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The Influence of Stakeholder Pressure and Audit Quality on Sustainability Performance

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Abstract

The influence of stakeholder pressure and audit quality on sustainability performance. The purpose of this study is to examine the relationship between stakeholder pressure and Sustainability Performance, to examine the relationship between audit quality and Sustainability Performance. The research was conducted using associative quantitative methods. The type of data uses secondary data. The population in this study were Primary Consumer Goods Sector Manufacturing Companies listed on the Indonesia Stock Exchange (BEI) index from 2017 to 2022 as many as 12 companies using the company's financial statements listed on theBEI. The sample determination method in this study used purposive sampling of 72 samples. The results of the study can be concluded that stakeholder pressure affects Sutainability Performance and Audit Quality affects Sutainability Performance. In this study also tested the variables of stakeholder pressure and audit quality together on Sutainability Performance Based on the test results, the variables of stakeholder pressure and audit quality together have an effect on Sutainability Performance. As a result of this research, it is suggested that companies should also attach importance to knowledge, expertise and innovation in the field of sustainability so as to give companies a competitive advantage in adopting and implementing sustainable practices. Accurate and transparent information about the company's sustainability efforts can also increase trust and support from stakeholders.

Keywords: stakeholders pressure, audit quality, sustainability performance

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INTRODUCTION

In recent years, the global business world has shown increasing concern toward sustainability issues. Nowadays, company evaluations are no longer limited to financial achievements but also take into account the company's role in addressing environmental, social, and governance (ESG) challenges. Superior sustainability performance reflects a company's commitment to creating long-term value that balances profitability with its impact on society and the environment.

This heightened attention to sustainability is largely driven by increasing pressure from various stakeholders. Stakeholders such as investors, consumers, communities, the media, civil society organizations, and the government are now demanding that companies adopt ethical and responsible business practices. According to Lulu (2020), stakeholder pressure—particularly from the media and the public—encourages companies to be more transparent in disclosing sustainability information. This external pressure serves as a driving force that motivates companies to continuously improve their sustainability policies and practices to maintain legitimacy and public trust.

Freeman (1984) argued that stakeholders are individuals or groups who are affected by or can affect the company's process in achieving its goals. This theory suggests that companies are not only accountable to shareholders but also to other stakeholders (Belakoui, 2003). Companies recognize that stakeholders have significant influence, both in terms of funding and resources. Therefore, companies must maintain good relationships with stakeholders, one of which is by enhancing accountability and responsibility. Such accountability can take the form of providing information regarding the company's activities that may affect the stakeholders' interests (Rafinda, 2013).

Nevertheless, not all stakeholder pressures have the same impact. Research conducted by Ramadhini, Hermanto, and Atmini (2020) found that pressure from consumers, the media, and environmental groups significantly influences sustainability reporting, whereas pressure from employees and shareholders does not consistently yield similar results. These findings indicate that the type and intensity of stakeholder pressure can have varying effects on each company's sustainability policies.

In addition to external factors, internal elements such as audit quality also play a crucial role in supporting sustainability performance. High-quality audits—particularly those conducted by independent and experienced auditors such as the Big Four accounting firms—are believed to enhance the reliability and integrity of sustainability reports (Handayati, Nurlaela, & Achmad, 2022). Effective auditing serves as a component of corporate governance systems that promote information transparency and ensure that reports are aligned with principles of accountability and global reporting standards such as the Global Reporting Initiative (GRI).

Several recent studies further emphasize the importance of audit quality in improving ESG outcomes. Zarefar, Agustia, and Soewarno (2022) showed that companies receiving sustainability assurance from external auditors tend to achieve higher ESG scores. This is supported by the findings of Zahid et al. (2022), which reveal that audits conducted to a high standard can strengthen the positive relationship between ESG performance and firm value, particularly in industries vulnerable to environmental issues.

Although stakeholder pressure and audit quality have each been shown to influence sustainability practices, studies that examine both factors simultaneously remain relatively limited—especially in the context of developing countries such as Indonesia. Therefore, this study aims to fill that gap by simultaneously analyzing the influence of stakeholder pressure and audit quality on corporate sustainability performance.

