PERFORMANCE OF SMALL BUSINESSES: DOES SUSTAINABILITY REPORTING ISSUE MATTER?

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Abstract
Sustainability reporting (SR) serves as a valuable tool to demonstrate how a business addresses economic and environmental challenges. This study investigates the influence of age, size and SR comprehension of Micro, Small, and Medium-sized Enterprises (MSMEs) on their performance. From a certain population, 40 MSMEs were successfully collected as samples. Logistic regression was employed as the data analysis method. The results revealed that age did not affect performance, meanwhile size positively affected performance. Moreover, it was found that SR comprehension negatively affected the performance of MSMEs. The results of this study contributed to bridging the literature gap in the scope of SR for MSMEs. In addition, it offered support for the adoption of SR standards for MSMEs as a specific sector.

INTRODUCTION

The growing need for sustainability reporting (SR) as a form of corporate social responsibility (CSR) reporting showed that companies are starting to have an awareness that the ability to carry out sustainability actions can give a good impression to stakeholders. However, this also increases the pressure from stakeholders on businesses to publish sustainability reports (Braam and Peeters, 2018). There are not many guidelines or regulations that provided an explanation of the form of measurement for CSR itself. Through the process of CSR reporting and disclosure, stakeholders would be able to assess the implementation of CSR (Fatimah and Sukardan, 2018). This made various companies in some countries not concerned with the implementation of
CSR in the real world, let report it directly in the form of SR. However, countries that enforced "obligation" requirements in adopting CSR demonstrate that this is necessary, especially in developing corporation business plans (Galpin et al., 2015). One of the first countries to require corporate social responsibility (CSR) reporting was Indonesia in 2007 (Halkos and Nomikos, 2021). The government is the main proponent of raising public awareness about sustainability in Indonesia, hence it greatly influences the execution of CSR initiatives there (Idowu and Schmidpeter, 2021). Similar things are also supported in Europe, where, according to de Bas et al. (2021) one of the corporate benchmarks with required and optional requirements for listed and non-listed MSMEs is SR. However, the research conducted by Chen et al. (2018) showed that voluntary CSR initiatives in China had not significantly improved business sustainability practices. According to the study, if businesses were not under undue pressure to comply, the existence of mandatory regulations would have a stronger impact on sustainability initiatives.

Companies implementing a Sustainability Report (SR) tended to look more promising in the eyes of stakeholders, as SR is utilized as a tool that can give a defence for businesses to be able to sustain the interest of stakeholders with the goal of profit in the long-term strategy of business (Badulescu et al., 2018). Maintaining a balance between business operations and social activities is crucial for bolstering public opinion (Hongming et al., 2020). The research done by Rosdiana and Mulyani (2023) and Buys et al. (2011) demonstrated the positive impact of sustainability report disclosure on financial performance, while Holly et al. (2023) asserted the positive impact of environmental disclosure. However, most studies focused on large-scale companies, which faced fewer challenges in SR implementation due to relevant standards. This raised various questions, such as: if the type of business that wanted to carry out SR is MSMEs, then what impact would this have on the performance of MSMEs who had a CSR and SR comprehension?

Sustainability reports (SR) serve as a means for companies to communicate their progress toward environmental, social, and governance (ESG) goals, as well as their risks and impacts. The SR system is now the most widely used format for disclosing social and environmental data (Wanta and Gunawan, 2021). The main role of a sustainability report (SR) is to encourage concrete action, provide information to stakeholders, and increase transparency. These reports can help companies assess risks and opportunities, align with CSR goals, and increase cost savings by reducing waste. They also contribute to enhance the company's reputation, building consumer trust, and improving risk management (GEP, 2023). This positive effect of sustainability reporting has resulted in an exponential increase in the number of sustainability reports worldwide, thus providing an opportunity to examine global CSR trends and to identify social and environmental issues that are targeted by CSR in a particular location through regional segmentation (Stanislavská et al., 2023). However, some dimensions included in sustainability reports, and variation in such reports across countries, remain unclear. Annual sustainability reports are more often used by large multinational companies or even by companies originating from high-income countries to ensure that they are connected with a wider range of stakeholders. Whereas SMEs may ignore this practice in favour of more direct reports. Their communication with the stakeholders is most likely based at only local level (Stanislavská et al., 2023). This creates a gap in the implementation of SR, especially for SMEs in developing countries.

