

# Ownership structure, stakeholder pressure, and sustainability transparency: Insights from Indonesia

Rizky Eriandani, Wahyu Agus Winarno

## ABSTRACT

**Objective:** We investigated the effect of ownership structure, specifically foreign and institutional ownership, on the transparency of sustainability reporting. We also examined how stakeholder pressure, particularly from environmental and customer perspectives, moderates this association, either strengthening or weakening its effects.

**Research Design & Methods:** We employed a quantitative approach using a purposive sampling method, resulting in 672 firm-year observations from non-financial companies listed on the Indonesian Stock Exchange during the 2020-2023 period. We measured the transparency of sustainability reports using transparency scores from the CSRHub database. We categorised stakeholder pressure into two types: environmental pressure and customer pressure, based on industry classification. We also conducted moderated regression analysis to empirically test the research model.

**Findings:** The results indicate that we may positively associate higher levels of foreign and institutional ownership with greater transparency in sustainability reports. Stakeholder pressure moderates the impact of foreign ownership on transparency, with environmental pressure reinforcing this relationship, whereas customer pressure weakens it. Moreover, environmental and customer pressures do not significantly moderate the institutional ownership-transparency relationship.

**Implications & Recommendations:** The findings have significant implications for regulators and prospective investors. They highlight the need for stronger regulatory enforcement and targeted stakeholder engagement to improve environmental, social, and governance (ESG) transparency, particularly in customer-facing and environmentally sensitive sectors in emerging markets.

**Contribution & Value Added:** This study contributes to the growing body of literature on sustainability reporting transparency by offering empirical evidence from an emerging market context. Using evidence from Indonesia, it offers insights into the interplay between governance structures and stakeholder dynamics, with implications for theory and practice.

**Article type:** research article

**Keywords:** ownership structure; sustainability reporting; transparency; stakeholder pressure; emerging market

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## INTRODUCTION

Addressing the challenges of climate change, consumption, and resource depletion has become essential in today's business landscape. As organisations strive to demonstrate their commitment to ESG practices, sustainability reporting (SR) has become an increasingly important aspect of corporate disclosure. Recent studies emphasise that sustainability reporting should focus on outcomes and impacts aligned with the United Nations (UN) Sustainable Development Goals rather than merely reporting

outputs, thereby enhancing accountability and long-term value creation (Abeysekera, 2022). Moreover, shareholder engagement has emerged as a powerful mechanism to improve ESG practices, as activist investors can significantly influence firms' environmental and social performance and strengthen their disclosure quality (Barko *et al.*, 2022). Simultaneously, stakeholder engagement plays a crucial role in shaping the quality of sustainability reports, where higher involvement strategies foster more transparent and meaningful disclosures (Stocker *et al.*, 2020). Transparency in SR not only enhances corporate accountability but also improves investor confidence and reduces firms' cost of capital, thereby facilitating better access to sustainable finance (Kräussl *et al.*, 2024).

Through this study, we aimed to investigate the effect of foreign and institutional ownership on the transparency of sustainability reporting among publicly listed firms in Indonesia. To achieve this, we employed a sample of non-financial firms listed on the Indonesia Stock Exchange (IDX) over the 2020-2023 period, excluding financial institutions due to their distinct reporting and regulatory frameworks. In emerging markets like Indonesia, the institutional environment and ESG reporting practices are still maturing. Differences in institutional contexts between developed and emerging countries shape the impact of ESG practices. In developed countries, regulations are more established and enforcement mechanisms are stronger, which makes ESG practices largely mandatory and well-integrated into corporate governance. Consequently, the impact of ESG on firm performance tends to be more consistent and positive across environmental, social, and governance dimensions (Naeem *et al.*, 2022; Singhania & Saini, 2023). In contrast, emerging countries often rely on voluntary frameworks with weaker enforcement, producing mixed outcomes. Some firms improve transparency under stakeholder or foreign investor pressure, while others show only symbolic commitments (Singhania *et al.*, 2024). The volume of sustainability reporting practices in Indonesia has grown, but the practices continue to face significant challenges in regard to both quality and corporate commitment. Although the number of reports has increased since 2006, the majority still tend to be symbolic in nature, with low quality, especially in terms of readability, clarity, and reliability of information (Adhariani & du Toit, 2020; Gunawan *et al.*, 2022; Sebrina *et al.*, 2023). On the regulatory side, Indonesia has established a legal foundation through Regulation of the Financial Services Authority of Indonesia Number 51/POJK.03/2017 (OJK, 2017), which mandates public companies and financial institutions to publish sustainability reports. However, enforcement remains weak, with low compliance levels and many reports failing to meet standards. According to KPMG (2020), Indonesia was not among the 52 countries included in the N100 sample of the global sustainability reporting survey, although it appeared under the 'Other (5%)' category in the G250 global sample. This limited representation indicates that the authors did not analyse Indonesia as a distinct country, which reflects its relatively weak position in global sustainability reporting practices and reinforces the need for further research on factors that can enhance transparency in sustainability disclosures.

Transparency in sustainability reporting refers to the extent to which a company openly discloses its sustainability policies, practices, and stakeholder engagement, including compliance with recognised reporting standards and the use of external assurance. In developed markets, companies with greater foreign investor ownership tend to produce higher-quality sustainability reports (Correa-Garcia *et al.*, 2020). This indicates that firms attracting foreign investors are generally more committed to improving their corporate social responsibility (CSR) practices, as they are influenced by diverse cultural, economic, and strategic expectations. Moreover, international diversification has been shown to encourage the adoption of sustainability principles and global best practices in corporate reporting (Borda *et al.*, 2017). When foreign investors hold a majority stake, there is a greater demand for high-quality voluntary information (Haniffa & Cooke, 2005), stemming from a broader management perspective and the geographical diversity of shareholders. Consequently, companies with significant foreign ownership are likely to have heightened expectations for voluntary social and environmental reporting.

However, in emerging markets, the relationship between foreign ownership and transparency may differ due to weaker regulatory enforcement, limited institutional capacity, and less mature sustainability reporting frameworks. Zaid *et al.* (2020) found that foreign ownership does not necessarily influence social and environmental responsibility reporting. Foreign investors play a significant role in Indonesia's capital market, owning more than 40% of Indonesian securities (ICSD, 2024). These investors,

primarily from developed countries such as the United States and Japan (IDX Channel, 2022), typically possess greater resources and capabilities to conduct sophisticated investment analysis. Given the substantial capital they allocate to emerging markets like Indonesia, foreign investors are particularly cautious in their investment decisions to avoid high exit costs (Rudiawarni *et al.*, 2024). Their involvement is not limited to capital provision. Furthermore, they actively promote accountability and transparency. These investors increasingly demand that Indonesian companies address not only financial performance but also non-financial concerns, particularly environmental and social issues. As a result, many firms are compelled to improve the quality of their sustainability disclosures to meet the expectations of global investors (Wicaksono *et al.*, 2024). Foreign ownership can reinforce this legitimacy because foreign investors typically have higher expectations regarding the disclosure of sustainability-related information (Al Amosh & Khatib, 2022).

