Indonesian Journal of Accounting and Governance ISSN : 2579-7573
Vol. 8, No. 1, June 2024 E-ISSN : 2715-5102
https://doi.org/10.36766/ijag.v8i1.429

THE EFFECT OF EMPLOYEE ENGAGEMENT, CREDITOR ENGAGEMENT, GOVERNMENT ENGAGEMENT AND CUSTOMERS ENGAGEMENT ON QUALITY OF SUSTAINABILITY REPORTING IN INDONESIA

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Abstract

This study aims to examine the effect of employee engagement, creditor engagement, government engagement and customer engagement on the quality of sustainability reports in energy, raw goods and non cylical companies listed on the Indonesia Stock Exchange for the 2019-2022 period. The population in this study were energy, raw goods companies and non cylical listed on the Indonesia Stock Exchange for the 2019-2022 period. The sampling technique in this study used purposive sampling technique and obtained a sample of 39 companies. The data analysis method used is logistic regression analysis. The results of this study indicate that government engagement affects the quality of sustainability reports, while employee engagement, creditor engagement and customer engagement have no effect on the disclosure of sustainability reports.

Keywords: Sustainability Report Quality, Environment, Stakeholders

1. Introduction

The initial motivation for starting a business is a short-term goal that is only profit-oriented. These businesses aim to maximize revenue to achieve short-term goals and spur more exploration of natural resources. Even when the balance of the environment, labor, ecosystem, or the business itself is not considered (Latifah, 2021). Every area of modern life has been heavily influenced by the advancement of global information technology. Everything that was previously completed manually has a digital equivalent. The business sector is also the most affected by the shift in industrialization, which demands that everything be done quickly, accurately,

Article History
Received : 2024-02-05
Revised : 2024-06-15
Accepted : 2024-06-28

and openly. Because if a business does not act quickly in response to current trends, it is most likely just days away from possible bankruptcy (Syukur, 2022).

Companies today face fierce competition and need to implement various measures to thrive. This is important because the main goal of a company is to maximize its value and the wealth of its owners to achieve profitability. By improving their financial performance, businesses can become one of their corporate values. When making decisions as a manager, financial performance is very important. However, today's companies must also provide information on social, economic and environmental aspects while taking into account business ethics. Financial performance is no longer the only indicator of how well an organization manages and allocates resources to achieve organizational goals (Rahmawardani & Muslichah, 2020).

Since the emergence of the concepts of corporate social responsibility and sustainability, business has become a major focus of its involvement in social and environmental issues. The energy, basic material, and non cyclicals consumers industry has attracted much attention because its operations involve the exploitation of natural resources, and the process of operation uses many non-renewable natural commodities (Mujiani & Rohmawati, 2022).

Corporate Social Responsibilities activities are disclosed in a separate report called a sustainability report, which contains information on social and environmental activities that can help the company manage change for sustainable operations(Ayu Indriani & Sudaryati, 2020). Sustainability report is a document that presents social and environmental information that provides an overview of the organization's economic, environmental and social performance. This report is a form of organizational accountability to stakeholders and as evidence that the organization operates in accordance with applicable regulations. This sustainability report is prepared separately from the financial statements

ISSN : 2579-7573
E-ISSN : 2715-5102

or annual report (Tiara Aurelya & Syofyan, 2023).

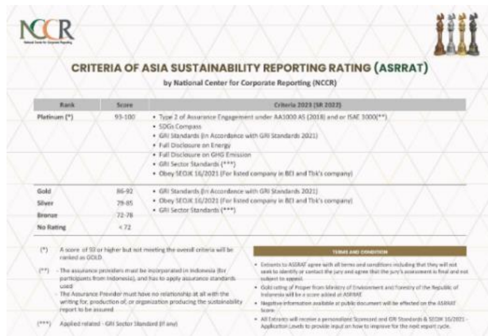
The awareness of companies in Indonesia to make sustainability reports is still relatively weak. This is due to the fact that sustainability reporting is not mandatory for companies. However, over time the Financial Services Authority issued Financial Services Authority Regulation Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. The regulation contained in Article 2 states that financial services institutions, issuers, and public companies are required to implement sustainable finance in their business activities. The implementation of sustainable finance is carried out by using the principles of sustainable business strategies and practices. Sustainability reporting is a means of communicating sustainable performance and impact. The purpose of this sustainability report is to share all the actions and social responsibilities that the company has carried out, generally disclosed annually. This reporting is very important for stakeholders such as managers, executives, analysts, shareholders, and other stakeholders to see the transparency and risks faced by their company. Almost all companies around the world have implemented or produced sustainability reports. The framework used refers to the Global Reporting Initiative (GRI) Sustainability Reporting Framework to build trust in business and government which is very important to achieve a sustainable economy and world (GRI, 2021).

