



Is Social Auditing a Key Tool for Achieving Sustainable Development Goals? A Study of Malaysian-listed Companies

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Abstract. The objective of this study is to investigate the relationship between social audit and Sustainable Development Goals implementation. Stakeholder theory prioritizes stakeholder perspectives, helping companies accept societal concerns and align with the SDGs through social audits. The study's data sample consisted of 74 Malaysian companies from 2021 to 2022. We sourced the SDG data from each company's official website and collected other variables from their annual reports, such as social audits, company size, debt level, liquidity, and profitability. The fixed effect regression analysis shows that social audit has a negative relationship with the Sustainable Development Goals. Social audits can reveal deficiencies in company practices, potentially lowering the perception of Sustainable Development Goals performance. The study emphasises the need to assess the effectiveness of company accountability mechanisms, like social audits, in promoting positive social and environmental outcomes. Social audits in promoting corporate responsibility if they impede progress towards the Sustainable Development Goals. It may be necessary for companies to reconsider the practice of social audits and incorporate Sustainable Development Goals into their business strategy. Additionally, regulators may need to modify rules to match sustainable development goals more effectively. This will facilitate stakeholder participation and promote ongoing enhancements.

Keywords: Audit, Disclosure, Social, Stakeholder theory, Sustainability, Sustainable development goals.

1 | INTRODUCTION

The Sustainable Development Goals (SDGs) of the United Nations have become a global call to action in the fight for sustainable development, ending poverty, safeguarding the environment, and ensuring prosperity for everyone. Reaching these lofty objectives calls for a multipronged strategy that includes active participation from corporations, civil society, other stakeholders, and government initiatives. Social audit is one of the many tools used to track the SDGs' development, and it's particularly effective at evaluating the social, environmental, and financial effects of different programs and activities (Vinšalek-Stipić, 2022). The social audit's emphasis on accountability, transparency, and stakeholder participation advances the SDGs and sparks significant change.

Social auditing fundamentally assesses an organisation's performance concerning its sustainability goals, ethical pledges, and social contributions (Gao & Zhang, 2006). Through thorough evaluations, social audits identify whether policies, programs, and initiatives perpetuate inequality and damage the environment, or whether they positively contribute to societal well-being and environmental preservation (Gao & Zhang, 2006; Salathé-Beaulieu, 2019). This reflective approach goes beyond mere adherence to rules, delving into the actual consequences and effects of activities, and providing invaluable insights into potential areas for optimization and improvement. Within the framework of the SDGs, social audit transforms international goals into localised, implementable plans, ensuring that progress is not only quantifiable but also worthwhile and equitable.

Bursa Malaysia, Malaysia's leading stock exchange, recognizes the importance of social audits in promoting transparency and accountability among listed companies. To boost investor trust and promote sustainable business practices, the exchange has launched programmes to encourage companies to go through social audit verification. Through its listing regulations and guidelines, Bursa Malaysia actively encourages sustainability disclosure and pushes for the inclusion of sustainability concerns in company reporting (Bursa Malaysia, 2015). Bursa Malaysia supports its commitment to cultivating a sustainable capital market ecosystem that facilitates long-term wealth generation and advances Malaysia's sustainable development objectives by tackling social audit verification.

Petronas, a prominent Malaysian oil and gas company, has implemented social and audit verification. Through a variety of programmes and actions meant to reduce its impact on the environment, advance social welfare, and preserve moral principles, Petronas has shown that it is strongly committed to sustainability. To assess its sustainability performance and ensure compliance with international standards and optimal methodologies, the company regularly undertakes external audits conducted by reputable auditing companies. Petronas produces comprehensive sustainability reports to demonstrate its commitment to societal and environmental improvement, as well as its pursuit of commercial excellence. These reports provide transparent insights into the company's sustainability initiatives, encompassing environmental, social, and governance (ESG) aspects. Petronas also advances sustainable development in Malaysia and abroad by putting itself through social audit inspection and verification, demonstrating its commitment to responsible corporate citizenship.

Furthermore, the participatory aspect of social audit closely aligns with the core SDG pillar of leaving no one behind. The audit process gives diverse stakeholders, especially underrepresented groups, a voice and the ability to hold decision-makers accountable for their actions (Fox, 2015). By encouraging a sense of shared accountability and ownership for attaining sustainable development, this inclusive strategy strengthens cross-sector partnerships and collaborations. As a result, social audits serve as both a tool for evaluating progress and a catalyst for advancing fairness, social cohesion, and revolutionary transformation that will lead to the achievement of the SDGs (Owen, Swift, Humphrey, & Bowerman, 2000).

