International Conference on Sustainable Economics, Management, and Accounting (ICSEMA 2026)
Proceedings
Vol. 02 Year 2026, 535 – 550
ISSN: 3109-3337

SUSTAINABILITY REPORTING, ENVIRONMENTAL, SOCIAL, AND GOVERNANCE TRANSPARENCY, AND MSME PERFORMANCE: A SYSTEMATIC LITERATURE REVIEW

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Article Information: Received --- June, 25 2026, Published --- August, 1 2026

Abstract

This study aims to analyze the development of scholarly research on sustainability reporting, Environmental, Social, and Governance (ESG) transparency, and the performance of Micro, Small, and Medium Enterprises (MSMEs) through a Systematic Literature Review approach. This topic has become increasingly relevant due to the growing attention to sustainable business practices and the demand for transparency in non-financial information, including within the MSME sector, which serves as one of the main drivers of the economy. MSME performance is influenced not only by production capacity, marketing capability, and financial management, but also by the ability of business actors to implement sustainability principles, provide transparent information, and integrate environmental, social, and governance aspects into their business activities. Sustainability reporting and ESG transparency have become increasingly important because they can enhance accountability, stakeholder trust, access to financing, business reputation, and the competitiveness of MSMEs in responding to an increasingly complex business environment. This study employs a Systematic Literature Review method by examining relevant scholarly articles on sustainability reporting, ESG, information transparency, and MSME performance. The review process was conducted through the stages of identification, screening, eligibility assessment, and literature synthesis to obtain a systematic understanding of the relationships among the concepts. The findings indicate that sustainability reporting plays an important role in strengthening transparency and accountability among MSMEs. In addition, ESG transparency contributes to improving MSME performance by enhancing stakeholder trust, strengthening business legitimacy, supporting risk management, and creating long-term value.

Keywords: Sustainability Reporting, ESG Transparency, MSME Performance, Accountability

INTRODUCTION

Global economic transformation has changed the way organizations assess, manage, and report their business performance. While performance assessment in the past was largely focused on financial aspects, recent developments indicate that stakeholders increasingly demand broader information disclosure, particularly with regard to sustainability, social responsibility, and corporate governance. In this context, sustainability reporting and Environmental, Social, and Governance (ESG) transparency have become important instruments for building accountability, strengthening legitimacy, enhancing stakeholder trust, and creating long-term value for organizations. This introductory structure follows the logic of the reference article, which begins with a broad phenomenon and then narrows the discussion to a specific issue, research urgency, research question, and article structure. Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in the economy because they contribute to job creation, income distribution, the strengthening of local supply chains, and the improvement of community welfare (Spence, 2016). Nevertheless, MSMEs are not only required to improve their financial performance but also to demonstrate commitment to responsible business practices (Pizzi et al., 2020).

Sustainability reporting provides a means for MSMEs to communicate the economic, social, and environmental impacts of their business activities, while ESG transparency strengthens the disclosure of information required by investors, consumers, financial institutions, governments, and business partners. Accordingly, sustainability reporting and ESG transparency can be understood as important mechanisms for enhancing MSME reputation, access to financing, competitiveness, and business sustainability. From an ESG perspective, the environmental dimension relates to the ability of MSMEs to manage resource use, energy efficiency, waste reduction, and the ecological impacts of business processes. The social dimension includes MSMEs' relationships with employees, customers, surrounding communities, and business communities. Meanwhile, the governance dimension concerns financial recordkeeping, business ethics, compliance, decision-making processes, and information transparency. These three dimensions should not be viewed separately, as together they form the foundation of business accountability. The stronger the ESG transparency practiced by MSMEs, the greater their opportunity to gain stakeholder trust, enhance business legitimacy, and improve performance in a sustainable manner.

However, the implementation of sustainability reporting and ESG transparency in MSMEs continues to face various challenges (Martínez-Conesa et al., 2017). Most MSMEs have limitations in terms of accounting literacy, human resources, recordkeeping systems, technological capability, and understanding of sustainability reporting standards. In addition, academic studies on sustainability reporting and ESG have largely focused on large companies, publicly listed firms, or multinational corporations. This condition indicates a gap in the literature, particularly in understanding how sustainability reporting and ESG transparency can be adapted to the characteristics of MSMEs, which differ in scale, capacity, and business complexity. Studies on the relationship among sustainability reporting, ESG transparency, and MSME performance are also dispersed across various research contexts. Some studies emphasize reporting aspects, while others discuss governance, social responsibility, access to financing, reputation, or business performance. However, a systematic synthesis integrating these three aspects remains necessary. Therefore, a Systematic Literature Review (SLR) is a relevant approach for identifying, evaluating, classifying, and synthesizing previous research findings in order to obtain a more comprehensive understanding of the relationship among sustainability reporting, ESG transparency, and MSME performance.

