regulatory enforcement mechanisms while leveraging fiscal incentives to maintain the quality and comparability of ESG reports. Harmonization of reporting standards with international frameworks is also necessary to continuously enhance normative legitimacy and cross-country comparability (Solimene et al., 2025; Jain, 2025).

Conversely, for developing countries, the top priority is establishing reporting regulations that are enforceable and effectively enforceable. Simplifying bureaucracy, providing tax incentives and subsidies for sustainable investments, increasing institutional capacity, standardizing reporting, and implementing a transparent sanctions system are crucial steps to encourage the transformation from token reporting to reporting that truly reflects a company's sustainability performance (Solimene et al., 2025; Jain, 2025).

For academics, further research should examine in more depth how institutional diversity and the quality of state governance interact with coercive, normative, and mimetic pressures to shape the evolution of ESG reporting practices at different levels of economic development. Furthermore, the transition from voluntary to mandatory reporting regimes also requires further investigation to understand its impact on data quality, information reliability, reporting coverage, and the potential unintended consequences of implementing such regulations (Solimene et al., 2025; Jain, 2025).

Overall, the synthesis of institutional theory with empirical evidence suggests that coercive pressures stemming from regulation and law enforcement are key factors determining the quality and comparability of ESG reports in developed countries. The effectiveness of these pressures is further enhanced when supported by fiscal incentives that align companies' economic interests with sustainability reporting practices (Solimene et al., 2025; Jain, 2025).

Conversely, in developing countries, weak enforcement capacity increases the likelihood of a decoupling between reported ESG information and actual sustainability performance. The heavy reliance on voluntary reporting suggests that improving ESG data quality requires strengthening institutional capacity, refining policy design, and establishing more effective implementation mechanisms (Solimene et al., 2025; Jain, 2025).

Despite these differences in institutional characteristics, normative and mimetic pressures continue to play a significant role in both groups of countries. Companies adopt internationally recognized reporting standards to gain legitimacy, strengthen signals to investors, and improve risk management, even when coercive pressures are inconsistently applied. Thus, the quality of ESG reporting is ultimately the result of a complex interaction between coercive, normative, and mimetic pressures within each country's institutional environment (Jain, 2025; Solimene et al., 2025).

3.2. The role of institutional investors in developed markets in pushing for ESG transparency.

Literature shows that investor sophistication is a key factor influencing the quality of Environmental, Social, and Governance (ESG) transparency. Differences in investor characteristics, ownership structures, and capital market systems cause demand for ESG information to evolve differently between developed and developing countries. These differences ultimately impact the quality, credibility, and usefulness of ESG information in investment decision-making (Murphy & McGrath, 2013; Tian & Niu, 2024; Xu & Cheng, 2024).

In developed countries, the presence of sophisticated institutional investors, such as pension funds, global asset managers, and endowments, has created a high demand for credible, verifiable, and transparent ESG information. ESG information is no longer viewed as a supplement to corporate reporting but has become an integral part of the firm valuation process and cost of capital considerations. This creates a feedback loop that encourages companies to continuously improve the quality of ESG reporting and obtain independent assurance on the information they provide (Murphy & McGrath, 2013; Xu & Cheng, 2024).

Various studies have shown that investors in developed markets use ESG information as a key variable in evaluating investment risk. Sustainability information is integrated into valuation models, so companies with opaque or difficult-to-verify ESG disclosures are perceived as having higher risk. This perception results in increased costs of capital and reduced institutional investor interest in maintaining their investments. Therefore, companies have a strong incentive to improve the quality, consistency, and reliability of ESG reporting to maintain access to lower-cost funding sources (Murphy & McGrath, 2013; Xu & Cheng, 2024).

In addition to serving as a basis for investment assessment, ESG reporting is also influenced by market discipline mechanisms. Companies that fail to provide credible ESG information may face market penalties in the form of increased funding costs, reduced investor confidence, or divestment by institutional investors. These mechanisms reinforce the incentive for companies to align their reporting practices with international standards and global investor expectations (Murphy & McGrath, 2013).

Companies' motivations for disclosing ESG information can also be explained through the perspectives of deterrence and corporate governance. Although regulatory sanctions in some developed capital markets are not always severe, the threat of litigation, reputational risk, and the potential for increased future capital costs remain important factors influencing companies' decisions to provide high-quality ESG reporting (Murphy & McGrath, 2013).

The combination of high investor demand and positive market response to companies with high-quality ESG reporting ultimately creates a virtuous cycle. The greater investor pressure for ESG transparency, the higher the quality of reporting produced by companies. Conversely, this improved reporting quality further strengthens investor confidence and expands companies' access to more competitive funding sources (Murphy & McGrath, 2013; Xu & Cheng, 2024).

