



## The Influence of Consumer Pressure & Employee Pressure on The Quality of Sustainability Report Disclosure

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### ABSTRAK

The main goal of a sustainability report is to promote transparency among stakeholders like consumers and investors, allowing companies to assess their performance and identify areas for improvement. However, many companies overlook environmental impact, leading to practices that harm the environment. This study uses hypothesis testing to explore the connection between different variables. Data was gathered from all ASSRAT 2020-2022 companies using purposive sampling criteria. The findings reveal that consumer behavior significantly impacts sustainability report quality, as does stakeholder behavior. Understanding these relationships provides valuable insights for companies to enhance their sustainability reporting by incorporating feedback from various stakeholders.

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## **INTRODUCTION**

A sustainability report is a document prepared by organizations or companies to outline their efforts in achieving economic, social, and environmental sustainability goals. This report includes information regarding socially and environmentally responsible business practices, including environmental policies, natural resource management, social impacts, and initiatives to support local communities. The main objective of a sustainability report is to provide transparency to stakeholders such as consumers and investors. Through the sustainability report, companies not only assess their own sustainability performance but also provide a basis for further improvement and innovation. However, in the current business reality, many companies are still trapped in a paradigm of excessive profit orientation without considering its impact on environmental sustainability. This is reflected in industrial practices that often neglect social and environmental responsibilities, with the primary focus on financial gains. As a result, many companies engage in activities that cause pollution and environmental damage, such as toxic waste disposal, deforestation, and ecosystem degradation. This attitude indicates that most companies have not fully realized the importance of integrating sustainable business practices into their operations. Over the course of three consecutive years from 2020 to 2022, various cases of environmental pollution were reported.

On February 25, 2020, PT Kamarga Kurnia Textile Industri (KTTI) & PT How Are You Indonesia (HAYI) were found to have polluted the environment in the Citarum River Basin in Leuwigajah Village, Cimahi Selatan District, Cimahi City, West Java (Arumingtyas, 2020). On February 27, 2021, the Palm Oil Mill (PKS) owned by PT Berlian Inti Mekar (BIM) in Siak Regency, Riau Province, polluted the air, especially in Dayun Village (Adha, 2021). On June 15, 2022, PT Kimu Sukses Abadi (KSA) was found to have polluted by disposing of waste that entered the community drainage system in Kali Sadang (Syah, 2022). Companies play a significant role in environmental preservation because their operational activities have considerable impacts on the environment. Therefore, companies are expected to be more responsible for sustainability by improving the quality of their sustainability reporting. Stakeholders, especially consumers and employees, can pressure companies that act contrary to applicable regulations. Consumers can pressure companies by boycotting their products, while employees can pressure companies through employee rights lawsuits.

Research conducted by (Sriningsih & Wahyuningrum, 2022); (Qisthi & Fitri, 2021) found that consumer pressure and employee pressure influence the quality of sustainability reporting. While research conducted by (Silvana & Khomsyiah, 2023); (Betts et al., 2015) found different results, indicating that consumer pressure and employee pressure do not affect the quality of sustainability reporting. Based on previous studies, this research re-examines the influence of consumer pressure and employee pressure on the quality of sustainability reporting. This study differs from previous research in terms of population sampling, which uses companies participating in the Asia Sustainability Reporting Rating (ASSRAT), and different data years, namely 2020-2022.

## LITERATURE REVIEW

Stakeholder theory serves as a structural framework within companies, aiming to generate benefits such as improved business success and corporate accountability while focusing on fulfilling stakeholder interests (Freeman & McVea, 2005). Companies are responsible for producing sustainability reports to ensure accountability for their social and environmental activities. With a diverse array of stakeholders, each with varied interests and expectations, companies must address stakeholders' rights by communicating aspects such as economic, social, and environmental performance and responsibility. Stakeholder pressures encompass consumers and employees.