MSMEs, crucial in global economic development, face increasing pressure to adopt sustainable business practices and address social and environmental responsibilities. The need for CSR information is rising annually, offering long-term economic, social, and environmental benefits. Initiatives like the Global Reporting Initiative (GRI) encourage SR adoption among MSMEs, aiding in managing sustainability impacts (Global Reporting Initiative, 2017). ICAEW (2021) explained that Johan Barros, as EU Policy Manager at Accountancy Europe, argued that MSMEs must have confidence that integrating sustainability factors into business strategy would provide competitive benefits for MSMEs, who often dealt directly with their consumers. The sustainability report is essential for MSMEs to assess internal company performance in terms of the economic, social, and environmental and to increase the sustainability of their operations. Sustainability reports also help parties outside MSMEs gain confidence in the accountability of the companies they manage (Ilham, 2023).

With their wide coverage in every country, MSMEs themselves have a significant role in the global economy, especially in creating jobs and encouraging sustainable economic growth (Karadag, 2017). According to Das et al. (2020), the characteristics of MSMEs provided opportunities for the relationship between social responsibility and sustainable practices that they can carry out. Sustainability in MSMEs was a form of balance between the use of finance and resources in the social environment. However, small-scale MSMEs sometimes faced difficulties in realizing this due to a lack of resources, a lack of capital, and the ability and understanding to design sustainability strategies themselves (Schwab et al., 2019). This certainly made MSMEs choose not to think too much about how they can carry out SR and prefer to think about how they can maintain their businesses. Jansson et al. (2017) showed that MSME’s commitment to carrying out sustainability practices varies. This was caused by various factors, including a lack of awareness of the impacts arising from environmental and social
issues that might occur around MSMEs and the scarcity of resources that can facilitate this practice (Johnson and Schaltegger, 2016). The lack of disclosure of SR by MSMEs stated that the social responsibility they held tended to be shallow (Baldo, 2012). The process of carrying out SR by MSMEs can increase environmental and social concerns. Capability in preparing SR helped MSMEs in terms of transparency and accountability. MSMEs are considered to dominate the business environment, but MSMEs are also considered to be a form of business that often confronted difficult challenges to maintain their business performance. This was supported by the research conducted by Tambunan (2012) which said that average MSMEs had worse performance when compared to other large businesses. If MSMEs had good performance, this would certainly affect the country's economic growth. Therefore, understanding the factors that affected the performance of MSMEs was important for maintaining their sustainability.

Some of the following factors can influence the performance of MSMEs with the potential to carry out SR that can be linked including the age of the MSME, the size of the MSME, and knowledge of SR itself. The findings of research by Suminah et al. (2022) demonstrated that the performance of MSMEs was significantly impacted by a company's size and length of time in business. In current world trends, company size played an important role in competing with competitors by reducing costs and taking more opportunities to determine company profitability and its relationship with performance (Sritharan, 2015). The longer an MSME had been established, there would have been an increase in knowledge about its consumers, which can help increase profits and also improve MSME performance (Nirwana and Purnama, 2019). Then, in research done by Kijkaewat and Phuensane (2020), it was found that company size and capital moderated and mediated both negatively and positively on innovation, which also led to the performance of MSMEs. Other research conducted by Cardilla et al. (2019) found that cash flow and company size did not have a significant effect on company profits which were used as indicators of company performance.