This study employs a Systematic Literature Review approach by referring to PRISMA principles to ensure a systematic, transparent, and credible review process (Baumüller & Sopp, 2022). Through this approach, the study seeks to identify the development of the literature, main categories, determinants, and conceptual relationships that explain how sustainability reporting and ESG transparency contribute to improving MSME performance. Thus, this study is not merely intended to summarize existing literature but also to build a conceptual foundation for the development of sustainability and ESG reporting models that are more appropriate to the characteristics of MSMEs. Based on the preceding discussion, the research question proposed in this study is: How do sustainability reporting and Environmental, Social, and Governance transparency contribute to improving MSME performance based on a systematic literature review? This question is directed toward understanding the development of previous research, identifying the main dimensions frequently discussed in the literature, and developing a conceptual framework that links sustainability reporting, ESG transparency, and MSME performance (Klewitz & Hansen, 2014).

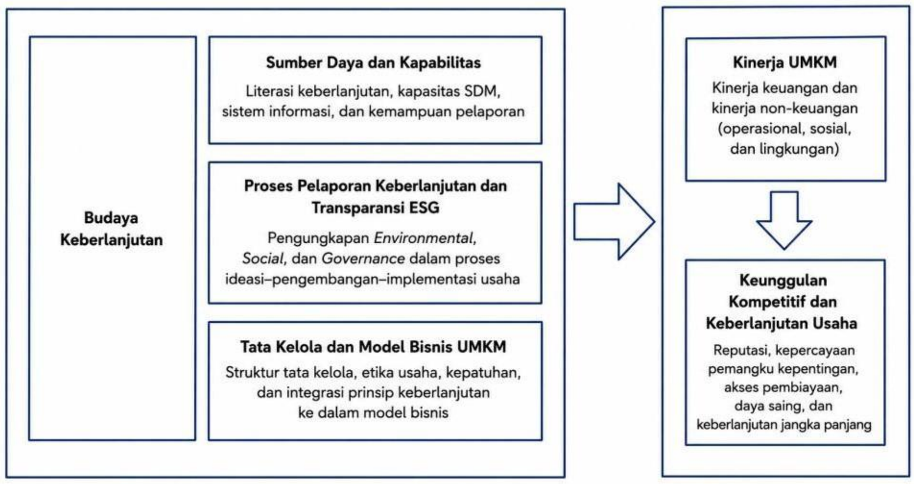

Figure 1. Conceptual Framework

The figure illustrates the conceptual framework concerning the relationship among sustainability reporting, Environmental, Social, and Governance (ESG) transparency, and MSME performance. This framework positions sustainability culture as the main foundation that influences the ability of MSMEs to integrate sustainability principles into their business activities. Sustainability culture reflects the values, orientation, and commitment of MSME actors toward business practices that are not solely focused on achieving economic profit but also take into account environmental responsibility, social responsibility, and governance.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

The Concept of Sustainability Reporting and ESG in MSMEs

In an era marked by increasing attention to sustainability, social responsibility, and governance, Micro, Small, and Medium Enterprises (MSMEs) are required to adapt to the changing paradigm of business reporting. Business reporting is no longer limited to the presentation of financial information but has evolved toward broader reporting that includes economic, environmental, social, and governance aspects. This shift indicates that sustainability reporting has become an important instrument for MSMEs to demonstrate accountability, transparency, and commitment to responsible business practices. In the context of MSMEs, sustainability reporting can be understood as the process of communicating information regarding the impact of business activities on the environment, society, and internal governance. Through such reporting, MSMEs can communicate how resources are utilized, how environmental impacts are managed, how social relationships are developed, and how decision-making processes are conducted ethically and transparently. Thus, sustainability reporting does not merely function as a documentation mechanism but also serves as a strategic tool for building legitimacy and enhancing stakeholder trust (Bellucci et al., 2019).

The concept of Environmental, Social, and Governance (ESG) strengthens the orientation of sustainability reporting by providing a more structured framework. The environmental dimension relates to the management of environmental impacts, energy efficiency, the use of environmentally friendly materials, and waste reduction. The social dimension encompasses MSMEs’ relationships with employees, customers, communities, and the surrounding society. Meanwhile, the governance dimension concerns business governance, business ethics, compliance, financial recordkeeping, and transparency in decision-making. In the context of MSMEs, the implementation of sustainability reporting and ESG has characteristics that differ from those of large companies. MSMEs often face

limitations in resources, reporting literacy, technological capacity, and understanding of sustainability standards (Buallay, 2019). However, these limitations do not reduce the importance of integrating ESG into business practices. On the contrary, strengthening sustainability reporting and ESG transparency can serve as a means for MSMEs to enhance reputation, expand access to financing, strengthen competitiveness, and build long-term business sustainability. Therefore, the first topic in this paper examines how sustainability reporting and ESG are conceptualized in the MSME literature. The discussion may be directed toward definitions, dimensions, indicators, benefits, challenges, and research developments concerning sustainability reporting and ESG in MSMEs (Shalhoob & Hussainey, 2022).

