Jurnal ASET
(Akuntansi Riset)

JURNAL UPI

ASET JURNAL AKUNTANSI RISET

Journal homepage: http://ejournal.upi.edu/index.php/aset/

The Role of Corporate Governance on Stakeholder Pressure and Integrated Reporting

Putri Nurmala, Akhmad Sigit Adiwibowo*
Accounting Department, Faculty of Economics and Business, Universitas Pamulang, Tangerang Selatan, Indonesia

*Correspondence: E-mail: dosen01368@unpam.ac.id

ABSTRACT

This research examines the effect of stakeholder pressure on integrated reporting and the role of corporate governance as a moderating variable on the effect of stakeholder pressure on integrated reporting. Integrated reporting has been a research focus for a decade, but its effect on stakeholder pressure and corporate governance needs to be studied more. This study used 150 sample data from LQ45 companies listed on the Indonesian Stock Exchange between 2017 and 2021, and hypotheses were tested using panel regression. According to the study's findings, the pressure from stakeholders does not affect integrated reporting. According to the study's findings, corporate governance cannot moderate the effects of stakeholders' pressure on integrated reporting. It shows that management's motivation to implement integrated reporting is only sometimes to maintain its reputation among shareholders. This study contributes to academic research on management's motivation to disclose integrated reporting, particularly in Indonesia. It may also explain why earlier studies contradicted when businesses had high liquidity in integrated reporting. The novelty of this research is that using samples of LQ45 companies with high stock liquidity is the main focus for investors to invest their funds in the Indonesian capital market, making these research findings reflect stakeholders' pressure of integrated reporting practices.

ARTICLE INFO

Article History:
Submitted/Received 13 Jul 2023
First Revised 11 Aug 2023
Accepted 02 Nov 2023
First Available online 05 Nov 2023
Publication Date 01 Dec 2023

Keyword:
Stakeholder pressure,
Integrated reporting,
Corporate governance.

© 2023 Kantor Jurnal dan Publikasi UPI

1. INTRODUCTION

Stakeholder pressure in corporate governance affects the implementation of integrated reporting (Raimo *et al.*, 2022; Vitolla *et al.*, 2019a; Vitolla, Raimo, and Rubino, 2020; Vitolla, Raimo, Marrone, *et al.*, 2020). It may occur because stakeholder pressure under corporate governance oversight significantly impacts the company's sustainability, especially for Indonesia's most liquid companies (Rudyanto and Siregar, 2018). It means stakeholders are most concerned about implementing integrated reporting, which is still new in Indonesia. The number of companies implementing integrated reporting (IR) in Indonesia still needs to grow (Setiawan, 2016). Some companies publish annual reports under the title "Integrated Annual Report". However, in practice, the report does not necessarily meet the completeness of the International Integrated Reporting Council (IIRC) content items and needs to be fully integrated (Institut Akuntan Publik Indonesia, 2021). One example is that performed by PT XL Axiata Tbk. Furthermore, stakeholder pressure significantly affects integrated reporting with corporate governance as moderating variable in Indonesian companies.

The legitimacy theory and stakeholder theory explain the stakeholder pressure variable. According to (Kurniawan and Wahyuni, 2018), (Senani *et al.*, 2022), and (Velte, 2022), significant firms should reveal their commercial activities to the public, as this information is essential for enhancing public awareness. A firm stakeholder will request information from management due to this procedure. Companies with many stakeholders will always give comprehensive information and according to (Jati *et al.*, 2023; Tarmidi *et al.*, 2023; Zadeh and Eskandari, 2012), the information asymmetry problem arises when stakeholders request information from the company's management. Therefore, integrated reporting can mitigate the issue of the information asymmetries.

Based on previous research, stakeholder pressure can improve integrated reporting (Vitolla *et al.*, 2019a). It is because stakeholder courage company management to be more transparent in disclosing financial and non-financial performance, which can reduce information asymmetry between management and stakeholders so that stakeholders can make the right decisions. Stakeholder pressure encourages management to report more integrated information (Vitolla *et al.*, 2019a). Meanwhile, according to (Kurniawan and Wahyuni, 2018), stakeholder pressure can reduce information disclosure in integrated reporting. It is because stakeholders believe that the company is burdened enough with the obligation to disclose financial and non-financial performance in annual reports, so it will be more burdensome if the company must prepare integrated reporting. An example is a company listed on the SRI-KEHATI index. These companies carry out their operational activities using sustainability principles, good governance, and environmental concerns and believe the companies do not need to prepare integrated reporting.