In developed markets, institutional investors play a significant role in promoting sustainability transparency. Based on a sample of European countries, Giordino *et al.* (2024) found that institutional investors exert a significant positive influence on corporate transparency related to the Sustainable Development Goals (SDGs). Owing to the magnitude of their investments and their exposure to long-term environmental and reputational risks, institutional investors are more inclined to demand high-quality, credible sustainability information (Ullah *et al.*, 2019). In line with this, Velte (2020) observes that firms with a higher proportion of institutional ownership tend to provide more comprehensive sustainability disclosures, driven by these investors' objective to reduce information asymmetry and promote sound governance. In the Indonesian context, institutional investors occupy a dominant position in the capital market, accounting for over 80% of share ownership among listed companies on the Indonesia Stock Exchange (ICSD, 2024). Nevertheless, empirical evidence from emerging markets such as Indonesia remains inconclusive. While Nurleni and Bandang (2018) report a significant association between institutional ownership and corporate social responsibility disclosure, more recent findings by Sujatnika *et al.* (2023) suggest that institutional ownership does not exert a meaningful influence on sustainability reporting. This divergence may be attributable to the short-term investment orientation of certain institutional investors operating in developing markets, which could overshadow their commitment to long-term ESG considerations. These contrasting findings underscore the necessity of further investigating the role of institutional ownership in shaping sustainability transparency, particularly within the institutional and regulatory context of emerging economies such as Indonesia.

Previous studies have shown mixed results on the relationship between ownership and transparency (Khan *et al.*, 2013; Raimo *et al.*, 2020; Zaid *et al.*, 2020), suggesting that this relationship may depend on contextual factors. Stakeholder pressure plays a crucial role in either enhancing or hindering the implementation of sustainable management practices (Haleem *et al.*, 2022). Meanwhile, in this study, we incorporated stakeholder pressure into the relationship between ownership structure and sustainability reporting transparency, focusing specifically on customer pressure and environmental pressure. In Indonesia, customer pressure is a relevant moderating factor, as consumers increasingly expect companies to act responsibly and disclose their sustainability practices. As Arli and Tjiptono (2014) show, Indonesian consumers value CSR, particularly when it reflects ethical behaviour and environmental concerns. Such expectations may influence how companies respond to ownership structure, particularly when foreign or institutional investors are involved. Environmental pressure is also a critical contextual factor. Generally, industries that are sensitive to environmental issues pay more attention to their ESG performance. Environmental disclosures serve to legitimise the operations of companies in these environmentally sensitive sectors. Scholars often refer to such industries as 'high-profile industries,' characterised by public pressure, consumer visibility, high political risk, or intense competition (Hackston & Milne, 1996; Roberts, 1992).

Building on these gaps, this study introduces several innovative aspects that differentiate it from prior research. Firstly, by providing empirical evidence from an emerging market, this study fills a gap in the literature that is predominantly centred on developed economies. It contributes contextual insights into how ownership structures function in less mature regulatory environments. Secondly, this study employs an alternative measurement of sustainability reporting transparency. Previous studies have primarily focused on the quality of these reports by counting and weighting the disclosed items

(Correa-Garcia *et al.*, 2020; Rudyanto & Siregar, 2018). We measure transparency using the Transparency and Reporting dimension of the CSRHub ESG score, which provides a more nuanced assessment than traditional binary or checklist-based disclosure indices. Scholars have widely adopted CSRHub in prior research as a reliable third-party ESG data source (Sandberg *et al.*, 2023; Yousefian *et al.*, 2023). This adds methodological value by introducing a multi-dimensional, scalable, and globally comparable measure of transparency. Thirdly, the study extends stakeholder theory by introducing industry-based stakeholder pressure, proxied through environmental and customer sensitivity, as a moderating variable in the ownership-transparency relationship. Lastly, the study offers policy-relevant insights by showing that different ownership types are associated with varying levels of transparency, and that stakeholder pressure does not consistently lead to greater disclosure. These insights support the development of differentiated ESG reporting policies tailored to ownership profiles and sector sensitivities, particularly in emerging countries.

This research is organised into five sections following this introduction. We start with a literature review, followed by the presentation of the research hypothesis, methodology, results and discussion. The article concludes with a summary of findings, research limitations, and suggestions for future research.

## LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

To strengthen the theoretical foundation of this study, we must outline the key theories that explain how ownership structure and stakeholder dynamics influence sustainability reporting transparency. These theories provide the conceptual basis for predicting firm behaviour and the expected relationships among the variables in the research model. Therefore, before presenting the hypotheses, the following section introduces the theoretical perspectives that underpin this study.

Agency theory explains the contractual relationship between the company owners (principals) and managers (agents), in which owners entrust managers with the authority to operate the company on their behalf. The central issue in this relationship lies in information asymmetry and potential conflicts of interest, as managers may act in their own self-interest rather than in alignment with shareholders' objectives (Jensen & Meckling, 1976). Moreover, we drew on legitimacy theory to explain company's motivation for voluntarily disclosing social and environmental information. According to Dowling and Pfeffer (1975), one achieves legitimacy when a company's value system is aligned with the broader social norms and expectations of the society in which it operates. In this context, sustainability disclosure can serve as a strategic tool for companies to gain, maintain, or restore legitimacy, particularly when facing pressure from influential stakeholders (Deegan, 2019). Moreover, this study is grounded in stakeholder theory, which posits that a company's survival and success depend on its ability to manage relationships with various stakeholders who can affect or be affected by corporate activities (Freeman, 1984). From this perspective, sustainability reporting is not only a means to address shareholders' concerns but also a mechanism to respond to the information needs and expectations of diverse stakeholder groups.

