INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES

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ISSN: 2222-6990

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To Link this Article: http://dx.doi.org/10.6007/IJARBSS/v12-i12/15897 DOI:10.6007/IJARBSS/v12-i12/15897

Received: *12* October *2022*, ***Revised:*** *14* November *2022*, ***Accepted:*** *28* November *2022*

Published Online: *17* December 2022

In-Text Citation: (Saminem et al., 2022)

To Cite this Article: Saminem, Sulaiman, S., & Mohamad, M. (2022). Integrated Reporting in Indonesia: Issues, Current Trend, and Future Prospects. *International Journal of Academic Research in Business and Social Sciences*, *12*(12), 1187 – 1193.

Vol. 12, No. 12, 2022, Pg. 1187 – 1193

http://hrmars.com/index.php/pages/detail/IJARBSS **JOURNAL HOMEPAGE**

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ISSN: 2222-6990

Integrated Reporting in Indonesia: Issues, Current Trend, and Future Prospects

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Abstract
Integrated reporting (IR) presents information on performance, governance, strategy, and prospects in a single report. A single report allows for a more transparent and comprehensive disclosure of company information. In Indonesia, the public has begun to pay attention to integrated reporting, with several companies using it. As a result, this study aims to examine the issues, current trends, and prospects of IR implementation in Indonesia. This study employs the method of a literature review. According to the findings of a literature review, there are still relatively few companies in Indonesia that use IR in their reports. Nonetheless, the opportunity to implement IR in Indonesia remains open. This is demonstrated by an increase in the number of companies implementing IR from 2014 to 2021. In 2021, the number of organizations implementing IR in their reports in Indonesia has reached 40. As a result, it is predicted that corporate reporting will shift from separate reporting to integrated reporting. Regulations regulating integrated reporting in company reports are required to support the implementation of integrated reporting, given that integrated reporting in Indonesia is still voluntary. The rules governing the performance of IR are expected to increase the number of companies in Indonesia willing to incorporate IR into their reports.
Keywords: Integrated Reporting, Voluntary, Issues, Governance, Performance.

Introduction

Corporate reporting evolves in response to business developments. Good reporting discloses company performance information holistically and comprehensively. Good corporate reporting can assist creditors and investors in better understanding the company's value and reputation. In general, company reports evolve in response to stakeholder demands. According to Kustiani (2016), the company initially presented financial statements only by displaying the company's financial indicators because the needs of financial reporting users were limited to making economic decisions based solely on financial information. Then came management reporting, which gave financial and other information about the company's management but did not demonstrate how the company's concern, dedication, and responsibility for social and environmental concerns, which have become basic pillars of business, were low (Lako, 2013). As a result, Financial statements are meant to offer information not just to investors and creditors in their position as providers of corporate financial resources, but also to the social and natural environment regarding the implications of the company's existence (Kustiani, 2016).

However, science, including accounting, has evolved in tandem with the times. The advancement of accounting science can be seen in the shift in business perspective in which the organization's ultimate goal has shifted not only to maximize profits but also to look at the outcomes generated in the profit maximization process through Corporate Social Responsibility (CSR). This CSR program's execution attempts to modify the organization's strategic plans for it to survive in the future.. Green reporting refers to corporate reporting that focuses on CSR or environmental reporting. Financial and CSR reporting, as well as environmental reporting, are frequently stated in separate reporting forms, which confuses users (Martani, 2014).

Furthermore, separate reports (financial and sustainability reports) have elicited opposing views from various parties. The information presented has no connection between the two reports (Berndt et al., 2014). Changes in the business environment also encourage innovations in financial reporting practices, one of which is social and environmental responsibility reporting, also known as reporting (Kustiani, 2016).

Financial reporting and non-financial reporting are currently separated in corporate reporting. In Indonesia, current financial reporting refers to the International Financial Reporting Standards (IFRS). Meanwhile, the tendency in financial reporting is to increase features of information disclosure in financial statements to effectively communicate information about the company's performance and condition. Financial reporting follows the same direction and focus as non-financial reporting, in which non-financial reporting investigates disclosure issues related to three areas: environmental, social, and governance (ESG). In essence, all corporate reporting aims to increase the company's value. Meanwhile, Eccles (2012) emphasizes the importance of providing information about the inputs and outputs generated by the company's operational activities. The company is concerned not only with its financial performance but also with the impact of its operational activities on the community and the environment.

