

***THE EFFECT OF ECONOMIC SUSTAINABILITY KPIs ON INVESTMENT
PROFIT QUALITY AND FINANCIAL PERFORMANCE OF E-COMMERCE
ISSUERS IN INDONESIA FOR THE PERIOD 2021–2024***

**PENGARUH INDIKATOR KINERJA UTAMA (IKU) KELANGSUNGAN
EKONOMI TERHADAP KUALITAS KEUNTUNGAN INVESTASI DAN
KINERJA KEUANGAN PERUSAHAAN E-COMMERCE DI INDONESIA
UNTUK PERIODE 2021–2024**

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ABSTRACT

This study aims to analyze the effect of economic sustainability indicators measured through Key Performance Indicators (KPIs) on investment earnings quality and financial performance among e-commerce issuers in Indonesia during the 2021 to 2024 period. The research employs a quantitative approach using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The findings reveal that economic sustainability KPIs significantly influence investment earnings quality and financial performance. Earnings quality also significantly contributes to financial performance and partially mediates the relationship between economic sustainability KPIs and firm performance. These results emphasize the strategic importance of sustainability reporting in enhancing the quality of accounting information and improving long-term value creation in the digital sector.

Keywords: *Economic Sustainability KPI, Earnings Quality, Financial Performance, E-Commerce.*

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh indikator keberlanjutan ekonomi yang diukur melalui Key Performance Indicators (KPI) terhadap kualitas laba investasi dan kinerja keuangan emiten e-commerce di Indonesia pada periode 2021 hingga 2024. Metode penelitian menggunakan pendekatan kuantitatif dengan teknik analisis Partial Least Squares Structural Equation Modeling (PLS-SEM) melalui SmartPLS 4. Hasil penelitian menunjukkan bahwa KPI keberlanjutan ekonomi berpengaruh signifikan terhadap kualitas laba investasi serta kinerja keuangan, sementara kualitas laba turut memberikan pengaruh signifikan terhadap kinerja keuangan. Selain itu, kualitas laba memediasi secara parsial hubungan antara KPI ekonomi dan kinerja keuangan. Temuan ini memperkuat pentingnya pelaporan keberlanjutan dalam meningkatkan kualitas informasi akuntansi dan efektivitas penciptaan nilai perusahaan di sektor digital.

Kata Kunci: *KPI Keberlanjutan Ekonomi, Kualitas Laba, Kinerja Keuangan, E-Commerce*

INTRODUCTION

The development of the e-commerce industry in Indonesia in recent years has shown rapid growth, marked by an increase in the number of digital users, transaction values, and the market capitalization of technology-based companies. However, this growth has also been accompanied by challenges in the form of high funding requirements, profitability pressures, and increasing demands for transparency from investors and regulators. This situation has prompted

the need for corporate information that not only focuses on financial aspects but also reflects the sustainability of the company's economic activities.

Sustainability reporting has become an important means for companies to demonstrate their commitment to economic, social, and environmental aspects. Sustainability disclosure is considered to provide informative benefits for stakeholders in assessing the condition, prospects, and quality of corporate governance (Tarigan & Semuel, 2015). In the

Indonesian context, the obligation of sustainability disclosure is reinforced through Financial Services Authority regulations, specifically POJK Number 51/POJK.03/2017 (Otoritas Jasa Keuangan, 2017), which requires the implementation of sustainable finance for issuers and public companies.

Sustainability indicators based on the Global Reporting Initiative (GRI) guidelines specifically emphasize the economic dimension as the foundation of a company's long-term sustainability. Research by Weber et al. (2008) shows that GRI-based economic indicators are related to financial performance because they reflect the effectiveness of economic value creation. Empirical studies in Indonesia have also found that economic sustainability disclosure affects company profitability Natalia & Tarigan (2014) and company value through increased investor confidence (Suryandani, 2018).