Inconsistent studies have led to a re-examination of stakeholder pressure on integrated reporting by adding corporate governance as a moderating variable. The audit committee measured corporate governance in this study, believing its independence is crucial to implementing integrated reporting in stakeholder-pressured companies. (Chariri and Januarti, 2017) state that audit committee expertise and the frequency of audit committee meetings affected the level of integration. (Lisic *et al.*, 2016) and (Li *et al.*, 2012) states that value the audit committee's influence on financial reporting supervision. Audit committees review financial and consolidated reports (Haji, 2017). Audit committees should also evaluate the integrated report's sustainability disclosure to ensure consistency. Therefore, this study aims to determine if corporate governance, as evaluated by audit committees, can attenuate the association between stakeholder pressures and integrated reporting.

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

The first study shows that corporate governance mitigates stakeholder pressure on integrated reporting, as measured by audit committees. This study investigates a new audit committee duty: monitoring and ensuring company transparency and accountability, such as integrated reporting under stakeholder pressure. Use it to evaluate its existence and efficacy. Thus, this study examined the effect of stakeholder pressure on integrated reporting and added corporate governance, measured by the audit committee as a moderating variable to explain previous studies' inconsistencies. This study can improve accounting knowledge, particularly regarding integrated reporting in Indonesia.

2. METHODS

This research examines the role of corporate governance in the relationship between stakeholder pressure and integrated reporting. The hypotheses were tested using a quantitative approach and statistical procedures. This method makes it possible to collect data objectively, thus enabling robust statistical analysis to identify significant relationships and patterns in the phenomena examined in this research. In addition, this approach also allows more general and in-depth conclusions to be drawn about the population based on the samples taken so that research results can have broader relevance. Three types of variables were used in this study. The dependent variable is integrated reporting, assessed using the Content Element's index. Organizational Overview and Business Model (seven items), Operating Context (nine items), Strategic Goals and Strategies to Achieve Them (seven items), governance (eight items), Performance (ten items), and Future Outlook (ten items) comprise the IR measurement index (seven items). Each disclosed indicator will be assigned a score of 1 and a score of 0 if it is not disclosed (Shahria, 2023). The independent variable, stakeholder pressure, was then calculated by dividing the total number of shares owned by the majority shareholder by the total number of shares owned (Arrokhman, D.B.K and Siswanto, 2021). The moderating variable, corporate governance, was measured by the number of audit committee members in a company (Li *et al*., 2012; Zaitul *et al*., 2020). Control variables such as company size, leverage, profitability, and manager compensation were also used in this study. Using control variables is a way to ensure that the study's results are fair and that the causes of the relationship between variables are known. This study's population consisted of LQ45 companies registered on the Indonesian Stock Exchange (IDX). A purposive sampling strategy was employed to select the sample. The sample selection criteria are seen in **Table 1** as follow:

Table 1. Sample selection

Criteria of sample selection	**Total**
Property and real estate companies listed in the IDX as of December 31, 2021	45
Subtract:	
Did not list on the IDX during 2017-2021	(7)
Did not have complete data and information	(5)
Total sample companies	33
Unsuitable data	(3)
Total sample companies after outlier	30
Total samples during the observation period (5 years)	150

Source: Processed Data (2022)

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

Secondary data from the company's financial statements and stock price information from the Yahoo Finance website were used in this study. We obtained information on integrated reporting, stakeholder pressure, corporate governance, company size, leverage, profitability, and manager compensation. This study used two regression models to answer the proposed hypothesis; each model was tested statistically, with the first stage testing the regression model's accuracy. After determining the appropriate regression model, the classical assumption test was performed, followed by regression analysis. The following are the two regression models:

Model 1:

$$IRit = \alpha + \beta 1SPit + \beta 2Sizeit + \beta 3Levit + \beta 4Proit + \beta 5MCit + \varepsilon$$

Model 2:

$$IRit = \alpha + \beta 1SPit + \beta 2ACit + \beta 3SPACit + \beta 4Sizeit + \beta 5Levit + \beta 6Proit + \beta 6MCit + \varepsilon$$

Dependent variable is the integrated reporting of the company i in year t (IRit). The independent variable is the stakeholder pressure of company i in year t (SPit). The moderating variable is corporate governance measured by audit committee of company i in year t (ACit). The variables control is size of the company i in year t (Sizeit); the leverage of company i in year t (Levit); the profitability of company i in year t (Proit); and manager compensation of company i in year t (MCit).