Stakeholder pressure encompasses various forms of influence, demands, and expectations from parties that have an interest in a company's performance and decisions,

whether internal (employees, management) or external (investors, consumers, regulators, media, NGOs, etc.). This pressure often manifests in demands for more sustainable business practices and transparent performance reporting.

According to a study published in the *Journal of Business Ethics*, both internal and external stakeholder pressure regarding environmental issues encourages companies to formulate and implement more proactive environmental strategies. For example, pressures from consumers, investors, resource constraints, and regulations can shape the values and direction of a company's decarbonization strategy.

Auditors with a high level of professionalism are more likely to conduct proper audits, complete each stage of the audit process thoroughly, and maintain a skeptical mindset when evaluating insufficient audit evidence found during the audit. This is essential to ensure a high-quality audit outcome (Ardini, 2010). The quality of an auditor's work significantly affects the accuracy of decisions made by external parties relying on the audited information.

The results of this study are expected to contribute to the development of sustainability theory, as well as provide practical benefits for company management in designing more focused, effective, and evidence-based sustainability strategies.

The objectives of this research are to analyze the influence of stakeholder pressure on corporate sustainability performance, to examine the effect of audit quality on sustainability performance, and to investigate the simultaneous impact of stakeholder pressure and audit quality on corporate sustainability performance.

The theoretical contribution of this research lies in enriching the literature on the influence of external factors (stakeholder pressure) and internal factors (audit quality) on corporate sustainability practices in developing countries. Practically, the findings may provide insights for company management in improving sustainability performance through stakeholder-responsive strategies and enhanced audit quality. Additionally, the results may be useful for regulators and investors as a consideration in assessing a company's commitment and transparency regarding ESG (Environmental, Social, and Governance) issues.

RESEARCH METHODS

The research design used in this study is associative quantitative research. According to Sugiyono (2019:65), associative research refers to a type of research problem formulation that aims to examine the relationship between two or more variables. In this study, the associative research strategy is employed to identify the extent to which variable X (independent variables), consisting of Stakeholder Pressure (X1) and Audit Quality (X2), affects variable Y, namely Sustainability Performance (dependent variable), both partially and simultaneously.

This study uses secondary data from manufacturing companies in the Primary Consumer Goods sector that are listed on the Indonesia Stock Exchange (IDX) and consistently listed throughout the period from 2017 to 2022, totaling 12 companies.

Sustainability Performance is measured using the SRDI (Sustainability Reporting Disclosure Index), which includes disclosures related to economic, environmental, and social aspects (Alham, 2018), and is measured using the following proxies:

$$SRDI = \frac{\text{Total items disclosed by the company}}{\text{Total of all items required by GRI}}$$

Description:
Total items disclosed by the company: The total number of economic, environmental, and social disclosure items reported by each company.
Total number of items required by GRI: There are 90 categories that include disclosures related to economic, environmental, and social aspects.

Explanatory variables in this study are stakeholder pressure (SP) and audit quality. SP is measured using Principal Component Analysis (PCA) based on the indicators CPI, IOI, and EOI. This study does not include ESI as an indicator of stakeholder pressure because the majority of the sampled companies are not engaged in natural resource exploration.

In the context of CPI, IOI, and EOI, most previous studies have measured these indicators using dummy variables. For example, IOI is often coded as 1 if the company operates in sectors such as energy, financial services, food and beverage products, healthcare, telecommunications, or other industries that are consumer-facing. If the company under study is not in a consumer-facing industry, the IOI variable is coded as 0.

Although dummy variable measurement is methodologically acceptable, there is another approach that is considered more accurate: content analysis of sustainability reports or annual reports. In this study, CPI is measured using content analysis of the annual report. Technically, the measurement is conducted by dividing the score of the disclosed CPI indicator items in the annual report by the total number of CPI indicator items. Thus, the CPI measurement can be expressed as follows:

$$CPI = \frac{\Sigma\ CPI\ items\ disclosure}{3}$$

Where CPI items disclosure refers to the score related to the degree of closeness between a company and its consumers. The denominator represents the total maximum number of CPI disclosure items.