Businesses with foreign ownership often prioritise transparency in their sustainability reporting, primarily due to the influence of international shareholders. These shareholders demand best practices in information disclosure, significantly contributing to this heightened focus. Research indicates that foreign ownership is associated with greater stakeholder perceptions of legitimacy and trust, which may encourage firms to disclose sustainability information more transparently (Al Amosh & Khatib, 2022; Liou *et al.*, 2023). Foreign-owned businesses tend to improve the quality of their sustainability and financial reports, driven by managerial efforts to align with the transparency and accountability standards demanded by international shareholders. Research consistently shows that higher levels of foreign ownership are associated with better reporting practices and a more open approach to information dissemination (Hasanah *et al.*, 2023; Tokas & Yadav, 2023). In emerging markets, sustainability strategies can help foreign-owned firms mitigate liabilities of foreignness, strengthen legitimacy, and build stakeholder trust by aligning with business ethics principles (Gomez-Trujillo *et al.*, 2025). Taken together, prior studies suggest that the presence of foreign shareholders, often originating from institutional environments with stronger governance expectations, creates additional pres-

sure on firms to adopt more rigorous disclosure practices and align with higher standards of transparency and accountability (Al Amosh & Khatib, 2022; Gomez-Trujillo *et al.*, 2025; Hasanah *et al.*, 2023; Liou *et al.*, 2023; Tokas & Yadav, 2023).

**H1:** The greater the foreign ownership, the better the sustainability reporting transparency.

When significant, institutional ownership can function as a superior oversight mechanism compared to individual ownership. Companies with substantial institutional ownership are more likely to exhibit higher levels of transparency in their sustainability reports. This is because institutions are keen on ensuring the accuracy and reliability of the information presented to shareholders and other stakeholders. Research indicates that companies with high institutional ownership tend to have better disclosures in their sustainability reports, as institutions strive to reduce information asymmetry that could be detrimental to them (Delfy & Bimo, 2021). Financial institutions, operating under strict regulations and societal norms, are motivated to promote transparency regarding CSR and the Sustainable Development Goals (SDGs). This transparency helps legitimise the organisation and satisfy the expectations of various stakeholders (Giordino *et al.*, 2024). These institutions play a crucial role in the industry, influencing the adoption of ESG policies. The main argument is that financial institutions, often regulated by strict regulations and high public scrutiny, encourage more socially responsible behaviour (García-Meca & Pucheta-Martínez, 2018). Notably, ESG serves as a powerful tool to reduce information asymmetry and strengthen stakeholder trust, providing reassurance and confidence in the system. In this context, financial institutions can act as drivers of transparency, as they aim to ensure that their investments support companies with lower risk and long-term sustainability (García-Sánchez *et al.*, 2020).

**H2:** The greater institutional ownership, the better the transparency of sustainability reporting.

While scholars have demonstrated that ownership structure, particularly foreign and institutional ownership, influences sustainability reporting transparency, extant studies suggest that the magnitude and direction of this influence are contingent on external stakeholder pressures (*e.g.*, customer demand, environmental activism) as evidenced in prior research (Helmig *et al.*, 2016; Hsu & Bui, 2022). The stakeholder theory posits that companies must act reasonably and fairly towards the expectations of stakeholders, based on what stakeholders deem to be appropriate. This theory is grounded in legitimacy theory, which emphasises companies' ethical behaviour (Osei *et al.*, 2023). Considering the context of emerging markets such as Indonesia, customer pressure and environmental pressure represent two highly relevant and systematically measurable forms of stakeholder pressure. Many industries in Indonesia are environmentally sensitive, including mining, energy, forestry, and agribusiness. These sectors are highly exposed to environmental degradation issues and social conflict. The Indonesian government mandates all companies to engage in corporate social and environmental responsibility and to disclose such activities in their annual reports and/or sustainability reports (OJK, 2017; Republic of Indonesia, 2007). Moreover, customer pressure is particularly pronounced in industries that interact directly with consumers, such as retail, food and beverage, where corporate reputation and consumer trust are crucial. In fact, Indonesian consumers' purchase intentions are influenced by brands' CSR engagement (Hsu & Bui, 2022). Customer pressure is significant because customers' purchasing power can exert considerable influence on an organisation, especially if there is a perception that the company is not acting socially responsibly. There is heightened scrutiny of a company's ESG activities from non-profit organisations, the media, and the public (Helmig *et al.*, 2016). The level and direction of customer pressure vary according to the specific values and expectations of each market segment.

Studies on foreign ownership reveal the substantial influence of foreign investors in urging companies to improve their CSR ratings (McGuinness *et al.*, 2017) and adopt independent boards for increased transparency (Huang *et al.*, 2019). Companies with foreign ownership are often subjected to stricter scrutiny regarding their sustainability practices. These investors typically have higher expectations for transparency and accountability, motivating firms to improve the quality of their sustainability reports. In customer-oriented industries, where public trust and brand image are crucial, foreign investors may exert greater pressure for transparent disclosures to meet ethical and market expectations (Hsu, 2022). Likewise, in environmentally sensitive sectors such as mining and energy, where firms face regulatory and societal scrutiny, transparency becomes a tool to maintain legitimacy (Clarkson *et al.*, 2008). Therefore,

customer and environmental pressures serve as reinforcing conditions that strengthen the positive relationship between foreign ownership and sustainability reporting transparency.

- H3:** Stakeholder pressure strengthens the influence of foreign ownership on the transparency of sustainability reporting.
- H3a:** Customer pressure strengthens the influence of foreign ownership on the transparency of sustainability reporting.
- H3b:** Environmental pressure strengthens the influence of foreign ownership on the transparency of sustainability reporting.

Due to their emphasis on socially responsible behaviour, financial institutions play a significant role in promoting CSR practices (Mishra, 2022; Sharif & Rashid, 2014). Their expectations and regulatory pressures often lead to the implementation of CSR practices by the companies they invest in (García-Meca & Pucheta-Martínez, 2018; Motta & Uchida, 2018). As major capital providers, financial institutions aim to support long-term firm value while reducing environmental, social, and reputational risks (García-Sánchez *et al.*, 2020; Mishra, 2022). In this context, institutional ownership, particularly that held by long-term and risk-averse investors, is more responsive to stakeholder concerns and legitimacy demands. Drawing from stakeholder theory (Freeman, 1984), firms cannot operate effectively without stakeholder support, and different industry classifications involve distinct primary stakeholders (Branco & Rodrigues, 2008; Fernandez-Feijoo *et al.*, 2014). Customer pressure is a salient external factor that influences firms' decisions on transparency, particularly as consumers become increasingly aware of social and environmental issues. In firms with high institutional ownership, there is a stronger motivation to meet these expectations, thus enhancing the quality and quantity of sustainability disclosures (Lulu, 2020). Simultaneously, firms engaged in environmentally sensitive sectors are under growing pressure to adopt green innovation and avoid environmentally harmful practices, not only to maintain regulatory flexibility but also to compete in international markets and comply with global environmental standards (Alessa *et al.*, 2024). These external pressures, originating from customers and environmental regulation, reinforce the monitoring function of institutional investors and amplify their influence on sustainability reporting transparency.

