



The Effect of *Stakeholder Pressure* on *Sustainability Report* Exposition

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ABSTRACT

There is a phenomenon of increasing demand for transparency in non-financial information, moving towards integrated reporting. Companies are increasingly conducting materiality evaluations to identify and prioritize sustainability issues that are most significant for their business and stakeholders. This research aimed to determine the influence of stakeholder pressure, which consists of investors, creditors, suppliers, and consumers, on the issuance of sustainability reports. This study was quantitative in nature. The data source for this research were secondary data derived from the financial reports of manufacturing sector companies from 2014 to 2021. The data were processed using SPSS version 25. The findings reveal that stakeholder pressure, particularly from investors and creditors, has a significantly positive impact on the issuance of sustainability reports. This indicates that investors and creditors play a crucial role in encouraging companies to publish sustainability reports in each accounting period. Meanwhile, the pressure from suppliers and consumers shows no significant effect on sustainability reporting. This is because suppliers generally tend to prioritize operational aspects and daily business relationships over corporate sustainability reporting. Similarly, sustainability reports are not a primary consideration in consumers' decision-making processes.

1. Introduction

Over the past three decades, there has been an unprecedented increase in the disclosure of non-financial information, such as environmental, social, or sustainability reporting, by private and public companies [1]. Sustainability reporting involves the disclosure and accountability of an organization's performance towards sustainable development to both internal and external stakeholders [2]. According to the Global Reporting Initiative (GRI, 2021), sustainability reporting is defined as "the practice of an organization publicly reporting its economic, environmental, and/or social impacts and its contributions to sustainable development goals." Similarly, the World Business

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Council for Sustainable Development defines sustainability reporting as “a public report prepared by a company to provide an overview of its position regarding economic, environmental, and social activities to both internal and external stakeholders” [3]. Therefore, the purpose of sustainability reporting is to provide accurate and credible reports by companies to stakeholders regarding their environmental and social activities, regardless of the economic impact on the company [1].

Sustainability reporting is the most comprehensive and integrative form of corporate reporting and a voluntary tool that focuses on enhancing corporate transparency regarding social and environmental performance as well as sustainable development [4]. It involves the disclosure of both financial and non-financial information to stakeholders [5]. The goal of sustainability reporting is to provide stakeholders with a clear understanding of a company’s values, principles, governance, and management practices [6]. Chouaibi and Affes [7] emphasized that companies with strong social and ethical commitments are typically more involved in environmental disclosures. Existing literature shows that sustainability reporting impacts corporate performance and value [8]. Furthermore, Rezaee and Tuo [9] argue that sustainability reporting improves earnings quality. Additional studies indicate that sustainability reporting reduces debt and equity capital costs [10]. Literature also suggests that sustainability disclosures reduce information asymmetry between companies and their stakeholders [11, 12]. Despite these benefits, some companies, particularly in developing countries, remain reluctant to adopt this practice. While previous research highlights that company and board characteristics are key drivers of sustainability reporting, the findings are inconclusive [8]. On the other hand, evidence suggests that stakeholder pressure and demand can effectively drive the adoption of sustainability reporting [13].

Customer Pressure (CP) refers to the demands expressed by stakeholders, specifically customers. Customers use a company's sustainability information to evaluate its performance. This evaluation helps determine whether the company can fulfill its short-term and long-term obligations to customers. High-quality sustainability information is necessary for customers to make well-informed economic decisions. Customers often maintain long-term business relationships with a company. If a company exits the market, customers must bear significant switching costs. This study focuses on Customer Pressure, which refers to the demands and requirements of end consumers and business customers—key stakeholder groups—for companies to improve their environmental and social performance [14, 15].

Since the 2008–2009 financial crisis, equity ownership and its impact on corporate sustainability have gained importance from the perspectives of research, regulation, and business practice. Equity ownership can be categorized into several types: family ownership, state ownership, managerial ownership, and institutional ownership [16]. This analysis focuses on institutional ownership, based on the assumption that institutional owners possess greater experience and resources, thus influencing corporate strategy. Many institutions act as active owners who monitor the boards of their investee companies and exert pressure on management to enhance corporate sustainability efforts.

Most of these institutions hold highly complex portfolios of companies from an international perspective. Since sustainability issues (e.g., climate change or gender diversity) represent global challenges, institutions are attuned to stakeholder concerns. Investors, whether individuals or institutions, invest in companies based on various considerations, including non-financial performance. Consistent with this, institutional investors actively engaged in sustainability issues have grown rapidly [17, 18].