Fred Fiedler created the Contingency Theory of Leadership in 1958 while researching the efficiency of the leader group setting. Fiedler thought that managing the situation and his leadership style were key to his effectiveness (Shala et al., 2021). The contingency theory, which pertained to management accounting, posits that there was not a single accounting system that worked out for all firms in all circumstances and there was no one-size-fits-all approach for corporate structure, business leadership, or decision-making (Moniz, 2010). On the other hand, organizational effectiveness depended on the suitability of the type of technology, environmental volatility, organizational size, and structural characteristics of the information system (Nik Abdullah et al., 2022). The form of implementation of sustainability practices carried out by companies can depend on the conditions or circumstances faced by the company (Maletič et al., 2018). This was in line with the approach referred to in contingency theory. The research conducted by Pryshlakivsky and Searcy (2015) suggested that contingency theory was used to develop a model for a company's sustainability performance measurement system. In contingency theory, it was explained that the company's external conditions can be correlated with its internal structure, which would determine its performance (Tangpong et al., 2019).

Companies like MSMEs can improve their performance by increasing harmony between their external and internal environments, as referred to in contingency theory. Contingency theory, as a theory that emphasizes adaptation, can suit the different characteristics of MSMEs. In the context of SR, this meant that MSMEs could customize their sustainability reports according to their own social, environmental, and economic priorities. Thus, the application of the contingency theory could assist MSMEs in developing SR that was more relevant concerning their different conditions. This would ultimately increase awareness of and SR comprehension, meet stakeholder expectations, and improve MSME performance through positive benefits for businesses.

Company age is a measure of how long a company has existed, developed, and survived in the business environment. Company age is a type of variable that is considered relevant for consideration in research on determining factors in company performance (Coad et al., 2018). Age is a demographic form that can show a company's ability or experience in managing activities, which then ultimately affects its reputation before stakeholders by showing their performance through the company's profit. The research conducted by Flanagan and O'Shaughnessy (2005) showed that relatively young companies tended to have unstable reputations. MSMEs that had been around longer may have experience and expertise at different levels in running their businesses. Research conducted by Akben-Selcuk (2016) concluded that young companies showed a small level of profitability and, over time, had the possibility of increasing profits at a more mature age. However, different results were shown from research conducted by Ben Dhiab (2021) which concluded that company age harmed profitability. It meant that new firms had a better opportunity to increase their profitability, while the company profitability decreased as the company aged. This could happen as a result of how businesses that had existed for a long time are stagnant and tended to be reluctant to innovate and adapt because they feel in a safe and stable zone.
Company age is often a dynamic factor in determining how a company's experience is formed during the time it operated (Apriliani and Totok, 2018). Company age can show how the company looked when competing and maintaining its existence in the business environment within a certain period as a reflection of company performance. As the company's time in operation increased, it was considered to have improved its management process to become more effective, and the level of profitability also increased from year to year (Ismail et al., 2010). In other words, this improvement resulted in higher company performance.

Small-scale companies, one example of which is MSMEs, usually had financial difficulties because they used their financial capabilities to improve performance through more traditional strategies (D’Amato and Falivena, 2019). According to Hidayat and Tasliyah (2022), company size could show the stage of maturity that the company had achieved. Company size could be measured using various indicators, for example, asset value, sales achievements, number of shares, and the number of employees it had. Stakeholders tended to have an interest in large companies. Company size is one of the stakeholder factors in choosing a company in which to invest funds. This is because company size can influence perceptions of goals, measures, and procedures in their company activities (D’Amato and Falivena, 2019). MSMEs with a larger size tended to have greater profit potential due to their greater ability and production capacity for business development. Qur’ani and Purwaningsih (2022) conducted research that showed there was a positive effect between company size and the company's profitability. Larger MSMEs also had more opportunities to diversify their products so that they could contribute to their profits. Other research shown by Chang et al. (2013) concluded that there was a relationship between company size and financial performance. However, different results were shown by research conducted by Azdra et al. (2023); Ihsani et al. (2023) which did not find any effect of company size on the performance of companies in Indonesia.

Company size can support business expansion within a company. For example, MSMEs with greater resources can provide benefits to their business through increased production, which will then increase their profits, which will show their performance. With company size often reflecting the trend of the number of members in their team, MSMEs can improve their performance by benefiting from the number of capabilities that can be combined in carrying out business management. Through his research, Yemane et al. (2015) found that there was a significant influence of company size on company performance.

