



## The political connection, stakeholders pressure, sustainability reports disclosure, and business risk as moderating variable

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### Abstract

The objectives of this research investigated the effect of political connection, stakeholder pressure (environmental pressure, customer's pressure, employee's pressure, and foreign pressure) on the sustainability report disclosure and business as a moderating variable. Manufacturing sector companies listed on the Indonesian Stock Exchange for the 2019–2023 periods have a target population. Samples were selected by some criteria, and the 15 manufacturing companies were determined as a sample. The annual report and sustainability report are the sources of the data. To test hypotheses, we are using multiple regression and moderate multiple regression analysis. The employee pressure and environmental pressures do not significantly affect the sustainability report disclosure, while political connections, consumer pressure, and foreign pressure have a significant effect on the sustainability report disclosure. Business risk can moderate the relationship between consumer pressure and sustainability report disclosure, while it cannot moderate the relationship between political connection, environmental pressure, employee's pressure, and foreign pressure and sustainability reports. The findings of this research have some implications for companies and governments. The company should pay attention to political connections and customer pressure because it can effect a decision related to disclosure of the sustainability reports, and (b) government determines the sustainability report standard.

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**Transparency:** The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

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## 1. Introduction

People all over the world are engaging in numerous conversations about the issue of climate change. The gradual increase in average worldwide warming temperatures from 1901 to 2020—roughly 1.980F or 1.10C—on land, in the oceans, and in the Earth's atmosphere (National Oceanic and Atmospheric Administration, 2021). In 1922, the first discussion of global warming took place in Rio de Janeiro. The Kyoto conference in 1997 determined that global warming is a worldwide issue that calls for an all-encompassing, integrated, and sustainable approach to solving it. At the G20 summit in Rome in 2021, international leaders pledged to cut carbon emissions, decrease deforestation, repair damage to forests, and lower humidity levels in forests in order to combat global warming.

Human conduct has had a significant impact on climate change, according to an assessment from the Intergovernmental Panel on Climate Change (2015). Growing populations and economic activity are key

contributors to rising gas emissions, which may be the cause of climate change. Higher industrialization is associated with increased household energy consumption and higher economic activity. It may also have a major role in raising the average air temperature or causing climate change phenomena (Ogbeide-Osaretin, Orhewere, Ebhote, Akhor, & Imide, 2022). Meutiawati, Hamzah, and Putra (2021) reported that the industrial sector plays a major role in driving up global air temperatures and generates 33.53% of carbon emissions. On the other hand, Esa, Muhammad-Sukki, Abu-Bakar, and Munir (2019) asserted that industrial expansion significantly influenced variations in air temperature and carbon emissions. Everyone is expected to contribute to the effort to combat global warming. Governments, in their capacity as regulators, have a role in the laws and the policies pertaining to the effects of climate change. However, the private sector is also looking to cut carbon emissions through the creation of eco-friendly technology and the adoption of more sustainable business practices, such as conservation and environmental greening initiatives (<https://www.kompasiana.com>, Feb. 28, 2023).

Government and business cooperation can foster innovation and have a large positive economic impact. Environmentally conscious businesses, such as those that produce alternative fuels and renewable energy technology, can boost economic sustainability and provide new jobs. An environmental-focused business model serves as a gauge for the viability of the enterprise (Agustina, 2022). The company is concerned with meeting sustainability standards and maintaining a balance between social and environmental factors. The business's long-term viability depends on its social and environmental performance as well as its ability to handle environmental issues (Hutasoit & Sembiring, 2020). Continuous reports provide good information about the management of environmental aspects. Furthermore, corporations report and disclose environmental expenses through financial statement disclosure in an effort to protect the environment (Kusumaningtias, 2013; Rosaline & Wuryani, 2020; Sapulette & Limba, 2021). The sustainability report incorporates a component of the Triple Bottom Line, which assesses social and environmental performance alongside financial performance (Miller, 2020). Internal and external stakeholders can form judgments and make appropriate decisions regarding the company's commitment to sustainable development goals using the information provided by sustainability reports (Nabilah & Murwaningsari, 2023).

The structure of this article consists of seven parts: introduction, theoretical framework, literature review, research model and hypothesis, variable measurement, result and discussion, and conclusion.

