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Sustainability Disclosure: Salience Stakeholder Identification?

1st Rieka Ramadhaniyah
Faculty of Economics and B usiness
Institute of Informatics and Business (IIB) Darmajaya Bandar Lampung, Indonesia
ramadhaniyah@darmajaya.ac.id

2nd Nolita Yeni Siregar
Faculty of Economics and B usiness
Institute of Informatics and Business (IIB) Darmajaya Bandar Lampung, Indonesia
nolita.yenisiregar@darmajaya.ac.id

3rd Reva Meiliana
Faculty of Economics and B usiness
Institute of Informatics and Business (IIB) Darmajaya Bandar Lampung, Indonesia
reva.meiliana@darmajaya.ac.id

Abstract

This study aims to prove empirically whether stakeholder salience affects sustainability disclosure. Stakeholder salience variables consist of shareholders, government, creditors, mass media, local communities, suppliers, environment, and special interest groups, employees and consumers. The population used in this study are companies listed on the Indonesian Stock Exchange and consistently releasing sustainability reports in 2017-2020. The sampling technique in this study used a purposive sampling method with several criteria to obtain 147 samples. The test results prove that shareholders, government, creditors, mass media, local communities, suppliers, the environment, and special interest groups (NGOs) have no effect on the disclosure of sustainability reports, while employees and consumers affect the disclosure of sustainability reports.

Keywords: ***Sustainability disclosure, Salience Stakeholder***

I. INTRODUCTION

Sustainability Report is a report that describes the company's economic, environmental, and social impacts or known as the Triple Bottom Line [14]. Based on data from the Indonesian Forum for the Environment (Walhi), there were 302 environmental and agrarian conflicts throughout 2017. This phenomenon poses a dilemma for companies how to demonstrate their contribution and commitment to sustainable development and also maintain their business in a sustainable manner by carrying out developments to meet the needs of today's world without compromising the ability of future generations [13]. Sustainability reporting in Indonesia is supported by existing regulations, namely OJK Regulation No. 51/PJOK.03/2017 concerning the Implementation of Sustainable Finance for Financial Service Institutions, Issuers, and Public Companies which requires financial service institutions, issuers, and public companies to implement sustainable finance in their business activities.

Stakeholders here include shareholders, consumers, government, creditors, suppliers, communities, and other stakeholders. The term stakeholder is defined as a person or group who has an interest in an organization. Stakeholder theory states that companies are basically entities that are obliged not only to act in their own interests, but also to provide benefits to their stakeholders (stakeholders). Stakeholders here include shareholders, consumers, government, creditors, suppliers, communities, and other stakeholders. The term stakeholder is defined as a person or a group that has an interest in an organization. By definition, stakeholders play an important role in a company's sustainability. This is because stakeholders have the ability to manage the resources needed to keep the company alive.. Companies need to maintain relationships with stakeholders (stakeholders) [11].

II. LITERATURE REVIEW

Stakeholder Theory

Stakeholder theory is generally used as the main theory to explain why companies disclose sustainability information [1]. Stakeholders are defined as groups or individuals who may influence or be affected by the achievement of company goals. When a company responds to the needs of its stakeholders, the good relationships that are built give the company a competitive advantage. Stakeholders include shareholders, employees, consumers, government, creditors, mass media, local communities, suppliers, environmental groups, and stakeholder groups.

Sustainability Report

Sustainability report is a form of reporting corporate information to stakeholders that integrates financial reporting and social reporting, environmental reporting, and corporate governance reporting into one reporting package. Based on PJOK regulation No. 51/PJOK.03/2017 issued by the Financial Services Authority (OJK 2017), financial service institutions, issuers and public companies are required to compile and publish a sustainability report.

Sustainability reporting is guided by the Global Reporting Initiative (GRI). GRI releases updates regularly and the latest guideline is G4. The purpose of the disclosure of the sustainability report is to increase the company's expectations by supporting not only profits but also transparency, increasing the company's name, being sensitive and caring to the community and the environment, and reducing the risk of loss, increasing the ability and readiness of stakeholders, and becoming an analytical tool for investors.

Stakeholders

Stakeholder is a group, community or individual who has an interest and relationship to a company or organization. Some of these stakeholders include shareholders, employees, consumers, government, media, local communities, suppliers, environmental groups, and special interest groups [16].

Attributes of Stakeholders

The attributes of stakeholders determine saliency for managers: power, legitimacy and urgency. Power is defined as the degree to which stakeholders assert their will for the organization. Legitimacy is defined as the suitability of the business actions of stakeholders towards the company. Urgency is defined as how quickly the company must act, and the action is assessed as a multiplier effect on the influence of stakeholder demands.

Stakeholder's Saliency

Stakeholder salience [12] is the extent to which managers give priority to competing stakeholder demands. In other words, stakeholder salience is the extent to which stakeholders are present, vocal and important in an activity. In considering the needs and desires of stakeholders, the company will choose which stakeholders should be given special attention (primary stakeholders) and which ones do not (secondary stakeholders). The attributes of salience stakeholders according to the theory of Mitchell, Agle, and Wood in [8]: Dormant stakeholders (who are asleep), Discretionary stakeholders (who are careful), Demanding stakeholders (who demand), Dominant stakeholders (who are dominant), Dangerous stakeholders (which is dangerous), Dependant stakeholders (who depend on other parties), Definitive stakeholders (in power).