The study aims to investigate the potential of social audit as an effective method for promoting sustainable practices and solving societal concerns through an examination of corporate operations. Social audit plays a crucial role in promoting accountability and fostering positive change in the pursuit of the SDGs by conducting thorough evaluations and providing comprehensive reporting on social and environmental impacts. This study highlights the transformative potential of incorporating social audit practices into corporate strategies within Malaysian-listed companies. Previous studies have not explored the ultimate goal of promoting greater social responsibility and sustainable development, but this study emphasises the contributions and areas for improvement in this area.

A growing number of people worldwide are focusing on attaining the SDGs, which are a set of objectives set forward by the United Nations to tackle urgent social, economic, and environmental issues (Kleespies & Dierkes, 2022). Simultaneously, social audits have become an essential instrument for assessing and improving an organisation's social performance and impacts, particularly in the context of corporate social responsibility and accountability (Denisov, Khachatryan, & Umnova, 2018; Vinšalek-Stipić, 2022). There is still a big knowledge gap on how social audits and the SDGs relate to one another (Montero & Le Blanc, 2019). The end of social audit verification could influence a company to disclose SDGs.

Hales and Phi (2021) point out that social audits have the potential to greatly improve openness and accountability to achieve the SDGs. However, the existing lack of coordination between these processes hinders the full realisation of their combined benefits. Hales and Phi (2021) attribute the primary cause of this disconnect to the lack of standardised procedures and guidelines, which would facilitate the systematic integration of social audit findings into the strategic planning and implementation of SDG-related initiatives. There isn't a clear link between social auditing procedures and strategies for implementing the SDGs. This leads to an underutilization of valuable insights and data from social audits in shaping and improving SDG initiatives. The omission of these insights results in missed opportunities to refine SDG efforts to achieve more efficient and meaningful outcomes. As a result, the difference between how social audits are supposed to fit in with the SDGs and how they are used is a big problem for making sustainability programmes around the world as effective as possible.

There exists a lack of awareness and comprehension among many stakeholders about the alignment of social audits with the SDGs and their potential to facilitate sustainable development outcomes (Sari et al., 2022). The incorporation of social audits into the SDGs necessitates a collaborative approach involving multiple stakeholders, including businesses, governments, NGOs, and civil society. This approach aims to comprehend and apply audit findings in a manner that promotes sustainable outcomes (Sari et al., 2022). This collective comprehension guarantees that social audits are not perceived solely as compliance endeavours but rather as chances for authentic enhancements in sustainability.

Mook (2019) points out that the diversity of the SDGs reporting, which covers a broad spectrum of 17 goals from social justice to environmental sustainability, makes a one-size-fits-all method of measuring unworkable and inefficient. Moreover, the absence of uniform reporting systems makes it more difficult to aggregate and compare data from various companies and industries, which results in inconsistent evaluations and dissemination of progress. This fragmentation impairs stakeholders' capacity to make data-driven decisions that will increase the social impact of their projects, in addition to undermining the veracity of claimed outcomes. As a result, the ongoing difficulty in creating trustworthy methodologies hinders not only the ability to assess and comprehend the contributions made by individual companies to the SDGs but also the ability to advance as a group, since it obscures the actual influence of these efforts on global sustainable development.

According to Taghieva and Hashimova (2019) there aren't enough experienced professionals with the right social accounting skills. This significantly complicates the process of thoroughly evaluating and monitoring SDG-related projects and programmes. This problem isn't just a formality; it's a real problem that gets in the way of openness, accountability, and, eventually, the success of SDG efforts. Due to a shortage of experts, audits frequently overlook crucial elements such as social inclusion, fairness, and environmental sustainability when assessing the multifaceted impacts of social programmes on individuals. Limited resources within the overseeing organisations result in people prioritising rule compliance over genuine intentions to effect meaningful change. Given this, it is evident that the field of social auditing requires a comprehensive approach to enhance its operations. This includes not only providing auditors with better technical skills and information, but also helping them learn more about how the SDGs are based on complex interactions between social, economic, and environmental factors. This kind of multifaceted work is the only way to successfully tackle the huge challenge of implementing the SDGs and make sure that these global goals don't just stay aspirational but become real for everyone.