## **2. Theoretical Framework**

### *2.1. Stakeholder Theory*

Stakeholder theory states that individuals or groups may have an impact on one another depending on the goals of a business or organization (Freeman, 1994; Freeman, Harrison, Wicks, Parmar, & De-Colle, 2010; Freeman, 1984; Friedman & Miles, 2006; Friedman & Miles, 2002). To maximize the benefit of all stakeholders, including customers, employees, local community, and all of the company's human resources, the stakeholder theory focuses on the diversity of entities within the business engaged in its business activities (Ahmed & Streimikiene, 2021; Siahaan, 2022). The notion of stakeholders is that adherence to relevant laws, respect for society, and environmental sustainability are all impacted by the company's policies and practices as well as those of the stakeholders (Aversano, Di Carlo, Sannino, Tartaglia Polcini, & Lombardi, 2020; Chen, Hang, Pavelin, & Porter, 2020; Fernández-Gago, Cabeza-García, & Godos-Díez, 2020).

### *2.2. Legitimacy Theory*

The theory of legitimacy is one of the most frequently discussed theories in social and environmental accounting (Brown & Deegan, 1998; Naser, Al-Hussaini, Al-Kwari, & Nuseibeh, 2006; Tilling, 2004). Businesses are realizing more and more that their ability to survive also rests on how they interact with the environment and community in which they do business. This is consistent with the legitimacy thesis, which holds that businesses have agreements with the general public to conduct operations in accordance with the principles of justice (Rustiarini, 2021; Titisari, Suwardi, & Setiawan, 2010). As a result, the business has agreements with the neighborhood or the environment. The actions of the corporation must be in line with social norms and values; community needs fulfillment, and environmental protection. Stakeholders should be informed in a transparent manner about such initiatives. This study makes clear that the company's attempts to misuse the environment are a manifestation of their environmental concern. Through increasing public sympathy and media coverage, this report helps the company in a positive way.

### *2.3. Political Connection*

A company's PC is a unique relationship it has with a political party or the government (Gomes, 2009; Saraswati, Sagitaputri, & Rahadian, 2020). A government-owned business is considered to have a special relationship with the government (Gomes, 2009). The company aims to encourage PCs to engage in aggressive taxation (Kim & Zhang, 2015). Politicians shield businesses from detection when they use PCs. Businesses are less under pressure from the financial markets to act transparently because they have greater knowledge about potential changes to tax laws. Companies can also benefit from this PC by using it to connect with the federal government (Kim & Zhang, 2015).

#### *2.4. Stakeholder Pressure*

##### *2.4.1. Environment Pressure*

Businesses have the potential to harm the environment, despite their obligation to adhere to environmental standards regarding pollution resulting from their operations. Businesses are under more environmental strain since industry is environmentally sensitive. Because their operations have an adverse effect on the environment, businesses face threats from the public and government when they fail to report and voice their concerns about the environment. According to the legitimacy hypothesis, businesses typically publish sustainable, transparent reports that demonstrate their attention to environmental issues (Deegan & Gordon, 1996). This is an attempt to obtain operational credibility for the company.

##### *2.4.2. Customer Pressure*

Closely connected businesses typically report on sustainability in a more transparent manner. Businesses that are close to their customers are under a lot of societal pressure to always behave well. Transparency in the release of social responsibility reports. Businesses that deal with end users of consumer goods are typically more watchful than those that manufacture productive commodities (McWilliams & Siegel, 2001). For this reason, businesses should focus more on what they do. Consumer preferences, particularly those pertaining to the environmental impact of the company's operations, must be taken into consideration when conducting business.

##### *2.4.3. Employee Pressure*

Because they directly contribute to the company's growth, employees rank among the most significant stakeholders for the business (Mitchell, Agle, & Wood, 1997; Octora & Amin, 2023; Phillips, 1999). High-competence workers are capable of performing duties and responsibilities related to the business operations. Employees may bid for preferential treatment on behalf of the company. EmP insists on payment from the business for sufficient service. As a result, CP forced the business to disclose its obligations to its staff. According to Octora and Amin (2023); Rudyanto and Siregar (2018) and Huang and Kung (2010), the influence on environmental policy increases with staff size. Additionally, Fernandez-Feijoo, Romeo, and Ruiz (2014) clarified that workers have a positive impact on SRD as stakeholders.

##### *2.4.4. Foreign Pressure*

The extent to which foreign individuals or institutions possess a company's shares serves as a proxy for FP (Amidjaya & Widagdo, 2020; Sandri, Prihatni, & Armeliza, 2021). According to the needs of international perspectives, foreign investors closely monitor the degree of company concern for economic, environmental, and social issues (Amidjaya & Widagdo, 2020; Sandri et al., 2021). FP compelled companies to disclose the economic, social, and environmental aspects of their operations, in addition to the financial ones. SRD becomes a crucial source of information for interested parties. SRD serves as a gauge for the business sustainability of the organization. SRD demonstrates that businesses care deeply about social issues, environmental regulations, and environmental sustainability (Zainal, 2017).