- H4:** Stakeholder pressure strengthens the influence of institutional ownership on the transparency of sustainability reporting.
- H4a:** Customer pressure strengthens the influence of institutional ownership on the transparency of sustainability reporting.
- H4b:** Environmental pressure strengthens the influence of institutional ownership on the transparency of sustainability reporting.

## RESEARCH METHODOLOGY

### Population and Sample

We targeted all non-financial firms listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. We chose this period to obtain recent and sufficient data to evaluate the impact of ownership type on sustainability transparency and to analyse the role of stakeholder pressure in this relationship. We selected Indonesia as the research context for two main reasons. Firstly, foreign and institutional investors dominate the Indonesian capital market, holding over 40% and 80% of listed shares, respectively (ICSD, 2024). Secondly, although the Financial Services Authority (OJK) has mandated sustainability reporting through Regulation No. 51/POJK.03/2017, the quality of disclosure remains inconsistent due to uneven regulatory enforcement and limited stakeholder engagement (Rudyanto & Siregar, 2018). We selected the sample using the purposive sampling method, guided by several criteria. Firstly, we included all non-financial companies listed on the Indonesian capital market during the specified period. We excluded financial firms due to their distinct reporting requirements and regulatory environment, which differ substantially from non-financial sectors. Secondly, companies needed to have a transparency score available in the CSRHub database, which is a widely recognised source

for corporate social responsibility data. Thirdly, it was required that these companies consistently publish sustainability reports. Lastly, all necessary data for the research had to be available. The initial population consists of 3 076 firm-year observations of companies listed on the Indonesia Stock Exchange (IDX) between 2020 and 2023. From this population, we excluded 420 financial firms due to their distinct regulatory and reporting frameworks, resulting in 2 656 non-financial firm-year observations. Of these, we identified 672 firms as having available transparency sub-scores in the CSRHub database and consistently publishing sustainability reports. After excluding two observations with extreme debt ratios, the final sample comprises 670 firm-year observations used in the analysis.

### Variables and Measurement

The dependent variable in this study was the transparency of sustainability reports (SRTrans), which we derived from the Transparency and Reporting sub-score within the Governance category of the CSRHub database. We designed this specific sub-score to assess how effectively a company communicates its ESG practices, focusing on the quality, scope, and accessibility of its sustainability disclosures. Notably, CSRHub is widely recognised as a reliable third-party ESG data provider. Its ratings derive from diverse sources and have been used in numerous academic studies to assess sustainability performance and disclosure (Sandberg *et al.*, 2023; Yousefian *et al.*, 2023). This sub-score evaluates various factors, including whether the company's policies and practices align with sustainability objectives, the level of transparency the company's management has with stakeholders, the involvement of employees in governance processes, and the adherence of sustainability reports to established standards, including the Global Reporting Initiative and AccountAbility (AA1000). It also assesses the availability of these reports to the public. Moreover, the score examines how the company engages with stakeholders, including the use of third-party audits to ensure the accuracy, completeness, and reliability of the reports. The score ranges from 0 to 100, where higher values reflect greater transparency and a stronger commitment to sustainability reporting.

The independent variable of this research was the type of ownership. The two types of ownership analysed in this study were foreign and institutional. We measured foreign ownership (FOREIGNOWN) by the ratio of the number of shares owned by foreign investors to the number of shares outstanding (Liou *et al.*, 2023). We assessed institutional ownership (INST\_OWN) by comparing the number of shares held by financial institutions with the number of outstanding shares (Fang & Zhou, 2012). In this context, outstanding shares refer specifically to common stock, which represents the portion of equity that is actively traded in the market and serves as the basis for ownership control and voting rights.

The moderating variable in this study was stakeholder pressure, which we operationalised using industry-based proxies. Specifically, we adopted two widely recognised categorisations following (Fernandez-Feijoo *et al.*, 2014; Vitolla *et al.*, 2019): customer-oriented industries (CUST) and environmentally sensitive industries (ENV). For the customer pressure proxy, we coded as '1' industries with direct interaction with end-users, such as consumer goods, financial services, hospitality, tourism, healthcare, media, textiles, and all others as '0.' For environmental pressure, we coded as '1' industries whose operations have significant environmental impacts, such as mining, agriculture, chemicals, construction, and transportation, and classified them as environmentally sensitive. Meanwhile, we coded all other industries as '0'. Although this dichotomous approach may limit the interpretation depth, it provides a consistent and replicable method for large-sample analysis in emerging markets. Prior sustainability research validated this classification (Hackston & Milne, 1996; Roberts, 1992), including studies in Indonesia (Rudyanto & Siregar, 2018).

To account for other factors that may influence the transparency of sustainability reports and to avoid model specification errors, we included several control variables at the company level. Firstly, we considered the cash ratio (CR), which indicates a company's liquidity. Firms with stronger cash positions may have more resources to allocate toward sustainability initiatives and reporting. This is determined by comparing total cash to total assets (Giordino *et al.*, 2024). Secondly, debt-to-asset ratio (DAR) reflects the firm's capital structure; highly leveraged firms tend to voluntarily increase disclosure to reduce agency conflicts and signal financial stability to creditors (Zaid *et al.*, 2020). Thirdly, profitability, represented by return on equity (ROE), captures a firm's internal capacity and

incentives to engage in CSR practices, as more profitable firms are more likely to invest in sustainability as part of value creation (Khan *et al.*, 2013). The ROE variable is calculated as the net profit ratio to total equity. Lastly, market performance, measured by the price-to-earnings ratio (PER), reflects investor perception and may influence managerial decisions on transparency and disclosure to align with market expectations (Zaid *et al.*, 2020). The PER variable is determined by comparing the current stock price with the company's earnings per share.

### Research Model

Hypothesis testing in this study employed a moderated regression analysis (MRA) approach, following the three-step procedure outlined by Sharma *et al.* (1981). We employed the MRA model to examine the relationship between sustainability reporting transparency (SRTrans) and two types of ownership structures: foreign ownership (FOREIGNOWN) and institutional ownership (INST\_OWN). This model provides a robust framework for investigating the complex interactions among these variables. To capture the influence of external forces, we introduced stakeholder pressure as a moderating variable, categorised into two dimensions: customer pressure (CUST) and environmental pressure (ENV). They began the analysis with Model 1, which tested the direct effects of ownership structure on sustainability reporting transparency and addressed Hypotheses H1 and H2. Next, we estimated Model 2 to assess the independent effect of the moderator variable, stakeholder pressure, on transparency. Finally, Model 3 incorporated interaction terms between ownership variables and stakeholder pressure to examine the moderating effects, thus addressing Hypotheses H3a through H4b.