According to Oprean-Stan et al. (2020), sustainability in business organizations referred to the process that places equal emphasis on the responsibilities of stakeholders and the demands of investors and shareholders. A sustainability report is a voluntary information disclosure by businesses regarding the social, environmental, and economic effects that result from their operations (Girón et al., 2021). Organizations might define objectives, create instruments for measuring performance, and handle change for the long-term viability of business operations with the aid of SR (Oprean-Stan et al., 2020). The impact of organizations on the environment, society, and economy can be conveyed through SR (Global Reporting Initiative, 2017). Reporting and frameworks related to sustainability have always developed over the last few decades, and one of the reasons for this was the pressure of global demands on companies to report on their sustainability practices. The GRI framework, which was often used as a reference in making sustainability reports, was mostly used by large companies. For MSMEs themselves, the GRI framework still raised questions about what aspects are most relevant for MSMEs to use in reporting their sustainability performance (Steinhofel et al., 2019). Several aspects that must be reported are divided into materials, energy, water, waste, and others. There is little research on the SR of MSMEs, and other research focused on large companies only (Das, 2019; Graafland and Smid, 2015).

MSMEs' existence and contribution to the economy have become key factors, particularly in Indonesia. MSMEs have the potential to generate jobs and are a major force behind regional economic growth (Arifin et al., 2021). According to Halim (2020), MSMEs could significantly impact the regional economic growth. The operations of MSMEs were viewed as a means to showcase regional creativity and provide entrepreneurial opportunities within the area. Furthermore, the role of MSMEs was deemed crucial in raising per capita income and enhancing the regional economy. The long-term sustainability of MSMEs can be considered important, with the potential to lead to national economic stability (Das et al., 2020). By creating a sustainability report, MSMEs can develop risk management, improve business performance, and open up new opportunities for their businesses (Permatasari and Kosasih, 2022). Research conducted by Dunne and McBrayer (2019) showed that MSMEs published SR and tended to be transparent about social, environmental, and other issues incurring a lower cost of debt. This could be beneficial for MSMEs because they automatically enjoyed greater profits, so their performance also increased. Apart from that, MSMEs that had a better SR comprehension and were sustainability-oriented experienced an increase in market performance through selling products that were sustainable and addressed environmental issues (Obal et al., 2020). However, to carry out SR, MSMEs faced several challenges and limitations, such as...
how to understand sustainability practices and reporting. Research conducted by Massa et al. (2015) showed that MSMEs faced challenges that rarely occurred in large companies, such as a lack of funding, a lack of experienced employees, and a lack of knowledge about sustainability activities. In the end, comprehension and expertise in SR can help MSMEs fight the limitations that have been mentioned. MSMEs with good comprehension can indirectly benefit their businesses through sustainable innovation that had dimensions for their performance (Le and Ikram, 2022).

A company is a form of organization that generally had certain goals to be achieved to meet the interests of its members (Sutrisno, 2022). Company performance can be interpreted as the extent to which a company can achieve the goals that were planned at the beginning (Le and Ikram, 2022). MSMEs, which were one of the backbones of a country's economy, required further understanding of how performance was measured and what factors were relevant to influencing their performance (Yakob et al., 2021). Various indicators can be used to measure MSME performance. MSME performance is the hope of achieving achievements using financial and non-financial indicators. The performance of MSMEs as measured using financial indicators can be shown by an increase in several aspects, namely the number of sales, business capital, and achieving profit trends (Harahap et al., 2020). Meanwhile, non-financial indicators can be measured by increasing the number of workers and expanding marketing areas (Nasuredin et al., 2016). Company growth itself can be a form of measurement of MSME performance that was often used (Kiyabo and Isaga, 2020). In this research, the performance of MSMEs was measured using the profits earned by MSMEs.

Building upon the identified gap in existing literature, our research sought to fill the void specifically of the comprehension of SR and its impact on the performance of MSMEs in developing countries, with a particular focus on Indonesia. It was worth noting that a standardized SR framework tailored to the unique characteristics of the MSME sector was currently absent. Consequently, our research aspired to offer a substantive contribution by establishing guidelines for SR practices that were not only cost-effective but also highly pertinent to the distinctive nature of MSMEs operating within the Indonesian context.