3. RESULTS AND DISCUSSION

Table 2 shows that the average value for integrated reporting is 0.79, or 79%, indicating that the average sample company in this study has extensive integrated reporting disclosures. The lowest integrated reporting is 0.56, or 56%, at Gudang Garam Tbk., which indicates low integrated reporting disclosures at Gudang Garam Tbk. because only slightly more than half of the total integrated reporting disclosure items are disclosed. However, the highest integrated reporting was 0.94, or 94%, at Japfa Comfeed Indonesia Tbk., demonstrating that almost all integrated reporting disclosure items for JPA Comfeed Indonesia Tbk. are disclosed.

Table 2. Descriptive statistics

Variable	Min	Max	Mean	Std Dev
Dependent variable:				
Integrated Reporting	0.56	0.94	0.79	0.08
Independent variable:				
Stakeholder Pressure	0.27	0.92	0.58	0.12
Moderating variable:				
Corporate Governance	3.00	7.00	3.49	0.79
Control variables:				
Company Size	29.81	33.54	31.58	0.79
Leverage	0.00	2.01	0.53	0.48
Profitability	-0.06	0.29	0.07	0.06
Manager Compensation	22.79	27.92	25.20	1.19

Source: Processed Data (2022)

The mean stakeholder pressure is 0.58, or 58%, which indicates that, on average, the sample firms own most of the firm's shares or slightly more than half of the total shares. It means that stakeholder pressure on the average sample company is quite significant. The lowest stakeholder pressure is 0.27 or 27% at Bumi Serpong Damai Tbk., which indicates the low stakeholder

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

pressure at Bumi Serpong Damai Tbk. However, the highest stakeholder pressure was 0.92 or 92% in H.M. Sampoerna Tbk., which occurred at H.M. Sampoerna Tbk. It shows that H.M. Sampoerna Tbk. faces significant stakeholder pressure because most of the company's shares own almost all the total.

As measured by the number of audit committees in this study, corporate governance has a mean of 3.49, with the number of audit committees being at least three. It indicates that most of the sampled companies have an audit committee of 3 people by the regulations issued by the Ministry of Finance of The Republic of Indonesia. The most significant number of audit committees is seven people owned by Telkom Indonesia (Persero) Tbk. in 2020.

To ensure that the regression equation obtained is accurate, unbiased, and consistent, the most appropriate estimation model must be chosen. The Random Effect Model was chosen to test the two hypotheses in this study after performing the Chow, Hausman, and Lagrange Multiplier tests. The classical assumption was then tested using the normality and multicollinearity tests. **Table 3** demonstrates that the two regression models in this study are normally distributed, as evidenced by a significant value greater than 0.05.

Table 3. Normality test

Normality Test	Model 1	Model 2	Criteria	Decision
Probability	0.086219	0.056225	Sig > 0.05	Pass

Source: Processed Data (2022)

In both models, the correlation value of each independent variable is less than 0.85, as shown in **Table 4**. It indicates no multicollinearity problem or that the data in this multiple linear regression model show no correlation or relationship between independent variables.

Table 4. Multicollinearity test

	SP	AC	SIZE	LEV	PRO	MC
SP	1.000000					
AC	0.020437	1.000000				
SIZE	-0.102293	0.272602	1.000000			
LEV	0.050756	0.207504	0.285184	1.000000		
PRO	0.344976	-0.002472	-0.154447	-0.545675	1.000000	
MC	-0.083644	0.018528	0.532803	-0.169784	0.108298	1.000000

Source: Processed Data (2022)

Table 5 demonstrates that the first hypothesis of this investigation is falsified, as evidenced by a p-value greater than 0.05. Stakeholder pressure does not affect integrated reporting in Indonesian LQ45 enterprises. Whether or not the majority owns many shares does not affect the ability of LQ45 firms to implement integrated reporting.

