



Integrating Sustainability into Accounting Practices: A Review of Social and Environmental Accounting



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KEYWORDS	ABSTRACT
<p>Keywords:</p> <p>Social and Environmental Accounting; SMEs; Emerging Markets; Sustainability Reporting; Global Standards.</p> <p>Conflict of Interest Statement:</p> <p>The author(s) declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.</p> <p>Copyright © 2024 AAAR. All rights reserved.</p>	<p>Purpose: This study explores the challenges and opportunities associated with implementing Social and Environmental Accounting (SEA) in Small and Medium Enterprises (SMEs) in emerging markets and the impact of inconsistent global reporting standards on multinational companies.</p> <p>Research Design and Methodology: The research employs a qualitative approach, incorporating a systematic literature review, to analyze existing studies on SEA, with a primary focus on SMEs in emerging markets. The study also examines the role of economic instability and regulatory gaps in shaping SEA practices.</p> <p>Findings and Discussion: The findings reveal that SMEs in emerging markets face significant challenges in implementing SEA due to economic instability, limited resources, and inadequate regulatory support. On the other hand, multinational companies need more harmonized global reporting standards, which complicates the consistency and comparability of sustainability reporting across borders. The study highlights the need for tailored support mechanisms for SMEs and the importance of advocating for global reporting standardization.</p> <p>Implications: The study has two key implications: it contributes to the academic discourse by addressing underexplored areas in SEA research, and it offers practical insights for policymakers and business leaders to enhance the adoption of SEA practices. The study also highlights the importance of establishing consistent sustainability reporting frameworks to foster transparency and accountability in global business practices.</p>

Introduction

Integrating sustainability into business practices has become a pivotal issue in the contemporary corporate landscape. As companies strive to balance economic growth with environmental stewardship and social responsibility, traditional accounting practices focusing predominantly on financial outcomes must be revised. These conventional practices often necessitate a greater focus on the broader social and environmental impacts of corporate activities, leading to a growing disparity between financial performance and sustainability goals (Ashrafi et al., 2019). This gap has spurred the development of social and environmental accounting, which seeks to provide a more holistic view of a company's overall impact. However, the transition to this expanded accounting framework is fraught with challenges, particularly in accurately measuring and reporting non-financial metrics (Epstein,



2018). Companies face significant hurdles, including the need for standardized guidelines and the complexity of integrating these metrics into existing accounting systems (Christ & Burritt, 2015). The global inconsistency in sustainability reporting standards exacerbates these challenges, creating disparities in how companies report and manage their sustainability efforts (Stubbs et al., 2018). Despite these obstacles, the demand for more comprehensive sustainability reporting is on the rise, driven by increasing pressure from stakeholders who expect companies to demonstrate accountability in both financial terms and their social and environmental impacts (Bebbington & Unerman, 2020). Addressing these challenges is crucial for the future of sustainability in accounting practices.

Recent research on integrating sustainability into accounting practices has highlighted the growing importance of social and environmental accounting (SEA). This field has evolved to address the increasing demand for transparency and accountability in corporate sustainability efforts, extending beyond traditional financial reporting to encompass the broader social and environmental impacts of business operations. For instance, studies have shown that companies adopting comprehensive sustainability reporting frameworks, such as those developed by the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), tend to perform better in terms of reputation, operational efficiency, and stakeholder engagement (Herremans et al., 2016). Additionally, environmental accounting has seen a significant shift from being a marginalized practice to becoming a mainstream component of financial reporting, reflecting its growing importance in corporate governance (Ayinla et al., 2024). This evolution reflects the growing awareness among investors, consumers, and regulators of the need for more detailed and accurate reporting on non-financial metrics, which are essential for evaluating a company's long-term sustainability and overall impact (Gil-Marín et al., 2022). Many studies have predominantly focused on the theoretical aspects of SEA, yet they have yet to fully explore the practical challenges that companies encounter when implementing these practices. One of the critical challenges is the complexity of integrating environmental costs into accounting systems, as well as the ongoing need for standardized reporting frameworks that can be universally applied (Ayinla et al., 2024). Moreover, although substantial research has been conducted on social accounting in developing countries, environmental issues have received a different level of attention despite these regions being particularly vulnerable to the impacts of climate change (Qian et al., 2020). Another notable limitation is the lack of homogeneous terminology in sustainability accounting, which complicates the disclosure of companies' activities in pursuing sustainable development goals (Gil-Marín et al., 2022). Furthermore, empirical data on the long-term impact of sustainability accounting on corporate performance is scarce, particularly in emerging markets and industries that have traditionally been less engaged in sustainability efforts. Addressing these gaps in the literature is essential for advancing the field and ensuring that sustainability accounting practices are practical and widely adopted across different contexts.