The contribution that can be made through this research can be seen from two sides. First, from a theoretical perspective, this research can provide evidence regarding the relationship that can be formed between the variables of company age, company size, and SR comprehension on MSME performance. Although other previous studies had discussed the relationship between firm age, company size, and MSME performance, the lack of research discussing SR comprehension and MSME performance can be an additional analysis in this research. The authors believed that the existence of these variables would be useful for the literature on MSME performance and SR by looking at their interrelationships with one another. Furthermore, the practical contribution that can be made is that this research could provide a framework for how to apply relevant SR to MSMEs. In the end, the application of SR had the potential to improve the performance of MSMEs by directly applying the theoretical perspective that was formed between the variable relationships used in research. Based on this explanation, the hypothesis in this research was H1: MSME’s age positively affected MSMEs’ performance; H2: MSMEs’ size positively affected MSMEs’ performance; and H3: MSMEs’ sustainability reporting comprehension positively affected MSMEs’ performance.

METHODS

PT Kilang Pertamina Internasional Refinery Unit III Plaju is one of the six refinery units operated by PT Kilang Pertamina Internasional as part of the Sub-Holding Refining & Petrochemicals of PT Pertamina (Persero). PT Pertamina (Persero) had been the incubator for the MSMEs in Indonesia since 1993. PT Pertamina (Persero) consistently conducted socialization, training, and education programs, along with providing acceleration facilities for Micro, Small, and Medium Enterprises (UMKM) to scale up. MSMEs under PT Pertamina (Persero)’s guidance were well-equipped with an understanding of non-financial factors, such as SR. Specifically, we confined our focus by selecting UMKMs fostered by PT Kilang Pertamina Internasional Refinery Unit III Plaju in Palembang. We chose this entity as it aligned with the accessible research scope, aiming to contribute meaningful insights to UMKMs facing similar conditions. As of early 2023, there were approximately 80 MSMEs affiliated with PT Kilang Pertamina Internasional Refinery Unit III Plaju. The MSMEs had selected those that were partners of Comrel Pertamina (Comrel & CSR Pertamina RU III Plaju). Comrel & CSR Pertamina RU III Plaju was a division that emphasized CSR issues, so its partners were already familiar with SR and environmental issues. Due to these considerations, the authors opted to select MSMEs partnered with PT Kilang Pertamina Internasional Refinery Unit III Plaju.

The sample selection in this research employed the purposive sampling method. The authors utilized purposive sampling intending to intentionally select samples that met specific criteria relevant to the research objectives. The criteria for sample selection in this research were: 1) the respondents were...
owners-managers of MSMEs partnered with PT Kilang Pertamina Internasional Refinery Unit III Plaju, 2) the MSMEs had a minimum operating period of one year, and 3) the respondents provided complete answers to the questions provided in the questionnaire. Based on these criteria, this research collected 40 samples as research observations. The variables in this research were company age (X1), company size (X2), SR knowledge and comprehension level (X3), and company performance (Y). Company age (X1) was measured by the length of time or period since the establishment of MSMEs. Company size (X2) is measured by the number of employees owned by the MSMEs. SR knowledge and comprehension level were measured by the total value of the questions which were created from 31 GRI G4 indicators that were sorted after conducting a pilot questionnaire. The list of indicators from the GRI G4 standard was sorted into 3 categories, namely economic, environmental, and social. This sorting process was intended to determine which disclosure indicators were felt to be most relevant to continental sustainability issues for the MSME sector. Through the business analysis stage itself, the 91 GRI G4 indicators were sorted into 31 disclosure indicators for MSMEs, consisting of 8 economic indicators, 8 environmental indicators, and 15 social indicators. The sorting process was carried out using the PESTLE, mind mapping, and MONET methods. This was done to adapt it to the characteristics of MSMEs so that these points could be relevant when applied to them.