Creditors refer to lenders who demand high-quality accounting information from private companies to assess credit risk and determine appropriate interest rates [19]. Creditors require both financial and non-financial information to mitigate risks and ensure contracting efficiency [20].

Companies seeking debt funding provide credible and high-quality financial information to reduce their cost of debt capital. Creditors with strong rights have greater incentives to monitor and demand reliable information. Additionally, Ibadin et al. [21] found that companies with relatively high debt ratios in their capital structure tend to produce timely financial reports to meet their obligations. Consequently, creditors demand companies produce high-quality information to reduce information-related risks. On the other hand, companies are motivated to provide high-quality corporate information (including sustainability reporting) to receive favorable evaluations from creditors.

Suppliers influence companies in various ways, including their impact on capital structure decisions. Company debt to suppliers can strengthen the company's bargaining power (its ability to influence other parties) while reducing the bilateral surplus available for discretionary payments to suppliers, such as bonuses and rebates. This weakens suppliers' incentives to maintain relationships with the company [22]. In addition, suppliers can affect a company's capital structure and accounting practices, as well as its sustainability reporting. As stated, "a company is only as sustainable as its suppliers" [23]. Recent developments in Supply Chain Management (SCM) highlight that internal practices provide crucial links with suppliers; without these, companies cannot fully benefit from their supply chain management efforts [24]. Thus, the importance of sustainability issues tied to stakeholder pressure and sustainability reporting serves as a measure of corporate sustainability and performance achievement.

2. Method

2.1. Research Design

This study scientifically addresses research questions using quantitative research techniques, aiming to develop a model that connects theory, previous research, and hypotheses related to the variables used in the study. Quantitative research involves the use of numerical data and aims to test research hypotheses [41]. Quantitative researchers design studies that allow for hypothesis testing. The hypothesized variables depend on or are caused by other variables [42]. The dependent variable is the variable that monitors how subjects react by measuring responses in one or more outcome measures. The independent variable is the variable believed to cause or influence the dependent variable. The dependent variable can be influenced by one or more independent variables [42].

2.2. Research Subjects and Data Collection Techniques

The population of the study consists of manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2014 to 2021. The data used in this research is sourced from annual report databases accessed from the IDX and the respective company websites. The sampling technique used in this study is purposive sampling. Purposive sampling is a sampling technique based on certain considerations [41]. The reason for selecting purposive sampling is that not all samples meet the criteria set by the researcher. Therefore, the samples chosen are based on criteria determined by the researcher to obtain a representative sample.

The sample criteria used in this study are as follows: (1) manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the study period; (2) companies presenting financial reports in Indonesian Rupiah (IDR); (3) the financial reports of the companies have complete data as required; and (4) the companies have an accounting period that ends on December 31. This research will be conducted from March 2024 to September 2024.

2.3. Operational Definitions and Variable Measurement

2.3.1. Dependent Variable

The dependent variable is the variable that is influenced as a result of the effect of the independent variables used in the research [42]. This study uses the variable Sustainability Report Exposure. Sustainability Report Exposure is defined as a report published by a company aimed at describing the company's activities in the economic, social, and ethical domains, such as addressing climate change, combating poverty, reducing inequalities, and improving product quality sustainably [43]. Therefore, if a company publishes a Sustainability Report, it will be given a value of 1, and if not, it will be given a value of 0.

2.3.2. Independent Variables

Independent variables are the variables that influence the emergence of the dependent variable, i.e., variables that have an impact on the dependent variable [42]. This study includes four independent variables: Investor Pressure, Creditor Pressure, Supplier Pressure, and Customer Pressure.

a. *Investor Pressure*

Investor Pressure is a variable that measures the demands from investors or shareholders for companies to produce high-quality accounting information. In this study, Investor Pressure is defined as the extent of power or demand exerted by shareholders on the company. Shareholders are defined as those holding the majority ownership percentage in a company. Majority shareholders are those with the authority to monitor the company, owning more than 50% of the shares [44]. The greater the ownership in a company, the higher the oversight to prevent opportunistic actions by management. The formula adopted from Huang & Kung [44] is as follows:

$$EID_i = \% \text{ of Majority Shareholder Ownership} \quad (1)$$

b. *Creditor Pressure*

Creditor Pressure in this study refers to the power or demands of creditors on the company. Some creditors or their representatives are included in the board structure and hold strategic positions, enabling them to monitor the company closely by observing the leverage generated [45]. Consistent with Efobi [46], leverage can be used as a monitoring tool to reduce information asymmetry issues. This variable measures the proportion of total debt relative to the total assets of the company. The assumption is that the higher the total debt, the greater the demand for producing high-quality financial information. This is because lenders use earnings quality to assess the company's projected future operating cash flows to meet its obligations. Creditor Pressure is measured as the ratio of total debt to total assets. The formula is as follows [45]:

