

Analysis of the Role of Sustainability Accounting on the Financial Performance of Port Services Companies

Shobiq Zainudin^{1*}, Driana Leniwati², Nazaruddin Malik³

^{1,2,3} Muhammadiyah University of Malang, Indonesia

*Corresponding Author: shobiqzainudin@webmail.umm.ac.id, driana@umm.ac.id, nazaruddin@umm.ac.id

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ABSTRACT

This study aims to analyze the role of sustainability accounting on the financial performance of a port services company through the implementation of Environmental, Social, and Governance (ESG). The study used a qualitative method with an explanatory case study approach at a port services company in the Tanjung Perak area, Surabaya. Data were obtained through in-depth interviews, observations, and analysis of company documents related to sustainability practices and financial performance during the 2021–2025 period. The results show that the company has implemented sustainability accounting comprehensively with an ESG score of 95.7%. From an environmental perspective, the port facility electrification program has successfully increased fuel efficiency and reduced carbon emissions. From a social perspective, human resource development and corporate social responsibility programs have contributed to increased stakeholder trust. Meanwhile, from a governance perspective, the application of good corporate governance principles, supported by ISO 37001 and ISO 22301 certifications, has strengthened the company's credibility. ESG implementation has been shown to drive operational efficiency, increase port service volume, and strengthen the company's reputation, which has an impact on improving financial performance. These findings indicate that sustainability accounting not only functions as a reporting instrument, but also as a business strategy that is able to create sustainable economic, social, and environmental value and support the company's long-term competitiveness.

INTRODUCTION

The development of the sustainability concept in the modern business world is inextricably linked to the increasing public demand for socially and environmentally responsible business practices. Although the concept of corporate social responsibility has been developing for decades, the strengthening of the Environmental, Social, and Governance (ESG) concept gained momentum after the 2008 global financial crisis. This crisis raised the awareness that corporate success is determined not only by short-term profit achievement but

also by the company's ability to sustainably manage environmental, social, and governance risks. As a result, investors, regulators, governments, and the public began to demand greater transparency regarding the impact of corporate operations on the environment and society (Clark et al., 2015; Friede et al., 2015). Various studies have shown that the integration of ESG aspects has become an important indicator in assessing the quality and sustainability of a company because it can describe the company's level of responsibility towards stakeholders as well as its long-term performance prospects (Eccles et al., 2014; Fatemi et al., 2018; Gillan et al., 2021).

ESG is an evaluation framework comprised of three main dimensions: environmental, social, and corporate governance. The environmental dimension encompasses natural resource management, energy efficiency, carbon emission reduction, waste management, and climate change mitigation strategies. The social dimension relates to employee well-being, occupational safety, human rights, community relations, and corporate responsibility to the community. Meanwhile, the governance dimension encompasses transparency, accountability, board effectiveness, internal control, risk management, and regulatory compliance (Clark et al., 2015; Gillan et al., 2021; Velte, 2017). These three dimensions form the basis for developing the ESG score, which is currently widely used by investors and rating agencies to assess a company's sustainability quality. The higher a company's ESG score, the greater the perception that the company is able to effectively manage non-financial risks and create sustainable long-term value (Fatemi et al., 2018; Atan et al., 2018).

The increased attention to ESG is also driven by the emergence of various global development agendas such as the Sustainable Development Goals (SDGs) and the Paris Agreement, which emphasize the importance of sustainable economic development. In this context, companies are no longer viewed solely as profit-making entities for shareholders, but rather as social institutions with responsibilities to various interest groups (Freeman, 1984; Donaldson & Preston, 1995). This paradigm encourages companies to integrate sustainability principles into their business strategies, operational processes, and reporting systems. Thus, a company's success is measured not only by traditional financial indicators but also by its contribution to achieving social and environmental goals (Eccles et al., 2014; Khan et al., 2016). The relationship between ESG and company performance can be explained through Stakeholder Theory. This theory states that a company's sustainability is greatly influenced by its ability to meet the needs and expectations of its stakeholders, including investors, customers, employees, governments, communities, and the surrounding environment (Freeman, 1984). According to this theory, companies that are able to build harmonious relationships with stakeholders will gain social legitimacy, enhance their reputation, and create sustainable competitive advantage (Donaldson & Preston, 1995; Clarkson, 1995). Therefore, sustainability reporting is an important means of demonstrating a company's commitment to responsible business practices while strengthening relationships with stakeholders (Eccles et al., 2014).