##### *2.4.5. Business Risk*

The corporation has acquired an uncertain risk in the form of earning before interest and tax rates (Analia & Saputra, 2019; Anillah, Septiyanti, & Agustina, 2023; Widyaningsih, 2020). Every business that engages in operational tasks has some risk. Risk is the possibility of suffering losses related to a specific asset. When a business cannot pay its operating expenses, it faces this risk. Businesses with high activity levels and operating expenses continue to rise in BR. BR refers to the level of risk associated with a company's assets if it does not use debt. When a business uses a lot of debt to cover its financial needs, its borrowing ratio (BR) goes up (Analia & Saputra, 2019; Doff, 2008; Widyaningsih, 2020). The corporation has greater risks in proportion to its increased operating costs. Companies are more careful while taking on debt due to the high BR. The main goal is for business to be able to pay off the debt. The ideal debt ratio decreases as the company's BR increases.

##### *2.4.6. Sustainability Report Disclosure*

As a duty to internal and external stakeholders in achieving sustainable development goals, SRD practices include measurement, disclosure of corporate operations, and accountability initiatives of organizational performance (Global Reporting Initiative, 2013). The Global Reporting Initiative (GRI) standardize the compilation of a company's sustainable reporting. Sustainability reports give information about a company's effects on social and environmental issues as opposed to just its financial ones. The 2013 Global Report Initiative framework, version 4, is used in the study. Six categories—economic, environmental, labour, human rights, social, and product—are used to construct the GRI's indicators.

### **3. Literature Review**

There are many factors affecting SRD practices. Based on literature reviews, company publication of SRDs is affected by two reasons: internal and external. The core components of financial and governance mechanisms are internal factors (Amran & Haniffa, 2011; Amran, Lee, & Devi, 2014; Fernandez-Feijoo et al., 2014;

Fernandez-Feijoo, Romero, & Ruiz-Blanco, 2014; Fuente, García-Sánchez, & Lozano, 2017; Lock & Seele, 2016; Lucia & Panggabean, 2018). The forces that are external to a certain area, such as the rule of law, the economics, the financial system, culture, political connectedness, the potential influence of nature, the global community, the organization of professions, and the evolution of disclosure, are known as external factors (Alfajar & Taqwa, 2024; Bianchi et al., 2019; Hamudiana & Achmad, 2017; Hermawan & Sutarti, 2021; Jensen & Berg, 2012; Moher et al., 2015; Naidu, 2016; Rosati & Faria, 2019; Wahyudi, Abbas, & Anggraeni, 2023; Wicaksono, Suhardjanto, & Honngowati, 2021).

Stakeholder pressure and political connection (PC) are the external elements that businesses exploits. PC refers to a business's affiliation with a political party or governmental organization. According to Aviyanti, Devi, Amah, Andriani, and Widiastuti (2022) and Habib, Muhammadiyah, and Jiang (2017) PC is depicted with one of the councils of commissioners or directives originating from a political party or government agency. Companies should participate on social media as a means of establishing a connection with PC. According to earlier studies, PC affects SRD (Bianchi et al., 2019; Juwono & Mayangsari, 2022; Nugrahanti & Natasya, 2023; Sutawan & Sisdyani, 2022; Wicaksono et al., 2021). Wallad and Daniaty (2023); Aviyanti et al. (2022); Yuliandhari and Anggraini (2022) and Wardah and Nugrahaningsih (2020) discovered, on the other hand, a contrary conclusion, stating that PC had no effect on SRD. These variations are caused by national differences. Since SRDs are voluntary, regulations pertaining to them vary by nation. The fact that some research uses social responsibility disclosures as a stand-in for SRD is another factor.