According to Le Blanc and Montero (2020) current auditing frameworks are insufficient for assessing the effectiveness of broader sustainable development initiatives, despite their potential effectiveness in specific programmes such as slum upgrading. The analysis posits that the limited scope of existing auditing procedures does not adequately encompass the complex aspects of sustainable development. Consequently, this constraint hampers the ability of social audits to effectively facilitate significant organisational transformation under the SDGs. This critique underscores the pressing necessity for legislative reforms that not only expand the scope and significance of social audits in the context of sustainable development, but also ensure their strategic alignment with the overarching objectives of the SDGs. Because there isn't a coordinated effort to fix this policy gap, social audits can't be fully used as a way to incorporate sustainable development principles into the way an organisation works. Consequently, this perpetuates the disparity between the theoretical concepts of sustainability and their actual execution.

2 | LITERATURE REVIEW

2.1 | Stakeholder Theory

According to Freeman, Harrison, Wicks, Parmar, and De Colle (2010) stakeholder theory offers a conceptual framework for comprehending the inter-relationships and changes among various individuals or groups with a vested interest in or impacted by a specific company or project. When examining the connection between social auditing and Sustainable Development Goals (SDGs), stakeholder theory provides valuable perspectives on the complex nature of this relationship.

First and foremost, companies employ a systematic procedure known as a social audit to evaluate their social and environmental influence and effectiveness (Cotton, Fraser, & Hill, 2000). Evaluating the extent to which a company effectively meets its social duties and addresses the concerns of its stakeholders is a fundamental aspect of this process. The stakeholder theory acknowledges the obligation of companies to take into account the concerns and welfare of various stakeholders, encompassing employees, customers, suppliers, local communities, and society at large. Companies can gain valuable insights into their stakeholders' expectations and concerns by participating in social audits. Companies can use this knowledge to improve their decision-making processes and ultimately boost their overall performance.

Furthermore, the SDGs encompass a comprehensive framework of worldwide targets introduced by the United Nations to tackle diverse social, economic, and environmental issues. The objectives mentioned above aim to promote sustainable growth and improve the well-being of both individuals and the environment. Stakeholder theory highlights the significance of actively involving stakeholders and taking into account their viewpoints and concerns during decision-making procedures (De Luca, Iaia, Mehmood, & Vrontis, 2022). Companies that align their activities with the SDGs showcase their dedication to tackling societal concerns and making a positive impact on sustainable development. By integrating the concepts and objectives of the SDGs into their social audits, companies can evaluate their performance concerning these goals and pinpoint areas that require enhancement.

2.2 | Social Audit and SDGs

Building on the idea that social audits are both a mirror and a map for sustainable development, Montero and Le Blanc (2019) stress how important it is for these audits to not only show how far companies have come in reaching the SDGs but also to plan what businesses should do next. According to what they found in their study, social audits look deeply into the social, environmental, and economic aspects of a situation. This gives a full picture of how well strategies used to reach the SDGs are working. This method facilitates the identification of gaps in policy and practice, highlighting the necessary changes by delving deeper into the details. Involving stakeholders in the social auditing process fosters a heightened sense of ownership and accountability toward the goals. This ensures that everyone in society contributes to paving the road to sustainability. In this way, Montero and Le Blanc (2019) stated that social audits are not only useful for evaluating things but also for creating a framework for sustainable growth that is open, accountable, and includes everyone. This comprehensive system not only demonstrates the advancements made but also highlights the issues that still require resolution. It gives us useful information for getting past the obstacles companies face on the way to achieving the SDGs, which supports the idea that openness and responsibility are essential to the quest for sustainability.

There is very little statistical evidence for a relationship between social audit and the SDGs. A study by Denisov et al. (2018) found that social audit positively impacts corporate social responsibility (CSR). Although they do not use the SDGs for their study, CSR is part of the SDGs. CSR activities frequently focus on addressing social, economic, and environmental concerns that are in line with the SDGs, directly aiding in their achievement. Companies that incorporate CSR plans showcase their dedication to sustainable development, thereby advancing both societal and corporate goals.