$$SRTrans_{it} = \alpha + \beta_1 Ownership + \beta_2 Controls_{it} + \varepsilon_{it} \quad (1)$$

$$SRTrans_{it} = \alpha + \beta_1 Ownership + \beta_2 StakeholderPressure_{it} + \beta_3 Controls_{it} + \varepsilon_{it} \quad (2)$$

$$SRTrans_{it} = \alpha + \beta_1 Ownership + \beta_2 StakeholderPressure_{it} + \beta_3 StakeholderPressure_{it} * Ownership + \beta_4 Controls_{it} + \varepsilon_{it} \quad (3)$$

According to Sharma *et al.* (1981), if the interaction term ( $\beta_3$ ) in Model 3 was statistically significant and the main effect of the moderator ( $\beta_2$ ) was also significant in both Model 2 and Model 3, the results would indicate a quasi-moderator effect. Conversely, if the moderator's main effect ( $\beta_2$ ) was insignificant in Model 2 but significant in Model 3 alongside a significant interaction term ( $\beta_3$ ), the model would reflect a pure moderator relationship. Furthermore, we evaluated the model fit using adjusted R<sup>2</sup> and F-statistics to determine the explanatory power and overall significance of the model.

## RESULTS AND DISCUSSION

### Results

Table 1 presents the descriptive statistics for both continuous (panel A) and dichotomous (panel B) variables. For continuous variables, the mean, median, and range between the maximum and minimum values provide an overview of the data distribution. Notably, SRTrans had a mean of 47.39 with a nearly identical median, indicating a relatively symmetric distribution. Meanwhile, INST\_OWN and FOREIGNOWN, representing institutional and foreign ownership, had mean values of 0.15 and 0.22, respectively, with relatively high standard deviations, suggesting significant variation among companies. Next, CR had an extremely high maximum value (90.80), while its lower median (0.33) suggests that most companies had lower liquidity levels compared to a few extreme cases. Furthermore, DAR had a mean of 0.55 with a minimum value of 0.0026, while PER showed a very wide distribution, with a maximum value of 6980.73 and a minimum of -3040.95, reflecting high market volatility. The mean of ROE was 0.11, and its median was 0.08, with some companies reporting negative or extremely high ROE values. Although PER and ROE displayed large standard deviations, this did not undermine the empirical findings, because we applied transformation techniques, such as the inverse hyperbolic sine (arcsinh) transformation, and yielded consistent results. The arcsinh transformation, similar to the logarithmic function but capable of handling negative, zero, and positive values, was effective in addressing high standard deviations and extreme outliers (Aihounton & Henningsen, 2021; Bellemare & Wichman, 2020). The dataset contained a total of 670 observations for continuous variables. Meanwhile, for the dichotomous variable, 61.3% of

sample companies were included in the industry that had closeness to customers (CUST = 1), while 38.7% were not. The ENV variable comprised 35.7% of companies included in the sensitive industry, while the other 64.3% were not. Overall, these descriptive statistics offer a detailed overview of the variation in ownership structure, reporting transparency, and company characteristics related to sustainability and relationships with customers and the environment.

**Table 1. Descriptive statistics**

| Panel A: Continuous variables  |           |         |           |            |           |
|--------------------------------|-----------|---------|-----------|------------|-----------|
| Variables                      | Mean      | Median  | Maximum   | Minimum    | Std. Dev. |
| SRTrans                        | 47.3973   | 47.4300 | 80.3800   | 21.1000    | 9.9481    |
| INST_OWN                       | 0.1476    | 0.1183  | 0.9578    | 0.0001     | 0.1356    |
| FOREIGNOWN                     | 0.2214    | 0.1515  | 0.9965    | 0.0001     | 0.2254    |
| CR                             | 0.9648    | 0.3316  | 90.8053   | 0.0000     | 4.5001    |
| DAR                            | 0.5532    | 0.4760  | 35.7866   | 0.0026     | 1.3974    |
| PER                            | 44.9581   | 10.5164 | 6980.7370 | -3040.9490 | 378.3190  |
| ROE                            | 0.1122    | 0.0792  | 21.9715   | -3.8146    | 0.9327    |
| Observations                   | 670       | 670     | 670       | 670        | 670       |
| Panel B: Dichotomous variables |           |         |           |            |           |
| Variable value                 | 1         |         | 0         |            | Total (%) |
| Variables                      | Frequency | Percent | Frequency | Percent    |           |
| CUST                           | 411       | 61.3    | 259       | 38.7       | 100       |
| ENV                            | 239       | 35.7    | 431       | 64.3       | 100       |

Source: own study.

We conducted a correlation test to assess multicollinearity among the study variables. All correlation coefficients were below 0.35, with most under 0.10, indicating no serious collinearity issues. The highest correlation, between foreign ownership and institutional ownership ( $r = 0.3036$ ), was still within an acceptable range. According to Gujarati (2004) and Gujarati and Porter (2009), multicollinearity are problematic only when coefficients exceed 0.70. To address potential overlap, we tested foreign ownership and institutional ownership in separate regression models, emphasising their distinct roles in the ownership structure analysis. Correlations among control variables (CR, DAR, PER, and ROE) were below 0.12, confirming the absence of significant collinearity. Overall, we could include all variables in the regression models without multicollinearity concerns.

The adjusted  $R^2$  values across the regression models in Table 2 ranged between 0.0194 and 0.0327, while those in Table 3 ranged from 0.0147 to 0.0254, indicating that although the explanatory power of both models was relatively modest, the results remain statistically meaningful. The F-statistics in all models were significant at the 5% or 1% level, confirming the overall validity of the regression specifications. We acknowledge that  $R^2$  values below 5% may appear limited. However, this is common in studies involving complex behavioural or organisational phenomena, such as sustainability disclosure (Shmueli, 2010). In explanatory models like ours, the significance and theoretical consistency of coefficients are more relevant than the magnitude of  $R^2$ . Findings from Table 2 demonstrate that foreign ownership positively influences sustainability reporting transparency, with this relationship significantly moderated by customer orientation (negatively) and environmental sensitivity (positively). In contrast, results in Table 3 reveal that while institutional ownership has a significant positive effect on transparency, this relationship is not significantly moderated by customer or environmental pressures. This implies that institutional investors independently drive greater transparency, regardless of external stakeholder expectations.

The empirical results presented in Table 2 show a positive and statistically significant association between foreign ownership (FOREIGNOWN) and sustainability reporting transparency. The coefficient on FOREIGNOWN is significant at the 1% level ( $p < 0.01$ ) across all model specifications, thereby supporting Hypothesis 1 ( $H_1$ ). These findings indicate that firms with higher levels of foreign ownership exhibit greater transparency in their sustainability reporting. This relationship likely reflects the

stronger monitoring and disclosure expectations imposed by international investors, who tend to demand higher reporting standards and accountability.