The trend of sustainability reporting has emerged due to organizational awareness of the report's benefits and applications, such as encouraging companies to be transparent about the details of their operations. According to the company, transparency can increase trust in creditors, potential creditors, investors, and potential investors. Furthermore, sustainable reporting can differentiate the company for stakeholders who invest in it. However, the initiated sustainable reporting has a flaw in that it does not provide information on an organization's governance, strategy, remuneration, and prospects to generate value. Furthermore, continuous reporting provides incomplete information, making decision-making difficult for stakeholders. To address the issues raised by sustainable reporting, an innovation in reporting is required that can integrate all types of reports, including financial, management, and sustainability reports, into a report known as integrated reporting. Integrating reporting combines relevant details on a company's strategy, risk, remuneration, governance, and performance in order to represent the social, commercial, and environmental context.

IR has a concept that highlights the link between governance, financial performance, corporate strategy, and CSR in the economic context of the company's activities by stressing this interaction. IR is expected to be used to aid decision-making to improve company performance for stakeholders (Kustiani, 2016). This occurs because, in today's globalized economy, companies must create value to compete in the economic system. To create value sustainably, IR requires integrated thinking from the company. Companies must assess their operational activities and present this data to stakeholders (Eccles, 2012; Adriana et al., 2014). The IR produces a report known as an integrated report. As a result, to compete in an increasingly competitive business environment, it is necessary to update the business model for internal decision-making.

IR emphasizes the importance of transparency and accountability in reporting company performance. In its early stages, the application of IR in Indonesia is still limited. According to data from IIRC-listed companies, only 32 organizations have implemented IR in their reports, and five firms listed on the Indonesia Stock Exchange have implicitly stated that they have implemented IR in their reports. This is in contrast to other companies around the world, particularly in Europe, which have begun to abandon sustainable reporting in favour of integrated reporting. Turkey is preparing to do so because it has been shown to provide more benefits to businesses (Mondovision, 2017). In light of this explanation, this paper aims to investigate the issues, current trends, and prospects of integrated reporting in Indonesia.

Literature Review

Issues on Integrated Reporting

The International Integrated Reporting Council (IIRC) defines integrated reporting as a process that results in the organisation communicating the clearest, periodic integrated report on how the organization's governance, strategy, performance, as well as a potential performance, lead to value creation (IIRC, 2021). Integrated reporting provides transparent and integrated financial and non-financial information regarding how an organisation develops added value, such as governance, financial, economic, environmental, and social challenges (Morros, 2016). The report is integrated reporting in Indonesia, but the contents do not reflect IR under the IIRC framework (Martani, 2021).

In Indonesia, the form of annual reports with integrated reporting is still considered voluntary disclosure (Kustiani, 2016), which means that there are no formal regulations governing how annual reports must adhere to and lead to an integrated reporting framework (Wijaya et al., 2021). According to Prijanto and Widianingsih (2012), voluntary disclosure of information refers to the voluntary disclosure of reports by going public companies that are not required. Some companies have adopted integrated reporting, dubbed it the annual report, and interpreted it as a cross between annual and sustainability reports (Martani et al., 2012). Indonesia's IR implementation remains modest compared to other G20 countries that have implemented IR (IAPI, 2020).

Current Trend of Integrated Reporting

The use of IR in Indonesia is still limited, but its development trend is increasing, as shown in figure 1. Since the introduction of the IIRC framework in 2013, several companies in Indonesia, namely around 17 companies, have included IR in their reports. Furthermore, until 2017, companies that used the IIRC framework saw a slight increase. The trend of companies in Indonesia implementing IR then increased significantly from 2018 to 2021, reaching 40 organizations. This could be due to the Indonesian government, in this case, the Authority Financial Services (OJK), issuing OJK Regulation No. 51/POJK.03/2017 regarding implementing Sustainable Finance for Financial Service Institutions, Issuers, and Public Companies. When a sustainability report is included as part of integrated reporting, according to IIRC data, only 32 organizations have implemented IR in their reports, and 8 companies listed on the

Indonesia Stock Exchange have implicitly stated that they have implemented IR in their reports.