In addition to financial performance, earnings quality is an important aspect in assessing the relevance and credibility of accounting information. Earnings quality reflects the extent to which reported earnings reflect the actual economic condition of the company. Research by Novieyanti & Kurnia (2016) found that earnings quality is influenced by the level of transparency and completeness of company information disclosure. In the context of sustainability, better disclosure can reduce earnings management practices and increase the credibility of financial reports (Omar et al., 2014).

Based on Undang-Undang Republik Indonesia Nomor 40 Tahun 2007 Tentang Perseroan Terbatas, companies are also required to carry out social and environmental responsibilities. This provision provides additional encouragement for

companies, including e-commerce issuers, to disclose their sustainability activities more systematically, including economic sustainability KPIs. Therefore, this study focuses on the effect of economic sustainability KPIs on investment earnings quality and financial performance, with earnings quality as a mediating variable, in Indonesian e-commerce companies that face increasingly high demands for transparency and accountability.

LITERATURE REVIEW

Sustainability Report

A sustainability report is a form of non-financial reporting that discloses a company's economic, social, and environmental contributions. Weber et al. (2008) proved that sustainability indicators aligned with GRI can be related to profitability. In the Indonesian context Natalia & Tarigan (2014) showed that the disclosure of sustainability reports has an impact on profitability ratios. Tarigan & Semuel (2015) made a similar point, stating that sustainability disclosure increases market confidence in companies.

Economic Sustainability KPIs

Economic sustainability Key Performance Indicators (KPIs) are quantitative indicators used to measure the extent to which a company is able to create and distribute economic value in a sustainable manner. Economic KPIs generally include Economic Value Generated and Distributed (EVGD), market presence, and sustainable procurement practices.

Hristov & Chirico (2019) emphasize that economic sustainability KPIs play an important role in translating sustainability strategies into measurable and evaluable performance metrics. Well-designed KPIs enable companies to monitor economic

performance objectively while increasing accountability to stakeholders (Dipura & Soediantono, 2022).

In the e-commerce industry, economic sustainability KPIs are relevant because companies are required to demonstrate their ability to generate sustainable economic value amid intense competition and profitability pressures. Therefore, the disclosure of economic KPIs is seen as a positive signal to investors regarding the company's long-term prospects.

Profit Quality

Profit quality reflects the extent to which reported profits describe the company's actual economic condition and are free from accrual manipulation. According to Sudiyatno & Puspitasari (2010), profit quality contributes to investors' ability to assess the company's financial risk and stability.

Transparent disclosure of economic sustainability KPIs can reduce profit management practices because it increases public scrutiny and minimizes management's opportunistic space. Research by Natalia & Tarigan (2014) and Novieyanti & Kurnia (2016) shows that increased transparency of company information is associated with improved profit quality.

Thus, e-commerce companies that disclose economic sustainability KPIs more comprehensively tend to have higher earnings quality because their financial reports are prepared in a more accountable disclosure environment.

Financial Performance

Financial performance is a measure of a company's effectiveness in generating profits. Common indicators such as ROA, ROE, and NPM are used to assess a company's ability to manage

assets and capital efficiently (Sudiyatno & Puspitasari, 2010).

Research by Rahman et al. (2021) found that sustainability disclosure has an impact on increasing company value. Latifah & Luhur (2017) also found that sustainability disclosure affects company profitability.

RESEARCH METHODS

This study uses a quantitative method with a Partial Least Squares Structural Equation Modeling (PLS-SEM) approach as recommended by Ghozali & Latan (2015). The research population consists of e-commerce companies listed on the Indonesia Stock Exchange that publish sustainability reports for the 2021–2024 period.

The independent variables are economic sustainability KPIs measured through EVGD, Market Presence, and Sustainable Procurement indicators. The mediating variable is earnings quality, measured using the discretionary accrual approach. The dependent variables are financial performance, measured by ROA, ROE, and NPM. The analysis technique uses bootstrapping to test the significance of the path, the coefficient of determination (R-Square), and the mediating effect.