ESG Transparency and Its Implications for MSME Performance

In contemporary business development, ESG transparency has become an important issue that influences how MSMEs build relationships with stakeholders. Transparency is not only related to the disclosure of financial statements but also includes the communication of information concerning environmental responsibility, social contribution, and business governance practices. This condition marks an important shift in the measurement of MSME performance, from one that was previously oriented toward financial indicators to a more comprehensive and sustainable performance framework. ESG transparency in MSMEs can function as a mechanism to reduce information asymmetry between business actors and stakeholders. Investors, financial institutions, consumers, governments, and business partners require reliable information to assess the feasibility, credibility, and sustainability of a business. MSMEs that are able to disclose ESG information transparently have the potential to gain greater trust, better access to financing, and broader partnership opportunities (Cho et al., 2015).

From a performance perspective, ESG transparency can contribute to both financial and non-financial performance. Financial performance may be reflected in increased sales, cost efficiency, asset growth, and easier access to funding. Meanwhile, non-financial performance may be reflected in improved reputation, customer loyalty, stakeholder trust, competitiveness, innovation, and business sustainability. Therefore, ESG transparency does not only serve as a reporting instrument but also functions as a managerial strategy to improve MSME performance comprehensively. Nevertheless, the relationship between ESG transparency and MSME performance is not always direct (Eccles et al., 2014). Several mediating factors need to be considered, such as sustainability literacy, governance capacity, regulatory support, the quality of recordkeeping, digital technology adoption, and pressure from markets and stakeholders. Thus, in this SLR paper, ESG transparency needs to be analyzed not merely as a single variable but as part of a system that influences MSME performance through mechanisms of accountability, legitimacy, and value creation. This second topic is directed toward examining how the literature explains the relationship between ESG transparency and MSME performance. The discussion may focus on mechanisms of influence, performance indicators, key determinants, and research gaps that require further development (Friede et al., 2015).

RESEARCH METHODS

This study employs a Systematic Literature Review (SLR) approach to systematically examine the development of the literature on sustainability reporting, Environmental, Social, and Governance (ESG) transparency, and MSME performance. The SLR approach was selected because it enables the consolidation of knowledge dispersed across various scholarly articles in a more structured, transparent, and accountable manner. Unlike narrative literature reviews, which tend to be descriptive, SLR applies explicit procedures in the processes of searching, screening, evaluating, and synthesizing literature, thereby improving the reliability of review findings and minimizing potential bias in article selection. In the context of this study, SLR is considered relevant because research on sustainability reporting, ESG transparency, and MSME performance remains dispersed across various perspectives (Sisdianto, 2024). Some studies discuss sustainability reporting as an accountability instrument, others position ESG as a mechanism of governance and legitimacy, while other studies link sustainability practices to the financial and non-financial performance of MSMEs (Fathurohman et al., 2025). Therefore, a systematic approach is needed to identify patterns of findings, classify key themes, and build a more comprehensive conceptual understanding of the relationship among these three concepts (Hahn & Kühnen, 2013).

The research design follows the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) principles as a guideline for the processes of identification, screening, eligibility assessment, and inclusion of articles. The use of PRISMA aims to ensure that the literature selection process is conducted transparently and can be clearly traced. Through these stages, relevant articles are selected based on predetermined inclusion and exclusion criteria, ensuring that the literature analyzed is aligned with the focus of the study. In general, the research design consists of two main phases. The first phase involves conducting an SLR based on PRISMA, which includes searching for articles in scientific databases, screening them based on titles and abstracts, assessing their eligibility based on full-text content, and determining the final articles to be included in the qualitative synthesis. At this stage, articles that meet the criteria are extracted to obtain important information, such as author names, year of publication, country or research context, research method, main variables, ESG indicators, MSME performance indicators, and key findings (Jenkins, 2009).

The second phase involves thematic analysis of the selected articles. At this stage, findings from previous studies are coded and grouped into several main categories. These categories are then developed into initial nodes that represent the central concepts of this study, namely sustainability reporting, ESG transparency, and MSME performance. Subsequently, each initial node is further analyzed to identify determinants that explain the relationships among the concepts, such as reporting capacity, sustainability literacy, environmental disclosure, social accountability, governance, access to financing, reputation, competitiveness, and business sustainability (Wickert, 2016).Through this process, the study does not merely aim to summarize existing literature but also to develop a conceptual framework explaining how sustainability reporting and ESG transparency contribute to improving MSME performance. This framework is expected to demonstrate that MSME performance is influenced not only by financial aspects but also by MSMEs' ability to build accountability, enhance stakeholder trust, strengthen business legitimacy, and integrate sustainability principles into governance and business models. Accordingly, this research method is designed to answer the main research question: How do sustainability reporting and Environmental, Social, and Governance transparency contribute to improving MSME performance based on a systematic literature review? To answer this question, the entire research process is conducted through systematic stages, beginning with the formulation of review objectives, literature search, article selection, data extraction, category classification, thematic analysis, and the development of synthesis and a conceptual framework (Tranfield et al., 2003).