III. METHOD

The type of data used is descriptive quantitative secondary data. The object of research is done by taking data from the website of Indonesian Stock Exchange (IDX). The stages of the research are in accordance with Fig. 1 below.

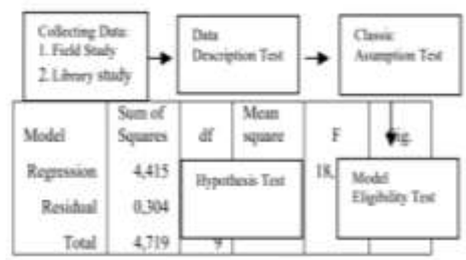

Figure 1. Research Stage

Data analysis using Anova method for knowing the impact the variable of suistainbility report.

Table 1. Data Reseach

Kriteria	Amount
Companies registered on the IDX and issuing sustainability reports consistently during the 2017-2020 period.	45
Companies that do not use guidelines as GRI or do not include GRI Indicators in their Sustainability Report disclosures during the 2017-2020 period	(2)
Total	43

From data elimination that shows, we use 43 companies in 4 years.

IV. RESULTS AND DISCUSSION

Descriptive Data Test

Descriptive statistical analysis of the data used for this study are sustainability report from 2017-2020 with a sample of 43 companies that listed on the IDX for the 2017-2020 period. Descriptive statistics describe the character of the sample used in this study.

	N	Min	Max	Std. Deviation
Sustainability Report	172	0.0440	0.6703	0.1183
Pemegang Saham	172	0.1019	0.9871	0.1795
Karyawan	172	3.8460	12.3289	1.2643
Konsumen	172	0.0000	1.0000	0.4938
Pemerintah	172	0.0000	1.0000	0.4798
Kreditur	172	0.0854	1.7400	0.2462
Media Massa	172	0.0000	1.0000	0.4949
Masyarakat Lokal	172	0.0000	1.0000	0.5013
Pemasok	172	0.0000	1.0000	0.4984
Kelompok Pecinta Lingkungan	172	0.0000	1.0000	0.5014
Kelompok Kepentingan Khusus	172	0.0000	1.0000	0.5015

Figure 2. Descriptive Data Result Test

Data Normality Normality test of data using Kplmogorov-Smirnov Test. The results of the normality test of the data show that if the data is normally distributed, the level of Asymp.Sig. (2- tailed) of 0,200.

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		172
Normal Parameters^{a,b}	Mean	.0000000
	Std. Deviation	.12815827
Most Extreme Differences	Absolute	.039
	Positive	.039
	Negative	-.033
Test Statistic		.039
Asymp. Sig. (2-tailed)		.200^{c,d}

Figure 3. Normality Test

Model Feasibility Test Results

The results of the ANOVA test showed an F value of 2.619 and a significance level of 0.006, thus the model was said to be appropriate and the research was ready to continue.

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.457	10	.046	2.619	.006^b
	Residual	2.809	161	.017		
	Total	3.266	171			

a. Dependent Variable: SR

b. Predictors: (Constant), KK, KSM, PMK, PMS, PMR, KRY, MM, KRD, LKG, ML

Figure 4. Model Feasibility Test Result

Hypothesis Testing Results

Coefficients^a

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.610	.128		4.811	.000
	PSH	.013	.061	.069	.606	.706
	KRY	-.020	.010	-.182	-2.049	.042
	KSM	.100	.011	.464	4.119	.000
	PMR	.017	.024	.011	.623	.534
	KRD	.030	.064	.073	.557	.578
	MM	.020	.030	.038	.870	.384
	ML	.046	.037	.166	1.314	.191
	PMK	.013	.021	.047	.613	.541
	LKG	.044	.038	.160	1.603	.111
	KK	.021	.023	.081	.999	.319

a. Dependent Variable: SR

Figure 5. Hypothesis Testing Result

The results of this study concluded that shareholders, government, creditors, mass media, local communities, suppliers, environment, groups as stakeholders have no effect on the disclosure of sustainability reports, while employee and consumer variables as stakeholders affect the disclosure of sustainability reports.

Discussion

Based on the results of the shareholder variable table, there is no influence of shareholders as stakeholders on the sustainability report. Thus H_1a is rejected and accepts Ho1 which states that there is no influence of shareholders as stakeholders on the sustainability report. Companies with low levels of share ownership tend to have lower social responsibility reports than companies with high share ownership. This is because shareholders with low ownership have less pressure on companies to report their social responsibility because the number of shareholders is concentrated and the few shareholders get comprehensive information. [11].