The significant value greater than 0.05 in **Table 5** indicates that the second hypothesis of this investigation is also rejected. It suggests that corporate governance, as measured by the audit committee, could not moderate the impact of stakeholder pressure on integrated reporting, which means that the audit committee in LQ45 companies in Indonesia could not moderate the impact of stakeholder pressure on integrated reporting.

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

Table 5. Regression analysis result

Variables	**Model 1**		**Model 2**	
	Coefficient	**Sig.**	**Coefficient**	**Sig.**
Independent variables:				
Stakeholder pressure	-0.15	0.06	-0.39	0.15
Moderating Variables:				
Corporate governance			-0.04	0.36
*Stakeholder pressure*Corporate governance*			0.07	0.34
Control variables:				
Company Size	0.03	0.01	0.03	0.01
Leverage	-0.05	0.00	-0.05	0.00
Profitability	-0.12	0.07	-0.12	0.08
Manager Compensation	-0.01	0.13	-0.01	0.11
R-square	0.15		0.15	
Prob(F-statistic)	0.00		0.00	
Observations	150		150	

Source: Processed Data (2022)

3.1. Stakeholder Pressure and Integrated Reporting

Building on the existing literature is hypothesized that the intensity of stakeholder pressure will exert a significant influence on a company's propensity to engage in integrated reporting (IR). (Vitolla *et al*., 2019) underscore the crucial role of stakeholders in shaping corporate behaviour and contend that heightened stakeholder pressure acts as a catalyst for increased transparency and disclosure practices. Similarly, (Liesen *et al*., 2015) argue that companies are more likely to adopt integrated reporting frameworks when faced with pronounced demands from their stakeholders, emphasizing the interactive nature of corporate reporting and stakeholder engagement. Furthermore, (Fernandez-Feijoo *et al*., 2014) posit that a responsive approach to stakeholder expectations is pivotal in fostering corporate accountability through integrated reporting. (Dong *et al*., 2014) provides empirical evidence supporting the positive relationship between stakeholder pressure and integrated reporting disclosure. First hypothesis this study is Stakeholder pressure can increase integrated reporting (IR) disclosure by companies.

The results of hypothesis testing 1 based on **Table 5** show a significance value of 0.06 in model 1 and 0.15 in model 2, which means that stakeholder pressure does not affect integrated reporting in Indonesian LQ45 enterprises, so H1 is rejected.

Implementing integrated reporting in organizations is often influenced by pressure from stakeholders, which can significantly affect a company's long-term sustainability. Stakeholder pressure, as established by (Kurniawan and Wahyuni, 2018), has been found to have a detrimental effect on integrated reporting practices. This influence on integrated reporting can be attributed to its potential to alter the monitoring activities of various stakeholder groups, reducing the number of stakeholders advocating for comprehensive and transparent integrated reporting disclosures. However, it is noteworthy that this dynamic only holds for LQ45 companies operating in the Indonesian context.

The unique position of LQ45 companies in Indonesia sets them apart regarding their response to stakeholder pressure related to integrated reporting. Often regarded as some of the most prominent and significant players in the Indonesian business landscape, these companies tend

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

to attract substantial attention from stakeholders. Consequently, the implementation of integrated reporting in LQ45 companies is influenced less by the number of shares held by majority shareholders and more by the recognition that such reporting practices are crucial for the company's continued operation and reputation, especially if future regulatory requirements necessitate it. It is supported by the (Shahria, 2023) legitimacy theory, which posits that organizations continually strive to ensure their activities align with societal norms and expectations. In this context, LQ45 companies recognize the broader societal responsibilities beyond profit maximization advocated by (Freeman and Evan, 1990) stakeholder theory. According to stakeholder theory, companies are not solely accountable to shareholders but also bear responsibilities toward society, the social environment, and the government, collectively called stakeholders. Consequently, LQ45 companies are more inclined to prioritize integrated reporting to fulfil these broader responsibilities and maintain their legitimacy in the eyes of stakeholders.