National Center for Corporate Reporting (NCCR) holds a Sustainability Reporting Awards (SRA) every year, since 2005. The aim of this awards is also to motivate and accelerate sustainability reporting of companies by rewarding outstanding attempts to communicate corporate performance in three aspects (economics, social and environment). As such, the awards do not comment on performance itself, instead it primarily focuses on transparency and reporting compliance to sustainability reporting guideline developed by the Global Reporting Initiative. This regulation is in line with the Financial Services

Indonesian Journal of Accounting and Governance *ISSN : 2579-7573*
Vol. 8, No. 1, June 2024 *E-ISSN : 2715-5102*
https://doi.org/10.36766/ijag.v8i1.429

Institution Regulation No. 51/POJK.03/2017 which contains the application of sustainable finance for financial services institutions, issuers, and public companies by considering that to drive a national economy that prioritizes harmony between economic, social, and environmental aspects, is able to maintain economic stability and is inclusive, an adequate amount of funding sources is needed, thus requiring companies to be careful in preparing sustainability reports. Sustainability report is a voluntary report as a form of economic, social and environmental responsibility (Otoritas Jasa Keuangan, 2017).

The NCSR has been ranking sustainability reports since 2005. Each year there has been an increase in participants up to 56 participants in 2018. Initially, NCSR only conducted rankings in Indonesia, but in 2018 it was changed to Asia. However, from the 2019-2021 data, many companies have participated. It's just that the results of the company always fluctuate every year, it can't survive with successive awards from NCSR. The award from the NCSR itself has several levels, namely Platinum, Gold, Bronze, and White. Where each level has its own score and criteria as shown below :


CRITERIA OF ASIA SUSTAINABILITY REPORTING RATING (ASRRAT)
by National Center for Corporate Reporting (NCCR)

Rank	Score	Criteria 2023 (SR 2022)
Platinum (*)	93-100	• Type 2 of Assurance Engagement under AA1000 AS (2018) and or ISAE 3000(**) • SDGs Compass • GRI Standards (In Accordance with GRI Standards 2021) • Full Disclosure on Energy • Full Disclosure on GHG Emission • GRI Sector Standards (***) • Obey SEOJK 16/2021 (For listed company in BEI and Tbk's company)
Gold	86-92	• GRI Standards (In Accordance with GRI Standards 2021) • Obey SEOJK 16/2021 (For listed company in BEI and Tbk's company) • GRI Sector Standards (***)
Silver	79-85	
Bronze	72-78	
No Rating	< 72	

(*) A score of 93 or higher but not meeting the overall criteria will be ranked as GOLD

(**) - The assurance providers must be incorporated in Indonesia (for participants from Indonesia), and has to apply assurance standards used
- The Assurance Provider must have no relationship at all with the writing for, production of, or organization producing the sustainability report to be assured

(***) Applied related - GRI Sector Standard (if any)

TERMS AND CONDITION

- Entrants to ASRRAT agree with all terms and conditions including that they will not seek to identify or contact the jury and agree that the jury's assessment is final and not subject to appeal.
- Gold rating of Proper from Ministry of Environment and Forestry of the Republic of Indonesia will be a score added at ASRRAT
- Negative information available at public document will be effected on the ASRRAT Score
- All Entrants will receive a personalized Scorecard and GRI Standards & SEOJK 16/2021 - Application Levels to provide input on how to improve for the next report cycle.

Figure 1.1
Criteria of ASSRAT
Source: NCSR (2022)

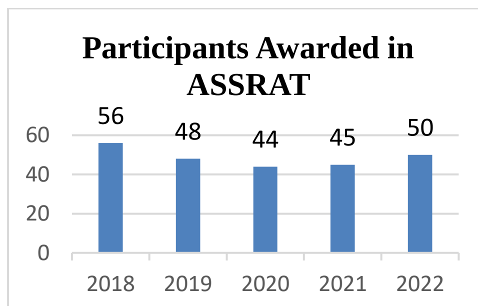


Figure 1.2
Number of Public Companies Ranked in ASSRAT 2018-2021
Source: NCSR (2022)

The awareness of public companies to report a quality Sustainability Report has decreased slightly every year. This can be seen from the ASSRAT for the last 4 years showing a decrease in company participants in getting a rating.

https://doi.org/10.36766/ijag.v8i1.429
ISSN : 2579-7573
E-ISSN : 2715-5102

Another thing to look at the quality of the Sustainability Report, is that there are few reports that can achieve a platinum rating each year. It even declined in certain years.