Stakeholder pressure is one of the other external elements that affect SRD. The parties with an interest in the company are known as stakeholders. In order for their interests to be met, stakeholders let the firm operate. Therefore, the company's operations must take social and environmental issues, environmentally benign green energy, and well managed reservoirs into account. Prior studies have demonstrated that stakeholder pressure affects SRD (Alessa, Akparep, Sulemana, & Agyemang, 2024; Diamastuti, Muafi, Fitri, & Faizaty, 2021; Dobler, Lajili, & Zéghal, 2015; Lulu, 2020; Nugrahani, Atiqoh, & Pertiwi, 2022; Nurlaila, Lubis, Bukit, & Fachruddin, 2017; Rudyanto & Siregar, 2018; Ruhiyat, Hakim, & Handy, 2022; Suharyani, Ulum, & Jati, 2019; Trianaputri & Djakman, 2019). A second study Dharmawan and Setiawan (2024); Wahyudi et al. (2023); Wahyuningrum, Ihlashul'amal, Hidayah, and Rizkyana (2023); Sriningsih and Wahyuningrum (2022) and Hamudiana and Achmad (2017) discovered a contrary conclusion: stakeholder pressure had no influence on SRD. Employee pressure (EmP), consumer pressure (CP), environmental pressure (EnP), government pressure, foreign pressure (FP), pressure from occupational organizations, and public pressure are some of the factors used to quantify stakeholder pressure. Previous researchers' use of different stakeholder pressure indicators can explain the contradicting results.

The inconsistent results of earlier studies have given rise to ideas for researching SRD using specific independent variables, particularly PC and stakeholder pressure (EnP, CP, EmP, and FP). This study incorporates a business risk (BR) as a moderating variable. According to Anillah et al. (2023); Widyaningsih (2020); Analia and Saputra (2019) and Truant, Corazza, and Scagnelli (2017) BS has been utilized as an independent variable to affect SRD. The study yielded a variety of findings. BR is therefore considered a moderating variable in this study.

#### 4. Research Model Dan Hypothesis

According to the above explanation, the previous research found there are some factors affecting the SRD practices, but the results have not been consistent. The following table concludes that factor and their effect on SDR.

Table 1, The previous study findings in variables are affecting SRD.

**Table 1.** The previous research findings on variables affecting to SRD.

Variable	Authors	Findings
Political connection	Nugrahanti and Natasya (2023); Sutawan and Sisdyani (2022); Juwono and Mayangsari (2022); Wicaksono et al. (2021) and Bianchi et al. (2019)	Significant effect
	Wallad and Daniaty (2023); Aviyanti et al. (2022); Yuliandhari and Anggraini (2022) and Wardah and Nugrahaningsih (2020)	Not significant effect
Environmental pressure	Alfajar and Taqwa (2024); Sriningsih and Wahyuningrum (2022) and Rudyanto and Siregar (2018)	Significant effect
	Putri and Kurniawati (2022); Ramadhan, Razak, and Fuada (2023) and Hamudiana and Achmad (2017)	Not significant effect
Employee pressure	Ruhiyat et al. (2022); Sriningsih and Wahyuningrum (2022); Rudyanto and Siregar (2018); Saka and Noda (2013) and Darus, Mad, and Yusoff (2014)	Significant effect
	Putri and Kurniawati (2022); Ramadhan et al. (2023) and Hamudiana and Achmad (2017)	Not significant effect

Variable	Authors	Findings
Customers pressure	Rudyanto and Siregar (2018) and Betts, Wiengarten, and Tadisina (2015)	Significant effect
	Hamudiana and Achmad (2017); Majdi, Mohd Saleh, Abdullah, and Alias (2023) and Nurumina, Setiawa, Ramadhaniar, Hazazi, and Sherlita (2020)	Not significant effect
Foreign pressure	Correa-Garcia, Garcia-Benau, and Garcia-Meca (2020) and Zainal (2017)	Significant effect
	Sandri et al. (2021) and Amidjaya and Widagdo (2020)	Not significant effect

According to the previous research review, there are two research models. First models for research without moderating variables and second models for research with moderating variables.

Model 1: Multiple Regressions.

$$SRD_{it} = \alpha + \beta_1 PC_{it} + \beta_2 EnP_{it} + \beta_3 EmP_{it} + \beta_4 CP_{it} + \beta_5 FP_{it} + \epsilon \quad (1)$$

Model 2: Moderated Multiple Regression.

$$SRD_{it} = \alpha + \beta_1 PC_{it} + \beta_2 EnP_{it} + \beta_3 EmP_{it} + \beta_4 CP_{it} + \beta_5 FP_{it} + \beta_5 BR + \beta_6 PC_{it} * BR_{it} + \beta_7 EnP_{it} * BR_{it} + \beta_8 EmP_{it} * BR_{it} + \beta_9 CP_{it} * BR_{it} + \beta_{10} CP_{it} * BR_{it} + \beta_{11} FP_{it} * BR_{it} + \epsilon \quad (2)$$

Six hypotheses will be test in this research, three hypotheses based on the models 1 (without moderating variable) and three hypotheses based on models 2 (with moderating variable). The following hypotheses are;