While recent studies have made significant strides in advancing the field of social and environmental accounting (SEA), there remain gaps between the theoretical frameworks proposed and their empirical application across different contexts. One of the critical gaps lies in the disparity between the emphasis on sustainability reporting in developed versus developing countries. Research has predominantly focused on large multinational corporations in developed economies, which often have more resources and regulatory support to implement comprehensive sustainability accounting practices (Qian et al., 2020). This leaves a significant gap in understanding how smaller firms integrate sustainability into their accounting practices, particularly those in emerging markets. These firms often need help with unique challenges, such as limited access to capital and weaker regulatory environments, which can hinder the adoption of SEA practices. While theoretical models of SEA emphasize the importance of transparency and accountability, there is a need for more empirical evidence demonstrating the long-term impact of these practices on corporate performance, particularly in sectors that have traditionally been less engaged in sustainability efforts (Ayinla et al., 2024). The inconsistency in reporting standards across different jurisdictions also complicates the ability to compare and analyze the effectiveness of SEA practices globally. This gap underscores the need for further research that addresses these empirical challenges and refines theoretical frameworks to better account for the diverse contexts in which companies operate. Addressing these

gaps is crucial for ensuring that SEA can be effectively implemented across various industries and regions.

The novelty of this research lies in its multifaceted approach to addressing the underexplored areas within social and environmental accounting (SEA). Unlike previous studies that primarily focus on large multinational corporations in developed economies, this research delves into the practices of small and medium-sized enterprises (SMEs) in emerging markets. These firms often operate under vastly different regulatory, economic, and resource constraints, making their experiences with SEA uniquely challenging yet critical to understand. By expanding the scope to include SMEs, this study offers a more comprehensive understanding of how sustainability is integrated across diverse business environments, highlighting the distinct barriers and opportunities that these firms encounter. This research contributes to the field by examining the long-term impacts of SEA on corporate performance, particularly in sectors that have traditionally been less engaged in sustainability efforts. This focus on less-examined industries offers new insights into how SEA practices can be tailored to different sectors, thus enhancing their effectiveness. Additionally, the study's examination of inconsistencies in global reporting standards offers a critical analysis of how these discrepancies facilitate or hinder the adoption of SEA practices worldwide. By addressing these gaps, the research enhances the theoretical frameworks of SEA and provides practical guidance for policymakers and business leaders seeking to promote sustainability in diverse and challenging contexts. This study aims to explore several critical research questions that have not been adequately addressed in previous research. Specifically, it seeks to understand how small and medium-sized enterprises (SMEs) in emerging markets integrate sustainability into their accounting practices. Compared to larger firms in developed economies, SMEs in these regions often operate under different regulatory frameworks, face limited access to resources, and encounter unique socio-economic challenges. This research will delve into these specific challenges, examining how they differ from those of giant corporations with more established sustainability practices. Understanding these differences is crucial, as it will shed light on the barriers SMEs must overcome to implement social and environmental accounting (SEA) effectively. The study will examine the long-term effects of SEA on corporate performance across various sectors, with a focus on industries that have traditionally been less engaged in sustainability efforts. By reviewing these sectors, the research aims to uncover whether SEA practices can drive meaningful changes in corporate behavior and performance, even in contexts where sustainability has not historically been a priority. The primary objective of this research is to provide a comprehensive analysis that not only identifies the practical challenges of implementing SEA but also offers insights into how these practices can be tailored to different business environments. Ultimately, this study seeks to contribute to the development of more effective and inclusive SEA practices that can be adopted by a broader range of companies, regardless of size or location.