This research used a survey method for data collection. It was commonly used in research related to MSMEs, as presented in previous research by (Abanis et al., 2013; Fatoki, 2012; Nguyen, 2001; Okafor, 2012; Pham, 2010). The survey method was chosen because gathering financial data from MSMEs, particularly in developing countries, was challenging due to the lack of official databases and transparency (Gunesakaran, 2000; OECD, 2005). Before distributing the questionnaires to a larger number of respondents, the authors conducted a pilot questionnaire with a small portion of the total prospective respondents. This was done to ensure that the measurements, scales, and categories used in the questionnaire were reliable enough to serve as the basis for the research. After the pilot questionnaire, data collection involving 53 respondents was carried out. However, out of this number, 13 respondents did not meet the research criteria, resulting in a final sample of 40 data points.

### RESULTS

Table 3 presented the descriptive statistics of the variable in this research. There were 40 samples in this research as shown in Table 2. For the age category, the average company age of the respondents was 3.45 years. The range of company age ranges from 1 year as the minimum value to 5 years as the maximum value. The standard deviation value for company age was 1,853. Next, in this research, the company size had an average (mean) of 2,375, with the range of company size measured by the number of employees ranging from 1 employee as the minimum value to 4 employees as the maximum value. The standard deviation for size is 1,353. Then, the SR comprehension, measured through respondents’ knowledge or comprehension of various GRI G4 indicator options, had an average value of 121.125 for the 40 respondents. This value ranged from 78 as the minimum value to 155 as the maximum value. The standard deviation of SR knowledge was 16,804.
Performance was measured through the net profit obtained by MSMEs over one month. As presented in Table 4, we divided the performance of MSMEs (Y) into two categories: net profit less than IDR 5 million and net profit more than IDR 5 million. In this research, 60% or 24 respondents had a net profit of less than IDR 5 million, while 40% or 16 respondents had a net profit of more than IDR 5 million.
After conducting the multicollinearity test, the authors proceeded to perform the hypothesis test. The authors used logistic regression analysis to understand the relationship between the variables of age, size, and SR comprehension on the performance of MSMEs. The results of the logistic regression analysis (see Table 6) indicated that the age variable had a coefficient of (-0.031). This suggested that each year of a company’s age increase would result in a decrease in company performance by 0.031, and otherwise. From the data above, a p-value of 0.886 was obtained. Statistically, if the p-value was bigger than 0.1 (10% significance level), it indicated that the age of the company did not have a significant impact on performance. Therefore, H1 was rejected.

Table 6 below presented that the authors could conclude that company size had a coefficient of 0.874, meaning that each increase of one unit in company size would result in an increase in company performance by 0.874. In other words, the larger the company size, the higher the likelihood of having good performance. The p-value for company size was 0.007. This value indicated that the coefficient of company size was significant at a 1% significance level. Therefore, in this analysis, company size had a significant impact on company performance. So, the results for the company size variable indicated that company size had a significant positive influence on company performance, and H2 was accepted.

The SR comprehension variable had a coefficient of -0.046, meaning that each increase of one unit in SR comprehension would result in a decrease in company performance by 0.046, and vice versa. From the data above, the p-value for the SR comprehension variable is 0.068. Statistically, if the p-value of the SR comprehension variable was less than 0.1 (10% significance level), it indicated that the variable has a significant impact on company performance. In this research, SR comprehension had a significant negative influence on company performance. Therefore, H3 in this research was rejected.

Before conducting the hypothesis test with logistic regression analysis, the authors performed a multicollinearity test using the Variance Inflation Factor (VIF) to investigate the potential presence of multicollinearity. Table 5 showed the values from the multicollinearity test. If the VIF value is < 10, it can be confirmed that there is no multicollinearity. From the data in the table above, it was obtained that all tested variables had VIF values less than 10, indicating that there was no multicollinearity in the regression model.