**Table 2. Result (foreign ownership)**

| Variables           | Transparency |            |            |            |            |
|---------------------|--------------|------------|------------|------------|------------|
|                     | (1)          | (2)        | (3)        | (4)        | (5)        |
| C                   | 46.7273***   | 47.4438*** | 46.8932*** | 45.3955*** | 46.2065*** |
|                     | (81.6202)    | (74.7647)  | (68.5368)  | (60.9656)  | (50.4402)  |
| FOREIGNOWN          | 4.3148***    | 4.2629***  | 6.7982***  | 4.2460***  | 4.6896***  |
|                     | (2.5380)     | (2.5179)   | (3.2847)   | (2.5098)   | (2.2318)   |
| CUST                |              | -2.0505*** | -0.3795    |            |            |
|                     |              | (-2.5709)  | (-0.3387)  |            |            |
| FOREIGNOWN*CUST     |              |            | -7.6113**  |            |            |
|                     |              |            | (-2.1185)  |            |            |
| ENV                 |              |            |            | 2.1722***  | 0.9668     |
|                     |              |            |            | (2.7772)   | (0.8676)   |
| FOREIGNOWN*ENV      |              |            |            |            | 5.4959*    |
|                     |              |            |            |            | (1.5169)   |
| CR                  | -0.1843**    | -0.1721**  | -0.1792**  | -0.1886**  | -0.1837**  |
|                     | (-2.1496)    | (-2.0133)  | (-2.1010)  | (-2.2108)  | (-2.1549)  |
| DAR                 | -0.1861      | -0.1531    | -0.1833    | -0.1575    | -0.1789    |
|                     | (-0.6786)    | (-0.5597)  | (-0.6714)  | (-0.5769)  | (-0.6551)  |
| PER                 | -0.0005      | -0.0007    | -0.0006    | -0.0005    | -0.0004    |
|                     | (-0.5492)    | (-0.6504)  | (-0.6625)  | (-0.4941)  | (-0.4805)  |
| ROE                 | 0.1819       | 0.2446     | 0.3280     | 0.2423     | 0.2906     |
|                     | (0.4431)     | (0.5972)   | (0.8016)   | (0.5922)   | (0.7088)   |
| n                   | 670          | 670        | 670        | 670        | 670        |
| Adj. R <sup>2</sup> | 0.0105       | 0.0187     | 0.0239     | 0.0204     | 0.0223     |
| F stat.             | 2.4138**     | 3.1301***  | 3.3382***  | 3.3173***  | 3.1777***  |

Source: own study.

In Table 2, column (2), the CUST variable shows a coefficient of -2.0505 and is significant at the 1% level ( $p < 0.01$ ), with a t-statistic of -2.5709. These results indicate that customer pressure had a negative and significant impact on the transparency of sustainability reports. In other words, companies facing customer pressure tend to disclose less information in their sustainability reports. Conversely, in column (4), the ENV variable has a coefficient of 2.1722 and is significant at the 1% level ( $p < 0.01$ ), with a t-statistic of 2.7772. These findings emphasise the considerable influence of environmental pressure on corporate transparency. Companies with strong environmental policies are more likely to be transparent in their sustainability reports, highlighting the significant impact of sustainability initiatives on corporate practices.

In Table 2, column (3), the interaction between FOREIGNOWN and CUST (FOREIGN\*CUST) revealed a negative and significant coefficient at the 5% level ( $p < 0.05$ ). This indicates that customer pressure diminishes the positive relationship between foreign ownership and transparency. This unexpected result suggests that companies with substantial foreign ownership may experience less incentive to disclose information when they are heavily reliant on specific customers, potentially due to confidentiality agreements or a diminished need to signal to the broader market. These findings do not align with the proposed hypothesis. Hence, we did not accept H<sub>3a</sub>. Further research and exploration are necessary in this area. Conversely, the variable interaction FOREIGNOWN\*ENV demonstrated a positive and significant relationship at the 10% level ( $p < 0.10$ ), thereby supporting H<sub>3b</sub>. These results indicate that companies with foreign ownership that are sensitive to environmental issues tend to be more transparent, although the significance is weaker. This may suggest that foreign investors prioritise sustainability initiatives and encourage more transparent reporting in companies that adopt environmental policies. Among the control variables, CR consistently showed a negative and significant effect on transparency at the 5%

level ( $p < 0.05$ ), suggesting that firms with higher liquidity may have lower transparency, potentially because they face less external financing pressure. Moreover, DAR was positively significant at the 1% level ( $p < 0.01$ ), implying that more leveraged firms are more transparent, likely due to creditor monitoring. Finally, PER and ROE do not show statistically significant relationships with transparency.

The regression results presented in Table 3 assess the relationship between institutional ownership (INST\_OWN) and corporate transparency. The coefficient for INST\_OWN was positive and significant at the 5% level ( $p < 0.05$ ) in almost all model specifications, indicating that institutional ownership improves company transparency, thus supporting H<sub>2</sub>. This result suggests that companies with a greater proportion of institutional ownership are likely to exhibit better information disclosure practices, possibly due to pressure from institutional investors advocating for stricter governance and increased transparency. In Table 3 column (2), the CUST variable has a coefficient of -2.1334 and is significant at the 1% level ( $p < 0.01$ ) with a t-statistic of -2.0941. These results indicate that customer pressure significantly negatively impacts the company's transparency. Meanwhile, in Table 3 column (4), the ENV variable has a coefficient of 2.2273 and is significant at the 1% level ( $p < 0.01$ ) with a t-statistic of 2.8891. This indicates that companies in industries with high environmental sensitivity will face pressure and be encouraged to contribute positively to corporate transparency.