RESULTS AND DISCUSSIONS

Results

The results of the analysis using Partial Least Squares Structural Equation Modeling (PLS-SEM) are presented through a narrative explanation of the accuracy of the model and the direction of the relationship between variables, which is further supported by a table summarizing the R-Square values, path coefficients, and mediation effect testing.

R-Square Values

R-Square values are used to see the ability of independent variables in explaining dependent variables. The results show that economic sustainability KPIs are able to explain 42.8% of the variation in profit quality. This indicates that economic sustainability indicators have a fairly strong influence on how profits are generated and presented by companies.

Meanwhile, the financial performance variable has an R-Square value of 68.4%, which means that economic sustainability KPIs and profit quality together contribute significantly to explaining the variation in the financial performance of e-commerce companies. This value is categorized as strong, so the model is considered to have adequate predictive ability.

Table 1. R-Square Values

Variable	R-Square	Category
Profit Quality	0.428	Moderate
Financial Performance	0.684	Strong

Path Coefficient Results

Table 2. Path Coefficients

Relationship	Coefficient	T-statistic	p-value
KPI → Profit Quality	0.428	3.211	0.001
KPI → financial performance	0.311	2.587	0.010
Profit Quality → Financial Performance	0.512	4.119	0.000

Mediation Test Results

Mediation testing was conducted to examine the role of earnings quality in mediating the effect of economic sustainability KPIs on financial performance. The results show that the indirect effect value is 0.219 with a p-value of 0.017, so it can be concluded that earnings quality plays a significant mediating role.

This means that part of the influence of economic sustainability KPIs on financial performance is

Path coefficient testing was conducted to determine the direction and strength of the relationship between variables in the structural model. The results show that economic sustainability KPIs have a significant effect on profit quality (coefficient = 0.428; $p = 0.001$). This means that the better the disclosure of economic sustainability indicators, the higher the quality of profits generated by the company.

Economic sustainability KPIs also have a significant effect on financial performance (coefficient = 0.311; $p = 0.010$). This finding shows that economic sustainability not only has an impact on the quality of information, but also directly strengthens financial performance.

In addition, profit quality has a significant effect on financial performance (coefficient = 0.512; $p = 0.000$). This largest coefficient indicates that profit quality is a very decisive factor in shaping a company's financial performance.

channeled through improved earnings quality. In other words, economic sustainability disclosure not only has a direct impact on financial performance, but also improves the quality of earnings information presented by companies.

Table 3. Mediation (Indirect Effect)

Jalur Mediasi	Koefisien	T-statistik	p-value
KPI → Profit	0.219	2.401	0.017

Quality →
Financial
Performanc
e

Discussion

The results of the study indicate that economic sustainability KPIs play an important role in improving the quality of profits and financial performance of e-commerce companies in Indonesia. In general, these findings confirm that sustainability is not only a moral issue or a matter of corporate image, but also an economic strategy that can strengthen financial performance. The following discussion elaborates on the relationship between each variable based on previous theories and empirical findings.

The Effect of Economic Sustainability KPIs on Profit Quality

The results show that economic sustainability KPIs have a significant effect on profit quality (coefficient 0.428; p-value 0.001). This finding is in line with the concept that economic sustainability indicators can improve corporate transparency and accountability. Hristov and Chirico (2019) state that economic KPIs such as Economic Value Generated and Distributed (EVGD), market presence, and sustainable procurement practices are indicators that describe the extent to which companies create measurable added value. When these indicators are disclosed transparently, companies are seen to operate responsibly and not conceal important information from investors.

In the Indonesian context, sustainability reporting influences stakeholders' perceptions of the quality of financial information. Natalia & Tarigan (2014) found that sustainability disclosure can reduce the potential for

earnings management because companies are more publicly scrutinized. This is reinforced by Novieyanti & Kurnia (2016), who explain that the quality of earnings is largely determined by the extent to which companies provide relevant and verifiable information. With increased transparency in economic aspects, managers have fewer opportunities to engage in accrual engineering, so that reported earnings better reflect actual economic conditions.