The literature explains that there are several ways in which social auditing can positively impact the SDGs. Marushko and Gorban (2022) emphasize the significance of social audits in not only identifying gaps in existing practices about the SDGs, but also in delineating practical approaches for addressing these gaps. According to their argument, a social audit provides a comprehensive assessment of an organization's progress toward sustainability by thoroughly examining its policies, practices, and societal and environmental effects. Moreover, it cultivates a climate of transparency and accountability, promoting the practice of companies openly communicating their advancements and obstacles to achieving the SDGs. Open communication fosters stakeholder trust and engagement, which is critical for the effective execution of sustainability policies. Companies can enhance their alignment with the SDGs and make significant contributions to the global agenda of promoting sustainable development and social fairness by effectively leveraging the insights obtained from social audits (Marushko & Gorban, 2022). Therefore, performing a social audit is not merely a means of comprehending a company's social and environmental impact; rather, it represents a strategic endeavour to incorporate sustainable practices into the fundamental aspects of company activities, ultimately facilitating the progression towards a more sustainable and accountable future.

Based on the underlying assumption that social audits play a crucial role in improving transparency and accountability in the areas of the SDGs, it is essential to investigate how these audits contribute to a more inclusive and consequently more efficient approach to attaining worldwide sustainability objectives. Montero and Le Blanc (2019) emphasise the importance of involving a wide range of stakeholders in the audit process. They argue that this inclusivity not only fosters a collective sense of responsibility but also guarantees the inclusion of diverse perspectives in assessing the advancement toward the SDGs. Through this process, social audits catalyse a more nuanced and thorough comprehension of the intricate issues that are inherent in endeavours toward sustainable development. Furthermore, the promotion of openness through social audits facilitates the identification of inefficiencies and oversights, enabling focused interventions and the redistribution of resources to areas with the greatest need. On the other hand, the accountability component ensures that governments and organisations not only uphold their obligations but also execute them in a way that maximises their effectiveness. Essentially, the meticulous implementation of social audits, as described by Montero and Le Blanc, offers a coherent roadmap for navigating the complex ground of sustainable development, ensuring that progress is not only steady but also represents significant steps towards reaching the ambitious 2030 goal.

The process of conducting social audits frequently entails the active involvement of various stakeholders. Gao and Zhang (2006) highlight the importance of this social audit method, emphasising that stakeholders' comprehensive understanding of the organisation's influence on society and the environment is essential for a comprehensive assessment of advancements towards the SDGs. Diverse stakeholders, such as internal employees directly exposed to the company's policies and remote communities impacted by its operations, offer valuable perspectives that are often overlooked. Employees have the potential to offer valuable insights into the labour practices of the company, while local communities can serve as witnesses to the organisation's commitment to environmental stewardship and economic contributions. Customers, on the other hand, offer valuable insights into the societal significance of products and services, potentially highlighting areas that sustainable development objectives can improve. According to them, the inclusion of diverse perspectives in social audits not only enhances the credibility of company reports but also facilitates the development of more comprehensive and efficient sustainability policies. The extensive involvement of stakeholders is crucial for conducting genuine and practical social audits, guaranteeing that companies not only demonstrate their dedication to sustainable development but also actively pursue it with the informed endorsement and participation of their broader community.

Abeysekera (2022) states that using rigorous social auditing procedures can significantly improve the credibility of SDG reporting by companies. Conducting a methodical analysis and validation of a company's social and environmental influence ensures precise and reliable documented advancements toward the SDGs, thereby achieving this improvement. In addition, Abeysekera emphasises the importance of these audits in offering stakeholders a distinct and unequivocal perspective on an organisation's sustainability endeavours. This level of scrutiny not only requires companies to comply with more rigorous reporting criteria but also fosters a culture of ongoing enhancement in their approach to attaining the SDGs. In essence, thorough social auditing procedures convert SDG reporting from a routine duty into a strategic instrument that promotes responsibility and cultivates confidence among stakeholders, thus making a substantial contribution to the worldwide agenda for sustainable development.