The theory suggests that companies should consider the interests of all parties involved in their business activities, including consumers and employees. In the context of sustainability reporting, companies must consider the interests of all stakeholders in compiling these reports. As environmentally and socially conscious consumers increasingly consider the impacts of a company's business activities before purchasing products or services, companies will pay more attention to providing information related to the social and environmental impacts of their business activities in sustainability reports. Research by Fernandez-Feijoo, Belén & Romero, Silvia & Ruiz Blanco (2013) indicates that companies with high consumer closeness enhance their brand image by increasing report transparency. Rudyanto & Siregar (2017) state that companies with closer consumer proximity are perceived to publish better sustainability reports than those without. Building upon stakeholder theory and previous research findings, the following hypotheses are proposed:

H1: Consumer pressure positively influences the quality of sustainability reporting.

Stakeholder theory explains that companies' operational activities are not solely for their own benefit, and these activities should benefit stakeholders (Putri, 2019). Employees, as internal stakeholders, can influence management policies and regulations regarding employee rights, ensuring the company's sustainability. The company's competitive advantage lies in its human resources, which are integral to its corporate value. Employees who have easier access to information about the company's operational activities will demand accountability if the company fails to fulfill its social responsibilities. Additionally, if the company loses competent employees, it can disrupt its operations (Rudyanto & Siregar, 2017). Research by Suharyani (2019) states that companies under pressure from employees have higher sustainability report quality. However, research by Rudyanto & Siregar (2017) shows different results, suggesting that employee pressure does not affect the quality of sustainability reporting. Based on stakeholder theory and previous research, the following hypothesis is proposed:

H2: Employee pressure influences the quality of sustainability reporting.

## METHODOLOGY

The research employed a causal research design aimed at investigating the potential cause-and-effect relationships of a phenomenon. Based on the objective approach, this research type adopts a hypothesis testing design to examine the relationships among various variables. Data for the study were collected from all companies participating in ASSRAT from 2020 to 2022, obtained through the National Center for Corporate Reporting website ([www.nccr.id](http://www.nccr.id)) using sustainability data from 2020 to 2022. The population comprised all participants of ASSRAT from 2020 to 2022, totaling 139 participants. The sampling method used was purposive sampling, with the following criteria: 1) companies participating in Asia Sustainability Reporting Rating (ASSRAT) from 2020 to 2022, 2) companies publishing sustainability reports in English, and 3) companies with complete data regarding the variables used in the research. Data analysis employed quantitative analysis techniques, including ordinal logistic regression analysis, descriptive statistics, significance testing encompassing model fitting information, goodness of fit tests, pseudo-R-square tests, and classification model tests.

## RESEARCH RESULT

### *Descriptive statistics*

**Table 1. Descriptive Statistics**

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Quality Sustainability Report	100	1,00	4	3,0100	0,62757
Consumer Pressure	100	0,00	1	0,7500	0,43519
Employee Pressure	100	2,89	12,98	8,0375	1,76009
Valid N (listwise)	100				

Based on Table 2 above, it is shown that the N or the number of valid data for each variable is 100. For the sustainability reporting quality variable (Y), the minimum value is 1.00, and the maximum value is 4.00. During the period 2020-2022, the mean value is 3.0100, with a standard deviation of 0.62757. This means that the mean value is greater than the standard deviation, indicating that the data distribution is homogeneous. For consumer pressure (X1), from the 100 samples, it is known that the minimum value is 0.00, and the maximum value is 1.00. The mean value during the period 2020-2022 is 0.7500, with a standard deviation of 0.43519. This indicates that the mean value is smaller than the standard deviation, suggesting that the data distribution is heterogeneous. For employee pressure (X2), from the 100 samples, it is known that the minimum value is 2.89, and the maximum value is 12.98. The mean value during the period 2020-2022 is 8.0375, with a standard deviation of 1.76009. This means that the mean value is greater than the standard deviation, indicating that the data distribution is homogeneous.

**Results of Ordinal Logistic Regression Analysis**  
**Goodness of Fit**

**Table 2. Goodness of Fit**

<b>Goodness of Fit</b>			
	Chi-Square	df	Sig.
Pearson	319,436	279	0,048
Deviance	103,584	279	1,000

Based on Table 3, it can be seen that the significance value for Pearson's chi-square is 0.048, which is less than 0.05, indicating significance. This suggests that the model does not fit the data. However, based on the significance result of the chi-square deviance, which is 1.000, greater than 0.05, it is not significant. This indicates that the model fits the data. The conclusion from the Goodness of Fit analysis suggests that the data is not very relevant due to several cells having zero frequencies, which can be disregarded.