Table 5. Multicollinearity Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>VIF</th>
<th>1/VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age (X1)</td>
<td>1.060</td>
<td>0.944</td>
</tr>
<tr>
<td>Size (X2)</td>
<td>1.090</td>
<td>0.920</td>
</tr>
<tr>
<td>SR (X3)</td>
<td>1.080</td>
<td>0.925</td>
</tr>
<tr>
<td>Mean VIF</td>
<td>1.080</td>
<td></td>
</tr>
</tbody>
</table>

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Table 6. Logistic Regression

<table>
<thead>
<tr>
<th>Performance</th>
<th>Coef.</th>
<th>St.Err.</th>
<th>t-value</th>
<th>p-value</th>
<th>[95% Conf]</th>
<th>Interval</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age (X1)</td>
<td>-0.031</td>
<td>0.214</td>
<td>-0.14</td>
<td>0.868</td>
<td>-0.449</td>
<td>.388</td>
<td></td>
</tr>
<tr>
<td>Size (X2)</td>
<td>0.874</td>
<td>0.322</td>
<td>2.72</td>
<td>0.007</td>
<td>0.243</td>
<td>1.505</td>
<td>***</td>
</tr>
<tr>
<td>SR (X3)</td>
<td>-0.046</td>
<td>0.025</td>
<td>-1.82</td>
<td>0.068</td>
<td>-0.094</td>
<td>.003</td>
<td>*</td>
</tr>
<tr>
<td>Constant</td>
<td>2.999</td>
<td>2.972</td>
<td>1.01</td>
<td>0.313</td>
<td>-2.825</td>
<td>8.824</td>
<td></td>
</tr>
<tr>
<td>Mean dependent var</td>
<td>0.400</td>
<td>SD dependent var</td>
<td>0.496</td>
<td>Pseudo r-squared</td>
<td>0.207</td>
<td>Number of obs</td>
<td>40</td>
</tr>
<tr>
<td>Chi-square</td>
<td>11.166</td>
<td>Prob &gt; chi2</td>
<td>0.011</td>
<td>Akaike crit. (AIC)</td>
<td>50.675</td>
<td>Bayesian crit. (BIC)</td>
<td>57.430</td>
</tr>
</tbody>
</table>

*** p<.01, ** p<.05, * p<.1
DISCUSSION

In this section, the authors delved into the findings of the research in greater detail. It addressed the three main variables examined in this research: age, size, and SR comprehension. The results indicate that MSMEs' age did not show a significant influence on performance. The traditional belief associating older businesses with higher profitability might not always apply, especially when it came to MSMEs. This research suggested that age alone might not be a significant factor impacting MSMEs' performance, challenging the popular wisdom that a longer firm lifespan translated into better financial success. This departure from the norm might be attributed to many factors, such as shifting customer tastes, changing market dynamics, and younger businesses' capacity to adapt to modern business issues. This was in line with the research conducted by Loderer and Waelchli (2010) which concluded that the older the company, the more likely it was to experience a decrease in profitability. This implied that the duration of a company's existence might not be a crucial factor in determining its performance. Other dynamic factors, such as adaptability and innovation, might play a more substantial role in driving performance improvements. As a result, H1 was rejected.

Our research showed that there was a positive relationship between size and performance. This suggested that as companies grew in size, their likelihood of achieving better performance increased. Larger companies often benefited from economies of scale, allowing them to spread fixed costs over a higher production volume, which improved efficiency and lowered per-unit costs. This cost advantage could immediately lead to increased profitability, which in turn could lead to improved performance overall. Furthermore, larger businesses could have easier access to resources like cash, trained workers, and advanced technology, giving them a competitive advantage in the market. The result of this research aligned with previous research (Chang et al., 2013; D'Amato and Falivena, 2019; Kurshev and Strebulaev, 2006). So, the H2 was accepted.