- H<sub>1</sub>: Political connections have a significant influence on sustainability report disclosure.
- H<sub>2</sub>: Environmental pressure has a significant influence on the disclosure of sustainable reports.
- H<sub>3</sub>: Consumer pressure has a significant influence on the sustainability report disclosure.
- H<sub>4</sub>: Employee pressure has a significant influence on the quality of the sustainability report.
- H<sub>5</sub>: Foreign pressure has a positive influence on sustainability report disclosure.
- H<sub>6</sub>: Business risks moderates the relationship between political connections and sustainability report disclosure.
- H<sub>7a</sub>: Business risks moderates the relationship between environmental pressure and sustainability report disclosure.
- H<sub>7b</sub>: Business risk moderates the relationship between consumer pressure and sustainability report disclosure.
- H<sub>7c</sub>: Business risk moderates the relationship between employee pressure and sustainability report disclosure.
- H<sub>7d</sub>: Business risk moderates the relationship between foreign pressure and sustainability report disclosure.

The following model is used to test the hypotheses of research:

Figure 1 The research models.

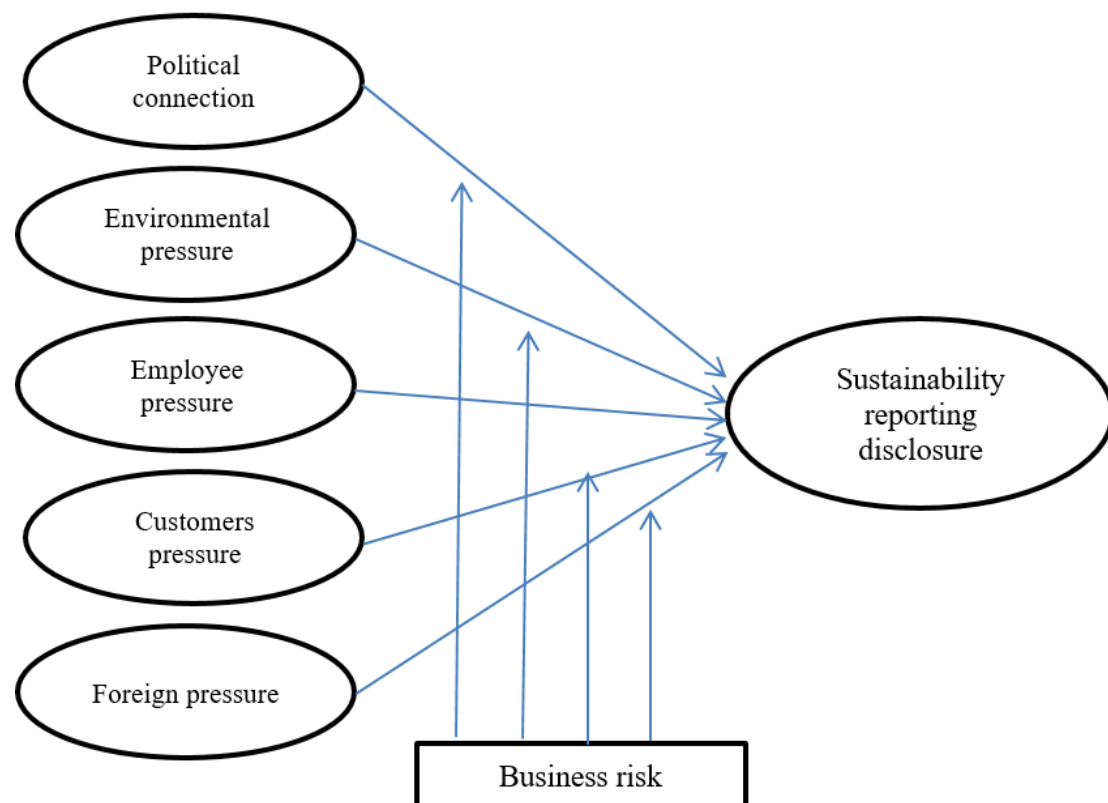


Figure 1. Research model.

## 5. Variable Measurement

The manufacturing company is listed on the Indonesia Stock Exchange as 170 companies. The authors are using a set of criteria to determine the sample. 15 companies are fulfilling the criteria for five-year observation for 2019-2023 period.

### 5.1. Dependent Variable

SRD was measured by five categories—economic, environmental, labour, human rights, social, and product—used to construct the GRI's indicators. The 91 disclosure items are used to calculate the disclosure index (develop from (Amran & Haniffa, 2011; Amran et al., 2014; Fatihah, Purwohedi, & Gurendrawati, 2023)).