In addition to Stakeholder Theory, the relationship between ESG and financial performance is also explained through Legitimacy Theory. This theory argues that companies seek to gain legitimacy from society through actions that align with prevailing social norms and values. Disclosure of ESG information is one mechanism companies use to gain public support and maintain the sustainability of their operations (Suchman, 1995; Deegan, 2002). When companies demonstrate a commitment to environmental, social, and governance issues,

public trust in the company increases, which can positively impact the company's long-term financial performance (Velte, 2017; Buallay, 2019). In practice, ESG implementation requires a structured measurement and reporting system. Therefore, the concept of sustainability accounting emerged as an instrument that enables companies to identify, measure, record, and report the economic, social, and environmental impacts of their business activities. Sustainability accounting is a crucial foundation for producing relevant, reliable, and transparent ESG information for stakeholders (Schaltegger & Burritt, 2010; Gray, 2010). Through sustainability accounting, companies can evaluate the effectiveness of implemented sustainability strategies while integrating ESG aspects into managerial decision-making processes (Burritt & Schaltegger, 2014).

Various empirical studies have shown that ESG implementation has a positive relationship with corporate financial performance. A meta-analysis conducted by Friede et al. (2015) of over 2,000 studies found that approximately 90% of the studies showed a non-negative relationship between ESG and corporate financial performance. These results indicate that investing in sustainability practices does not reduce corporate profitability and can even potentially increase corporate value in the long term. Similar findings were also presented by Clark et al. (2015), who showed that companies with good sustainability practices tend to have lower capital costs, higher operational efficiency, and better market performance. Other studies have also found that companies with high ESG scores tend to have better profitability, market value, and business resilience than companies with low ESG scores (Fatemi et al., 2018; Buallay, 2019; Gillan et al., 2021). However, research findings on the relationship between ESG and financial performance still show some inconsistencies. Some studies find a strong positive relationship between ESG and financial performance, while others find a weak or even insignificant relationship (Halbritter & Dorfleitner, 2015). These differences are influenced by variations in industry sector, company size, economic conditions, regulations, and the ESG measurement methods used. Therefore, more specific research in specific industry sectors is needed to gain a more comprehensive understanding of the effectiveness of ESG implementation in improving corporate financial performance (Velte, 2017; Gillan et al., 2021).

One interesting sector to research is the port services sector. This sector plays a strategic role in supporting national and international trade activities, thus facing increasing pressure to implement sustainability principles. Port activities are closely related to energy consumption, carbon emissions, waste management, occupational safety, and relationships with the surrounding community. Therefore, ESG implementation in port services companies is a crucial factor in maintaining operational sustainability and enhancing company competitiveness amidst increasing stakeholder demands for responsible business practices. In the past five years, port services companies in Indonesia have faced various significant challenges, including the impact of the COVID-19 pandemic, changing global trade patterns, digital transformation, and corporate restructuring and merger processes. These conditions require companies to improve operational efficiency while strengthening sustainability aspects as a strategy to maintain company performance. However, empirical studies on the relationship between sustainability accounting, ESG, and financial performance in the port services sector are still relatively limited compared to the manufacturing sector and listed companies. This research gap highlights the need for studies that specifically analyze how the

implementation of sustainability accounting contributes to improving the financial performance of port services companies.

Based on this description, this study is entitled "Analysis of the Role of Sustainability Accounting on the Financial Performance of Port Services Companies in 2024." This study aims to analyze the application of sustainability accounting and ESG practices in port services companies and examine their impact on the companies' financial performance. The research results are expected to provide theoretical contributions to the development of literature on ESG and sustainability accounting, while also providing practical recommendations for company management in integrating sustainability principles into business strategies to achieve optimal and sustainable financial performance.

RESEARCH METHODS

This research uses a qualitative method with an *explanatory case study approach*, aiming to gain an in-depth understanding of the phenomenon of sustainability accounting implementation and its implications for the financial performance of port service companies. The *explanatory case study approach* was chosen because it allows researchers to explain complex cause-and-effect relationships in a real-world organizational context, particularly regarding how sustainability accounting practices and the implementation of *Environmental, Social, and Governance* (ESG) principles contribute to the achievement of a company's financial goals (Morin et al., 2021). This approach is considered relevant for studying this evolving phenomenon and requires in-depth contextual analysis, enabling researchers to understand the processes, mechanisms, and factors influencing the successful implementation of sustainability within an organization (Yin, 2018; Crowe et al., 2011). The research was conducted at a port service company operating in the Tanjung Perak area of Surabaya. The selection of the research location was based on strategic considerations, namely that the port sector plays a crucial role in national logistics and trade activities and faces increasing demands for implementing sustainable business practices. The research period covers 2021–2025, a period reflecting the post-COVID-19 pandemic recovery phase, operational transformation, and strengthening the implementation of corporate sustainability policies.