In contrast to developed countries, most developing countries still have corporate ownership structures concentrated in the hands of controlling shareholders or founding families. This ownership structure creates agency dynamics that are more oriented toward protecting the interests of controlling shareholders and achieving short-term profits than improving the quality of ESG transparency. As a result, the influence of institutional investors in promoting comprehensive ESG reporting practices is relatively limited (Tian & Niu, 2024; Xu & Cheng, 2024).

The characteristics of the funding systems in developing countries also weaken market pressure for ESG transparency. Companies' reliance on bank financing, the dominance of short-term-oriented domestic investors, and underdeveloped capital markets mean that disciplinary mechanisms through the cost of capital and corporate reputation are less effective than in developed countries. These conditions exacerbate information asymmetry and reduce the ability of voluntary ESG disclosures to predict future corporate performance (Tian & Niu, 2024).

As a consequence, sustainability reporting in many developing countries is still dominated by normative or ceremonial disclosures. ESG information is geared more toward meeting formal expectations or gaining legitimacy than providing truly comprehensive, verifiable, and relevant information for capital providers' valuation and risk assessment processes (Tian & Niu, 2024).

In both developed and developing countries, the effectiveness of ESG reporting is heavily influenced by the interaction between corporate governance, regulations, and investor demands. When the regulatory framework for ESG reporting is not yet mandatory or enforcement mechanisms are weak, companies have a greater opportunity to engage in greenwashing and selective disclosure. Therefore, improving the quality of ESG reporting requires support in the form of stronger regulations, independent verification mechanisms, uniform reporting standards, and the implementation of effective sanctions to ensure the information produced is more reliable and has a high level of comparability (Tian & Niu, 2024).

The risk of greenwashing becomes even more significant in market environments with low economic incentives for ESG transparency. Under these conditions, strengthening oversight systems and harmonizing regulatory standards with investor expectations are crucial steps to narrow the gap in ESG reporting quality between developing and developed countries (Tian & Niu, 2024).

For developed countries, regulators and standard-setting bodies need to continue strengthening credible ESG reporting systems by improving the quality of disclosure standards and independent assurance practices. Meanwhile, institutional investors are expected to continue playing an active role in promoting the quality of ESG information through direct engagement with companies, including by demanding the use of standardized metrics and third-party verification to more accurately assess ESG risks in capital markets (Murphy & McGrath, 2013; Xu & Cheng, 2024).

For developing countries, corporate governance reform is a priority to increase accountability, strengthen minority investor protection, and reduce information asymmetries that hinder credible ESG reporting. Furthermore, financial market regulators need to strengthen ESG reporting obligations, coupled with effective enforcement mechanisms, to reduce greenwashing practices and encourage more systematic and long-term performance-oriented disclosures (Tian & Niu, 2024).

Market participants also need to develop ESG reporting practices that align with the characteristics of domestic financing systems, particularly in countries still reliant on bank financing. The gradual implementation of reporting standards, coupled with corporate capacity-building programs, can help make ESG information a more credible indicator for predicting long-term corporate value creation (Tian & Niu, 2024).

Overall, empirical evidence suggests that investor sophistication and capital market structural characteristics are key determinants of ESG transparency quality. In developed countries, institutional investors with strong analytical capabilities create strong demand for credible ESG information, encouraging companies to improve reporting quality, obtain independent verification, and integrate sustainability practices into their business strategies. Conversely, in developing countries, concentrated ownership structures, the dominance of bank financing, and weak pressure from institutional investors mean that ESG disclosures tend to be symbolic and do not fully reflect a company's sustainability performance (Murphy & McGrath, 2013; Tian & Niu, 2024; Xu & Cheng, 2024).

However, the literature also shows that investor sophistication is inextricably linked to institutional quality, regulatory effectiveness, and corporate ownership structure. Therefore, the extent of investor pressure for ESG transparency depends heavily on each country's institutional environment, regulatory enforcement capacity, and the characteristics of the capital market system that shape companies' incentives to disclose sustainability information (Murphy & McGrath, 2013; Tian & Niu, 2024; Xu & Cheng, 2024).