Table 1.1
Platinum Rating of Companies in ASSRAT
2018-2021

Years	Rating Platinum	Number of Participant Companies ASSRAT
2018	7	56
2019	7	48
2020	5	44
2021	7	45
2022	10	50

Source: NCSR (2022)

The table above shows the decline in Sustainability Report quality ratings for companies participating in ASSRAT. The decline in the company's rating category can be caused by the company's sustainability report that is still not precise and adequate, the absence of independent explanations in the framework of the confirmation report, not disclosing vitality, greenhouse gases, and not providing a comprehensive support report (NCCR, 2022). These are the criteria for a company to get a high score, which is why few companies can achieve a platinum rating.

The author takes the example of PT Austindo Nusantara Jaya Tbk for its decreasing rating on the NCSR. In 2021, PT Austindo Nusantara Jaya Tbk (Non Cylicals sector) received a platinum rating. However, in 2022 PT Austindo Nusantara Jaya Tbk has been downgraded to a gold rating. Then there is PT. Vale Indonesia Tbk (Basic Material sector) for its fluctuating rating on the NCSR. In 2019, PT. Vale Indonesia Tbk received a platinum rating. However, in 2020 and 2021 PT. Vale Indonesia has been downgraded to a gold rating. This shows that there is a decrease in the quality of the existing sustainability reports. The Global Reporting Initiative serves as the foundation for sustainable reporting. A framework called the Global Reporting Initiative (GRI) was developed to help businesses prepare sustainability reports. It's just that the quality of the sustainability report is still questionable whether it is in accordance with the 6 principles that determine the quality of

https://doi.org/10.36766/ijag.v8i1.429
ISSN : 2579-7573
E-ISSN : 2715-5102

SR in the GRI. So, the author thinks that stakeholders have an impact on how well a company`s Sustainability Report is done.

2. Literature Review

2.1 Sustainability Report Quality

Sustainability Reporting is a company's action to provide transparent and accountable reports on its environmental, social and governance (ESG) performance to all stakeholders. Sustainability Reporting is very important for investors in making investment decisions, as they can see how the company is preparing for the future and contributing to sustainable economic development around its area (Dosinta et al., 2022). Transparency is a term that refers to the availability of company information to outsiders. There are three factors that can be used to measure corporate disclosure, namely corporate reporting, acquisition and communication of personal information, and information dissemination (Dosinta et al., 2022).

There are two factors of corporate disclosure, namely financial disclosure and governance disclosure. Financial disclosure is measured by the intensity and timeliness of financial disclosure, while governance disclosure is measured by the intensity of governance disclosure. The higher the level of disclosure, the greater the trust in the company's commitment to sustainability. This trust can be strengthened by the existence of independent guarantees to increase the level of transparency (Derdjo Djony Saputro et al., 2022). Increased transparency of information provided will make it easier for investors to evaluate and direct their investments to companies that have a positive impact.

The increasing transparency of companies in reporting their sustainability activities, the higher the quality of the sustainability reports published by these companies. The quality of the sustainability report can be interpreted as information disclosure and compliance with basic reporting principles such as materiality, stakeholder inclusiveness, completeness,

ISSN : 2579-7573
E-ISSN : 2715-5102

comparability, balance, accuracy, and reliability (Boiral et al., 2019).

2.2 Stakeholder Theory

Stakeholder theory states that companies do not only operate for their own interests, but must meet the needs of stakeholders. This is done by paying attention to the structures and processes used by the company to increase business success and corporate accountability, while still taking into account the interests of stakeholder (Derdjo Djony Saputro et al., 2022). In stakeholder theory, the importance of the existence of stakeholders in a business is recognized. Therefore, companies must pay attention not only to the interests of management and investors, but also employees, customers, and society, because companies have social and environmental responsibilities that exceed the interests of management and capital owners (Suharyani, 2019).