**Model Fitting Information**

**Table 3. Model Fitting Information**

<b>Model Fitting Information</b>						
	Model Fitting Criteria			Likelihood Ratio Tests		
Model	AIC	BIC	-2 Log Likelihood	Chi-Square	df	Sig.
<i>Intercept Only</i>	183.272	191.088	177.272			
<i>Final</i>	145.584	200.293	103.584	73.688	18	0.000

Based on Table 4, it can be seen that the significance value obtained is 0.000 < 0.05, so it is significant. This indicates that the full model significantly predicts the dependent variable better than the intercept alone.

**Classification Table**

**Table 4. Classification Table**

<b>Classification</b>					
	Predicted				
Observed	Platinum	Gold	Silver	Bronze	Percent Correct
Platinum	10	7	0	0	58,80%
Gold	5	64	1	0	91,40%
Silver	0	6	4	0	40,00%
Bronze	0	2	0	1	33,30%
Overall Percentage	15,00%	79,00%	5,00%	1,00%	79,00%

Based on Table 4, it shows that the overall prediction accuracy is 79.0%. Meanwhile, the accuracy of detailed predictions for Platinum is 58.8%, Gold is 91.4%, Silver is 40.0% and Bronze is 33.3%.

*Simultaneous Test (G Test)***Table 5. Simultaneous Test**

<b>Model Fitting Information</b>						
	<i>Model Fitting Criteria</i>			<i>Likelihood Ratio Tests</i>		
<i>Model</i>	AIC	BIC	-2 Log Likelihood	Chi-Square	df	Sig.
<i>Intercept Only</i>	183,272	191,088	177,272			
<i>Final</i>	145,584	200,293	103,584	73,688	18	0,000

Based on Table 5, it shows that the significance value of 0.000 is smaller than 0.05. This indicates that consumer pressure, shareholder pressure, creditor pressure, employee pressure, government pressure, community pressure & environmental activists simultaneously have a significant influence on the quality of sustainability report disclosures.

*Partial Test (Wald Test)***Table 6. Partial Test**

<b>Likelihood Ratio Tests</b>							Conclusion
Model Fitting Criteria				Likelihood Ratio Tests			
Effect	AIC of Reduced Model	BIC of Reduced Model	-2 Log Likelihood of Reduced Model	Chi-Square	df	Sig.	
Intercept	145,584	200,293	103,584 <sup>a</sup>	0,000	0		
X1	147,628	194,521	111,628	8,043	3	0,045	H1 supported
X2	149,505	196,398	113,505	9,921	3	0,019	H2 supported
a. This reduced model is equivalent to the final model because omitting the effect does not increase the degrees of freedom							

Based on Table 6, it shows that the significance value of consumer pressure is 0.045, which is smaller than the alpha value of 0.5 ( $0.045 < 0.05$ ). This shows that consumer pressure has a positive effect on the quality of sustainability report disclosures. Thus the first hypothesis (H1) is supported. Based on Table 8, it shows that the significance value of employee pressure is 0.019 which is smaller than the alpha value of 0.5 ( $0.019 < 0.05$ ). This shows that employee pressure has a positive effect on the quality of sustainability report disclosures. Thus the fourth hypothesis (H2) is supported.

**DISCUSSION***The Influence of Consumer Pressure on the Quality of Sustainability Reporting*

Based on the hypothesis testing results, a significance value of 0.045 was obtained for consumer pressure, which is smaller than 0.05. This result indicates that consumer pressure significantly influences the quality of sustainability