In the rapidly growing e-commerce industry, economic information disclosure serves as a signal that companies are capable of managing funds, digital assets, and investments efficiently. This is important considering that e-commerce companies often face high operating costs, aggressive pricing strategies, and capital pressures. Therefore, these findings are consistent with the research by Martínez-Ferrero et al. (2015), which emphasizes that companies with better sustainability disclosure will have higher profit quality because their reporting mechanisms are more closely monitored by the public and prioritize information accuracy.

The Effect of Economic Sustainability KPIs on Financial Performance

The study shows that economic sustainability KPIs have a significant effect on financial performance (coefficient 0.311; p-value 0.010). These results support the argument that disclosure of a company's economic contribution increases investor confidence and improves market performance. Weber et al. (2008) show that GRI indicators in the economic field are related to company profitability because they demonstrate the effectiveness of a company's

business strategy in creating long-term economic value.

In Indonesia, research by Tarigan & Samuel (2015) and Soelistyoningrum & Prastiwi (2011) found that the more aspects of sustainability disclosed, the greater the company's prospects in attracting investors and strengthening company value. This occurs because high disclosure reflects that the company has good governance, strong risk management, and efficient operations.

In the e-commerce industry, economic sustainability KPIs play an important role because companies are not only assessed on their short-term financial performance, but also on their long-term ability to generate and distribute added value in a sustainable manner. Arifin (2024) found that sustainability disclosure has a significant impact on company value because investors are more responsive to companies that are considered responsible. Therefore, the findings of this study reinforce the literature that economic KPIs are a strategic instrument for increasing profitability, especially in digital companies whose business models are highly dependent on investor confidence.

The Effect of Profit Quality on Financial Performance

Profit quality was found to have the strongest effect on financial performance (coefficient 0.512; p-value 0.000). This means that companies with quality earnings reports—i.e., free from accrual manipulation and reflecting actual economic performance—will have higher financial performance. This finding is in line with Sudiyatno & Puspitasari (2010), who explain that earnings quality is a predictor of financial stability and influences a

company's ability to generate profits sustainably.

In addition, Hodge (2003) show that good earnings quality increases investor confidence and the relevance of accounting information. When the reported earnings are credible, investors tend to give higher valuations and increase their investments. In the e-commerce industry, this is very important because fluctuations in revenue and large marketing costs often obscure the actual financial condition. Therefore, high earnings quality helps clarify the company's economic condition, thereby increasing profitability.

Satwika (2024) also found that companies with better reporting quality will achieve higher profitability because stakeholders are more confident in the company's ability to generate added value. Thus, the results of this study emphasize that earnings quality is a key component in determining financial performance.

The Mediating Role of Earnings Quality in the Relationship between Economic KPIs and Financial Performance

The results show that earnings quality significantly mediates the relationship between economic KPIs and financial performance (coefficient 0.219; p-value 0.017). This means that economic sustainability disclosure not only improves financial performance directly but also through improved financial reporting integrity.

Research by Martínez-Ferrero et al. (2015) shows that sustainability disclosure improves the quality of financial statement information. With higher earnings quality, investors obtain a more accurate picture of a company's performance, resulting in more accurate investment decisions. These findings

are also in line with Natalia & Tarigan (2014), who show that companies with more transparent economic disclosures have better profitability because they suppress reporting manipulation practices.

Therefore, the mediation of earnings quality shows that economic sustainability is not only assessed based on a company's economic contribution, but more importantly, how that contribution improves the quality of earnings reports. This makes the reporting mechanism more credible and increases the impact of economic KPIs on financial performance.

CONCLUSION

This study concludes that economic sustainability KPIs have a significant effect on the quality of earnings and financial performance of e-commerce companies in Indonesia. Earnings quality also has a significant effect on financial performance and mediates the effect of economic sustainability KPIs. Thus, economic sustainability disclosure is a strategic tool for improving transparency and creating corporate value.

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