3 | METHOD AND DATA COLLECTION

Building on the idea that social audits are both a mirror and a map for sustainable development, [Montero and Le Blanc \(2019\)](#) stress how important it is for these audits to not only show how far companies have come in reaching the SDGs but also to plan what businesses should do next. According to what they found in their study, social audits look deeply into the social, environmental, and economic aspects of a situation. This gives a full picture of how well strategies used to reach the SDGs are working. This method facilitates the identification of gaps in policy and practice, highlighting the necessary changes by delving deeper into the details. Involving stakeholders in the social auditing process fosters a heightened sense of ownership and accountability toward the goals. This ensures that everyone in society contributes to paving the road to sustainability. In this way, [Montero and Le Blanc \(2019\)](#) stated that social audits are not only useful for evaluating things but also for creating a framework for sustainable growth that is open, accountable, and includes everyone. This comprehensive system not only demonstrates the advancements made but also highlights the issues that still require resolution. It gives us useful information for getting past the obstacles companies face on the way to achieving the SDGs, which supports the idea that openness and responsibility are essential to the quest for sustainability.

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Social audits are crucial for improving transparency and accountability, which are considered as fundamental elements for accomplishing the SDGs. [Montero and Le Blanc \(2019\)](#) argue that the effectiveness of social audits is greatly enhanced by involving a diverse range of stakeholders in the auditing process. This approach fosters both a collective sense of responsibility and enhances the audit by incorporating a wide range of viewpoints, which are crucial for obtaining a thorough comprehension of the complexities and difficulties associated with sustainable development. Implementing inclusive procedures guarantees that a variety of perspectives, particularly those directly impacted by policies and operations, are taken into account, resulting in audits that accurately represent the complexities and requirements of the actual world. Consequently, these audits aid in identifying crucial areas that require changes, thereby optimising the allocation of resources and improving the overall effectiveness of sustainability activities.

[Gao and Zhang \(2006\)](#) point out the importance of inclusive auditing by emphasising the valuable perspectives that stakeholders, including employees, local communities, and customers, contribute to social audits. Employees possess an inside viewpoint on companies' activities and their effects, whereas local communities supply insights about the company's environmental stewardship and socio-economic contributions. Customers also contribute a distinct perspective by contemplating the societal consequences of products and services. The comprehensive collection of feedback not only enhances the reliability of sustainability reports but also assists in formulating more efficient and all-encompassing company sustainability policies.

[Abeysekera \(2022\)](#) builds on this by pointing out the significant benefits of rigorous social auditing for credible SDG reporting. Rigorous and systematic assessment of a company's social and environmental effect through these audits guarantees that the declared progress towards the SDGs is both precise and reliable. Companies must not only adhere to more stringent reporting criteria but also demonstrate a steadfast dedication to ongoing enhancements in their sustainability strategy. Rigorous social auditing transforms SDG reporting from a routine compliance exercise into a strategic instrument, promoting transparency and fostering continual improvements, hence building stakeholder trust.

3.1 | Sample Description and Data Collection

The initial sample for this study consisted of 100 companies from various industries, as indicated in [Table 1](#). However, we excluded 26 Malaysian companies from this study because they lacked comprehensive data. Therefore, there are a total of 74 companies that possess sufficient and comprehensive data required for this investigation. We excluded 26 companies from the initial sample. According to [Keller and Warrack \(2005\)](#) a sample is considered representative of the population if it includes a minimum of 30 companies. The selection of Malaysian companies provides a comprehensive representation of the market, providing valuable insights into the country's vast range of industries. The study sourced all financial data from Eikon, a comprehensive financial database, and non-financial data, specifically SDG data, from the official website of each company. Given the constant fluctuations in markets and the increasing significance of sustainability in contemporary business practices, the years 2021 and 2022 emerge as optimal periods for conducting a relevant and insightful study ([Khan, 2020](#)).

Table 1: Summary of the sample.

Description	Number of companies
The initial sample	100
Minus: Companies without adequate data	(26)
The sample that possesses accessible data	74

3.2 | Regression Model

Regression modeling is a statistical method used to show the connection between a dependent variable and one or more independent factors in a mathematical way. The major aim of this approach is to predict the value of the dependent variable by employing the values of the independent variables. The regression models used in this study are summarized below:

Baseline model:

$$SGDs_{it} = \beta_0 + \beta_1 SA_{it} + \beta_2 Control_variables + \varepsilon_{it}$$

where *SDGs* = Sustainability Development Goals; *SA* = Social Audit; *Control_variables* = Control Variables.