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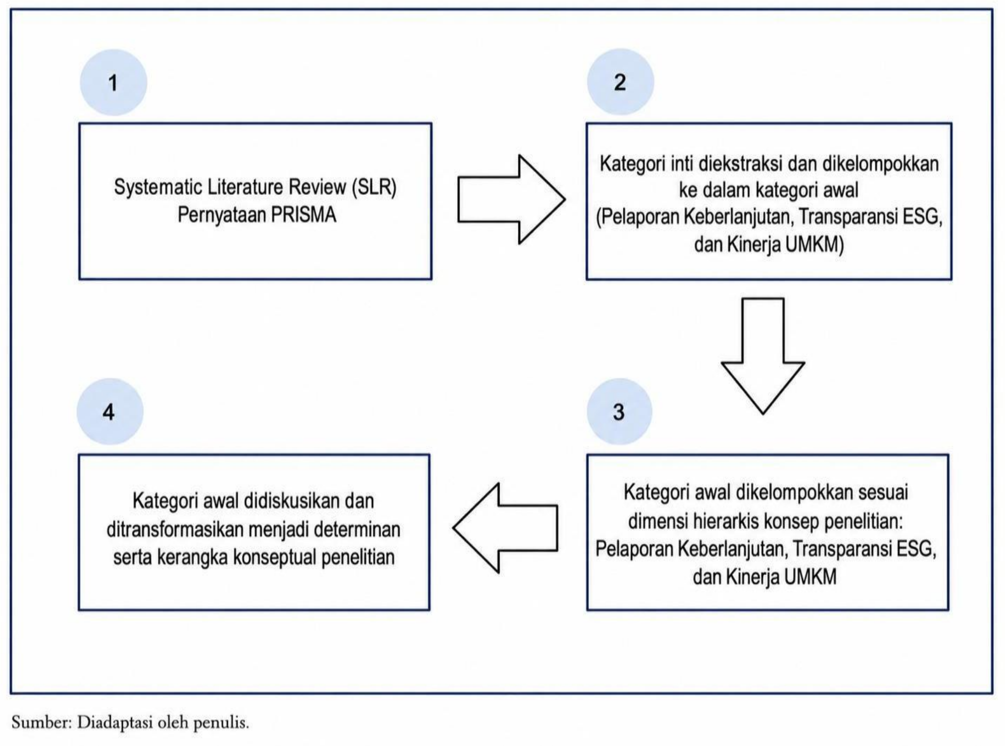

Figure 2.

Systematic Literature Review

This study employs a Systematic Literature Review (SLR) approach by following the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines. PRISMA is used as a systematic framework for reporting the processes of identification, screening, eligibility assessment, and inclusion of articles in the literature review. The integration of PRISMA in this study aims to ensure that the article selection process is conducted consistently, transparently, and traceably, thereby strengthening the credibility and reliability of the review findings. The SLR approach was selected because research on sustainability reporting, Environmental, Social, and Governance (ESG) transparency, and MSME performance remains dispersed across various fields of study, including accounting, management, entrepreneurship, sustainability, governance, and business performance. Therefore, a systematic review procedure is required to identify relevant articles, evaluate their quality and suitability, and synthesize the key findings that explain the relationship among sustainability reporting, ESG transparency, and MSME performance. The SLR process in this study follows the four main stages of PRISMA, namely identification, screening, eligibility, and inclusion. In the identification stage, articles are searched through reputable scientific databases using relevant keywords. In the screening stage, articles are selected based on title, abstract, year of publication, field of study, document type, and language. In the eligibility stage, articles that pass the initial screening are analyzed in greater depth through full-text reading. The final stage is inclusion, in which articles that meet the established criteria are selected for further analysis in the qualitative synthesis (Johnstone, 2020).

Search Terms and Applied Criteria

This study uses the Scopus database as the primary source for retrieving scholarly articles. Scopus was selected because it provides broad coverage of internationally reputable publications and encompasses various disciplines relevant to sustainability reporting, ESG, and MSME performance. The articles analyzed in this study are limited to the period 2021–

2025 in order to obtain an up-to-date overview of developments in ESG research, sustainability reporting, and MSME performance over the last five years. The article search strategy was conducted using a combination of keywords that reflect the three main concepts of this study, namely sustainability reporting, ESG transparency, and MSME performance. The search string used in the article search was as follows:
("sustainability reporting" OR "sustainability disclosure" OR "sustainability financial reporting") AND ("ESG" OR "Environmental Social Governance" OR "ESG transparency" OR "ESG disclosure")

To broaden the coverage of relevant articles, other terms related to the MSME context may also be used, such as small business, entrepreneurship, sustainable performance, business sustainability, accountability, and governance transparency. The use of these keyword variations aims to capture articles that employ different terminology but share substantive relevance to the research focus. The article selection process was conducted through four phases. First, relevant articles were identified from the Scopus database using the predetermined combination of keywords. Second, the identified articles were screened based on title, abstract, year of publication, document type, and field of study. Third, articles that passed the initial screening were assessed for eligibility through full-text reading to ensure their direct relevance to sustainability reporting, ESG transparency, and MSME performance. Fourth, articles that met all criteria were included in the qualitative synthesis for further analysis. The article search was conducted through the Scopus database using combinations of keywords related to sustainability reporting, sustainability disclosure, ESG, ESG transparency, ESG disclosure, MSME, SME, small and medium enterprises, financial performance, and business performance. The search focused on articles discussing the relationship among sustainability reporting, Environmental, Social, and Governance transparency, and MSME performance.