**Table 3. Result (institutional ownership)**

| Variables           | Transparency            |                         |                         |                          |                         |
|---------------------|-------------------------|-------------------------|-------------------------|--------------------------|-------------------------|
|                     | (1)                     | (2)                     | (3)                     | (4)                      | (5)                     |
| C                   | 46.9362***<br>(78.1549) | 47.6415***<br>(72.6547) | 47.3313***<br>(66.5107) | 45.5332***<br>(53.0391)  | 46.0422***<br>(46.4947) |
| INST_OWN            | 5.1154**<br>(1.8013)    | 5.2143**<br>(1.8440)    | 7.3342**<br>(2.1560)    | 5.2606**<br>(2.0295)     | 1.9286<br>(0.3915)      |
| CUST                |                         | -2.0941***<br>(-2.6198) | -1.0791<br>(-0.8933)    |                          |                         |
| INST_OWN*CUST       |                         |                         | -6.8435<br>(-1.1205)    |                          |                         |
| ENV                 |                         |                         |                         | 2.2273***<br>(6.0670)    | 1.4890*<br>(1.2521)     |
| INST_OWN*ENV        |                         |                         |                         |                          | 4.9575<br>(0.8259)      |
| CR                  | -0.1967**<br>(-2.2854)  | -0.1845**<br>(-2.1492)  | -0.1745**<br>(-2.0226)  | -0.2014***<br>(-6.9542)  | -0.2032***<br>(-2.3709) |
| DAR                 | -0.1939<br>(-0.7052)    | -0.1595<br>(-0.5820)    | -0.1755<br>(-0.6397)    | -0.1637***<br>(-18.1926) | -0.1765<br>(-0.6438)    |
| PER                 | -0.0006<br>(-0.6058)    | -0.0007<br>(-0.7095)    | -0.0007<br>(-0.7042)    | -0.0005<br>(-0.9977)     | -0.0005<br>(-0.5327)    |
| ROE                 | 0.2731<br>(0.6629)      | 0.3366<br>(0.8211)      | 0.3321<br>(0.8084)      | 0.3354<br>(2.5943)       | 0.3271<br>(0.7968)      |
| n                   | 670                     | 670                     | 670                     | 670                      | 670                     |
| Adj. R <sup>2</sup> | 0.0057                  | 0.0144                  | 0.0148                  | 0.0162                   | 0.0157                  |
| F stat.             | 1.8689*                 | 2.6311**                | 2.4354**                | 2.8355***                | 2.5267**                |

Significant codes: \*\*\*sig.<0.01, \*\*sig.<0.05, \*sig.<0.1

$$(1) SRTrans_{it} = \alpha + \beta_1 INS\_OWN_{it} + \beta_2 CR_{it} + \beta_3 DAR_{it} + \beta_4 PER_{it} + \beta_5 ROE_{it} + \varepsilon_{it}$$

$$(2) SRTrans_{it} = \alpha + \beta_1 INS\_OWN_{it} + \beta_2 CUST_{it} + \beta_3 CR_{it} + \beta_4 DAR_{it} + \beta_5 PER_{it} + \beta_6 ROE_{it} + \varepsilon_{it}$$

$$(3) SRTrans_{it} = \alpha + \beta_1 INS\_OWN_{it} + \beta_2 CUST_{it} + \beta_3 INS\_OWN * CUST_{it} + \beta_4 CR_{it} + \beta_5 DAR_{it} + \beta_6 PER_{it} + \beta_7 ROE_{it} + \varepsilon_{it}$$

$$(4) SRTrans_{it} = \alpha + \beta_1 INS\_OWN_{it} + \beta_2 ENV_{it} + \beta_3 CR_{it} + \beta_4 DAR_{it} + \beta_5 PER_{it} + \beta_6 ROE_{it} + \varepsilon_{it}$$

$$(5) SRTrans_{it} = \alpha + \beta_1 INS\_OWN_{it} + \beta_2 ENV_{it} + \beta_3 INS\_OWN * ENV_{it} + \beta_4 CR_{it} + \beta_5 DAR_{it} + \beta_6 PER_{it} + \beta_7 ROE_{it} + \varepsilon_{it}$$

Source: own study.

However, the interaction between institutional ownership and the moderating variables presents more complex results. The coefficient for the interaction term INST\_OWN\*CUST was -6.8435,

but it was not statistically significant (t-statistic = -1.205), meaning Hypothesis 4a (H<sub>4a</sub>) was not supported. This indicates that pressure from key customers does not significantly influence the relationship between institutional ownership and the transparency of sustainability reports. Thus, the effect of institutional ownership on transparency appears to remain unaffected by customer pressure. Furthermore, the interaction term INST\_OWN\*ENV had a coefficient of 4.9575, but it was also not significant (t-statistic = 0.8259), indicating that a was not supported either. These results indicate that environmental pressure did not moderate the effect of institutional ownership on sustainability report transparency. In other words, the positive impact of institutional ownership on transparency remains consistent, regardless of environmental pressure.

### Discussion

This study demonstrates that foreign and institutional ownership are both positively associated with sustainability reporting transparency among firms listed on the Indonesia Stock Exchange (IDX). However, the moderating role of stakeholder pressure differs depending on the ownership type. While environmental and customer pressure significantly moderate the effect of foreign ownership on transparency, we did not observe any significant moderation for institutional ownership. These findings support the agency theory, which posits that ownership structures with strong monitoring capabilities, such as foreign and institutional investors, can mitigate agency conflicts by demanding more transparency and accountability in emerging markets. The positive relationship between foreign ownership and transparency aligns with previous findings from developing countries, suggesting that foreign investors play a key role in encouraging improved sustainability disclosure. These findings align with studies by Guo and Zheng (2021), Rustam *et al.* (2019), and Al Amosh and Khatib (2022), which show that foreign ownership promotes transparency across ESG dimensions, as it aligns with the expectations of international shareholders who are more attuned to global ESG norms. The greater the foreign ownership, the more likely the company is to have good ESG governance, resulting in transparency in sustainability reports. Investors encourage transparency in sustainability reports because they believe that transparency benefits the company's value. Furthermore, we may see ESG transparency as an additional non-financial information that provides insights to investors (Yu *et al.*, 2018). Increased ESG disclosure can reduce information asymmetry and investor agency costs (Cheng *et al.*, 2014). Foreign investors often serve as a force for convergence towards international best practices, particularly in environments where domestic regulatory enforcement is weak or inconsistent.

Likewise, institutional ownership positively affects the transparency of sustainability reporting. These findings are consistent with previous research by García-Sánchez *et al.* (2020) and Giordino *et al.* (2024). Due to their size and long-term investment strategies, financial institutions tend to place greater emphasis on accountability and transparency from the firms in which they hold equity. Their influence is further reinforced by regulatory requirements and reputational concerns (Kim & Yi, 2015). As Setyowati (2023) notes, in Indonesia, financial institutions actively comply with sustainability regulations. This includes submitting sustainability action plans and annual ESG reports, which reinforces legitimacy theory. This theory suggests that societal norms and expectations exert a substantial influence on corporate behaviour. Institutional ownership fosters sustainability, as these efforts assist in assessing a company's resilience and significantly mitigating social and environmental risks (García-Sánchez *et al.*, 2020; Mishra, 2022). Furthermore, social and environmental responsibility serves as a mechanism to reduce information asymmetry and support stakeholder trust. In this context, financial institutions can act as champions of transparency, as they aim to ensure their investments support companies with lower risks and long-term sustainability.