3.3. Challenges for companies in emerging markets (implementation costs vs. long-term benefits).

Adoption/sustainability accounting and its integration into company operational processes demonstrate significant differences between developed and developing countries. The literature consistently shows that developed countries have a more mature supporting ecosystem, including the availability of a competent workforce, integrated accounting information systems, and adequate support from external audit service providers. These conditions enable companies to proactively implement sustainability reporting and view it as a strategic investment that can reduce reputational risk and improve long-term efficiency. In contrast, companies in developing countries still face various resource constraints, high implementation costs, uncertain short-term financial benefits, and limited availability of ESG experts and audit service providers. These barriers lead to the adoption of ESG reporting. Sustainability accounting takes place more slowly, is more selective, and is generally only carried out by large-scale companies that have adequate resource capacity. Thus, the success of the implementation sustainability accounting is not only determined by management commitment, but also by the level of readiness of the supporting ecosystem that allows the practice to increase company value without sacrificing short-term financial stability (Cha et al., 2023; Viet, 2026; Leeraphong et al., 2025).

Developed countries generally have developed infrastructure so that implementation/sustainability accounting can be integrated into business processes at relatively low additional cost. The availability of competent human resources in sustainability, an integrated accounting information system, and the support of professional external auditors enable companies to internalize sustainability reporting practices into their daily operations. As a result, sustainability reporting is viewed not as an administrative burden but as a strategic activity capable of creating added value for the company (Cha et al., 2023; Viet, 2026).

The maturity of this ecosystem also reduces various implementation barriers. Institutional support, the readiness of technology suppliers, and organizational capabilities in managing sustainability data accelerate the diffusion of ESG reporting practices and increase the scalability of their implementation. Thus, companies can benefit from increased

operational efficiency, reduced reputational risk, and strengthened legitimacy among investors and other stakeholders (Cha et al., 2023; Viet, 2026).

On the other hand, developing countries still face various obstacles that hinder implementation.sustainability accounting. Limited organizational resources, high initial investment to build ESG data collection systems, reporting processes, and sustainability governance createopportunity costThis investment offers significant benefits to the company. On the other hand, the financial benefits of these investments are often not readily apparent in the short term, leading companies to adopt a conservative approach to sustainability reporting practices (Cha et al., 2023; Leeraphong et al., 2025).

This condition causes the implementation sustainability accounting is more commonly implemented by large companies that have economies of scale, financial resources, and organizational capabilities to better absorb implementation costs. Conversely, smaller companies still face various obstacles such as limited expertise, inadequate information systems, and minimal support for sustainability audits. As a result, adoption/sustainability accounting in developing countries is slower, less evenly distributed, and is heavily influenced by the resource capacity of individual companies (Cha et al., 2023; Leeraphong et al., 2025; Viet, 2026).

The literature also shows that digital transformation has an important role as a factor that mediates the relationship betweensustainability accountingand ESG performance, particularly in developing countries. Implementing digital technology enables companies to improve the effectiveness of sustainability data management, resulting in better ESG performance. These findings support the perspective-resource-based view which places digital capabilities as a strategic resource in creating sustainability-based competitive advantages (Leeraphong et al., 2025).

However, the benefits of digital transformation are conditional. If a company lacks adequate resources or if technology implementation is not aligned with existing business processes, technology use can actually reduce the efficiency of ESG management. Therefore, the success of digitalization depends heavily on organizational readiness, human resource competency, and the integration of technology with the company's workflow (Leeraphong et al., 2025).

While there are general patterns that distinguish developed and developing countries, the literature also shows variations in implementation within each group of countries. Some developing countries have succeeded in accelerating the adoption of ESG practices through regulatory support, foreign investment, and the development of specific industrial sectors. Furthermore, the existence of international reporting standards and systems assurance, and increasing investor demand for ESG transparency, can alleviate some of the barriers stemming from resource constraints. However, the effectiveness of these factors remains dependent on infrastructure readiness, quality governance, and the availability of professionals capable of supporting implementation.sustainability accounting sustainably (Cha et al., 2023; Viet, 2026; Leeraphong et al., 2025).

Overall, the literature suggests that the adoption gapsustainability accountingThe differences between developed and developing countries are not solely due to differences in management commitment, but also to the maturity level of the supporting ecosystem, which includes the quality of human resources, accounting information systems, digital infrastructure, governance mechanisms, and external audit support. Developed countries benefit from a developed institutional environment that allows for smooth implementation.sustainability accountingcan be implemented more efficiently and generate strategic value for companies. Conversely, developing countries still face limited institutional capacity, high implementation costs, and uncertain short-term economic benefits, resulting in slower adoption of sustainability practices and a concentration among companies with significant resources. Therefore, strengthening the supporting ecosystem is a key prerequisite for expanding

implementation.sustainability accountingwhile increasing its contribution to corporate value creation and long-term sustainability performance (Cha et al., 2023; Viet, 2026; Leeraphong et al., 2025).

A thorough analysis of the divergence between developed and emerging markets reveals that sustainability accounting is not monolithic in its function. In developed markets, the practice tends to be a real value creator, supported by a well-established institutional ecosystem. Conversely, in emerging markets, its effectiveness is often hampered by the disparity between regulation and implementation, which risks turning reporting into a mere greenwashing instrument for symbolic legitimacy.