$$DID_i = \frac{\text{Total Debt}_i}{\text{Total Asset}_{si}} \quad (2)$$

c. *Supplier Pressure*

Supplier Pressure refers to the demands from suppliers for the company to provide high-quality accounting information. In this study, Supplier Pressure is defined as the extent of demand or power exerted by suppliers on the company. One indicator of

supplier demand is the value of inventory compared to total assets. In this study, Supplier Pressure is measured using inventory intensity, as applied in the study by Hope et al. [19]. The formula for measuring Supplier Pressure is as follows:

$$SD_i = \frac{\text{Total Inventory}_i}{\text{Total Assets}_i} \quad (3)$$

d. *Customer Pressure*

Pressure is defined as the demand or motivation to purchase goods at a certain price level within a specific period. In this study, Customer Pressure is a variable that measures customer demand for high-quality accounting information. Customer Pressure is defined in terms of customer strength, which is reflected in the company's sales as an indicator of customer power. The measurement of Customer Pressure follows the method in Boesso [47], which considers the annual sales volume. Customer Pressure (CD) is measured using the following formula:

$$CD_i = \sum \text{Sales} \quad (4)$$

2.4. Control Variable

Control variables are variables used to ensure that the results of an experiment can be accurately attributed to the variables being tested, by maintaining other factors or conditions constant. The control variables used in this research are ROA and Size.

a. *ROA*

ROA (Return on Assets) is one of the most popular profitability measures, representing the ratio between earnings after tax (EAT) and total assets [48]. The use of operating income reflects profitability focused on a company's operations. Information on income is available in the company's income statement, while total assets—listed in the balance sheet—include current assets, fixed assets, and other assets. The ROA measure used in this research is based on Hartarska [49] and Iqbal et al. [50], which compares net income to the company's total assets. The formula is as follows [48]:

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}} \quad (5)$$

b. *Size*

Firm size is a determinant of corporate profitability. A company's profit is influenced by its assets, sales, and market capitalization. Large firms tend to maximize the use of all available resources, whereas smaller firms generate profits proportional to their available resources. The measure of firm size in this research follows Ahmed et al. [51], Arora et al. [52], and Al Azeez [53], which calculates firm size using the natural logarithm of total assets. The formula is as follows:

$$\text{Size} = \text{LogN}(\text{Total Assets}) \quad (6)$$

2.5. Data Analysis Techniques

The data analysis techniques used in this study include descriptive statistical tests and multiple regression analysis, utilizing SPSS software version 25. Descriptive statistical tests are employed to analyze and describe various characteristics of the data, facilitating the stages of analysis and interpretation [54]. The descriptive analysis in this study consists of the number of observations, minimum value, maximum value, mean, and standard deviation. Additionally, classical assumption tests are conducted to ensure the model is free from deviations or

inefficiencies that could bias the conclusions. These classical assumption tests include normality, multicollinearity, heteroscedasticity, and autocorrelation tests.

2.6. Hypothesis Testing

Hypothesis testing is the primary step in this study to interpret the results based on the collected and observed data. This testing includes partial tests (t-tests), simultaneous tests (F-tests), and the coefficient of determination (R^2). The study tests four hypotheses. The first through fourth hypotheses examine the direct influence of stakeholder pressure—comprising customer pressure, investor pressure, creditor pressure, and supplier pressure—on sustainability reporting.

3. Results and Discussion

3.1. Descriptive Statistical Test Results

Based on Table 1 below, the descriptive statistical results indicate that the sustainability report variable has a minimum value of 0.00, a maximum value of 1.00, a mean of 0.22, and a standard deviation of 0.417. For the investor variable, the minimum value is 0.054, the maximum value is 0.999, the mean is 0.57555, and the standard deviation is 0.229430. For the creditor variable, the minimum value is 0.016, the maximum value is 4.709, the mean is 0.47667, and the standard deviation is 0.365985. The supplier variable has a minimum value of 0.002, a maximum value of 1.625, a mean of 0.20310, and a standard deviation of 0.141190. Next, the consumer variable has a minimum value of 8.669, a maximum value of 14.37, a mean of 12.4435, and a standard deviation of 0.747906. The size variable, used as a control variable, has a minimum value of 25.64, a maximum value of 33.53, a mean of 28.8093, and a standard deviation of 1.607644. Lastly, the ROA variable, also used as a control variable, has a minimum value of -1.46, a maximum value of 0.607, a mean of 0.05066, and a standard deviation of 0.127194.