The initial search yielded 210 documents. In addition, no additional articles were identified from other sources, therefore, the initial number of articles remained 210 documents. After the identification process, duplicate articles were examined. Of the total documents obtained, 20 articles were identified as duplicates and excluded from the analysis. Thus, the number of articles after duplicate removal was 190 documents. Subsequently, these articles entered the screening stage, in which titles, abstracts, keywords, publication year range, document type, and field relevance were reviewed. At this stage, 142 articles were excluded because they did not align with the research focus, leaving 48 articles to proceed to the eligibility assessment stage. During the eligibility stage, 48 articles were analyzed through full-text reading to ensure their conformity with the inclusion and exclusion criteria. The articles were assessed based on their relevance to sustainability reporting, ESG transparency, the MSME context, and business performance. From this process, 8 articles were excluded because they did not meet the eligibility criteria. Based on the final PRISMA stage, 56 articles were deemed to meet the criteria for inclusion in the qualitative synthesis and were further analyzed in this study.

RESULTS AND DISCUSSION

General Overview of Selected Studies

The analysis in this study covered 56 articles that met the inclusion criteria based on the PRISMA-based Systematic Literature Review procedure. These articles were selected from the Scopus database and were published between 2021 and 2025. This period was selected to obtain an up-to-date overview of research developments concerning sustainability reporting, Environmental, Social, and Governance (ESG) transparency, and MSME performance in the context of contemporary business. In general, the analyzed articles indicate increasing academic attention to sustainability and ESG issues in the MSME sector. In the earlier years, studies tended to position sustainability as part of social responsibility and business governance. However, more recent studies have shifted toward examining the relationship among sustainability reporting, ESG information transparency, access to financing, business reputation, and MSME performance. This shift indicates that ESG is no longer understood solely as an issue for large corporations but has also become an important concern in the development of competitive and sustainable MSMEs.

Based on the distribution of publication years, articles published in 2021 generally focused on business sustainability and MSME resilience following changes in the global business environment. Articles published in 2022 increasingly discussed transparency, accountability, and governance as supporting factors for MSME sustainability. Furthermore, articles published between 2023 and 2025 showed a stronger tendency to discuss ESG, sustainability disclosure, green business practices, reporting digitalization, and the relationship between ESG transparency and business performance. From a regional perspective, the analyzed literature demonstrates diverse contributions from both developed and developing countries. Countries with strong attention to ESG and MSMEs generally have policy ecosystems that support sustainability, non-financial reporting, and access to financing based on business performance. Meanwhile, in developing-country contexts, studies more frequently highlight the limitations faced by MSMEs in implementing sustainability reporting, such as low accounting literacy, limited human resources, weak recordkeeping systems, and the absence of simple ESG guidelines suited to MSME characteristics.

The analyzed articles also demonstrate methodological diversity. Some studies employed quantitative approaches to examine the relationship among sustainability, ESG, and business performance. Others used qualitative approaches to understand reporting practices, implementation barriers, and MSME actors' perceptions. In addition, several studies adopted conceptual and literature review approaches to develop frameworks linking sustainability, governance, and business performance. This methodological diversity indicates that sustainability reporting and ESG in MSMEs represent a multidisciplinary research area involving perspectives from accounting, management, entrepreneurship, finance, and sustainability. Overall, the initial mapping shows that sustainability reporting, ESG transparency, and MSME performance are three interrelated issues. Sustainability reporting serves as an accountability instrument, ESG transparency functions as a mechanism for disclosing information to stakeholders, while MSME performance represents an outcome influenced by reporting quality, stakeholder trust, reputation, access to financing, and business sustainability.

Overview of the Selected Categories

To answer the research question regarding how sustainability reporting and ESG transparency contribute to improving MSME performance, the next stage involved identifying the main categories most frequently appearing in the analyzed articles. This process was conducted through a comprehensive reading of the articles, extraction of key findings, and classification of concepts into several initial nodes. This approach follows the structure of the reference paper, which identifies initial nodes from selected articles and then groups them into main dimensions for further discussion. Based on the thematic analysis, three main initial nodes were identified as representing the focus of the study: Sustainability Reporting, ESG Transparency, and MSME Performance. These three categories provide the basis for developing a conceptual understanding of the relationship among reporting practices, non-financial information disclosure, and business performance outcomes. The first category is Sustainability Reporting. This category includes discussions on sustainability reporting, sustainability disclosure, non-financial reporting, information accountability, and reporting quality. The literature indicates that sustainability reporting functions as a medium through which MSMEs communicate information regarding the economic, social, and environmental impacts of their business activities.