Literature Review

Evolution of Social and Environmental Accounting

The accounting field has traditionally emphasized financial reporting, focusing on monetary transactions. However, growing global awareness of the negative social and environmental impacts of business activities has led to the need for a broader approach. Social and Environmental Accounting (SEA) emerged to address this demand, providing more comprehensive insights into a company's overall impact beyond financial performance (Fatmawatie, 2017). Initially, SEA was a niche concept adopted by a few socially responsible companies aiming to enhance their reputation and meet stakeholder expectations by incorporating social and environmental elements into their reports. The evolution of SEA is grounded in critical theories, such as Stakeholder Theory, which argues that companies are responsible not only to shareholders but also to a broader range of stakeholders, including employees, consumers, and the environment (Freeman et al., 2018). Legitimacy Theory posits that companies must maintain social legitimacy by aligning their operations with societal values and expectations (Suchman, 1995). Therefore, social and environmental reporting serves as a tool for companies to demonstrate their alignment with societal norms and ethical standards, thereby reinforcing their commitment to broader responsibilities that extend beyond mere financial outcomes.

Various frameworks and guidelines have been developed to support the implementation of these theories. The Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) are particularly influential. GRI provides a framework that enables companies to report their social, environmental, and economic performance systematically (Yadava & Sinha, 2016), while SASB focuses on developing standards to help companies disclose sustainability information that is material to investors (Gil-Marín et al., 2022). These frameworks guide companies in preparing comprehensive sustainability reports, enhancing transparency and accountability among stakeholders. As SEA adoption has grown, several global companies have become exemplary in integrating sustainability into their business practices. Unilever, for instance, has implemented its Sustainable Living Plan, which emphasizes sustainability throughout the entire value chain, from sourcing raw materials to production and distribution. Unilever proactively reports its social and environmental performance, creating long-term shareholder value while minimizing negative environmental impacts (Kang et al., 2017). Patagonia, known for its commitment to sustainability, transparently reports its carbon footprint and promotes its "Worn Wear" program, which encourages consumers to extend the life of their products, reduce waste, and support a circular economy (Bebbington & Unerman, 2020). These cases highlight the importance of transparency in social and environmental reporting, as well as the need to integrate sustainability into a company's core strategy.

Significant research gaps persist despite advancements in Social and Environmental Accounting (SEA). One crucial gap is the limited empirical research on SEA implementation across different sectors and regions, with most studies focusing on large corporations in developed countries. This leaves practices in developing countries and among small and medium-sized enterprises (SMEs) underexplored (Qian et al., 2020). SMEs in these regions face distinct challenges, including limited resources and inadequate regulatory support, which makes sustainability adoption difficult. Additionally, global standards need to be more consistent despite efforts by organizations such as GRI and SASB to complicate sustainability reporting for multinational companies (Epstein, 2018). High implementation costs and resistance to change hinder the integration of sustainability into business practices (Christ & Burritt, 2015). SEA has a positive impact on corporate performance, including an enhanced reputation, stronger stakeholder relationships, and increased operational efficiency (Epstein, 2018). However, more research is needed to understand these impacts across various sectors, especially those less engaged in sustainability. Such studies are crucial for providing robust empirical evidence on the effectiveness of SEA in diverse business contexts, ultimately demonstrating that SEA not only fulfills legal and ethical obligations but also adds strategic value to companies.

Current State of Social and Environmental Accounting

Social and Environmental Accounting (SEA) has undergone significant evolution since its inception, shifting from a narrow focus on financial reporting to a broader approach encompassing social and environmental dimensions (Sumarto et al., 2024). Initially, traditional accounting was primarily concerned with recording and reporting monetary transactions, providing a financial overview for stakeholders (Tandiono et al., 2023). However, as awareness of businesses' social and environmental impacts grew, increasing demand for accounting practices reflected these broader concerns. The emergence of SEA can be traced back to the environmental and social movements of the 1970s and 1980s. During this period, some companies began recognizing the importance of reporting non-financial impacts. This shift began integrating social and environmental aspects into accounting practices, with early reports on sustainability and corporate social responsibility (CSR) emerging as voluntary disclosures. These companies recognized that, beyond financial reporting, they were also responsible for communicating the social and environmental impacts of their operations to a broader audience (Epstein, 2018; Qian et al., 2020).