The stakeholder theory perspective postulates that there are various groups in society that an organization can influence. These groups have a right over the organization to have their interests addressed by the organization due to an agency relationship. Business operations affect the interests of many parties who have a stake in the business. Similarly, the behavior of many parties also affects the interests of the business. Businesses must therefore incorporate stakeholder expectations into their planning and policies (Freeman et al., 2015).

One of the fastest growing avenues of voluntary disclosure today is the publication of sustainability reports. Through sustainability reports, companies can provide more complete and adequate information about their activities and impacts on society and the environment. This theory argues that a company's existence is determined by its stakeholders. Therefore, companies will consider the interests of stakeholders because company management has a moral commitment to them. This moral commitment will encourage the company to formulate a corporate strategy (which takes into account the interests of stakeholders), which will affect the achievement of the company's financial performance (Rizkika Alfaiz & Aryati, 2019).

First of all, from a stakeholder perspective, a business can be understood as a set of relationships between groups that participate in the activities that make up a business. This relates to the way customers, suppliers, labor, investors (shareholders, bondholders, banks), communities, and managers interact to jointly create and trade value. Understanding business means knowing how these relationships function and change over time. The job of executives is to manage and shape these relationships to create as much value as possible for stakeholders and manage the distribution of such value (Freeman et al., 2015). In stakeholder theory, it is explained that one of the company's responsibilities is to stakeholders and the way to fulfill this responsibility is by making social disclosures (Derdjo Djony Saputro et al., 2022). Companies that publish sustainability reports increase stakeholder confidence, which is reflected in the company's financial performance.

Organizations have a responsibility to take into account the positive and negative impacts on economic, social, and environmental aspects. Therefore, companies must build positive relationships with all stakeholders, not only with shareholders, but also with customers, governments, and society in general, and provide social assistance (Utariyani & Wirajaya, 2023). According (Ardiana, 2019) stakeholders can be divided into external stakeholders and internal stakeholders. Internal stakeholders are employees, shareholders and directors, and external stakeholders are customers, suppliers, governments, labor unions, competitors, media and other stakeholders.

2.3 Legitimacy Theory

According to the theory of continuous legitimacy, organizations operate within standards and according to regulatory norms accepted by the people in which they are located. Organizations should strive to balance

ISSN : 2579-7573
E-ISSN : 2715-5102

the quality of social value in their activities with the standards of behavior essential to the social framework embedded within them. Based on legitimacy theory, businesses continually seek to guarantee that they work within the local regulations and tendencies or arrangements in which they are located. This is done in an effort to make their operations appear legitimate to outsiders and related stakholders. Legitimacy theory is based on an explicit and implicit social contract between firm and society, whereby the survival and expansion of the firm depends on the output that can be provided to society (Farisyi, 2023)

Companies that behave differently or carry out operations contrary to society's views will lose their legitimacy. Therefore, companies can adopt non-financial reporting to build a legitimate image. This idea of legitimacy is also reflected in the main reason for the increasing publication of non-financial reporting. This theory assumes that business actions are the subject of corporate social acceptance to the broader community (Badia & Bracci, 2020). A company loses its legitimacy if it behaves differently or if its operation is perceived to be in contrast with the views of society. Having legitimacy is like having a license to operate. This idea of legitimacy is also reflected in the principal reasons for the increased publication of Sustainability report (Badia & Bracci, 2020).

3. Research Methods

3.1 Population and Sample

Population consists of Indonesian energy, basic materials, and consumer non-cyclicals companies listed on the Indonesian Stock Exchange (IDX) in 2019- 2022. Sampling in this study using purposive sampling technique. The criteria used in this study are:

a. Companies in the energy, basic material, and consumer non-cyclicals sectors, in Indonesia which are listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022.
b. Companies that provide Sustainability Reports and

ISSN : 2579-7573
E-ISSN : 2715-5102

Annual Reports consecutively during the 2019-2022 period.

c. Companies in the energy, basic material, and consumer non-cyclicals sectors that provide data related to research variables.

d. Companies that use the Global Reporting Index (GRI) as a standard for disclosing their sustainability reports.

With all those criteria, based on IDX in Indonesia in 2019-2022 according to the sampling criteria is 39 companies as a sample.

This research uses a quantitative content analysis method that is descriptive in nature. This is because its implementation includes data, analysis, and interpretation of the meaning of the data obtained. Quantitative content analysis in this study was carried out by counting the number of words mentioned in relation to stakeholder groups. This study uses secondary data in the form of annual reports and Sustainability Reports from the websites of companies listed on the Indonesia Stock Exchange website (www.idx.co.id) in the 2019-2022 period.