### 5.2. Independent Variable

There are five independent variables in this research, such political connection, environmental pressure, customer's pressure, employee's pressure, and foreign pressure. The measurements for each variable are summarized in following table.

Table 2. The variables definition and measurement

Table 2. Variable measurement.

Variable	Definition	Measurement	Sources
Political connection (PC)	The company has connected to political parties or the government through top management positions.	2; Top management have related to political 1; Top management have not related to political	Saraswati et al. (2020); Bianchi et al. (2019) and Hung, Kim, and Li (2018)
Environment pressure (EnP)	The pressure that arises from business operations that may harm the environment and directly use internal resources.	2; High risk related to environment 1; Low risk related to environment	Octora and Amin (2023) and Rudyanto and Siregar (2018)
Customers pressure (CP)	The tendency for consumers to place greater emphasis on goods created for direct consumer consumption than those created for indirect consumer disposal.	2; Industry related to costume product 1; Others industry	Octora and Amin (2023) and Rudyanto and Siregar (2018)
Employee pressure (EmP)	The pressure that arises from the fact that workers are more likely to work for organizations that prioritize their economic, social, and environmental duties than for organizations that do not.	Ln total number of employees	Octora and Amin (2023) and Betts et al. (2015)
Foreign pressure (FP)	The pressure that occurs where the shareholder is an individual or an institution from abroad.	2; There is foreign ownership 1; There is not foreign ownership	Fatihah et al. (2023); Sandri et al. (2021); Amidjaya and Widagdo (2020) and Zainal (2017)

### 5.3. Moderating Variable

BR describes the company's inability to finance operational activity. BR is measured by Debt-to-Equity Ratio (DER). DER is calculated by the total of debt (short-run and long-run debt) divided by total equity (Alamsyah & Malanua, 2021; Dewi & Suci, 2022; Geralin & Purwanto, 2023).

## 6. Result and Discussion

### 6.1. The Result Dan Discussion for the Model Without Moderating

The result of the model 1 testing concluded in the following table.

Table 3 Multiple regression analysis, t test and F test.

Table 3. Result of research model 1.

Variables	B	Stand.dev	t-prob	Sign.
PC	0.112	0.040	2.802	0.007*
EnP	-0.046	0.048	-0.956	0.340**
CP	0.118	0.037	3.228	0.002*
EmP	-0.023	0.013	-1.795	0.077**
FP	-0.098	0.048	-2.049	0.044*
Constant	0.535			
Adjusted R <sup>2</sup>	0.241			
F-prob	5.703			
Sign.	0.000			
Dependent variable: SRD				

Note: \*sign 0.05. \*\*sign 0.05.

The multiple regressions are following;

$$SRDI = 0.535 + 0.112PC - 0.046EnP + 0.118CP - 0.023EmP - 0.098FP$$

Since the test results showed that PCs significantly affected SRD, we accepted the first hypothesis. Businesses using PCs can learn more quickly about the likelihood and existence of government legislation pertaining to their operations. Companies can now easily receive finance from external sources because of PCs. A government official or politician in charge of a business instills confidence in stakeholders by ensuring that regulations such as SRD are strictly adhered to; hence, the business should report to stakeholders on a regular basis. This is consistent with the legitimacy theory, which holds that in order for businesses to generate value for stakeholders, they must acquire legitimacy from PC. The result of this study is in line with Nugrahanti and Natasya (2023); Sutawan and Sisdyani (2022); Juwono and Mayangsari (2022); Wicaksono et al. (2021) and Bianchi et al. (2019). It demonstrates how stakeholders' perceptions of PCs influence businesses to consider social, environmental, and economic factors in addition to maximizing profits in their operations. Nevertheless, this investigation yields different results according to Wallad and Daniaty (2023); Syaraswati and Setiyan (2022) and Ramadhan et al. (2023). Certain parties view PCs negatively. PC-born company executives have demanding responsibilities; therefore, they don't always give their work their full attention. They shoulder numerous responsibilities in their roles as leaders of businesses, parties, and the government. Their focus on providing organizations with oversight and guidance is diminished due to these simultaneous responsibilities.