Table 1. Result of Statistical Descriptive Test

Variable	N	Minimum	Maximum	Mean	Standard Deviation
<i>Sustainability Report</i>	560	0.00	1.00	0.22	0.417
Investor	560	0.054	0.999	0.57553	0.229430
Creditor	560	0.016	4.709	0.47667	0.365985
<i>Supplier</i>	560	0.002	1.625	0.20310	0.141190
Consumer	560	8.669	14.37	12.4435	0.747906
Size	560	25.64	33.53	28.8093	1.607644
ROA	560	-1.46	0.607	0.05066	0.127194

Source: Processed Data, 2024

3.2. Normality Test Results

Gujarati [55] stated that: *"...it can be shown that if those are a large number of independent and identically distributed random variables, then with a few exceptions, the distribution of their sum tends to a normal distribution..."*

This statement suggests that when research data consists of a relatively large sample size, it will naturally follow a normal distribution. Variables classified with $n > 25$ are considered a large sample [55]. Therefore, the sample size in this study, which is 560, qualifies as a large sample.

3.3. Multicollinearity Test Results

Based on Table 2 below, it can be concluded that there are no symptoms of multicollinearity. This is because all variables in the study show a tolerance value greater than 0.1. Additionally, all variables show a Variance Inflation Factor (VIF) value below 10. Based on the values in the tolerance and VIF columns, it can be stated that the conditions to avoid multicollinearity symptoms have been met.

Table 2. Result of Multicollinearities Test

Variable	Tolerance	VIF	Conclusion
Investor	0,946	1,038	No signs of multicollinearities
Creditor	0,872	1,147	No signs of multicollinearities
Supplier	0,942	1,062	No signs of multicollinearities
Consumer	0,160	6,235	No signs of multicollinearities
ROA	0,779	5,994	No signs of multicollinearities
Size	0,167	1,284	No signs of multicollinearities

Source: Processed Data, 2024

3.4. Heteroscedasticity Test Results

The heteroscedasticity test was conducted using the Park test. Based on Table 3 above, it can be concluded that heteroscedasticity is not present. Each variable in the study shows a significance value greater than 5%, indicating that the data meets the requirements for heteroscedasticity freedom.

Table 3. Result of Heteroscedasticity Test with Park Test

Variable	t-value	Significance	Conclusion
Investor	0,820	0,412	No signs of heteroscedasticity
Creditor	1,275	0,203	No signs of heteroscedasticity
Supplier	-1,040	0,299	No signs of heteroscedasticity
Consumer	-0,597	0,551	No signs of heteroscedasticity
ROA	0,944	0,346	No signs of heteroscedasticity
Size	1,661	0,097	No signs of heteroscedasticity

Source: Processed Data, 2024

3.5. Autocorrelation Test Results

The calculated values for dL and dU correspond to k=4 and a sample size (n) of 560. From the Durbin-Watson table, DL is 1.89901, and dU is 1.87094. According to Table 4 above, the Durbin-Watson statistic is 1.973. This value is greater than dU (1.87094) and lies between dU and 4-dU. Therefore, it can be concluded that there is no autocorrelation in the data used in this study.

Table 4. Result of Autocorrelation Test with DW

R Square	Adjusted R Square	Durbin Watson	Conclusion
0,210	0,208	1,973	No signs of autocorrelation

Source: Processed Data, 2024

Calculation:

$$dL = 1.84901, dU = 1.87094, 4 - dU = 2,12906, n = 560$$

3.6. Multiple Linear Regression Results

Based on Table 5 below, hypotheses 1 and 2 are supported, while hypotheses 3 and 4 are not. The variables size and ROA are control variables in this study. As a result, it can be concluded that

investors and *creditors* positively influence the sustainability report, with significance values of 0.048 and 0.009, respectively. The *supplier* variable has a significance value above 5%, specifically 0.212, meaning hypothesis 3 is not supported. Similarly, the *consumer* variable does not positively influence the sustainability report, as its significance value is also above 5%, specifically 0.433.

Table 5. Multiple Linear Regression Test

Variable	t-value	Significance	Conclusion
Investor	1,980	0,048**	Hypothesis supported
Creditor	2,671	0,008***	Hypothesis supported
Supplier	-1,249	0,212	Hypothesis not supported
Consumer	-0,784	0,433	Hypothesis not supported
Size	4,049	0,000***	-
ROA	2,241	0,025**	-

Note: * significance level of 10%, ** significance level of 5%, and *** significance level of 1%.

Source: Processed Data, 2024

3.7. Coefficient of Determination Test Results

Based on Table 6 below, the adjusted R Square value is 0.142. This indicates that all independent variables used in this study can explain the dependent variable, the *sustainability report*, by 14.2%. The remaining 85.8% is influenced by other variables not included in this study.