Therefore, the impact of stakeholder pressure on integrated reporting is contingent on various factors, including a company's prominence, regulatory context, and adherence to legitimacy and stakeholder theories. In the case of LQ45 companies in Indonesia, the number of shares held by majority shareholders exerts less influence on integrated reporting practices than the broader recognition of societal responsibilities, reinforcing their commitment to transparency and sustainability reporting. This nuanced understanding is crucial for researchers and practitioners in accounting, as it underscores the multifaceted nature of integrated reporting and the contextual factors that shape its adoption.

These findings suggest that stakeholder pressure can significantly impact the implementing of integrated reporting in companies. Accounting researchers should continue exploring the dynamics of stakeholder effects on reporting practices to understand better how and when this pressure affects corporate reporting choices. The study underscores the importance of considering the specific characteristics of different types of companies, such as LQ45 companies in Indonesia, when studying integrated reporting and stakeholder pressure. Accounting scholars should recognize that one-size-fits-all theories or models may not apply universally, and they should design their research to adjust for local contexts and regulatory environments. The reference to legitimacy theory and stakeholder theory in the study suggests that accounting researchers should continue to develop established accounting theories to explain and predict reporting behaviours. It can help provide a theoretical framework for understanding the motivations and actions of organizations in response to stakeholder pressure.

Accounting practitioners, particularly in LQ45 companies in Indonesia, may find valuable insights from this study. The results suggest that these companies, facing stakeholder pressure, may prioritize integrated reporting for reasons related to societal norms and their broader responsibilities beyond maximizing profits for shareholders. Therefore, they may continue to invest in integrated reporting initiatives even when not directly pressured by shareholders. The study highlights the importance of integrated reporting practices with societal norms and stakeholder expectations. Companies should consider not only the financial interests of shareholders but also their obligations to society, the environment, and the government when making reporting decisions. It aligns with stakeholder theory and the broader concept of integrated reporting. Accounting practitioners should also be aware of the potential variations in the impact of stakeholder pressure based on the company's prominence and stakeholder recognition. LQ45 companies, as noted, are more likely to be noticed by stakeholders, and this recognition may influence their reporting decisions, even without solid shareholder pressure.

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

Therefore, the findings suggest contextual factors and organizational characteristics can influence the relationship between stakeholder pressure and integrated reporting. Both accounting researchers and practitioners should consider these nuances when studying reporting practices and making decisions related to integrated reporting and corporate responsibility.

3.2. Stakeholder Pressure on Integrated Reporting Under Corporate Governance

Drawing from the existing literature, this study posits that corporate governance, as exemplified by the effectiveness of the audit committee, plays a pivotal role in amplifying the impact of stakeholder pressure on integrated reporting (IR) practices within organizations. (Ahmed Haji and Anifowose, 2016) emphasize the significant role of the audit committee as a key component of corporate governance structures, asserting that a robust and independent committee is essential for enhancing transparency and accountability. Furthermore, (Chariri and Januarti, 2017) argue that effective corporate governance mechanisms, such as a well-functioning audit committee, can act as a facilitator for aligning corporate activities with stakeholder interests and expectations. (Velte, 2017) extends this line of thought by highlighting the complementary relationship between corporate governance and stakeholder engagement, suggesting that a strong governance framework enhances the receptiveness of companies to external pressures.

The results of hypothesis testing 2 based on **Table 5** show a significance value of 0.34 in model 2, which means that the audit committee in LQ45 companies in Indonesia could not moderate the impact of stakeholder pressure on integrated reporting, so H2 is rejected.

The integrity and quality of financial reporting are known to be positively influenced by certain factors, as demonstrated in prior research. One such factor, as highlighted by (Chariri and Januarti, 2017), is the level of familiarity of audit committee members with the organization and the frequency of their meetings. It suggests that when audit committee members are well-acquainted with the company's operations and meet regularly, they are better equipped to oversee financial reporting effectively. The significance of audit committees in financial reporting supervision has also been widely acknowledged in the academic community. Studies by (Lisic *et al*., 2016) and (Li *et al*., 2012) emphasize their essential and influential role in ensuring the accuracy and transparency of financial disclosures. In addition to their traditional role in reviewing financial statements, audit committees are increasingly responsible for evaluating integrated reports (Haji, 2017). This expansion of their duties underscores the evolving landscape of corporate reporting, which now encompasses sustainability and non-financial information. Moreover, audit committees are expected to scrutinize the sustainability information disclosed in integrated reports to ensure its consistency with other data. It ensures that integrated reporting aligns with the broader objectives of corporate transparency and accountability.