The test results demonstrated that EnP had no effect on SRD, leading to the rejection of the second hypothesis. Consolidating and promoting public and corporate issues are the actions of the Indonesian government and other social institutions. The government of Indonesia published Act No. 40 of 2007 about Limited Company. A section within the legislation addresses the obligation of corporations to protect the environment. Environmentally conscious organizations abound in Indonesia, including WWF Indonesia and Greenpeace Indonesia. Awards given annually that evaluate the company's environmental consciousness include the Environmental Management Corporate Rating Programme (PROPPER), the Indonesia Sustainability Reporting Awards (ISRA), and the KEHATI Index on the Indonesian Stock Exchange. Because businesses are aware of their environmental responsibilities, EnP has no impact on SRD. This study's findings are consistent with those of Putri and Kurniawati (2022); Ramadhan et al. (2023) and Hamudiana and Achmad (2017). According to the principle of legitimacy, environmentally conscious businesses typically provide ongoing reports for corporate operational legitimacy. Operational actions improved the company's awareness of the environment; therefore, it has no bearing on SRD. The findings of this investigation, however, conflict with those of Rudyanto and Siregar (2018); Alfajar and Taqwa (2024) and Sriningsih and Wahyuningrum (2022). The study's disparate findings are the consequence of variations in how the company's environmental pressure or concern is measured. Environmentally Sensitive Industry (ESI) is a tool used by Rudyanto and Siregar (2018) to measure EnP. Other research uses PROPPER ratings and ISRA rankings. Dummy factors, such as high and low environmental risk, were utilized in this study. The study's different findings are a result of this variation in measuring.

According to test results, CP had an impact on SRD. In other words, customer feedback improves business operations and motivates businesses to publish sustainable reports. According to the legitimacy theory, businesses need to get legitimacy from customers. As a result, businesses need to take into account what customers want, which includes using recyclable and ecologically friendly materials for product packaging. Businesses must disclose how their products affect the environment and their concern. The study's findings are consistent with those of Saka and Noda (2013); Rudyanto and Siregar (2018); Sriningsih and Wahyuningrum (2022); Ruhayat et al. (2022) and Darus et al. (2014). CP is provided by customers who utilise the business's goods to fulfil their fundamental requirements. The direct consumer is therefore highly concerned with the company's products; specifically, the products' level of safety for consumption, their safe packaging, and the remaining environmentally friendly products. The more closely a firm is aligned with its customers, the more important it is to protect its brand, and the more transparent its ongoing reporting should be. However, the result of this research differs from those of Hamudiana and Achmad (2017); Majdi et al. (2023) and Nurumina et

al. (2020). The variation in samples is what causes the discrepancy in this study's conclusions. Because customers utilise the company's products and services indirectly, CP has no effect on SRD in the metal, construction, multimedia, telecommunications, and transportation industries. Since customers directly consume the items generated by these industries, such as food and beverage, medicine, cosmetics, or basic necessities, CP has an impact on SRD.

Testing the third hypothesis found that EmP had no influence on SRD, and the hypothesis was rejected. Employees have legitimacy over the company, because employees are a valuable resource for the company. For this reason, the company must maintain and improve employee well-being. Employees who work for companies that disclose sustainable reports perform better than those who do not (Betts et al., 2015; Rudyanto & Siregar, 2018). Governments and associated agencies, such as the All-Indonesia Workers' Union are always monitoring company practices related to employment. The supervision carried out is related to the fulfilment of employees' rights, so that the company is able to fulfil its obligations to employees. This leads to EmP having no influence on SRD. The result of this study is in line with Majdi et al. (2023); Sriningsih and Wahyuningrum (2022) and Lulu (2020). This result showed that a company that cares about its employees and fulfils all of the employee's rights reflected in continuous reporting increases employee loyalty to the company. Employees feel comfortable at work, and there is an improvement in their performance. However, the results of this study contradict Alfajar and Taqwa (2024); Ruhiyat et al. (2022) and Rudyanto and Siregar (2018). EmP has an effect on SRD companies; they do not care about employees' rights, so employees demand that companies meet their obligations.

The results of this investigation show that FP is vehemently against SRD. Foreign shareholders of the company should receive the attention and concern they deserve regarding the economic, social, and environmental issues that impact it. The international community is now concerned about these challenges (Zainal, 2017). SRD provides a platform for candid communication about these matters. One measure of the company's long-term viability is this disclosure. This result is consistent with studies conducted by Correa-Garcia et al. (2020); Zainal (2017) and Fatihah et al. (2023). It is evident that FP effectively motivates businesses to address social, environmental, and economic issues. Consider line firms that address these issues: Plant a million trees; go green; save the world; blue sky and green earth; maintain our environment; earth is my home; choose the earth safely or perish; promote a clean, healthy, and garbage-free lifestyle; and go green for the planet's future. However, the findings of this study contradict those of Sandri et al. (2021) and Amidjaya and Widagdo (2020). Enterprises where foreign ownership holds the majority of the shares have diligently addressed, documented, and transparently publicized economic, environmental, and social issues. Foreign shareholders, on the other hand, push local businesses to give attention to these matters and to make them public.