reporting, thus supporting (H1). These findings align with stakeholder theory, which suggests that pressure from stakeholders, including consumers, can drive companies to enhance the quality of their sustainability reports. This study measured consumer pressure variable by categorizing companies into consumer-close and non-consumer-close industries. In this measurement, companies classified as consumer-close industries were assigned a value of 1, while those not classified as such were assigned a value of 0. Based on the researcher's data, it was found that out of the total 56 companies studied, 42 companies (75%) belonged to consumer-close industries, while 14 companies (25%) belonged to non-consumer-close industries. This indicates that companies facing consumer pressure tend to be more aware of environmental and social issues, thus considering the positive or negative impacts of every business activity decision. Consumers who are highly conscious of environmental and social issues are not hesitant to cancel orders and purchases or engage in negative campaigns against companies that neglect sustainability aspects in their business operations. These research findings support previous studies by (Sriningsih & Wahyuningrum, 2022), (Adriani, 2021), (Saka & NODA, 2013), (Rudyanto & Siregar, 2017), (Sari, 2020). However, they contradict the findings of a study conducted by (Silvana & Khomsyiah, 2023).

#### ***The Influence of Employee Pressure on the Quality of Sustainability Reporting***

Based on the hypothesis testing results, a significance value of 0.019 was obtained for employee pressure, which is smaller than 0.05. This result indicates that employee pressure significantly influences the quality of sustainability reporting, thus supporting (H4). The findings of this study align with stakeholder theory, as employees are one of the stakeholder groups with a crucial role in sustainability contexts. Employees not only execute operational tasks within the company but also have interests in the sustainability of the company where they work. The research results show that pressure from employees significantly affects the quality of disclosure in sustainability reports. Policies and management regulations that consider employee rights and responsibilities can be determining factors in this regard.

Employee pressure in this study was measured using the natural logarithm of the total number of employees. The use of natural logarithms aims to reduce excessive data fluctuations. Based on descriptive statistical data, the mean value of employee pressure was found to be 8.0375. This average value represents the high number of employees working in companies participating in the Asia Sustainability Reporting Rating from 2020 to 2022. It indicates that a high number of employees in a company can impact the quality of sustainability reporting. Therefore, employees who feel empowered and involved in company decisions are likely to be more concerned about sustainability issues. Management policies and regulations that encourage employee participation in sustainability initiatives can enhance their awareness and commitment to sustainable practices. These research findings support previous studies by (Qisthi & Fitri, 2021), (Silvana & Khomsyiah, 2023), (Rudyanto & Siregar, 2017). However, they contradict the findings of studies conducted by (Fernandez-Feijoo, Belén & Romero, Silvia & Ruiz Blanco, 2013), (Dipo Rizkika Alfaiz, 2019).

## **CONCLUSION AND RECOMMENDATION**

This study aims to examine the influence of consumer pressure and employee pressure on the quality of sustainability reporting. The results of hypothesis testing indicate that both consumer pressure (H1) and employee pressure (H2) significantly affect the quality of sustainability reporting. The conclusions drawn from this research provide a deeper understanding of the complex dynamics between consumer and employee pressures and the quality of sustainability reporting. This insight can serve as a foundation for companies to direct their efforts towards enhancing the quality of sustainability reporting by considering the most effective sources of pressure from various stakeholder groups.

Based on the findings, it is recommended that companies prioritize addressing both consumer and employee pressures when improving the quality of their sustainability reporting. This can be achieved by actively engaging with consumers and employees to understand their concerns and expectations regarding environmental and social issues. Companies should also consider implementing transparent communication channels to facilitate feedback and dialogue with stakeholders. Additionally, integrating sustainability goals and metrics into performance evaluations and incentive structures can help align employee behaviors with the company's sustainability objectives. Overall, by proactively addressing consumer and employee pressures, companies can enhance the credibility and effectiveness of their sustainability reporting efforts.

## **ADVANCED RESEARCH**

For future research endeavors, several recommendations could enrich the understanding of the dynamics between consumer and employee pressures and their impact on sustainability reporting quality. Firstly, longitudinal studies could track changes over time, providing insights into evolving trends. Secondly, cross-cultural analyses could uncover cultural influences on sustainability reporting practices. Sector-specific studies may offer tailored insights into how pressures vary across industries. Qualitative research methods could delve deeper into the motivations behind consumer and employee pressures. Comparative studies could evaluate the effectiveness of different strategies for addressing these pressures. Lastly, analyzing stakeholder engagement strategies could illuminate how companies can effectively respond to and manage consumer and employee pressures. By exploring these avenues, future research could provide valuable guidance for companies aiming to enhance their sustainability reporting practices.

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