Similar to CPI, EOI in this study is also measured through content analysis of the company's annual report related to EOI disclosure. The total number of items related to EOI is 17. Therefore, the measurement of EOI can be expressed as follows:

$$EOI = \frac{\Sigma\ EOI\ items\ disclosure}{17}$$

Where CPI items disclosure refers to the total score obtained from the EOI disclosure items.

As for the measurement of IOI, this study uses the company's ownership concentration as an indicator. Measuring IOI through ownership concentration has been widely adopted by several researchers, including Rudyanto & Siregar (2018) and Suharyani et al. (2019). The calculation is as follows:

$$IOI = \frac{Parent\ stocks}{Total\ stocks}$$

Where parent stocks refer to the shares owned by the parent company, also known as the majority shareholder. The greater the number of parent stocks, the higher the presumed pressure from the parent investor.

Audit Quality (KUAD) is determined based on whether the financial statements are audited by a Big Four accounting firm or a non-Big Four firm (Andriyanto, Effriyanti & Hidayat, 2018). This variable is measured using a dummy variable: a value of 0 indicates the auditor is from a non-Big Four firm, while a value of 1 indicates the auditor is from a Big Four firm.

Big Four accounting firms are internationally recognized and represent the four largest public accounting firms in the United States. These four firms have branches throughout the U.S. and across the globe. The "Big Four" audit nearly all large companies both in the United States and worldwide, and many smaller companies as well.

1 = KAP big 4
0 = KAP non big 4

RESULT AND DISCUSSION

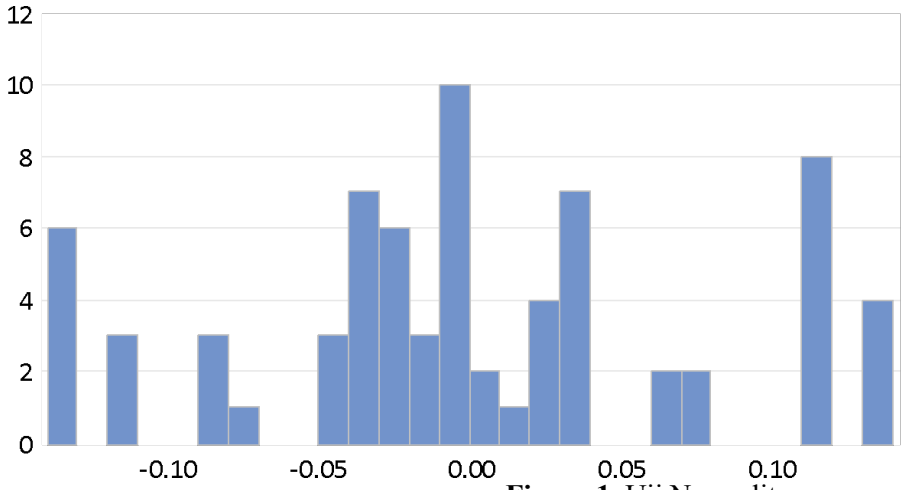

Figure 1. Uji Normalitas

Based on the Jarque-Bera value of **1.074193** with a **probability of 0.584443**, which is greater than **0.05**, it can be concluded that the data is normally distributed or well-dispersed.

Table 1. Uji Multikolinearitas

Variance Inflation Factors
Date: 06/13/25 Time: 15:45
Sample: 1 72
Included observations: 72

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.000489	6.102462	NA
SP	0.000589	3.355318	1.016421
KA	0.000454	4.506250	1.016421

Based on the table above, the results show that each independent variable used has a **VIF value < 10**. Therefore, it can be concluded that each independent variable in this study is free from multicollinearity

Table 2. Uji Heteroskedastisitas

Heteroskedasticity Test: Glejser
Null hypothesis: Homoskedasticity

F-statistic	2.407667	Prob. F(2,69)	0.0976
Obs*R-squared	4.696911	Prob. Chi-Square(2)	0.0955
Scaled explained SS	4.793747	Prob. Chi-Square(2)	0.0910

Based on the table above, the results of the heteroskedasticity test using the Harvey test show that the Obs*R-squared value is 4.696911 and the Probability of Obs*R-squared is 0.0955. This indicates that the regression model satisfies the assumption of homoskedasticity, as the probability exceeds the significance level of 0.05. Therefore, it can be concluded that heteroskedasticity is not present in the data.