Table 6. Results of the Coefficient of Determination Test

R	R Square	Adjusted R Square	Standard Error of Estimate
0,580	0,151	0,142	0,386

Source: Processed Data, 2024

3.8. ANOVA Test Results

According to Table 7 below, the significance value is 0.000. This indicates that the model used in this study is appropriate. When all independent variables are combined, they can influence the dependent variable. Therefore, the ANOVA test requirements are met.

Tabel 7. Hasil Uji ANOVA

Model	F	Significance
Regression	16,444	0,000

Source: Processed Data, 2024

Investors Have a Positive Influence on the Issuance of Sustainability Reports

Investors require transparent and accountable information [56]. When investors receive the expected level of transparency, it can increase their trust in the entity. This condition encourages entities to recognize the importance of issuing sustainability reports. Transparency and accountability provide clarity to investors in deciding whether to invest in the entity. Furthermore, institutional investors, such as pension funds and insurance companies, also consider whether an entity has issued a sustainability report. This becomes a key factor for institutional investors in making decisions. Companies that issue sustainability reports are also perceived as more attractive, positively impacting their reputation [57]. This increases investor interest, as the company is viewed as being responsible for its business activities.

Creditors Have a Positive Influence on the Issuance of Sustainability Reports

Sustainability reports provide information relevant to creditors' needs [58]. Creditors, such as banks and other financial institutions, are highly interested in assessing the financial and credit risks of their borrowers. With sustainability reports, creditors can conduct more comprehensive risk evaluations and make better-informed lending decisions. Creditors often require certain environmental and social standards as prerequisites for lending [59]. Sustainability reports help companies meet these requirements by demonstrating their commitment to sustainability practices and compliance with applicable regulations. Additionally, companies that issue sustainability reports show good social and environmental responsibility, which can help manage reputational risks. Creditors are likely to view these companies as responsible and sustainable partners, making them more inclined to provide long-term financial support.

Suppliers Do Not Have a Positive Influence on the Issuance of Sustainability Reports

Suppliers often lack direct influence over a company's decision to issue sustainability reports [60]. These reports are more frequently driven by stakeholders such as investors, creditors, and shareholders who have direct financial interests in the company. Suppliers generally focus more on operational aspects and day-to-day business relationships rather than on their customers' sustainability reporting [61]. Unless specific contractual requirements or requests related to sustainability are imposed by customers, suppliers are unlikely to actively encourage companies to issue sustainability reports. Suppliers typically function as external entities providing materials or services, and their influence on strategic decisions like sustainability reporting is often minimal. The motivation to issue sustainability reports usually originates from within the company or from stakeholders more closely tied to the company's performance and transparency [62].

Consumers Do Not Have a Positive Influence on the Issuance of Sustainability Reports

Consumers often prioritize price, quality, or convenience as benchmarks for product satisfaction [63]. They tend to evaluate product satisfaction based on whether the product meets their expectations and whether it aligns with the price offered. These factors influence consumer decisions on whether to repurchase from the same brand or switch to a different one. Not all consumers are aware of or knowledgeable about sustainability issues [64]. Without adequate education on the importance of sustainability reports, consumers may not prioritize or inquire about them. If sustainability is not a key factor in their purchasing decisions, companies may not feel a strong incentive to issue sustainability reports. Overall, while consumers can play a role in promoting transparency and sustainability, their influence is not always strong or direct enough to drive companies to issue sustainability reports.

4. Conclusions

Sustainability reports are essential as they provide clear information for stakeholders. The stakeholders examined in this study include investors, creditors, suppliers, and consumers. The results indicate that investors and creditors positively influence the issuance of sustainability reports. This highlights the importance of stakeholder involvement in encouraging companies to issue sustainability reports regularly. However, suppliers and consumers do not have a positive influence on the issuance of sustainability reports. This is because suppliers generally focus more on operational aspects and day-to-day business relationships rather than on the sustainability

reporting of their customer companies. Additionally, consumers do not demand information from sustainability reports. Instead, they tend to prioritize products with the best quality and affordable prices, regardless of whether the company publishes sustainability reports.

For future research, it is recommended to conduct analyses on an international scale. This could involve comparing the influence of stakeholders on the issuance of sustainability reports across different countries or industries. It would also be beneficial to examine how factors such as culture and markets impact sustainability reporting. Future research could also consider the role of technology and digitalization to determine whether these factors enhance stakeholder engagement and increase their influence on sustainability reporting.

Conflict of interest

The authors declare no conflict of interest.

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