The data collection method used in this study is the technique of content analysis. Content analysis is the study of detailed examination of data compiled or printed on various communication media. A pioneer in content analysis was Harold D. Lasswell, who pioneered the encoding process of symbols that systematically record images and messages and give them an interpretation.

3.2 Operational Variables

To conduct the data analysis for this study, SPSS 25 (Statistical Program for Social Science Version 25) is statistical software was used.This study conducted testing with two kinds of variables, namely dependent (Y) and independent (X) variables. In this review, the quality of sustainability is connoted as a dependent variable. Independent variables are variables that are estimated to influence the dependent variable, both positively and negatively (Bougie & Sekaran, 2020). In this review, the independent variables used are employees engagement, creditor engagement, government engagement and customers engagement.

According to Erin (2022) research they offer two additional Sustainability Report Quality indicators for the purpose of conducting a robustness analysis using a binary variable (Erin et al., 2022). The degree of confidence, determined by whether or not sustainability reporting is certified by an auditing firm, was also considered in this context. The writer also explores the presence of a committee in sustainability reporting. To summarize, the scores ranged from 1 to 4 and were computed in the following manner : Score 1 = the company has a sustainability report; 2 = the company has a sustainability report and the company has a sustainability committee affiliated with the board of directors; 3 = the company has a sustainability report and the report has been provided assurance by a non-audit firm; 4 = the company has a sustainability report and the report has been provided assurance by an audit firm.

For independent variable was carried out by counting the number of words mentioned in relation to employees engagement, creditor engagement, government engagement and customers engagement.

4. Results and Discussions

4.1 Results

4.1.1 Descriptive Statistics

Descriptive statistical metrics used in this study include the mean (average value), standard deviation, lowest value, and maximum value.

Table 4.1
Descriptive Statistical

Descriptive Statistics						
	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Employee Engagement	156	245	9440	1120.91	1475.369	2176715.140
Creditor Engagement	156	0	811	19.89	65.326	4267.543
Government Engagement	156	16	1015	175.63	138.902	19293.900
Customer Engagement	156	30	1209	244.42	209.339	43822.865
Quality of Sustainability Reporting	156	1	4	3.17	.786	.617
Valid N (listwise)	156					

Source: SPSS 25.0 (2023)

4.1.2 Overall Model Fit

Data processing in this study using SPSS 25 shows that the -2log likelihood intercept value has decreased from 333,664 to 286,227 after including the four independent variables. In summary, the initial -2Log likelihood value (block number = 0) is higher than the final -2Log likelihood value (block number = 1), indicating a decrease. This suggests that the proposed model aligns well with the data, and the inclusion of independent variables enhances the regression model, supporting the acceptance of H_0.

Table 4.2
Overall Model Fit Result

Model Fitting Information				
	Model Fitting Criteria	**Likelihood Ratio Tests**		
Model	**-2 Log Likelihood**	**Chi-Square**	**df**	**Sig.**
Intercept Only	333,664			
Final	286,227	47,438	12	0,000

Source: SPSS 25.0 (2023)

4.1.3 Goodness of Fit Test

Using the chi-square value as an equivalent for the Pearson goodness-of-fit test, the viability of the regression model was evaluated. The Goodness of Fit Test yielded a chi-square value of 456,887 with a significance level of 0,440, according to the test results above that were derived from the regression analysis. The test findings indicate that H_0 is acceptable because the probability value (P-value) is 0,440 $\geq$ 0.05. This suggests that either there are no data differences between the estimated logistic regression model and the observations, or the resulting logistic regression is able to match the data effectively.

Table 4.3
Goodness of Fit Test Result

Goodness-of-Fit			
	Chi-Square	df	Sig.
Pearson	456,887	453	0,440
Deviance	286,227	453	1,000

Source: SPSS 25.0 (2023)

4.1.4 Coefficient of Determination (Nagelkerke's R Square)

The goal of the coefficient of determination is to assess the extent to which changes in the dependent variable can be explained by the model (Ghozali Imam, 2018). This study's coefficient of determination, which is 0.297, indicates that the independent variable can explain the dependent variable 29.7% of the time.

In the meantime, factors not covered in this study had an impact on an additional 70.3%.