Table 3. Uji Autokorelasi

R-squared	0.168272	Mean dependent var	0.254306
Adjusted R-squared	0.144164	S.D. dependent var	0.082134
S.E. of regression	0.075983	Akaike info criterion	-2.275833
Sum squared resid	0.398369	Schwarz criterion	-2.180972
Log likelihood	84.92997	Hannan-Quinn criter.	-2.238068
F-statistic	6.979902	Durbin-Watson stat	0.569134
Prob(F-statistic)	0.001735		

Based on the table above, the results of the autocorrelation test show that the Durbin-Watson (DW) value is 0.569134, which falls between -2 and +2, or -2 < 0.569134 < +2. Therefore, it can be concluded that there is no autocorrelation in this study, and the model is suitable for use.

Tabel 4. Uji Regresi Data Panel

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.184759	0.022121	8.352201	0.0000
SP	0.076833	0.024269	3.165967	0.0023
KA	0.017939	0.008145	2.202403	0.0316

Based on the table above, the resulting panel data regression equation model is as follows:

$Y = 0.184758908135 + 0.0768333054948SP + 0.0179398303018KA$

From the equation above, each variable can be interpreted as follows:

1. The constant value of 0.184758908135 indicates that if the independent variables are equal to zero, the dependent variable (sustainability performance) will have a positive value of 0.184758908135.
2. The regression coefficient for the stakeholders pressure variable is 0.0768333054948, which means that if other independent variables remain constant and stakeholder pressure increases by one unit, sustainability performance will decrease by 0.0768333054948.
3. The regression coefficient for the audit quality variable is 0.0179398303018, which means that if other independent variables remain constant and audit quality increases by one unit, sustainability performance will increase by 0.0179398303018.

Tabel 5. Uji Parsial (Uji t)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.184759	0.022121	8.352201	0.0000
SP	0.076833	0.024269	3.165967	0.0023
KA	0.017939	0.008145	2.202403	0.0316

Based on the table above, it can be concluded that:

1. Stakeholders pressure has a t-statistic value of 3.165967 and a probability (p-value) of 0.0023, which is less than 0.05. This indicates that stakeholders pressure has a significant effect on sustainability performance.
2. Audit quality has a t-statistic value of 2.202403 and a probability (p-value) of 0.0316, which is greater than 0.05. This indicates that audit quality does has a significant effect on sustainability performance.

Tabel 6. Uji Simultan

R-squared	0.168272	Mean dependent var	0.254306
Adjusted R-squared	0.144164	S.D. dependent var	0.082134
S.E. of regression	0.075983	Akaike info criterion	-2.275833
Sum squared resid	0.398369	Schwarz criterion	-2.180972
Log likelihood	84.92997	Hannan-Quinn criter.	-2.238068
F-statistic	6.979902	Durbin-Watson stat	0.569134
Prob(F-statistic)	0.001735		

Based on the table above, the probability value of the F-statistic is 0.001735, which is less than 0.05. This indicates that the independent variables, namely stakeholders pressure and audit quality, jointly or simultaneously have a significant effect on the dependent variable, sustainability performance.

CONCLUSIONS

This study successfully found a positive influence of stakeholders pressure on

sustainability performance. Based on these results, the study confirms the relevance of stakeholder theory and legitimacy theory. According to stakeholder theory, a company's awareness to implement sustainable performance practices is determined by the extent of pressure from stakeholders, both internal and external.

In this study, stakeholders pressure is measured using a composite index of three types of stakeholder pressure: investors, consumers, and employees. The influence of stakeholders pressure on sustainability performance indicates that each stakeholder encourages the company to maintain environmental responsibility, not merely focus on profit. This strengthens the view of Chariri (2009), who stated that under stakeholder theory, a company is not just an entity operating for its own interest, but must also provide benefits to all its stakeholders. In this context, the environment—which is affected by the company's operational activities—is one of the most important stakeholders. Thus, this is also in line with legitimacy theory, which suggests that companies must maintain their relationship with the surrounding environment to gain legitimacy for long-term survival.