However, in the MSME context, sustainability reporting still faces challenges related to limited literacy, recordkeeping capacity, human resources, and the absence of uniform reporting standards that can be applied in a simple manner. The second category is ESG Transparency. This category covers the environmental, social, and governance dimensions. The environmental dimension relates to waste management practices, energy efficiency, reduction of environmental impacts, and more responsible use of resources. The social dimension concerns MSMEs' relationships with employees, customers, communities, and the surrounding society. Meanwhile, the governance dimension relates to business ethics, financial recordkeeping, compliance, transparency in decision-making, and managerial accountability. The findings indicate that ESG transparency can strengthen stakeholder trust, enhance business legitimacy, and reduce information asymmetry between MSMEs and external parties.

The third category is MSME Performance. In the literature, MSME performance is measured not only through financial indicators, such as sales, profit, asset growth, and cost efficiency, but also through non-financial indicators, such as reputation, customer loyalty, competitiveness, innovation, access to financing, and business sustainability. This indicates that MSME performance needs to be understood multidimensionally. The integration of sustainability reporting and ESG transparency has the potential to improve MSME performance by strengthening accountability, enhancing business credibility, expanding access to capital, and improving competitiveness.
The classification of the main categories is presented in Table 1.

Table 1. Results of the SLR

Initial Nodes	Categories Mentioned	Author(s) Contribution
Sustainability Reporting	Sustainability reporting, sustainability disclosure, non-financial reporting, reporting quality, information accountability	Explains sustainability reporting as an instrument of accountability, transparency, and sustainability communication from MSMEs to stakeholders
ESG Transparency	Environmental disclosure, social responsibility, governance, ESG disclosure, business ethics, compliance, information transparency	Explains the role of ESG information disclosure in building trust, business legitimacy, and reducing information asymmetry
MSME Performance	Financial performance, non-financial performance, reputation, access to financing, competitiveness, innovation, business sustainability	Explains the impact of sustainability reporting and ESG transparency on improving MSME performance and sustainability

Source: Processed by the authors.

Synthesis of Main Findings

The SLR findings indicate that the relationship among sustainability reporting, ESG transparency, and MSME performance can be understood as an integrative relationship. Sustainability reporting provides the basis for MSMEs to prepare and disclose information regarding their economic, social, environmental, and governance activities. ESG transparency

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ISSN: 3109-3337

then strengthens the quality of this information by emphasizing openness, accountability, and business responsibility. Furthermore, improved transparency and accountability contribute to MSME performance through enhanced reputation, stakeholder trust, access to financing, competitiveness, and business sustainability.

These findings also indicate that sustainability reporting and ESG should not be viewed merely as administrative obligations. In the MSME context, both aspects can function as managerial strategies to strengthen business positioning amid changing market and stakeholder demands. MSMEs that are able to disclose sustainability and ESG information more openly have greater opportunities to obtain support from consumers, financial institutions, governments, investors, and business partners. However, the findings also identify several key barriers. First, MSMEs continue to face limitations in resources, accounting literacy, and ESG understanding. Second, there is still no sustainability reporting standard that is fully simple and appropriate for MSME characteristics. Third, most studies continue to adopt separate approaches to sustainability, ESG, and business performance, indicating the need for an integrative framework that can explain the relationship among these three aspects more systematically. Based on this synthesis, this study identifies three main focuses for further discussion:

Main Dimension	Discussion Focus
Sustainability Reporting	Reporting capacity, information quality, reporting standards, and MSME accountability
ESG Transparency	Environmental disclosure, social responsibility, governance, and stakeholder trust
MSME Performance	Financial performance, non-financial performance, reputation, access to financing, competitiveness, and business sustainability

DISCUSSION

Sustainability Reporting

An in-depth examination of the initial nodes shows that the sustainability reporting dimension is closely related to information quality, business accountability, reporting capacity, and the ability of MSMEs to communicate responsible business practices. In the MSME context, sustainability reporting is not merely understood as the activity of preparing reports but also as a strategic process that demonstrates how business actors manage economic, social, environmental, and governance impacts. Thus, sustainability reporting serves as an instrument that connects MSMEs' internal activities with stakeholders' information needs. In the contemporary business environment, sustainability reporting has become increasingly important because MSMEs are no longer evaluated solely on financial achievements but also on their ability to demonstrate social responsibility, environmental concern, and good governance practices. Sustainability reporting enables MSMEs to demonstrate commitment to resource efficiency, waste management, employee welfare, business ethics, and contributions to society.