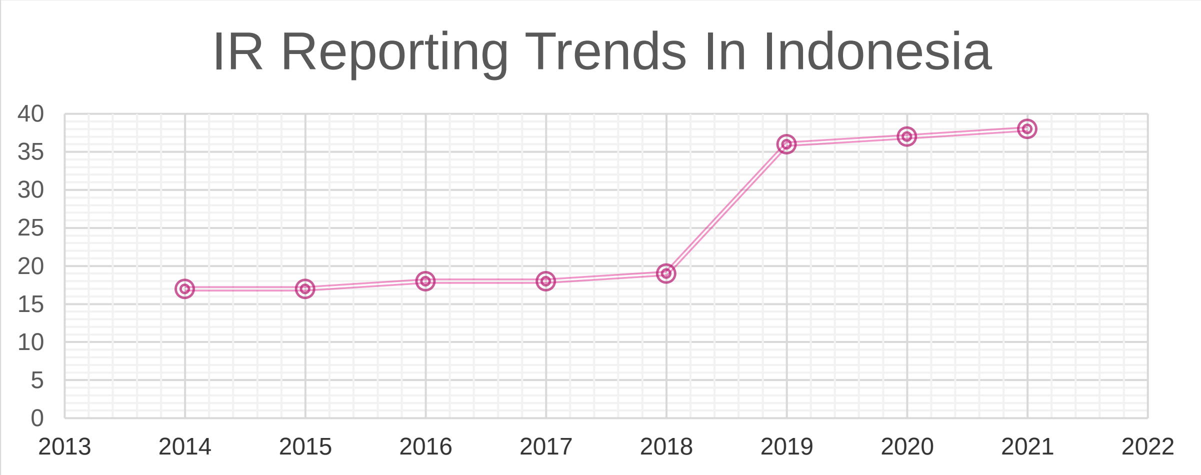

Figure 1: Integrated Reporting Trends in Indonesia
Source: Data processed by the author

Future Prospect of Integrated Reporting

Many previous studies show that companies in Indonesia are ready to incorporate IR into their reports (Adriana, 2015; Setiawan, 2016; Dega, 2018; Sutiono, 2019; Adhariani and Sciulli, 2020). Furthermore, the future trend in corporate reporting is to shift away from separate reporting to integrated and comprehensive reporting, as seen in integrated reporting. Roth (2014) also revealed that a corporate entity understands the importance of integrating all areas of sustainability and financial reporting into a single, integrated report. According to a KPMG (2016) survey, most company reports (44 per cent) do not look beyond short-term initiatives when discussing strategy. Furthermore, only 58% of businesses identify knowledge and expertise as critical business model components.

Furthermore, only 17% of reports indicate whether the company is gaining or losing customers. It suggests that the company's performance is still poor. As a result, an urgent need is to implement an integrated report that presents a single comprehensive report on the company's report. As a result of this trend, the financial services authority (OJK) has been encouraged as a regulator to conduct research on integrated reporting from the perspectives of Preparers, Users, Regulators, and Standard Setters to support the creation of comprehensive reporting. Thus, with government support, the potential for IR development in Indonesia appears to be quite significant.

Methodology

In this publication, a literature review was employed because it is a systematic, clear, and reproducible process for locating, analysing, and summarising research results and ideas created by researchers and practitioners (Okoli & Schabram, 2011; Rahayu et al., 2019). This research is a descriptive analysis, which is a regular breakdown of the data obtained, followed by an understanding and explanation so that the reader can understand it well.

Discussion and Conclusion

In Indonesia, the use of integrated reporting is currently optional. However, some businesses voluntarily include IR in their financial reports. Companies may implement IR because, as stated in the IIRCF, integrated reporting can increase the value of the company. Meanwhile, the lack of companies implementing IR in accordance with the IIRC Framework may be due to the absence of IR-specific regulations. As a result, the company finds it difficult or reluctant to include IR in company reports because it is not required. Whatever the underlying reason, research on integrated reporting, particularly in Indonesia, must be encouraged to produce reports that are accountable, transparent, and comprehensive as soon as possible.

According to the description above, although the integrated reporting framework has been around since 2013, there are still a small number of companies that use it in their company reports, particularly in Indonesia. Nonetheless, the possibility of implementing IR in Indonesia remains open. This is evidenced by an increase in the number of companies implementing IR from 2014 to 2021. As a result, it is expected that corporate reporting will shift from separate reporting to integrated reporting in the future.

Regulations that regulate the implementation of integrated reporting in company reports are needed to support the implementation of integrated reporting, given that integrated reporting in Indonesia is still voluntary. Companies in Indonesia, particularly those listed on the Indonesia Stock Exchange, are currently required to submit a sustainability report under OJK Regulation No. 51/POJK.03/2017. When a sustainability report is included as part of integrated reporting. However, the focus and information content of Sustainability Reporting (SR) and Integrated Reporting (IR) differ significantly (SR). As a result, companies in Indonesia are encouraged to incorporate IR into their reports as soon as possible.

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Acknowledgements
The Malaysian Ministry of Higher Education has provided financial support under the Fundamental Research Grant Scheme.

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