The positive influence of stakeholders pressure on sustainability performance in this study is consistent with previous research conducted by Ruhiyat et al. (2022), Alvarez et al. (2017), Rudyanto & Siregar (2018), Tauringana (2021), and Suharyani et al. (2019). Their studies also found a positive effect of stakeholders pressure on sustainability reporting disclosure. These studies used different types of company samples. For instance, Ruhiyat et al. (2022) focused on companies with high levels of good corporate governance, listed under the Indonesian Institute of Corporate Governance (IICG).

On the other hand, Rudyanto & Siregar (2018) and Suharyani et al. (2019) did not specify the sectors of the companies they examined; they only mentioned that the companies were listed on the Indonesia Stock Exchange (IDX). Based on comparison with previous studies, it is difficult to determine whether the sectoral characteristics of a company cause differences in the influence of stakeholders pressure on sustainability performance, as the prior studies did not specify the company names used in their samples.

Furthermore, based on the statistical test results above, the audit quality variable has a t-statistic value of 1.565554 and a probability (p-value) of 0.1220 > 0.05, indicating that audit quality does not significantly influence sustainability performance. From this, it can be concluded that the quality of audits conducted on a company or organization does not have a direct impact on the company's sustainability performance.

Audit quality refers to the independent assessment of a company's financial statements and accounting processes to ensure the accuracy and reliability of the financial information presented to external stakeholders such as shareholders, creditors, and regulators. The primary goal of a financial audit is to assess whether the company's financial statements are prepared in accordance with generally accepted accounting principles and to detect any significant misstatements or fraud.

High-quality audits ensure the reliability of an organization's financial information. This is crucial because accurate and trustworthy financial information is necessary to properly evaluate sustainability performance. Audit quality can be achieved if audits comply with generally accepted auditing standards. These standards provide general guidance to help auditors fulfill their professional responsibilities in auditing financial statements. The standards cover considerations such as professional qualities (e.g., competence and independence), reporting requirements, and the sufficiency of evidence (Randal, 2011).

However, some companies may view audits merely as a formal obligation to comply with regulations and tax laws. While audits may ensure compliance, this does not necessarily reflect a company's commitment to sustainable business practices.

This study is in line with research by Widyari, Novitasari, and Widhiastuti (2022), which found that audit quality positively affects company performance. This implies that financial

statements audited by Big Four accounting firms are more trusted, prompting internal resources within the company to improve performance. However, this finding is not consistent with the research of Saputra and Kubertein (2023), which found that audit quality has no impact on company performance. Companies audited by Big Four firms do not necessarily perform better. Some companies choose Big Four firms merely to boost their image and mask poor performance. These firms are often perceived as being able to influence public opinion regarding the company's performance to enhance its perceived value.

Based on the results of the multiple linear regression analysis, it is evident that stakeholders pressure and audit quality have a simultaneous and significant influence on sustainability performance. This conclusion is supported by the F-test, which yields a p-value below the 0.05 threshold, indicating that the overall regression model is statistically significant and appropriate for explaining variations in sustainability performance.

Theoretically, stakeholders pressure plays a vital role in encouraging companies to adopt more responsible and transparent business practices. When companies face demands from investors, regulators, customers, and society at large, they are more likely to improve their Environmental, Social, and Governance (ESG) performance to maintain legitimacy and public trust.

At the same time, audit quality ensures the credibility and reliability of sustainability reports. High-quality audits—especially those conducted by independent and competent auditors—enhance the accuracy and transparency of sustainability disclosures. This, in turn, promotes better decision-making and accountability within the organization.

The simultaneous impact of these two variables aligns with both legitimacy theory and agency theory. According to legitimacy theory, companies strive to align their operations with societal expectations, while agency theory emphasizes the role of auditing in mitigating information asymmetry between management and stakeholders.

In summary, the empirical evidence and theoretical foundation both suggest that stakeholders pressure and audit quality, when considered together, significantly contribute to improving sustainability performance in organizations.

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