3.3 | Measurement of Variables

3.3.1 | Sustainability Development Goals SDGs

Table 2 states that the calculation of the SDGs variable is based on the percentage of SDGs item implementation. A score of 1 was given for every SDG item, which are SDGs 1 to SDG 17. After that, the total marks given by each company will be divided into 17 (all SDG items). From above, this research came up with an equation:

$$SDGs_i = \sum \frac{X_i}{n_i}$$

where n_i = Number of items expected for *I* company, $n_i \leq 17$; $X_i = 1$ if the item is disclosed, whereas 0 if the item is not disclosed. So that $0 \leq SDGs_i \leq 1$.

Table 2: Sustainability development goals items.

No.	SDGs item
1	No poverty: Eliminate poverty in all its manifestations worldwide.
2	Zero hunger: Promote the eradication of hunger, attain food security and enhanced nutrition, and foster the development of sustainable agriculture.
3	Good health and well-being: Promote optimal health and well-being for individuals of all ages.
4	Quality education: Promote inclusive and equitable quality education while also fostering lifelong learning opportunities for individuals of all backgrounds.
5	Gender equality: Pursue the attainment of gender equality and the empowerment of women and girls.
6	Clean water and sanitation: Ensuring the accessibility and sustainable administration of water and sanitation services for all individuals.
7	Affordable and clean energy: Promote universal access to affordable, dependable, sustainable, and contemporary energy sources.
8	Decent work and economic growth: Advocate for continuous, comprehensive, and enduring economic expansion, complete and efficient employment, and satisfactory work opportunities for everyone.
9	Industry, innovation, and infrastructure: Encourage the development of robust infrastructure, facilitate inclusive and sustainable industrialization, and cultivate a culture of innovation.
10	Reduced inequality: Mitigate economic inequality both domestically and internationally.
11	Sustainable cities and communities: Promote inclusivity, safety, resilience, and sustainability in cities and human settlements.
12	Responsible consumption and production: Promote the adoption of sustainable consumption and production practices.
13	Climate action: Implement immediate measures to address climate change and its consequences.
14	Life below water: Promote the preservation and responsible utilisation of the oceans, seas, and marine resources to achieve sustainable development.
15	Life on land: Protect, restore, and encourage the sustainable use of terrestrial ecosystems, handle trees in a way that doesn't harm them, fight desertification, stop and reverse land degradation, and stop the loss of biodiversity.
16	Peace, justice, and strong institutions: Encourage inclusive and peaceful societies for long-term growth; ensure that everyone has access to justice; and create inclusive, accountable, and successful institutions at all levels.
17	Partnerships for the goals: Get the global partnership for sustainable development back on track and improve the ways that solutions are put into action.

3.4 | Social Audit (SA)

This study uses a binary measure to classify a sample of companies that employ social audit verification. This approach gives a score of 1 if there is the existence of a social audit and 0 otherwise (Canela et al., 2019). The formula is as follows;

$$1 = \text{Existence of social audit verification and } 0 \text{ is otherwise}$$

3.5 | Control Variables

3.5.1 | Companies Size

The quantity of assets a company possesses determines its size (Lam, Sami, & Zhou, 2012). In contrast to smaller enterprises, major companies engage in a greater number of activities that exert a significant influence on society. The measurement for company sizes are as follows:

$$\text{Size} = \log_{10} (\text{total assets})$$

3.5.2 | Debt Level (DEBT)

Debt is a financial liability that arises when one party, referred to as the debtor, owes an obligation to another party, known as the creditor. We calculate the debt using the following formula:

$$\text{DEBT} = \text{Total Debt} / \text{Total Equity}$$

The debt-to-equity ratio is a metric used to assess the balance between a company's overall debt and equity (Nukala & Prasada Rao, 2021). It indicates the ratio of debt to equity in the organization's capital structure.

3.5.3 | Liquidity (LIQ)

The current ratio quantifies a company's capacity to meet its immediate financial obligations using its immediate assets (Djohan, 2023). The metric offers insight into a company's liquidity and its capacity to satisfy its immediate financial commitments. The formula is as follows:

$$\text{LIQ} = \text{Current Assets} / \text{Current Liabilities}$$

3.5.4 | Return on Asset (ROA)

ROA, or Return on Assets, is a financial metric that assesses a company's profitability by examining the effectiveness with which it utilises its assets to generate profits (Choiriyah, Fatimah, Agustina, & Ulfa, 2020). Below is the formula for ROA:

$$\text{ROA} = \text{Net income} / \text{Total assets}$$

Table 3: Descriptive statistics.