The results on the employee variable that there is an influence of employees as stakeholders on the sustainability report. This means that H_1b is accepted and Ho1 rejects which states that there is an influence of employees as stakeholders on sustainability reports. Employees are very important stakeholders in a company, meaning they have significant power and legitimacy that can affect the company [7]. One of the most important assets for a company is human capital or intellectual capital.

The consumer variable states that there is an influence of consumers as stakeholders on the sustainability report. Where it means that H_1c is accepted and Ho1 rejects which states that there is an influence of consumers as stakeholders on the sustainability report. Companies that have a close relationship with consumers tend to be noticed by consumers, especially companies that produce consumer goods. This causes companies to pay attention to actions and operate in accordance with the wishes of consumers [12]. Companies with a high consumer approach will produce high sustainability reports. Companies with a consumer approach will focus on improving the company's image that can affect sales, so they will disclose their social responsibilities [6].

The government variable states that there is no influence of the government as a stakeholder on the sustainability report. Where H_1d is rejected and accepts Ho1 which states that there is no influence of the government as a stakeholder on the sustainability report. Most companies in Indonesia do not report labor information both in worker/management relations, occupational health and safety, diversity education training, and equal opportunity disclosure practices through enforcement or pressure from the government [10].

Law enforcement regulations in Indonesia are still weak. Disclosure of the company's sustainability report remains voluntary because there are no regulations in Indonesia that specify which SR standard items should be carried out and communicated more wisely. This means that it indicates that companies registered in Indonesia with government ownership generally do not care about environmental or social issues as a critical issue that must be extensively disclosed in company reports. So that the making of sustainability reporting is still lacking and shows the results of this study do not support the stakeholder theory.

The creditor variable does not have the influence of creditors as stakeholders on the sustainability report. H_1e is rejected and accepts Ho1 which states that there is no influence of creditors as stakeholders on the sustainability report.

High leverage causes the company's management to reduce costs, one of which is the cost of disclosing information and of course the company will be monitored by creditors more closely. Creditors do not affect the company's environmental information disclosure policy [3]. These results indicate that in making environmental disclosures, management is not only influenced by stakeholders but also company decisions are influenced by management's self-interest. This shows that it is not in accordance with stakeholder theory.

The mass media variable does not have the influence of the mass media as stakeholders on the sustainability report. H_1f is rejected and accepts Ho1 which states that there is no influence of the mass media as stakeholders on the sustainability report. The media as stakeholders does not have a positive effect on the disclosure of sustainability reports.

The mass media as a source of information sometimes triggers negative news (bad news) which can lead to biased information and public misunderstanding. Thus, what is meant by the negative influence relationship is that when the company wants to reduce mass media exposure, the company will tend to disclose its social and environmental responsibilities more broadly and in detail in the sustainability report.

The local community variable has a significant which means that there is no influence of local communities as stakeholders on the sustainability report. This means that H1g is rejected and Ho1 accepts. Therefore, the hypothesis H_1f is rejected. Local communities are identified as dormant stakeholders (inactive stakeholders. Local people have the power to impose their will on the company. However, they have no legitimate relationship and pressing claims, therefore their power cannot be used. Disclosure in reports on local communities only focuses on improving the standard of living that satisfies the community [16].

The supplier variable has no influence on the supplier as a stakeholder on the sustainability report. This means that H_1h is rejected and Ho1 is accepted which states that there is no influence of suppliers as stakeholders on the sustainability report. Suppliers have the attribute of legitimacy inherent in the supplier relationship with the company because the supplier has a legitimate claim to the sale and purchase contract relationship between the two, even the company has supply chain management that regulates the purchasing process to suppliers starting from the date of purchase, delivery, and quantity of goods. officially ordered according to company operational standards.

Environmental variables have no influence on the environment as a stakeholder on the sustainability report. This means that H1i is rejected and accepts Ho1 which states that there is no environmental influence as a stakeholder on the sustainability report. The community and environmentalists and the community demand the company to make improvements to the environment that is polluted or damaged by the company's activities. In fulfilling these demands, the company tries to carry out social responsibility and disclose it more transparently [1]

Environmental variables had no significant effect on the quality of sustainability reports. Environmentally sensitive industries have no effect on sustainability reports [1]. This shows that companies that are not environmentally sensitive have begun to be affected by the company's actions and they themselves have legitimacy claims against the company in relation to the concept of agency and ownership.

The special interest group variable has no influence on the special interest group (NGO) as a stakeholder on the sustainability report. H1j is rejected and accepts Ho1 which states that there is no influence of special interest groups (NGOs) as stakeholders on the sustainability report. The involvement of special interest groups in research is non-governmental organizations and non-governmental organizations (NGOs). NGOs have a fairly high level of concern in participating in corporate social activities, but these NGOs or non-governmental organizations do not have adequate power such as policy making or in terms of source support. other capital resources.

V. CONCLUSION

The results of this study obtained the following conclusions: The results of this study concluded that shareholders, government, creditors, mass media, local communities, suppliers, environment, groups as stakeholders have no effect on the disclosure of sustainability reports, while employee and consumer variables as stakeholders affect the disclosure of sustainability reports.

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