Table 4.4
Coefficient of Determination Result

Pseudo R-Square	
Cox and Snell	0,262
Nagelkerke	0,297
McFadden	0,142

Source: SPSS 25.0 (2023)

4.1.5 Classification Matrix

The classification matrix shows the predictive power of the regression model in predicting the likelihood of receiving a company's Stakeholder Engagement opinion regarding how high the quality of a company's sustainability report is. In terms of the findings 60,3% of the data indicated that the reports were of good quality, while the remaining data indicated that the reports were still of low quality.

Table 4.5
Classification Matrix Result

Classification					
Observed	Predicted				
	Score SRQ (1)	Score SRQ (2)	Score SRQ (3)	Score SRQ (4)	Percent Correct
Score SRQ (1)	0	0	8	0	0,0%
Score SRQ (2)	0	0	12	1	0,0%
Score SRQ (3)	0	0	69	11	86,3%
Score SRQ (4)	0	0	30	25	45,5%
Overall Percentage	0,0 %	0,0 %	76,3 %	23,7 %	60,3%

Source: SPSS 25.0 (2023)

4.1.6 Regression Test

One technique for determining how much an independent variable influences a dependent variable is through regression analysis. Three multinomial logistic regression functions were obtained using score category 4 for sustainability reports' quality as a benchmark. These are as follows :

$g_1(x) =$ **1,264– 0,000x_1 + (-0,009x_2) + (-0,010x_3) – (-0,010x_4)**

$g_2(x) =$ **1,370– 0,000x_1 + (-0,004x_2) + (-0,017x_3) – (0,001x_4)**

$g_3(x) =$ **1,678– 0,000x_1 – 0,010x_2 + (-0,000 x_3)+ 0,001x_4**

Table 4.6
Regression Test Result

Parameter Estimates									
Quality Sustainability Reporting[a]		B	Std. Error	Wald	df	Sig.	Exp (B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
Score SRQ (1)	Intercept	1,264	1,024	1,523	1	0,217			
	Employee	0,000	0,000	0,111	1	0,739	1,000	1,000	1,000
	Creditor	-0,009	0,054	0,026	1	0,873	0,991	0,891	1,102
	Government	-0,010	0,007	2,054	1	0,152	0,991	0,978	1,004
	Customer	-0,010	0,007	2,371	1	0,124	0,990	0,977	1,003
Score SRQ (2)	Intercept	1,370	0,775	2,126	1	0,077			
	Employee	0,000	0,000	2,057	1	0,152	1,000	0,999	1,000
	Creditor	-0,004	0,040	0,012	1	0,912	0,996	0,920	1,078
	Government	-0,017	0,006	7,521	1	0,006	0,983	0,971	0,995
	Customer	0,001	0,003	0,047	1	0,829	1,001	0,996	1,005
Score SRQ (3)	Intercept	1,768	0,433	16,648	1	0,000			
	Employee	0,000	0,000	4,860	1	0,027	1,000	0,999	1,000
	Creditor	0,010	0,014	0,512	1	0,474	1,010	0,983	1,038
	Government	-0,000	0,002	14,735	1	0,000	0,992	0,987	0,996
	Customer	0,001	0,001	1,843	1	0,175	1,001	0,999	1,003
a. The reference category is: Score SRQ (4).									

Source: SPSS 25.0 (2023)

4.1.7 Hypothesis Test

The following criteria will be used to compare tcount and the significance level α = 0.05 in order to evaluate whether the hypothesis is accepted or rejected. The outcomes of hypothesis testing through logistic regression analysis can be acquired in the following results:

- The first hypothesis (H_1) is that employee engagement does not effect the quality of the Sustainability Reporting. The test results (t) showed the probability value is higher than the significance level (0,083 > 0.05). According to the test results, it can be stated that H_1 is not accepted. However, it can also be concluded that employee's engagement has an influence on the quality of sustainability reporting, if significant level of 0,1 was employed (0,083 < 0,1)
- The second hypothesis (H_2) proposes that creditor engagement has no positive effects the quality of Sustainability Reporting. The test results (t) shows that the probability value is highr than the significance level (0,616 > 0.05). Accordingly, based on the test outcomes, meaning that H_2 is not accepted.
- The third hypothesis (H_3) is that government engagement effect

on the quality of the Sustainability Reporting. The test results (t) show that the probability value is below than the significance level (0,000 < 0.05). This result can be concluded that H_3 is accepted.