Therefore, sustainability reporting can strengthen business legitimacy and increase the trust of external parties, such as consumers, financial institutions, governments, investors, and business partners. Nevertheless, the findings also show that sustainability reporting in the MSME context still faces substantive challenges. Limited human resources, low accounting literacy, weak recordkeeping systems, and the absence of simple reporting standards suited to MSME characteristics remain major obstacles. Unlike large companies with formal reporting structures, MSMEs often conduct simple recordkeeping that is not yet integrated with sustainability indicators. As a result, sustainability reporting among MSMEs tends to be

informal, inconsistent, and not fully comparable across business entities. The analysis of the sustainability reporting dimension produces three main determinants. First, reporting capability, which refers to MSMEs' ability to collect, record, process, and present sustainability information systematically. Second, sustainability awareness, which refers to MSME actors' understanding of the importance of environmental, social, and governance responsibility for business continuity. Third, reporting standardization, which refers to the need for reporting guidelines that are simple, applicable, and aligned with MSME capacity. Thus, sustainability reporting can be positioned as the initial foundation for building ESG transparency. MSMEs with strong reporting capability are better able to disclose sustainability information clearly and credibly. Conversely, weak reporting capacity may hinder transparency, reduce accountability, and limit MSMEs' ability to demonstrate sustainability value to stakeholders.

Table 2. Determinants of Sustainability Reporting

Dimension	Determinants
Sustainability Reporting	**Determinant 1: Reporting Capability**
	Accounting literacy, recordkeeping capacity, data quality, report preparation ability
	Determinant 2: Sustainability Awareness
	Environmental awareness, social responsibility, long-term orientation, commitment to sustainability
	Determinant 3: Reporting Standardization
	Reporting guidelines, information consistency, standard alignment, report comparability

Source: Processed by the authors.

Environmental, Social, and Governance Transparency

The second dimension emerging from the literature synthesis is Environmental, Social, and Governance (ESG) transparency. In this study, ESG transparency is understood as the openness of MSMEs in communicating information related to environmental responsibility, social relations, and business governance. ESG transparency is important because stakeholders increasingly require information that is not only financial in nature but also reflects responsibility and sustainability in business activities. In the environmental aspect, ESG transparency concerns the extent to which MSMEs disclose environmental management practices, such as energy efficiency, waste reduction, the use of environmentally friendly raw materials, and control of ecological impacts. For MSMEs, environmental aspects are often not formally documented, although sustainability practices may in fact have been implemented in daily operations. Therefore, environmental transparency does not always require complex reporting but does require clear documentation of simple actions that contribute to reducing environmental impacts.

In the social aspect, ESG transparency reflects how MSMEs build relationships with employees, customers, communities, suppliers, and surrounding society. The social dimension plays an important role because MSMEs generally operate close to local communities. Practices such as empowering local workers, maintaining ethical customer relationships, ensuring product safety, engaging with communities, and exercising social responsibility are values that can strengthen MSME reputation and legitimacy. Social information disclosure can help MSMEs build trust and strengthen long-term relationships with stakeholders.

In the governance aspect, ESG transparency relates to business governance, business ethics, compliance, financial recordkeeping, decision-making mechanisms, and managerial accountability. In the MSME context, governance is often based on family structures or individual ownership, making transparency a particular challenge. However, strengthening governance is an important prerequisite for MSMEs to enhance credibility, gain access to financing, and establish cooperation with external parties. The better the governance transparency, the greater the opportunity for MSMEs to be perceived as trustworthy business entities. The findings show that ESG transparency plays an important role in reducing information asymmetry between MSMEs and stakeholders. Open ESG information can assist financial institutions, investors, consumers, and business partners in assessing the feasibility, reputation, and sustainability of MSMEs. Thus, ESG transparency does not merely serve as a complement to reporting but also functions as a strategic mechanism for strengthening MSMEs' position in an increasingly accountability-oriented business ecosystem.

Table 3. Determinants of Sustainability Reporting

Dimension	Determinants
ESG Transparency	**Determinant 4: Environmental Disclosure**
	Waste management, energy efficiency, use of environmentally friendly materials, environmental impact control
	Determinant 5: Social Accountability
	Employee welfare, customer relations, community contribution, social responsibility
	Determinant 6: Governance Transparency
	Business ethics, compliance, financial recordkeeping, accountability, decision transparency

Source: Processed by the authors.

MSME Performance

The third dimension discussed in this study is MSME performance. The literature synthesis shows that MSME performance in the context of sustainability reporting and ESG transparency cannot be assessed solely from financial aspects. MSME performance needs to be understood multidimensionally because business success is not only determined by profit, sales, and asset growth but also by reputation, competitiveness, access to financing, customer loyalty, innovation, and operational sustainability. In this context, sustainability reporting and ESG transparency can contribute to MSME performance through several mechanisms. First, sustainability information disclosure can increase stakeholder trust. MSMEs that are able to transparently demonstrate environmental, social, and governance responsibility tend to be perceived as credible and responsible businesses. Second, ESG transparency can strengthen business legitimacy, particularly in responding to market, regulatory, and consumer demands that increasingly emphasize sustainability. Third, strong transparency can expand access to financing because financial institutions and investors require reliable information to assess business risks and prospects. MSME financial performance can be strengthened through cost efficiency, increased sales, access to capital, and business growth. Sustainability practices, such as energy efficiency or waste reduction, can reduce operating costs.