**6.2. The Result and Discussion for Model with Moderating Variable**

The result of the model 2 testing concluded in the following table.

**Table 4** Moderating regression analysis, t test and F test

**Table 4. Result of research model 2.**

Variables	B	Stand. dev	t-prob	Sign.
PC	0.158	0.084	1.890	0.063
EnP	-0.038	0.064	-0.596	0.553
CP	-0.044	0.067	-0.651	0.517
EmP	-0.052	0.033	-1.564	0.123
FP	-0.138	0.109	-1.268	0.209
BR	-0.408	0.255	-1.599	0.115
PC*BR	-0.051	0.085	-0.596	0.553
EnP*BR	-0.010	0.055	-0.175	0.863
CP*BR	0.165	0.060	2.763	0.007*
EmP*BR	0.025	0.036	0.693	0.491
FP*BR	-0.013	0.086	-0.148	0.883
Constant	1.058			
Adjusted R <sup>2</sup>	0.344			
F-prob	4.534			
Sign.	0.000			

Dependent variable: SRD

Note: \*sign 0.05.

The moderated regressions are following.

$$SRD = 1.058 + 0.158PC - 0.038EnP - 0.044CP - 0.052EmP - 0.138FP - 0.408BR - 0.051PC * BR - 0.010EnP * BR + 0.165CP * BR + 0.025EmP * BR - 0.013FP * BR$$

According to the hypothesis' test results, BR was unable to moderate the link between PC and SRD. BR is a moderation variable that is a moderate homologiser and may have an impact on the link between PC and SRD,



but it does not interact with the association. It demonstrates that business executives with PC backgrounds have been able to perform their duties competently and professionally, which encourages businesses to release sustainability reports in an accountable and transparent manner. BR must be addressed, surmounted, and foreseen in order to prevent BR from affecting PC's interaction with SRD. The result is consistent with Saputri and Agustina (2023); Husaini, Nurazi, and Saiful (2023); Halim and Wijaya (2020) and Israini (2020) who employ BR to moderate the relationship between the performance of the company, asset structures, and exposure to social responsibility, intellectual capital, and gender CEOs with dividend policies. Business executives with PC backgrounds are typically risk-takers. Every business faces risks, and top executives must turn them into opportunities. BR forced the company's leadership to create suitable plans to foresee and mitigate the risk.

BR cannot moderate the relationship between EnP, EmP, and FP during SRD. The business should conduct SRD in a way that is transparent to stakeholders. This disclosure indicates that the business has complied with its social, environmental, and economic duties. As a result, stakeholders disregard BR, which means that BR has no influence over the way that EnP, EmP, and FP relate to SRD. BR was classified as a homologizer moderation variable. Although they don't interact with the relationship, BR has the ability to impact it. BR can moderate the relationship between CP and SRD. A company's closeness to its customers is the source of CP, the variation in the company's earnings that is impacted by broader economic swings. The use of a substitute good or service results from a decline in purchasing power. Therefore, the relationship between CP and SRD is impacted by the BR that businesses face.

## 7. Conclusion and Remarks

It has been established that PC, CP, and FP have an impact on the SRD practices of manufacturing companies listed on the Indonesian Stock Exchange for period of 2019–2023. PC has been successful in carrying out their duties in terms of organization, direction, control, and decision-making. As part of their professional duties, they encourage enterprises to adhere to applicable regulations, one of which is the requirement for SRD disclosure and publication. According to customers' perceptions of the company's goods and services, the raw materials must be safe to package, simple to recycle, and leave no detrimental product residues. CP impacts the corporations' SRD. International shareholders have serious concerns about global commercial issues, such as the green economy. They believe that business operations should be based on green environmental principles. Companies must comply with their mandate to SRD in an open and responsible manner. BR has the ability to influence consumer behavior by influencing them to swap out a product for one that better suits their budget. BR influences how CP and SRD relate to each other.

Fifteen manufacturing businesses that were listed between 2019 and 2023 on the Indonesian Stock Exchange were utilized as samples in the study. To get more thorough data, it is anticipated that future studies will increase the sample size. In order for SRD indicators to become the industry standard, regulations must be put in place to enhance them. Corporation can use these findings as a foundation to consistently claim that they possess PC, CP, and FC, as these factors significantly influence SRD. BR has an influence on how CP affects SRD. As a result, a business needs to be able to recognize possible BR and develop mitigation plans for them.

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