- The fourth hypothesis (H_4) is customer engagement has no effect on the quality of the Sustainability Reporting. The test results (t) stated that the probability value is above than the significance level (0,095 > 0.05). Accordingly, based on the test outcomes, it can be concluded that H_4 is not accepted. However, it can also be concluded that customers engagement has an influence on the quality of sustainability reporting, if significant level of 0,1 was employed (0,095 < 0,1)

Table 4.7
Partial Test Result

Likelihood Ratio Tests				
	Model Fitting Criteria	Likelihood Ratio Tests		
Effect	-2 Log Likelihood of Reduced Model	Chi-Square	df	Sig.
Intercept	305.585	19.358	3	.000
Employee Engagement	292.907	6.680	3	.083**
Creditor Engagement	288.024	1.797	3	.616
Government Engagement	315.312	29.086	3	.000*
Customers Engagement	292.592	6.365	3	.095**
The chi-square statistic is the difference in -2 log-likelihoods between the final model and a reduced model. The reduced model is formed by omitting an effect from the final model. The null hypothesis is that all parameters of that effect are 0.				

*Represent statistical significance at α = 0.05
** Represent statistical significance at α = 0.1
Source: SPSS 25.0 (2023)

4.1.8 Omnibus Test of Model Coefficient (Simultant F Test)

Based on the test result, it is known that all independent factors simultaneously influence the quality of sustainability reports with a significance of 0.00 based on the test results below. Thus, it can be said that the quality of

ISSN : 2579-7573
E-ISSN : 2715-5102

sustainability reporting is simultaneously influenced by employee engagement, creditor engagement, government engagement, and customer engagement.

Table 4.8
Omnibus Test of Model Coefficient (Simultant F Test) Result

Model Fitting Information				
	Model Fitting Criteria	**Likelihood Ratio Tests**		
Model	**-2 Log Likelihood**	**Chi-Square**	**df**	**Sig.**
Intercept Only	333,664			
Final	286,227	47,438	12	0,000

Source: SPSS 25.0 (2023)

4.2 Discussions

4.2.1 The Effect of Employee Engagement on the Quality of Sustainability Reports

Employee engagement does not effect the quality of the Sustainability Reporting. The test results (t) showed the probability value is higher than the significance level (0.083 > 0.05). According to the test results, it can be stated that H_1 is not accepted. Empirical research shows that employee engagement does not affect the quality of sustainability reports. According to Putri (2022) which argues that employee pressure not effect the quality of sustainability reports (Putri et al., 2022). According to Agency Theory, managers and employees only focus on their own motivations and how they influence decisions; in contrast, social theories such as legitimacy theory and stakeholder theory look at corporations as a whole rather than the individuals running the organization. According to Agency Theory, employees do not have a direct influence on the quality of sustainability reporting. In choosing the substance and quality of sustainability reporting, management or corporate owners are more likely to emphasize shareholder interests over employee interests.

This condition can occur because the number of employees owned by the company does not necessarily provide direct feedback or pressure in the form of demands to publish Sustainability Report. Employees may only be concerned with the rights or rewards they get that are commensurate with the performance they have given to the company without caring whether this has

ISSN : 2579-7573
E-ISSN : 2715-5102

been communicated through the Sustainability Report or not. However, it can also be concluded that employee's engagement has an influence on the quality of sustainability reporting, if significant level of 0,1 was employed (0,083 < 0,1).

4.2.2 The Effect of Creditor Engagement on the Quality of Sustainability Reports

The second hypothesis is creditor engagement has no effect on the quality of sustainability reporting. This is evident from the negative regression coefficient and a significance value of (0.616 > 0.05). Therefore, hypothesis H_2 is rejected. The interpretation is that there is no significant effect between creditor engagement and the quality of sustainability reports. This aligns with the research R. Trianaputri, and D. Djakman (2019) companies that have a high debt-to-asset ratio indicate the company's financial unhealthiness (R. Trianaputri, & D. Djakman, 2019). The higher the company's debt ratio will lead to a higher allocation of costs to pay interest-based debt. This can be one of the reasons companies do not allocate sufficient funds to publish quality sustainability reports. The Transactional Theory of the Firm explains that firms' presence is exclusively dependent on their ability to improve the efficiency of economic transactions (Spulber, 2009). This transactional theory emphasizes that corporations are entities formed through a sequence of economic transactions, including those with creditors (Spulber, 2009). Within this approach, the interaction between firms and creditors is primarily concerned with financial factors such as debt repayment and financial risk management, rather than sustainability issues that may have no direct impact on financial transactions. Creditors also consider the obligation of public companies on the Indonesia Stock Exchange to disclose sustainability reports will burden the company. This result in line with (Lulu, 2021) research that stated creditors do not care about the amount of information disclosed by the company regarding CSR in providing funds to the company. For creditors, the most important thing is that the debt borrowed by the company can be