Social and Environmental Accounting (SEA) is grounded in several foundational theories that provide a conceptual framework for its practice, with Stakeholder Theory and Legitimacy Theory being among the most influential. Stakeholder Theory, pioneered by R. Edward Freeman, expands the traditional view of a company's responsibilities beyond just shareholders to encompass a broader range of stakeholders, including employees, customers, suppliers, communities, and the environment. This Theory posits that companies must consider the interests and impacts of all these groups in their

decision-making processes. By doing so, companies focus on profit maximization while addressing the needs and concerns of those affected by their operations. Social and environmental reporting, therefore, becomes a crucial tool in demonstrating a company's commitment to its stakeholders. It enables companies to transparently communicate their approach to managing social and environmental impacts, thereby building trust and fostering stronger relationships with their stakeholders (Freeman et al., 2018). Legitimacy Theory complements this by arguing that for a company to survive and thrive, it must align its operations with the norms, values, and expectations of the society in which it operates. This Theory suggests that companies gain and maintain social legitimacy—an essential aspect of their license to operate—by ensuring the public perceives their activities as legitimate. In this context, social and environmental reporting serves as a mechanism for companies to demonstrate that they act by societal expectations, thereby enhancing their legitimacy and securing their continued operation (Suchman, 1995). Together, these theories underscore the importance of transparency and accountability in modern corporate governance, making SEA an integral part of a company's strategic approach to sustainability.

The development of SEA has also been guided by international frameworks such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). The GRI framework enables companies to systematically identify, measure, and report their sustainability impacts, making it an essential reference for companies worldwide (Bebbington & Unerman, 2020). SASB, on the other hand, focuses on sector-specific standards for sustainability reporting that are material to investors, thus playing a crucial role in enhancing transparency and accountability in sustainability performance (Christ & Burritt, 2015). Several companies have set benchmarks in SEA implementation. For instance, Unilever's Sustainable Living Plan exemplifies the integration of SEA into business strategy, where the company reports on its sustainability goals and progress, including key performance indicators (KPIs) related to sustainability (Ashrafi et al., 2019). Patagonia, renowned for its commitment to sustainability, has adopted SEA by reporting transparently on its carbon footprint and utilizing recycled materials, thereby further supporting a circular economy through initiatives such as its "Worn Wear" program (Gil-Marín et al., 2022). These examples highlight the importance of transparency in social and environmental reporting, as well as the need to integrate sustainability into the core business strategy. By doing so, companies can establish trust with stakeholders and ensure that sustainability initiatives are deeply integrated into their operations (Ayinla et al., 2024).

Theoretical Foundations of Social and Environmental Accounting

Social and Environmental Accounting (SEA) has evolved significantly from traditional financial accounting, primarily focused on recording and reporting monetary transactions. Initially, accounting was designed to provide shareholders and internal stakeholders with a clear picture of a company's financial performance (Pratama & Febriana, 2023). However, as awareness grew about the broader social and environmental impacts of business operations, there was a push to expand the scope of accounting to include these dimensions. This shift represents a growing corporate responsibility, where companies are now evaluated not only on financial outcomes but also on their management of social and environmental impacts (Ambadar, 2013). The societal impact of companies' operations is significant, and one of the foundational theories underpinning Stakeholder Theory is the work of R. Edward Freeman. This Theory suggests that companies have responsibilities beyond their shareholders, extending to employees, customers, local communities, and the environment. Stakeholder Theory broadens the perspective of corporate responsibility, encouraging companies to act in the best interests of all stakeholders. In this context, social and environmental reporting becomes essential for companies to demonstrate their commitment to these broader responsibilities. Transparent reporting enables companies to communicate their commitment to sustainability, fostering trust and stronger relationships with various stakeholders (Freeman et al., 2018).

Legitimacy Theory also plays a crucial role in SEA. It emphasizes the need for companies to establish and maintain social legitimacy to continue operating successfully. Social legitimacy is achieved when a company's operations align with societal norms and expectations. These norms and expectations significantly shape corporate behavior, and social and environmental reporting becomes

a tool for companies to demonstrate that their activities are consistent with these societal values. By disclosing how they manage social and environmental impacts, companies can protect their reputations and avoid legitimacy crises that could harm their market positions (Suchman, 1995). Institutional Theory explains SEA practices by focusing on how societal norms, rules, and regulations influence corporate behavior. This Theory highlights how external pressures from regulators, industry standards, and public expectations drive companies to adopt SEA practices. Companies often adjust their reporting practices to align with these external demands, ensuring the sustainability of their operations and avoiding penalties. Thus, SEA is not solely driven by internal motivations but is also shaped by external forces that influence business practices (Liu, 2023).