The data sources used in this study were primary data obtained through *in-depth interviews* and direct observation of company activities. The use of these two techniques aims to obtain comprehensive, context-rich data that can describe the actual conditions of sustainability accounting implementation in organizational practices (Alaslan et al., 2023). Interviews were conducted with informants directly involved in the company's financial management, sustainability reporting, and strategic decision-making processes, while observations were conducted to identify the alignment between reported policies and implementation in the field. The combination of these two data collection techniques allows for triangulation of sources and methods to increase the credibility and validity of the research findings (Creswell & Poth, 2018; Flick, 2018). The main focus of this research is directed at analyzing the company's financial performance, as represented by the company's profit development during the observation period. This study starts from the assumption that the effective implementation of sustainability accounting can improve operational efficiency, strengthen stakeholder trust, reduce business risks, and ultimately contribute to improving corporate financial performance, as found in various previous studies on the relationship

between ESG, sustainability accounting, and corporate performance (Eccles et al., 2014; Friede et al., 2015; Gillan et al., 2021).

RESULTS AND DISCUSSION

Environmental, Social, and Governance (ESG) implementation in port services companies cannot be separated from the dynamics of sustainability regulations in Indonesia. ESG implementation in the companies that are the object of this research has developed gradually since the issuance of Law Number 40 of 2007 concerning Limited Liability Companies, specifically Article 74 which regulates the obligation to implement Social and Environmental Responsibility (TJSL). This regulation serves as the initial foundation for companies to begin integrating social and environmental aspects into their business activities. Furthermore, the commitment to sustainability has been further strengthened through various policies issued by the Financial Services Authority (OJK), including the 2015 Sustainable Finance Roadmap, OJK Regulation Number 51/POJK.03/2017 concerning the implementation of sustainable finance and the preparation of sustainability reports, and the Phase II Sustainable Finance Roadmap for the 2021–2025 period which emphasizes the integration of ESG into business strategy, corporate governance, risk management, and green finance innovation. The development of these regulations encourages companies to not only focus on achieving financial profits, but also pay attention to the social and environmental impacts caused by their operational activities.

Figure 1. Focus of Sustainability Accounting Implementation in Port Services Companies