Meanwhile, a strong reputation resulting from ESG transparency can increase customer trust and expand market opportunities. Thus, sustainability reporting and ESG transparency do not only provide symbolic benefits but may also contribute to MSMEs' economic achievements. In addition to financial performance, non-financial performance is also an important aspect. MSMEs that implement ESG transparency have the potential to gain a stronger reputation, better stakeholder relationships, increased customer loyalty, and higher competitiveness. This non-financial performance is important because it often functions as social capital for MSMEs in maintaining business sustainability. In the long term, reputation, trust, and legitimacy can become sources of competitive advantage that are difficult for competitors to imitate. Furthermore, the discussion shows that the relationship among sustainability reporting, ESG transparency, and MSME performance is not always direct. Several factors can strengthen or weaken this relationship, such as sustainability literacy, digital capacity, institutional support, governance quality, market pressure, and owner readiness.

Table 4. Determinants of MSME Performance

Dimension	Determinants
MSME Performance	**Determinant 7: Financial Performance**
	Sales, profit, cost efficiency, asset growth, access to capital
	Determinant 8: Market and Stakeholder Performance
	Reputation, customer loyalty, stakeholder trust, competitiveness, business legitimacy
	Determinant 9: Business Sustainability
	Innovation, business resilience, market adaptation, operational sustainability, long-term growth

Source: Output SPSS 23 (2025)

Integrative Discussion and Conceptual Implications

Based on the discussion of the three main dimensions, it can be affirmed that sustainability reporting, ESG transparency, and MSME performance form an interconnected relationship. Sustainability reporting provides the informational basis concerning the economic, social, environmental, and governance activities of MSMEs. ESG transparency strengthens the quality of this information through openness, accountability, and clear communication with stakeholders. Furthermore, improved transparency contributes to MSME performance through reputation, trust, access to financing, competitiveness, and business sustainability. Within this framework, sustainability reporting functions as an information input, ESG transparency acts as an accountability mechanism, and MSME performance becomes a strategic output. This relationship indicates that ESG is not merely a normative concept but can become part of MSMEs' managerial strategy. When MSMEs are able to manage and disclose sustainability information transparently, they have greater opportunities to enhance market trust and strengthen competitiveness.

Nevertheless, the successful integration of ESG into MSMEs strongly depends on internal readiness and external support. Internally, MSMEs require sustainability literacy, recordkeeping capability, good governance, and a long-term orientation. Externally, regulatory support, mentoring, incentives, simple reporting technologies, and proportional ESG standards for MSMEs are required. Without such support, sustainability reporting may become an administrative burden rather than a strategic instrument. Theoretically, this discussion expands the understanding of the relationship among sustainability reporting, ESG, and business performance in the MSME context. This study shows that ESG concepts, which have largely been applied to large corporations, can be adapted to the MSME scale through simpler, more contextual, and capacity-based approaches. Practically, the findings indicate that MSMEs need to begin developing reporting systems that record not only financial aspects but also environmental, social, and governance information. Thus, the integration of sustainability reporting and ESG transparency can serve as a foundation for strengthening more sustainable MSME performance. The dimensions of sustainability reporting, ESG transparency, and MSME performance do not stand separately, instead, they form a mutually reinforcing system in creating competitive advantage, legitimacy, and long-term business sustainability.

CONCLUSION

This Systematic Literature Review aimed to synthesize studies on sustainability reporting, Environmental, Social, and Governance (ESG) transparency, and MSME performance. The findings indicate that these three aspects are interrelated in shaping business practices that are more accountable, transparent, and sustainable. Sustainability reporting serves as an instrument for MSMEs to communicate economic, social, environmental, and governance information to stakeholders. ESG transparency strengthens such information disclosure through the reporting of environmental aspects, social responsibility, and business governance. This openness can enhance stakeholder trust, strengthen business legitimacy, reduce information asymmetry, and create opportunities for access to financing and business partnerships. The findings also show that MSME performance is not only measured through financial aspects, such as sales, profit, and access to capital, but also through non-financial aspects, such as reputation, competitiveness, customer loyalty, innovation, and business sustainability. Therefore, the integration of sustainability reporting and ESG transparency can become an important strategy for improving MSME performance comprehensively. This study contributes theoretically by extending the discussion of ESG and sustainability reporting into the MSME context. Practically, the findings emphasize the importance of improving sustainability literacy, recordkeeping capacity, governance, and simple ESG reporting guidelines for MSMEs. Future studies are encouraged to empirically examine the relationship among sustainability reporting, ESG transparency, and MSME performance, as well as to develop ESG indicators that are more aligned with the characteristics of MSMEs.

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