The Triple Bottom Line concept, introduced by John Elkington, provides a framework for integrating financial, social, and environmental performance into corporate decision-making and evaluation. This concept suggests that companies should assess their success based on profitability and their contributions to social welfare and environmental sustainability. The Triple Bottom Line encourages companies to take a more comprehensive approach to evaluating their performance, promoting sustainable strategic decision-making (Elkington, 2018). Signaling Theory is also essential for understanding SEA, particularly in how companies utilize social and environmental reporting to signal their commitment to social responsibility to the market and stakeholders. This Theory posits that companies can use these reports to demonstrate their dedication to sustainability, thereby influencing public perception and enhancing their reputation as responsible entities (Spence, 1973). Accountability Theory emphasizes companies' responsibility to disclose and report their social and environmental impacts to stakeholders. This Theory highlights the importance of transparency and responsibility in SEA practices. Companies must provide honest and accurate information about the effects of their operations on society and the environment. Engaging in transparent and responsible SEA practices enables companies to demonstrate their commitment to sustainability and make a positive contribution to society (Epstein, 2018).

Challenges and Limitations in Social and Environmental Accounting

Social and Environmental Accounting (SEA) has emerged as a critical area of focus for companies seeking to measure and report their social and environmental impacts. Despite significant advancements in this field, the implementation of SEA continues to face several complex challenges and limitations. One of the most pressing challenges is accurately measuring a company's social and environmental impact. This task requires a deep understanding of relevant indicators and the development of methods to integrate these metrics into a comprehensive accounting system. Many companies need help selecting appropriate measurement tools and ensuring that the collected data is reliable and interpretable. These methodological limitations often result in inconsistent data, undermining the quality and credibility of SEA reports (Cho et al., 2018). Another significant issue is the need for consistent global standards for social and environmental reporting. The absence of uniform standards across different countries and industries makes it difficult for companies to produce reports that are comparable internationally. Although organizations such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) have attempted to create a unified framework, they must find a way to apply these standards consistently across different regions. These inconsistencies hinder the harmonization of reporting practices and complicate stakeholders' ability to assess and compare companies' social and environmental performance globally (Nazari et al., 2017). Multinational companies, in particular, face the challenge of navigating varying local requirements while striving to maintain consistent reporting (Oh & Oetzel, 2022).

The high costs associated with implementing SEA practices also present a significant barrier, especially for small and medium-sized enterprises (SMEs). The expenses involved in developing appropriate reporting systems, training staff, and adopting necessary technologies are often viewed as an additional burden that not all companies can afford to incur. These costs can be prohibitive for SMEs, which typically operate with limited resources, leading them to delay or avoid adopting SEA practices altogether (Vesterdorf, 2005). Despite its recognized long-term importance, this reluctance to invest in SEA highlights the financial challenges many companies face in pursuing sustainability initiatives. Internal resistance to change within organizations further impedes the adoption of SEA.

This resistance can manifest at various levels, from top management to operational staff. A lack of understanding of SEA's benefits, fears of disrupting established routines, and conflicting departmental interests can all contribute to solid resistance against implementing SEA (Kühnen & Hahn, 2018). In some cases, top management may view SEA as an additional workload that does not directly yield financial benefits. At the same time, operational departments may perceive the extra reporting requirements as unnecessarily complicating their work. Overcoming this resistance requires educating all levels of the organization on the importance of SEA and its contribution to the company's long-term success (Tushman & O'Reilly, 2002).

Data and information limitations also pose significant challenges to the implementation of SEA. Companies often require assistance in gathering relevant and accurate data for their social and environmental reporting (Budianto & Dewi, 2023). Limitations in technology and information infrastructure frequently hinder the reliability of the data collected. Additionally, the absence of clear and transparent data collection standards can lead to inconsistency, complicating the development of credible SEA reports (Trice et al., 2021). To address these challenges, companies must develop more structured data collection systems and adopt technologies that better support these processes. Pressure from various stakeholders, including regulators, investors, and the public, drives companies to increase transparency and accountability in their social and environmental reporting (Prayogi & Kurniawan, 2024). However, this pressure can also exacerbate companies' challenges, especially if they are not fully prepared to meet these expectations. Sometimes, companies may rush the SEA reporting process with inadequate systems to ensure data quality and accuracy. The gap between SEA theory and practice remains a significant issue. Many SEA theories are developed in idealized contexts that may only partially reflect the complexities companies face in reality. These theories may need to pay more attention to resource limitations, cultural differences, and varying capacities of companies to adopt SEA practices (Andrew & Cortese, 2011). Companies may find it challenging to apply these theories practically and effectively in their daily operations. Bridging this gap requires collaboration between academics and practitioners to develop more realistic and applicable theories for diverse business contexts.