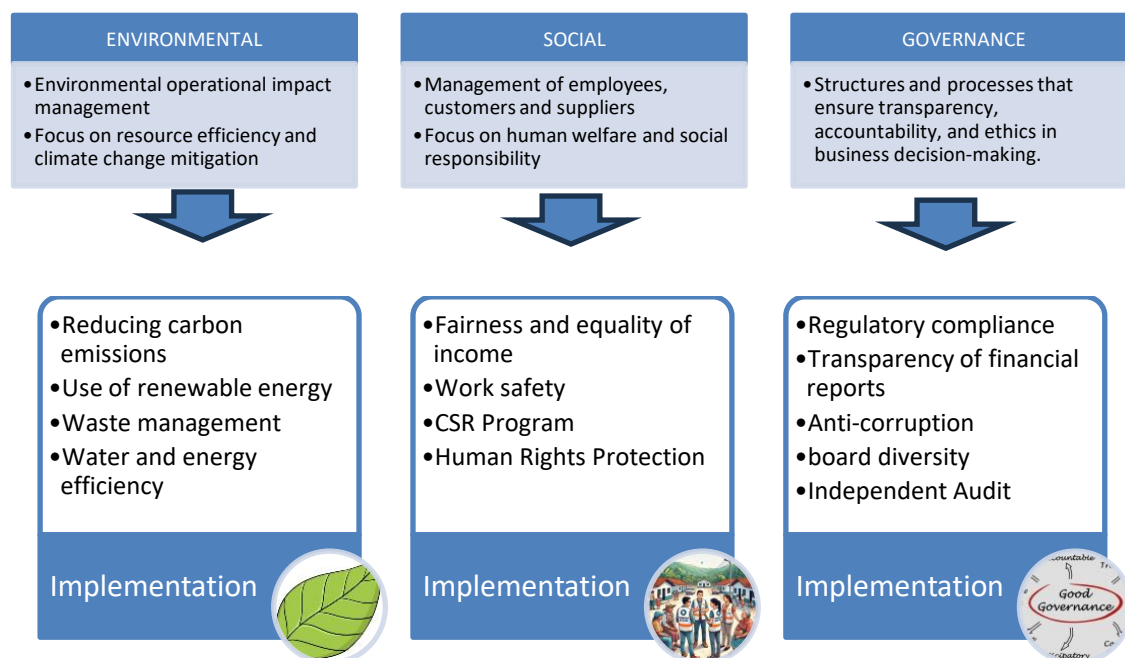
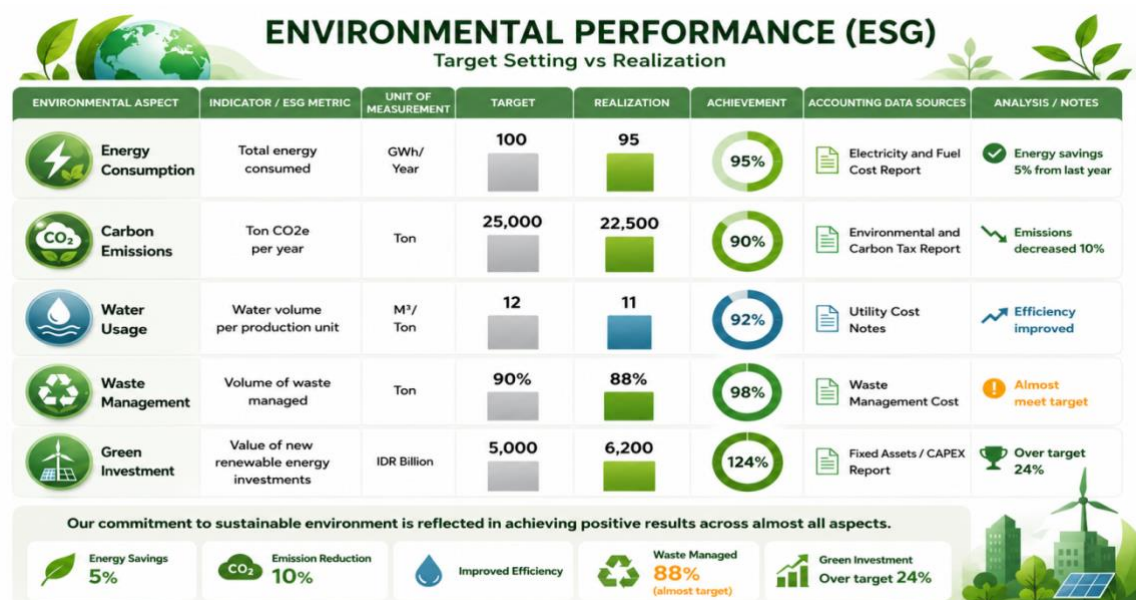
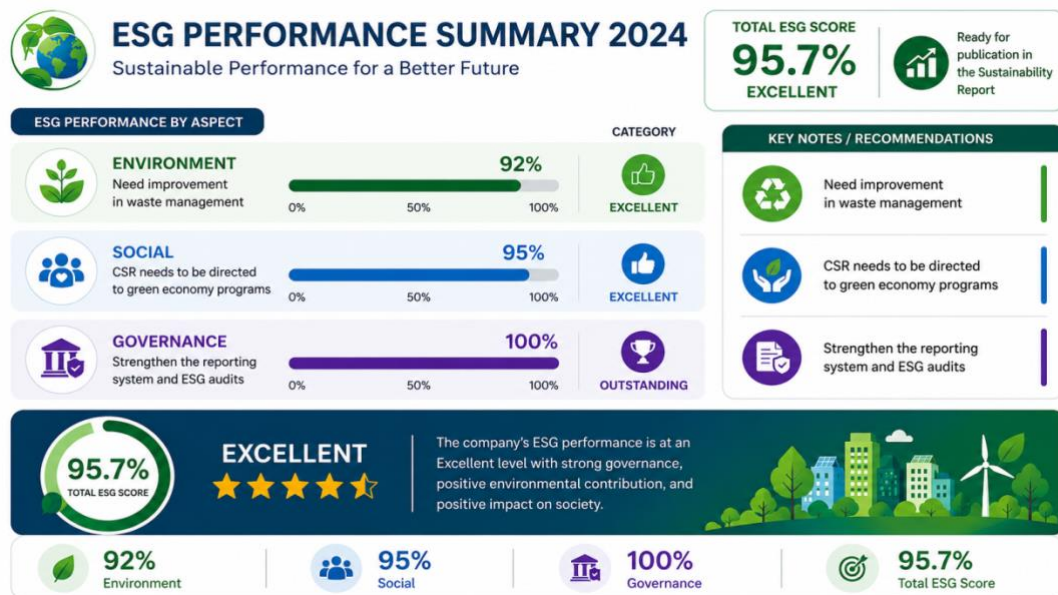