Variable	Minimum	Maximum	Mean	Std. deviation
SDGs	2.000	17.000	10.710	3.401
SA	0.000	1.000	0.277	0.449
DEBT	0.000	7.830	0.728	0.955
LIQ	0.350	20.950	2.567	2.712
ROA	-0.190	0.800	0.035	0.095
Size	8.170	11.260	9.503	0.746

4 | RESULTS AND DISCUSSION

4.1 | Descriptive Statistics

The descriptive statistics in Table 3 provide a summary of the key variables used in the study. For the dependent variable, SDGs, the data ranges from a minimum of 2 to a maximum of 17, with a mean value of approximately 10.71 and a standard deviation of 3.40, indicating moderate variability in SDG achievement across the sample.

The independent variable, SA is binary, with values ranging from 0 to 1. Approximately 27.7% of the sampled companies observe social audit practices on average.

Regarding control variables, DEBT ranges from 0 to 7.83, with a mean of 0.728 and a standard deviation of 0.955, indicating variability in debt levels across companies. LIQ ranges from 0.35 to 20.95, with a mean of 2.567 and a standard deviation of 2.712, indicating a wide range of liquidity levels among the companies. ROA ranges from -0.19 to 0.8, with a mean of 0.035 and a standard deviation of 0.095, indicating a relatively small variation in return on assets across the sample. Lastly, size ranges from 8.17 to 11.26, with a mean of 9.503 and a standard deviation of 0.746, suggesting moderate variability in company size within the sample.

Overall, the descriptive statistics provide a comprehensive overview of the central tendency, variability, and range of values for each variable, laying the groundwork for further analysis in the study.

Table 4: R-squared values and F-statistic.

Statistical analysis	Observation per group		
R-square	Within	=	0.1615
	Between	=	0.0018
	Overall	=	0.0398
F-statistic	F (5,73)	=	3.690***

Note: ***. Correlation is significant at the 0.01 level.

4.2 | R-Square and F-Statistic

The values of R-squared and F-statistic presented in Table 4 provide valuable insights into the efficacy of the fixed-effects regression model in explaining the variability observed in the dependent variable among various groups. According to the inside R-squared value of 0.1615, it can be inferred that around 16.15% of the overall variability in the dependent variable can be accounted for by the independent and control variables incorporated in the model within each respective group. The model effectively encompasses a modest level of variability in the dependent variable across the examined groups. Conversely, the R-squared value of 0.0018 suggests that disparities among the group accounts for a minimal percentage of the overall variability in the dependent variable. This suggests that the disparities in the dependent variable among the groups are negligible in comparison to the intra-group variances. The R-squared value of 0.0398 indicates the extent to which the independent variables in the model account for the whole variance in the dependent variable, encompassing both within- and between-group variations. This finding suggests that the overall model accounts for a relatively modest proportion (about 3.98%) of the overall variability seen in the dependent variable across all groups.

We use the F-statistic, denoted as $F(5,73) = 3.69$, to evaluate the overall significance of the regression model. In this particular instance, the F-statistic indicates that the whole model exhibits statistical significance at the designated level of significance.

Table 5: Fixed effect regression analysis.

Variable	Coef.	Std. err	t	P> t
SA	-2.401	0.735	-3.270	0.002***
DEBT	-0.222	0.275	-0.810	0.423
LIQ	0.188	0.132	1.420	0.158
ROA	1.985	2.359	0.840	0.403
Size	1.488	0.683	2.180	0.033**
_cons	-3.151	6.481	-0.490	0.628

Note: Dependent variable: SDGs.

***. Correlation is significant at the 0.01 level. **. Correlation is significant at the 0.05 level.

4.3 | Fixed Effect Regression Results

Table 5 presents the overall effect-regression analysis. The study utilises fixed-effects regression to account for unobserved heterogeneity at the company level and examine fluctuations within companies over time. This approach improves the reliability of estimates regarding the relationship between the independent and control variables, as well as the achievement of the SDGs. The independent and control variables' coefficients quantify the estimated influence on the dependent variable, while the p -value ($P>|t|$) indicates the statistical significance of each coefficient.