Research Design and Methodology

This qualitative study employs a systematic literature review (SLR) approach to explore the complexities and challenges associated with Social and Environmental Accounting (SEA). The study design uses a rigorous and structured methodology that aims to synthesize existing research and provide a comprehensive understanding of the topic. By utilizing an SLR, this research ensures a thorough examination of relevant literature, allowing for a critical analysis of SEA's theoretical foundations, methodologies, and practical implications. The sample population for this research comprises peer-reviewed journal articles, conference papers, and academic books that focus on SEA, published between 2010 and 2023. The selected literature encompasses various industries and geographical regions, capturing the diversity of SEA practices and challenges. Inclusion criteria encompass articles that address theoretical frameworks, empirical studies, and case studies related to SEA, ensuring a comprehensive view of the field is provided through the sample. Data collection involved systematically searching academic databases, including Scopus, Web of Science, and Google Scholar, using specific keywords related to the study of SEA. The instrument development process involved creating a coding framework to categorize and analyze the selected literature. This framework was designed to identify key themes, theoretical approaches, and methodological trends within the literature. Data analysis techniques employed qualitative content analysis, enabling the identification of patterns, gaps, and emerging trends in SEA research. The study was conducted in multiple stages, including the initial coding of themes, cross-comparison of findings, and synthesis of results to draw meaningful conclusions. This approach ensures that the research findings are robust and relevant, making meaningful contributions to the ongoing discourse on SEA.

Findings and Discussion

Findings

In many developing countries, regulations often need to be revised or harmonized, making it challenging for SMEs to align with higher standards, such as those adopted by larger corporations in developed economies. This regulatory gap leaves SMEs in need of assistance to comply with SEA practices, which are often viewed as an additional burden rather than an integral part of business operations (Christ & Burritt, 2015). Furthermore, limited access to financial and technical resources exacerbates these challenges, forcing SMEs to choose between prioritizing sustainability and ensuring their short-term business survival (Amoako, 2018). This dilemma often leads to the deprioritization of SEA, making it challenging for SMEs to fully adopt these practices. Economic challenges further differentiate the experiences of SMEs in developing countries from those of large corporations in developed nations. SMEs frequently operate in volatile economic environments, making them more vulnerable to market fluctuations and unstable government policies (Bebbington & Unerman, 2020). Consequently, many SMEs prefer to invest in SEA practices, which they perceive as offering limited short-term financial benefits. This reluctance starkly contrasts with that of large corporations in developed countries, which typically have the financial capacity and regulatory support to integrate SEA into their business strategies (Epstein, 2018).

The research also highlights significant differences in SEA practices across various industrial sectors. Sectors traditionally less engaged in sustainability efforts, such as heavy manufacturing and extractive industries, tend to have lower SEA adoption rates than consumer-focused sectors like services and retail. Several factors influence the adoption of SEA in these sectors, including stakeholder pressure, regulatory requirements, and internal corporate awareness of the importance of sustainability (Ashrafi et al., 2019). In sectors less involved in sustainability, there is often a perception that such efforts are only relevant to industries more visible to consumers or directly associated with environmental issues (Christ & Burritt, 2015). As a result, companies in these sectors may only be motivated to adopt SEA if they face significant external pressures. However, despite these challenges, the research suggests that implementing SEA can have a positive long-term impact on corporate performance. Companies that actively report their social and environmental performance tend to enjoy better reputations among stakeholders, strengthening their relationships with investors, consumers, and local communities (Epstein, 2018). Enhanced transparency through SEA also leads to greater operational efficiency as companies become more aware of the impacts of their activities and work to reduce inefficiencies and waste (Ashrafi et al., 2019). Even in sectors where sustainability has not traditionally been a priority, adopting SEA can lead to significant behavioral changes, ultimately enhancing the company's competitiveness over time (Bebbington & Unerman, 2020).