Figure 2. Implementation of ESG in Port Services Companies

ESG Aspect	Main Indicators	Implementation	Metrics / Target	Role of Accounting in ESG
Environmental	1. Climate Change	Implementation of energy efficiency initiatives and use of renewable energy	Reduction in carbon emissions by 15% in 5 years. Percentage of renewable energy used reaches 30%.	Measuring and reporting the company's environmental performance. Identifying environmental costs and savings. Preparing sustainability reports in accordance with global standards (e.g., GRI, SASB).
Social	1. Employment Employee Health and Safety Program	Implementing an occupational health and safety program, as well as training.	Lost Time Injury (LTI) rate < 1. 100% of employees receive training.	Identifying and allocating costs related to employee welfare. Measuring and reporting social impact as part of ESG evaluation.
	2. Diversity and Inclusion	Implement policies that support diversity and inclusion in the workplace.	Percentage of women in leadership. Inclusion Index.	Reporting diversity metrics as part of ESG evaluation. Evaluating the impact of inclusion policies on the company.
	3. Community Engagement Social Investment Program	Implement a social investment program focused on education and health.	> 20 social programs per year. Number of beneficiaries.	Measuring social return on investment (SROI). Reporting the social impact of programs to stakeholders.
Governance	1. Good Corporate Governance (GCG)	Implement good corporate governance practices based on GCG principles.	Compliance index score > 90. Number of ethical violations.	Measuring and reporting compliance with governance policies. Ensuring transparency and accountability in financial reporting.
	2. Business Ethics	Implement a strict business ethics policy, including anti-corruption and anti-bribery.	Number of corruption cases = 0. Percentage of employees who receive ethics training.	Identifying and managing ethics risks. Reporting ethics policies as part of the company's integrity. Measuring the effectiveness of ethics programs.







Based on the research results, the port services company that was the object of the study demonstrated an excellent level of ESG implementation with an ESG score reaching 95.7%. This value indicates that the company has successfully integrated sustainability principles into various operational and strategic aspects of the company. The high ESG score is inseparable from the implementation of sustainability accounting, which is systematically used as an instrument to identify, measure, and report the company's economic, social, and environmental performance. According to Schaltegger and Burritt (2010), sustainability accounting functions as a strategic management tool that helps organizations integrate economic goals with social and environmental responsibilities to support more sustainable decision-making. Therefore, the company's high ESG score indicates that sustainability accounting practices have been implemented effectively and become part of the company's corporate governance system.

One of the key findings of this study is the company's success in implementing an electrification program for port equipment and facilities. The program resulted in efficiency in diesel fuel usage and spare parts requirements of up to 30%. This efficiency directly contributed to lowering the company's operational costs while reducing carbon emissions from port activities. This finding aligns with research by Eccles et al. (2014), which states that companies with strong sustainability practices tend to have higher operational efficiency than companies that have not integrated sustainability principles into their business strategies. Increased operational efficiency will impact production costs or operational costs, thereby increasing company profitability. From the perspective of corporate economic theory, reducing costs without compromising service quality will increase profit margins and strengthen the company's competitiveness in the market.

These findings also support the results of a meta-analysis conducted by Friede et al. (2015) of over 2,000 studies on the relationship between ESG and financial performance. The study found that the majority of studies demonstrated a positive relationship between ESG implementation and corporate financial performance. Reducing energy consumption, efficient use of resources, and managing environmental risks have been shown to increase a company's long-term economic value. In the context of port services companies, electrification of port

facilities not only provides economic benefits in the form of cost efficiencies but also provides reputational benefits by demonstrating the company's commitment to reducing carbon emissions and achieving sustainable development targets.

From a social perspective, research results show that the company consistently implements various human resource development programs through competency training, employee capacity building, and employee welfare programs. Furthermore, the company also runs various Corporate Social Responsibility (CSR) programs aimed at the communities surrounding its port operations. Investment in human resources is a crucial factor in creating sustainable competitive advantage, as the quality of a service company's services is highly dependent on the competence and productivity of its workforce. Gillan et al. (2021) explain that the social dimension of ESG significantly influences the formation of a company's reputation, employee loyalty, and its relationship with the community. When a company demonstrates concern for the welfare of its employees and the community, stakeholder trust in the company increases.