The independent variables SA stand out as statistically significant, with a coefficient of -2.401 and a p -value of 0.002. This suggests a correlation between an increase in social audit practices and a decrease in SDG attainment. The findings of this study do not align with the anticipated direction (Abeysekera, 2022; Montero & Le Blanc, 2019). Multiple reasons may contribute to a negative relationship between SA and the SDGs. The initial step in implementing social audits involves the identification of current deficiencies or deficiencies in companies' operations, which can serve as a means to emphasise areas where companies fail to fulfil SDG targets. Exposing shortcomings can lead to a perceived decrease in the SDGs' performance through enhanced transparency.

Secondly, companies may prioritise compliance with social audit requirements over broader sustainable development initiatives, focusing on meeting minimum standards rather than striving for ambitious SDG outcomes. Focusing on compliance could divert resources from initiatives that directly aid in achieving the SDGs.

Additionally, the act of conducting social audits can impose administrative difficulties and expenses on companies, potentially diverting resources from investments in sustainable practices that have a positive effect on the SDGs. For example, a company might have to allocate its financial and human resources to the audit's execution, thereby depriving it of the opportunity to implement environmentally sustainable practices to promote employee welfare. This could ultimately hinder progress towards achieving the SDGs, as the company's focus shifts towards meeting the audit requirements rather than actively working towards sustainability.

Moreover, if social audits are seen as a superficial task without a sincere dedication to social responsibility, their execution may not lead to significant enhancements in SDG performance. To elaborate, the mere process of conducting a social audit without genuinely adopting the ideals and principles of social responsibility may not provide the intended favourable outcomes in terms of performance towards the SDGs.

Finally, in cases where social audits uncover unfavourable outcomes, such as failure to adhere to labour standards or environmental legislation, companies may encounter harm to their reputation or legal consequences, thereby impeding their capacity to make meaningful contributions towards the objectives of the SDGs over an extended period. If the audits reveal any infractions or deficiencies in labour standards or environmental procedures, it might result in substantial repercussions for the company. In addition to potentially tarnishing their reputation, engaging in such behaviour can also lead to legal ramifications, including monetary fines or penalties. This scenario has the potential to impede the company's capacity to make meaningful contributions to the SDGs, as it may restrict their available resources and capabilities for the implementation of sustainable practices.

In contrast, the control variables DEBTS, LIQ, and ROA have coefficients with p -values beyond 0.05, suggesting that they do not contribute significantly to the accomplishment of SDGs in this model.

The only variable that exhibits statistical significance is size, as indicated by a coefficient of 1.488 and a p -value of 0.033. This study suggests that larger companies are more likely to attain higher levels of SDGs. Park and Jang (2010) suggest that there exists a positive relationship between a company's size and its allocation of resources and internal structures towards sustainability projects. Nevertheless, it is important to acknowledge that although the effect size is statistically significant, it is rather moderate in comparison to the coefficient of SA.

The intercept term (_cons) lacks statistical significance, suggesting that the anticipated level of SDG performance is not substantially different from zero when all independent variables are set to zero.

5 | CONCLUSIONS

In conclusion, the regression analysis indicates that SA has a significant negative relationship with the achievement of SDGs, and larger companies also exhibit higher levels of SDG attainment. Nevertheless, it seems that factors such as DEBT, LIQ, and ROA do not exhibit a substantial influence on the attainment of SDGs within this specific model.

The study's results, which indicate a negative relationship between SA and SDGs, might have substantial consequences for both corporate strategies and sustainable development initiatives. Above all, it emphasises the significance of thoroughly assessing the efficacy of existing company accountability tools, such as social audits, in promoting favourable social and environmental results. If social audits impede rather than promote progress toward the SDGs, their role as a tool for promoting corporate responsibility and transparency becomes questionable.

Furthermore, the study's findings may lead to a reevaluation of companies' social audit strategies and wider sustainability initiatives. Companies may need to adopt a more comprehensive and proactive strategy for corporate sustainability instead of perceiving social audits primarily as a compliance obligation. One of the approaches is to fully incorporate SDGs into business objectives and activities, giving priority to a sincere dedication to social and environmental responsibility rather than simply following auditing standards.

From a policy perspective, the study highlights the need for regulatory frameworks that incentivize meaningful corporate sustainability efforts while minimising unintended negative consequences. It may be necessary for policymakers to reassess the current legislation about social audits to ensure their alignment with the overarching goal of promoting sustainable development. This may entail advocating for increased involvement of stakeholders in the auditing process, cultivating a culture of ongoing improvement, and offering support to companies in effectively implementing sustainability measures.

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