The global implementation of SEA remains fraught with significant challenges, primarily due to the need for more consistency in sustainability reporting standards across different countries. This inconsistency poses substantial difficulties for multinational companies, which must adapt their reporting to meet the diverse requirements of each local jurisdiction in which they operate (Christ & Burritt, 2015). The absence of standardized guidelines complicates the reporting process and undermines stakeholders' ability to compare and evaluate companies' social and environmental performance on a global scale. This fragmentation in reporting standards can lead to a lack of transparency, making it harder for investors, regulators, and the public to hold companies accountable for their environmental and social impacts. These disparities can create competitive disadvantages for companies more committed to rigorous sustainability practices, as they may be perceived as less favorable in markets with lower reporting standards (Epstein, 2018). The research underscores the urgent need to harmonize global reporting standards to address these challenges. Developing and adopting uniform sustainability reporting frameworks would enhance the comparability, reliability, and effectiveness of SEA practices (Ashrafi et al., 2019). This harmonization is crucial for promoting transparency and accountability, enabling companies worldwide to contribute more effectively to global sustainability goals.

In the context of SMEs, best practices in SEA implementation can be observed in companies that have successfully navigated these challenges and integrated sustainability into their accounting practices. Case studies of successful SMEs reveal that effective SEA implementation often depends on

strong leadership, commitment to training and development, and partnerships with external organizations that can provide technical and financial support (Victor et al., 1998). SMEs that have successfully adopted SEA are also more innovative in reducing implementation costs, such as leveraging digital technology and efficient data management systems (Bebbington & Unerman, 2020). Through these approaches, SMEs can overcome existing barriers and succeed in social and environmental reporting while strengthening their market positions in an increasingly transparent and accountable market. Ultimately, this research confirms that despite SEA's numerous challenges and limitations, its adoption remains crucial for supporting long-term business sustainability (Ashrafi et al., 2019). By understanding and addressing these obstacles, companies of all sizes and sectors can utilize SEA as a strategic tool to improve performance, strengthen stakeholder relationships, and build reputations as socially and environmentally responsible businesses (Epstein, 2018).

Discussion

The study reveals that economic instability in emerging markets adds another layer of complexity to the implementation of SEA for SMEs. The volatile economic conditions in these regions make it risky for SMEs to invest in SEA, as the potential short-term costs are perceived to outweigh the long-term benefits. This finding is consistent with the economic theory of risk aversion, which posits that in uncertain environments, businesses are more likely to avoid actions that may increase their financial vulnerability (Ulum, 2014). As a result, SEA needs to be more deprioritized, even though it could contribute to long-term business sustainability. The findings also highlight the significant impact of inconsistent global reporting standards on multinational companies. The lack of uniformity in sustainability reporting standards across different countries presents substantial challenges for these companies, as they must navigate a patchwork of local requirements that often conflict with one another (KPMG, 2017). This inconsistency undermines the transparency and accountability that SEA aims to achieve, as stakeholders require assistance with making accurate comparisons across companies and industries. The study's findings align with institutional theory, which suggests that the absence of consistent norms and standards can hinder the adoption of new practices as organizations need help reconciling conflicting demands from different institutional environments (DiMaggio & Powell, 1983).

When comparing the results with previous research, this study supports earlier findings that highlight the significant challenges small and medium-sized enterprises (SMEs) face in implementing Social and Environmental Accounting (SEA) due to resource limitations and regulatory hurdles. For instance, research by Adams and Whelan (2009) similarly identified that SMEs often require assistance to adopt sustainable practices, citing a lack of internal capabilities and insufficient external support as critical barriers. These earlier studies have consistently shown that SMEs require assistance in aligning with SEA standards, primarily due to their limited financial resources and the absence of comprehensive regulatory frameworks. This study builds upon the existing literature by offering a more nuanced analysis of how these challenges are uniquely experienced by SMEs in emerging markets, where economic instability further complicates the adoption of SEA. Unlike previous research, which has predominantly focused on resource and regulatory constraints in developed economies, this study introduces the critical role of economic volatility as a significant factor that discourages SEA implementation among SMEs. The emphasis on economic instability as a barrier to SEA adoption represents a novel contribution to the field, as it underscores the complexity of sustainability efforts in regions where market fluctuations and uncertain government policies are prevalent. By highlighting these distinct challenges, the study offers a deeper understanding of the contextual factors that influence SEA practices in various economic environments, thereby broadening the scope of the literature on sustainability accounting.