These findings can also be explained through the Stakeholder Theory proposed by Freeman (1984). This theory states that a company's success is greatly influenced by its ability to meet the needs and expectations of its stakeholders. The company's human resource development and CSR programs demonstrate a concrete effort to build harmonious relationships with both internal and external stakeholders. These positive relationships will increase the company's social legitimacy, strengthen its reputation, and generate ongoing support from various stakeholders for its business activities (Donaldson & Preston, 1995). Therefore, the benefits of social programs are not only felt by the beneficiary community but also have an indirect economic impact by improving the company's image and trust.

In terms of governance, the research findings indicate that the company has consistently implemented good corporate governance principles. This is demonstrated by the company's success in obtaining ISO 37001 certification for Anti-Bribery Management Systems and ISO 22301 certification for Business Continuity Management Systems. These certifications reflect the company's commitment to building an effective, transparent, and accountable internal control system. According to Naciti (2019), good corporate governance is a crucial factor in increasing the effectiveness of ESG implementation because it can reduce operational risk, compliance risk, and reputational risk. Strong governance also improves the quality of strategic decision-making, thereby supporting the sustainable achievement of company goals.

The implementation of good governance has been proven to have a positive impact on customer trust. In the port services sector, customer trust is a crucial factor because it is related to the security, timeliness, and reliability of logistics services. The results of the study indicate that increased customer trust contributed to increased export-import activity, as reflected in a 9.3% increase in throughput, equivalent to 1.58 million TEUs. This increase in service volume indicates that ESG implementation not only functions as an instrument for regulatory compliance but also creates real economic value for the company. This finding is consistent with research by Fatemi et al. (2018), which concluded that companies with good ESG performance tend to have higher company value because investors and customers perceive these companies as having lower risk and better long-term prospects.

Furthermore, external audit results that consistently obtain an Unqualified Opinion (WTP) and the absence of material major findings demonstrate the high quality of the

company's financial and sustainability reporting. According to Deegan (2002), reporting transparency is a key mechanism for gaining legitimacy from the public and stakeholders. Credible financial statements and sustainability reports will increase the trust of investors, creditors, regulators, and customers in the company's condition. In the context of sustainability accounting, information transparency is a crucial factor because it allows stakeholders to evaluate the company's performance more comprehensively, not only from a financial perspective but also from a social and environmental perspective.

Overall, the results of this study indicate that the implementation of sustainability accounting through the integration of ESG principles significantly contributes to improving the financial performance of port service companies. This relationship is evident through increased operational efficiency, enhanced human resource quality, enhanced stakeholder trust, strengthened corporate governance, and increased business activity volume. These findings reinforce the view that sustainability is no longer merely a regulatory obligation or a corporate philanthropic activity, but has become a business strategy capable of creating competitive advantage and long-term economic value. Thus, this study provides an empirical contribution to the ESG and sustainability accounting literature, particularly in the port services sector, which to date remains relatively limited compared to the manufacturing sector and companies listed on the capital market.

CONCLUSION AND SUGGESTIONS

Based on the research results, it can be concluded that the implementation of *Environmental, Social, and Governance* (ESG)-based sustainability accounting in port services companies contributes positively to improving the company's financial performance. ESG implementation, reflected through energy efficiency and emission reduction in the environmental aspect, human resource development and social responsibility programs in the social aspect, and strengthening corporate governance through the application of *good corporate governance principles* in the governance aspect, has been proven to be able to create added value for the company. The implementation of these three ESG dimensions not only improves the company's operational efficiency and profitability but also strengthens its reputation, customer trust, and relationships with stakeholders. The high ESG score achieved by the company indicates that integrating sustainability principles into its business strategy can be an effective instrument in supporting sustainable company growth.

In addition to increasing profits and company value, the implementation of sustainability accounting also plays a role in strengthening corporate competitiveness amidst global demands for responsible business practices. This research finding indicates that ESG is not simply a form of regulatory compliance but has become a business strategy capable of simultaneously creating economic, social, and environmental benefits. Therefore, port services companies and other business sectors need to continue strengthening ESG implementation through continuous innovation, improving the quality of sustainability reporting, and strengthening corporate governance. In this way, companies can maintain their business sustainability in the long term while making a greater contribution to sustainable economic development.

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