Interestingly, the moderating role of stakeholder pressure, particularly environmental and customer pressure, yields mixed results. Environmental pressure significantly strengthens the positive influence of foreign ownership on transparency, which is consistent with legitimacy theory and prior studies (Fernandez-Feijoo *et al.*, 2014; Rudyanto & Siregar, 2018). Companies operating in environmentally sensitive industries, such as mining or energy, face heightened scrutiny and are therefore more likely to adopt transparent sustainability reporting practices to legitimise their operations and

maintain stakeholder trust (Ching & Gerab, 2017). Stakeholders in these sensitive industries bring attention to various issues, including climate change, waste disposal, and emissions, which pose significant risks. High ESG risks can threaten a company's market value (Cohen, 2023; Eriandani & Winarno, 2024). Therefore, foreign investors strive to improve the transparency of sustainability reports to maintain the company's reputation and value (Rustam *et al.*, 2019).

Conversely, empirical results show that customer pressure weakens the influence of foreign ownership on the transparency of sustainability reports. This unexpected result contrasts with Rudyanto and Siregar (2018), and we may explain it by several factors. Firstly, managing transparency in customer-oriented industries with complex supply chains requires substantial resources and infrastructure, which may deter firms from fully disclosing ESG practices (Shafiq *et al.*, 2020). Secondly, consumers' awareness of ESG issues in Indonesia remains relatively low, leading companies to prioritise financial messaging over sustainability content (Vera-Martínez *et al.*, 2022; Wahyuningrum *et al.*, 2023). As a result, foreign-owned firms in these sectors may perceive limited stakeholder benefit from disclosing detailed sustainability information.

In contrast to foreign ownership, stakeholder pressure does not appear to significantly influence the relationship between institutional ownership and sustainability transparency. This suggests that institutional investors in Indonesia drive transparency primarily through internal governance mechanisms and compliance with regulatory frameworks, rather than in response to external stakeholder demands. Smith *et al.* (2008) documented that institutional shareholders exert a more significant impact on environmental disclosure than regulatory authorities. Furthermore, following the typology proposed by Sharma *et al.* (1981), stakeholder pressure may act as an independent predictor of transparency rather than a moderator in this case.

## CONCLUSIONS

We analysed the relationship between ownership structure and sustainability reporting transparency, specifically in the context of publicly listed non-financial companies in Indonesia. The findings reveal that both foreign and institutional ownership positively influence the level of sustainability reporting transparency. Foreign ownership is associated with increased disclosure, likely driven by international investors' expectations for higher standards of accountability and governance. Institutional ownership also supports transparency, consistent with the regulatory obligations and long-term orientation of financial institutions. However, stakeholder pressure exhibits mixed moderating effects. Environmental pressure strengthens the positive impact of foreign ownership on transparency, highlighting the role of regulatory and societal expectations in encouraging corporate sustainability disclosures. In contrast, customer pressure weakens this relationship, suggesting that firms with significant consumer reliance may strategically limit their disclosures to protect competitive advantages. Interestingly, neither customer nor environmental pressure significantly moderates the relationship between institutional ownership and transparency, indicating that institutional investors may already enforce strict reporting practices regardless of external stakeholder influence. The findings reinforce the legitimacy and stakeholder theories, underscoring that ownership structure shapes corporate transparency, while stakeholder pressures exert varying degrees of influence. These insights provide important implications for regulators and policymakers in crafting sustainability reporting standards tailored to industry-specific stakeholder dynamics. These findings contribute to the literature by highlighting how foreign and institutional investors respond differently to stakeholder environments in shaping corporate transparency in emerging markets. The results support both legitimacy and stakeholder theory, suggesting that ownership structure and contextual pressures jointly shape sustainability disclosure practices.

The results also offer practical implications for regulators, corporate managers, and investors. For policymakers, the findings underscore the importance of strengthening regulatory frameworks and stakeholder engagement to encourage transparency, particularly in customer-oriented industries. Overall, these findings underscore the importance of distinguishing between different forms of ownership and stakeholder pressure when evaluating sustainability reporting in emerging markets. While foreign

investors appear responsive to external stakeholder expectations, particularly in environmentally sensitive contexts, institutional investors rely more on internal and regulatory drivers of transparency. These dynamics should inform policymakers and corporate leaders seeking to promote ESG performance and reporting standards in Indonesia and similar contexts. For companies, the findings underline the importance of ownership governance and responsiveness to stakeholder pressures as key drivers of transparent sustainability reporting, which in turn can enhance legitimacy and corporate reputation. For investors, the level of transparency in sustainability reporting may serve as an important signal of a firm's governance quality and commitment to responsible business practices, thereby improving the reliability of information used in assessing corporate credibility and long-term stability.

Despite its contributions, this study has several limitations. Firstly, we derived the transparency score from the Transparency and Reporting sub-score within the Governance category of the CSRHub database. Although scholars widely use CSRHub, the study did not independently validate the reliability and construct validity of the data. Secondly, the study focused solely on one country and sector, limiting generalisability. Expanding the sample to include financial firms or multinational corporations would improve the conclusions' robustness. Thirdly, we measured stakeholder pressure using a binary classification of industry type, which, while practical, may oversimplify complex stakeholder dynamics. This approach limits interpretative depth and excludes firm-specific stakeholder engagement. Future research should explore alternative measures of transparency, incorporate additional moderating variables, and extend the analysis to broader regional contexts.

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### Authors

The contribution share of authors is equal and amounted to 50% for each of them.  
RE – conceptualisation, literature writing, discussion, WAW – methodology, calculations, discussion.

#### Rizky Eriandani (corresponding author)

Associate Professor at the Faculty of Business and Economics, University of Surabaya, Indonesia. Her research interest includes Sustainability Accounting, Corporate Social Responsibility, Governance and Financial Accounting.

**Correspondence to:** Dr. Rizky Eriandani, Faculty of Business and Economics, University of Surabaya; Center of Excellence for Financial Literacy and Intergenerational Well-Being, University of Surabaya, Raya Kalirungkut, Surabaya 60293, Indonesia, e-mail: rizky.eriandani@staff.ubaya.ac.id

**ORCID**  <https://orcid.org/0000-0003-0280-542X>

#### Wahyu Agus Winarno

Associate Professor at Jember University, Indonesia. His research interests include Management Accounting and Information Systems, ERP systems, as well as IT investment and strategy.

**Correspondence to:** Dr. Wahyu Agus Winarno, Jember University, Faculty of Economics and Business, Jl. Kalimantan No. 37 – Kampus Tegalboto Jember, Jawa Timur, 68121, Indonesia, e-mail: wahyuaw@unej.ac.id

**ORCID**  <https://orcid.org/0000-0003-3124-3278>

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### Conflict of Interest

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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