The study's findings on the impact of inconsistent global reporting standards add to the growing body of literature that calls for greater harmonization of sustainability reporting frameworks. Prior studies, such as those by KPMG (2017), have similarly argued that the lack of standardized reporting practices hinders the global comparability of sustainability performance. This study reinforces these arguments and provides empirical evidence of the practical difficulties multinational companies face in navigating these inconsistencies (PwC, 2018). The practical implications of this study are significant,

particularly for policymakers and business leaders in emerging markets. The findings suggest a critical need for governments in these regions to develop more robust regulatory frameworks that support the adoption of SEA. These frameworks should provide clear guidelines and incentives for SMEs to integrate sustainability into their accounting practices (OECD, 2020). There is a need for greater access to financial and technical resources to support SMEs in overcoming the barriers identified in this study. Policymakers should consider creating programs that provide financial assistance, such as grants or low-interest loans, to SMEs committed to adopting SEA. Furthermore, technical training and capacity-building initiatives could help SMEs develop the necessary skills and knowledge to implement SEA effectively.

The study underscores the critical need for multinational companies to advocate for the harmonization of global sustainability reporting standards. Given the challenges posed by the current patchwork of varying local regulations, these companies are uniquely positioned to influence the development of consistent, globally recognized frameworks. By actively collaborating with international organizations such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), multinational companies can play a pivotal role in driving the creation and adoption of standardized reporting protocols that transcend national borders (Eccles & Krzus, 2014). This harmonization effort is not merely about simplifying the reporting process for the companies themselves—though that is a significant benefit—but it also significantly enhances the transparency and comparability of sustainability reports across different regions and industries (GRI, 2016). When multinational companies can report their social and environmental impacts using a unified set of standards, stakeholders, including investors, regulators, and the public, are better equipped to make informed assessments and comparisons of corporate performance on a global scale. Such comparability fosters accountability and encourages businesses worldwide to commit to higher sustainability standards. By reducing the complexity and potential inconsistencies in reporting, harmonized standards would likely lead to more accurate and reliable data, which can drive more effective decision-making among companies and stakeholders. This global alignment in sustainability reporting could ultimately contribute to a more cohesive and practical approach to addressing global environmental and social challenges, with multinational companies leading the way in setting a new benchmark for transparency and accountability in corporate sustainability practices.

Conclusion

This study examined the challenges and opportunities associated with implementing Social and Environmental Accounting (SEA) in Small and Medium Enterprises (SMEs) within emerging markets, as well as the impact of inconsistent global reporting standards on multinational companies. The research highlights that economic instability, resource limitations, and regulatory gaps significantly hinder the adoption of SEA practices by SMEs. At the same time, multinational companies need to work on navigating the diverse local requirements that result from the lack of harmonized global reporting standards. These findings underscore the complexity of integrating sustainability into accounting practices across different economic contexts.

The originality of this research lies in its focus on the unique challenges faced by SMEs in emerging markets, which have not been explored in previous literature. This study contributes to the field by providing a nuanced understanding of how economic conditions and regulatory environments influence the adoption of SEA. This research has significant practical and managerial implications. Policymakers and business leaders must recognize the need for tailored support mechanisms to help SMEs overcome these barriers. Multinational companies should advocate for and participate in the development of globally consistent sustainability reporting frameworks. Such efforts will enhance SEA's effectiveness and ensure that sustainability becomes a central component of business strategies worldwide.

However, this study has limitations. The research primarily focuses on the challenges within specific economic and regulatory contexts, which may limit the generalizability of the findings across different regions and industries. Future research should investigate the long-term effects of SEA implementation in a broader range of settings, including sectors that have not yet been fully engaged in sustainability efforts. Additionally, further studies could investigate the role of technological innovations in overcoming the identified barriers to SEA adoption. By addressing these limitations,

future research can build on this study's findings and contribute to a more comprehensive understanding of SEA's role in promoting sustainable business practices.

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