For the last hypothesis, the research discovered a significant negative relationship between SR comprehension and performance. Therefore, H3 in this research was rejected. This could happen because, in the era of globalization with faster economic growth and increasing environmental issues, MSMEs were becoming more open to sustainability-related matters. However, MSMEs with a higher level of SR comprehension were aware of the consequences of facilitating the creation of SR as a contribution to this environmental issue, which would incur higher costs for the company. These higher costs would certainly affect the profit generated, making the financial performance of MSMEs smaller. Research conducted by Massa et al. (2015) also showed that MSMEs faced challenges that rarely occurred in large companies, such as a lack of funding, experienced employees, and knowledge about sustainability activities. Conversely, MSMEs that did not issue SR reports due to a lack of knowledge in this regard would not incur excess expenses in their business expenditures. Although the MSMEs that created and published the SR might not immediately realize the same level of financial benefits as those that did not, they could gain valuable advantages in other aspects. They could enhance their image and reputation in the eyes of investors, achieve a competitive edge in a sustainability-conscious market, reap long-term benefits such as customer trust and strategic partnerships, and open up new opportunities for the business of MSMEs. The implementation of SR on a small scale might not seem impactful, but cumulatively, its impact was significant, especially for environmental aspects. By prioritizing sustainability, MSMEs could establish a robust foundation for sustainable growth in the future. Moreover, Permatasari and Kosasih (2022) stated that by creating a sustainability report, MSMEs could develop risk management, improve business performance, and open up new opportunities for their businesses.

As stated above, the size of companies had a positive impact on performance. Larger companies tended to perform better than smaller companies (MSMEs in this case). This implied that MSMEs had lower performance levels. When it came to SR implementation, it turned out that it might weaken the performance of MSMEs because SR required funding which was lacking in MSMEs compared to larger companies. There would be more costs required. This factor had made SR more suitable for larger companies rather than MSMEs. Therefore, further research was needed to investigate what formula or steps were needed so that the SR implementation would be at a point where SR would enhance the performance of MSMEs, instead of reducing the performance of MSMEs.

CONCLUSIONS

This research aims at dealing with MSMEs with an emphasis on CSR and especially on SR, which required them to be open to various aspects of sustainability such as economic, social, and environmental. This research also looked at how influence appeared on the performance of SMEs when the age of the company, company size, and their understanding of sustainability were the main factors.
This research showed different results for each factor. For MSMEs, age did not have a significant effect on company performance. This can be caused by MSMEs having difficulty adapting to external growth, which was increasingly agile in moving, while MSMEs that had been operating for a long time did not encourage themselves to make changes and tended to be stagnant with what they already had. In contrast, MSMEs that were just starting to operate tended to still have the courage to take risks with change in the hope of improving their performance. Furthermore, based on company size, MSMEs with a larger scale showed a better level of productivity, so it could be profitable for companies whose main goal was to get profits that showed their performance. Therefore, company size could be said to have a positive effect on performance. The final results were shown by an understanding of SR, which significantly influenced the performance of MSMEs, but this influence had a negative direction. SR, which indeed had many benefits if made by MSMEs, would drain many aspects of MSMEs, such as capital, energy, and knowledge.

This research implied that the SR guide for MSMEs was not only an obligation or guideline, but also a strategic tool that had great potential to optimize the overall performance of MSMEs, both from a financial and non-financial perspective. The importance of SR guidelines in improving the non-financial performance of MSMEs showed that aspects such as environmental sustainability, social responsibility and ethical business practices were not just additional factors, but can be the main drivers of business success. Therefore, MSMEs that adopted SR guidelines had the opportunity to strengthen their reputation for sustainability, which can ultimately support long-term financial performance. Apart from the benefits for individual MSMEs, the implications of this research also highlight the crucial role of government as a policymakers. Active support and supportive policies were needed so that the implementation of SR among MSMEs could become more integrated and structured. Governments can provide incentives, guidance and resources to help MSMEs adopt sustainable practices effectively.

The limitation of this research was that a larger number of MSMEs was needed by classifying the types of MSMEs to find out the most general guidelines for specific sectors such as MSMEs. In the context of further research, greater efforts were needed to collect data from a more representative and varied number of MSMEs, so that research results can be more general and can be applied more widely. A deeper understanding of the different types of MSMEs can help identify differences in the application of SR guidelines and determine the most relevant and effective guidelines for each sector. With an appropriate application of SR guidelines on MSMEs, the authors hoped that SR would be at a point where it can have a positive impact on the performance of MSMEs, instead of a negative impact (reducing the performance of MSMEs).

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