These findings confirm that corporate governance acts as a critical mediating factor for successful implementation. Strong governance not only ensures compliance with standards but also reduces information asymmetry and mitigates the risk of managerial manipulation. Without adequate internal and external oversight mechanisms, such as independent audits, ESG transparency will remain merely narrative reporting without measurable performance substance. Furthermore, the role of digital technology is emerging as a new determinant that can improve the efficiency of sustainability data management, but its effectiveness is highly dependent on the readiness of organizational capabilities. Therefore, companies in emerging markets need to shift their focus from mere administrative compliance to strategic integration supported by transparent governance.

4. CONCLUSION

This study concludes that the effectiveness of sustainability accounting in creating corporate value depends heavily on institutional maturity and governance quality. In developed markets, coercive regulatory pressures and sophisticated investor demands create a virtuous cycle that increases transparency. Meanwhile, in emerging markets, concentrated ownership and limited institutional capacity tend to encourage ceremonial reporting.

Practically, managers are advised to strengthen governance functions and technology integration in accounting information systems to mitigate the risk of greenwashing. Policymakers need to strengthen legal enforcement and incentives aligned with international standards. Future research should empirically explore how digital transformation and the integration of Artificial Intelligence (AI) into reporting systems can mitigate information asymmetry in emerging markets, as well as their impact on the long-term cost of equity.

5. REFERENCES

ACFE Indonesia. (2023).Sustainability reporting fraud survey in Indonesia. Association of Certified Fraud Examiners Indonesia.

Cha, C., Lee, J., Jun, S., Kang, K., & Chang, T. (2023). A maturity model for diagnosing the capabilities of smart factory solution suppliers and its pilot application. Systems, 11(12), 569. https://doi.org/10.3390/systems11120569

Friede, G., Busch, T., & Bassen, A. (2020). ESG and financial performance: Aggregated evidence from more than 2000 empirical studies. Journal of Sustainable Finance & Investment, 5(4), 210–233.

IFRS Foundation. (2025). Global adoption progress of ISSB standards (IFRS S1 & S2). International Financial Reporting Standards Foundation.

Institute of Internal Auditors. (2024). Internal audit's role in ESG reporting and assurance. IIA Global Research.

International Monetary Fund. (2024). Global financial stability report: The role of ESG in cost of capital.

Jain, N. (2025). Are women on boards associated with disclosure asymmetry? Evidence from environmental and social disclosures in S&P 500 firms. Business Strategy and the Environment, 35(3), 3813–3825. https://doi.org/10.1002/bse.70367

Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia. (2024).Report on the development of financial literacy and sustainable accounting for MSMEs in Indonesia.

Leeraphong, A., Chuairuang, S., & Sukrat, S. (2025). Advancing sustainability through digital transformation: Empirical evidence from Southeast Asian listed companies. Business Strategy & Development, 8(4). https://doi.org/10.1002/bsd2.70223

Martinez-Martinez, D., & Jorge, M. L. (2026). ESG disclosure among municipal owned enterprises: Is it different? Administration & Society, 58(3), 307–337. https://doi.org/10.1177/00953997261425620

Murphy, D., & McGrath, D. (2013). ESG reporting—Class actions, deterrence, and avoidance. Sustainability Accounting, Management and Policy Journal, 4(2), 216–235. https://doi.org/10.1108/SAMPJ-APR-2012-0016

OECD. (2024). Greenwashing in the manufacturing sector: Transparency and evidence-based reporting. OECD Publishing.

Financial Services Authority. (2024).Annual report on the implementation of sustainable finance in the Indonesian capital market sector.

Solimene, S., Coluccia, D., Fontana, S., & Bernardo, A. (2025). Formal institutions and voluntary CSR/ESG disclosure: The role of institutional diversity and firm size. Corporate Social Responsibility and Environmental Management, 32(4), 5147–5166. https://doi.org/10.1002/csr.3195

Tian, L., & Niu, J. (2024). Mitigating greenwashing in listed companies: A comprehensive study on strengthening integrity in ESG disclosure and governance. Polish Journal of Environmental Studies, 33(6), 6363–6372. https://doi.org/10.15244/pjoes/184634

Viet, H. N. (2026).Evaluating the global adoption of artificial intelligence in environmental auditing: A beta-analysis approach. https://doi.org/10.21203/rs.3.rs-9854854/v1

Xu, K., & Cheng, Z. (2024).Financial regulation and corporate ESG performance: Evidence from the Chinese capital market. https://doi.org/10.21203/rs.3.rs-4295385/v1