https://doi.org/10.36766/ijag.v8i1.429
ISSN : 2579-7573
E-ISSN : 2715-5102

returned according to the specified deadline. Creditors and companies have private access to communicate with each other. Thus, the level of leverage ratios used to measure creditor pressure does not affect the quality of the sustainability report.

4.2.3 The Effect of Government Engagement on the Quality of Sustainability Reports

The results showed that the government involvement variable affects the quality of sustainability reporting. This is evidenced by the regression coefficient with a positive value and a significance value that is smaller than the significant level of 0.000 < 0.05. Thus, hypothesis H_3 is accepted. It can be interpreted that there is a significant influence between government linkage on the quality of sustainable reports. This is in line with research conducted by Nugrahani (2022) indicating a significant positive relationship between the government and the quality of Sustainability Reports (Nugrahani et al., 2022). The government is the highest institution that has the authority to make regulations that must be followed by all parties, including to publish sustainability reports (Nugrahani et al., 2022).

This result also in line with Lulu (2021) which states that government pressure has a significant positive effect on the disclosure of sustainability reports, so that the results of hypothesis 3 are supported, Publicly listed companies whose operations are related to nature are required to conduct sustainability reporting by the government, but the government does not regulate the content of sustainability reporting. Sustainability reports are prepared using international standards set by the Global Reporting initiative (GRI), sustainable reports in companies also need to be audited by independent external parties. The government as an institution that holds the highest authority needs to establish policies related to sustainability reporting, especially sustainability reporting assurance. the government has regulated the existence of CSR but the government does not regulate how far companies disclose CSR, the role of the government here is to encourage assurance of sustainability reporting (Utami Eryadi et al., 2021).

4.2.4 The Effect of Customers Engagement on the Quality of Sustainability Reports

The results showed that the consumer involvement variable did not affect the quality of sustainability reporting. This is evidenced by the negative regression coefficient and a significance value of 0.095 > 0.05. Thus, hypothesis H_4 is rejected. It can be interpreted that there is no significant influence between customer involvement on the quality of sustainability reports. The results of this hypothesis test are consistent with the results of research conducted by R. Trianaputri and D. Djakman (2019) which found that consumers have no influence on the quality of sustainability reporting (R. Trianaputri, & D. Djakman, 2019).

Relying on instrumental stakeholder theory – and based on the argument that different customer groups possess different sensitivity levels regarding firms' sustainable development. However, the effect of sustainability reporting on firm value may depend not only on customer profile differences but also on profitability. Accordingly, the level of profitability can be regarded as a function of how well a firm fulfills the needs of its primary stakeholders, particularly its customers.

This result in line with when a significant value of 0.1 is used, the author also find that customer engagement influences the quality of sustainability reports (0,095 < 0,1). According (Lulu, 2021) research show that people are really worried about the things they buy and the services they use. When people buy things from a company, they want to make sure that the products are good for the environment and that they were made in a fair way. Companies that have strong connections with their customers are more likely to think about how they can help their community (Lulu, 2021).

5. Conclusions

This research aimed to investigate the effect of stakeholders engagement including the employee engagement, creditor engagement, government engagement, and customers engagement on the quality of sustainability reporting in Indonesia based on emphirical studies on companies in energy, basic material and consumer non-cyclicals sectors listed on IDX (Indonesia Stock Exchange) from 2019-2022. The authors analyze both annual reports and sustainability reports. This study used secondary data from the annual report and sustainability report available on the Indonesia Stock Exchange website (www.idx.co.id) from 2019 to 2022 were utilized. Purposive sampling was used to select a sample comprising 156 units of analysis. The findings indicate that government influence the quality of sustainability reporting. However, there is no significant impact observed for employees, creditor and customers on the quality of sustainability reporting. The author found that the companies with sustainability report audited by external assurance are highly valued by shareholder as capital suppliers has a significant role for the corporation and creditor as parties who lend funds to the company loans.

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