However, it is essential to note that corporate governance and integrated reporting dynamics can differ across regions and industries. In the case of Indonesia's LQ45 businesses, the corporate governance landscape is characterized by a unique factor: the determination of corporate governance effectiveness based on the percentage of audit committee members who do not strongly recommend integrated reporting to LQ45 management. This unusual metric suggests that corporate governance in LQ45 companies is not significantly influenced by the audit committee's stance on integrated reporting. The rationale behind this observation lies in the distinct position of LQ45 companies within the Indonesian corporate landscape. These prominent and influential firms attract significant attention from stakeholders, including investors, regulators, and the public. As a result, implementing integrated reporting in LQ45 companies is

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

driven more by recognizing its importance for maintaining their reputation and legitimacy rather than being swayed by stakeholder pressure within corporate governance structures.

This phenomenon can be explained through the lenses of two prominent theories: legitimacy theory and stakeholder theory. Legitimacy theory posits that organizations continuously strive to ensure their activities conform to societal norms and expectations. In this context, LQ45 companies recognize the societal expectations surrounding transparency and integrated reporting, and therefore, they are inclined to adopt such practices to maintain their legitimacy. Stakeholder theory complements this perspective by emphasizing that companies have responsibilities toward shareholders and broader societal stakeholders, including society, the social environment, and the government. Consequently, LQ45 companies in Indonesia view integrated reporting to fulfil these responsibilities and align their operations with stakeholder expectations.

The interplay between corporate governance, stakeholder pressure, and integrated reporting is complex and context dependent. While audit committees play a crucial role in ensuring reporting integrity, the influence of audit committee recommendations on integrated reporting may vary, especially in the case of prominent LQ45 companies in Indonesia. It underscores the importance of considering the unique characteristics and contextual factors that shape reporting practices within different organizations and regions. Theoretical frameworks such as legitimacy theory and stakeholder theory offer valuable insights into understanding these dynamics and their implications for accounting research and practice. The study highlights the critical role of audit committees in enhancing the integrity of financial reporting and integrated reporting. Accounting researchers should continue to investigate the effectiveness of audit committees in different organizational contexts and regions to understand better the factors that influence their impact on reporting quality. The reference to prior studies and scholars underscores the importance of building upon existing research in the accounting field. Researchers should consider the insights and findings from previous studies when conducting new research, as it helps establish a robust body of knowledge and contributes to advancing accounting theory and practice. The study's focus on the Indonesian LQ45 businesses suggests that accounting researchers should design their investigations to specific regulatory and market conditions. The impact of corporate governance and stakeholder pressure on integrated reporting practices may vary across different countries and industries, and researchers should consider these contextual factors in their studies.

Accounting practitioners, particularly in LQ45 companies in Indonesia, should recognize the significance of audit committees in maintaining the quality and integrity of financial and integrated reporting. Ensuring audit committees are familiar with reporting standards and meet regularly can contribute to more reliable reporting practices. The study implies that, in the case of LQ45 companies in Indonesia, corporate governance may not necessarily moderate the effect of stakeholder pressure on integrated reporting practices. Therefore, companies in this context should prioritize integrated reporting based on societal norms and stakeholder expectations, aligning their reporting with legitimacy and stakeholder theory principles. Practitioners should consider the broader societal and stakeholder context in their reporting decisions. It includes recognizing that companies have responsibilities beyond shareholders, as stated in stakeholder theory, and should aim to benefit society, the environment, and the government. As such, integrated reporting should encompass these broader responsibilities and contributions to society.

In summary, the study highlights the crucial role of audit committees in enhancing integrated reporting. It underscores the importance of considering the unique characteristics of LQ45

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

companies in Indonesia when studying the impact of corporate governance and stakeholder pressure on integrated reporting. Both accounting researchers and practitioners should acknowledge these nuances in their work and reporting practices.

4. CONCLUSION

According to the findings of this study, stakeholder pressure does not affect integrated reporting. Stakeholder pressure does not significantly affect integrated reporting within an organization, it is essential to consider potential solutions and strategies to address this issue. Companies should proactively engage with their stakeholders to understand their concerns, expectations, and interests regarding integrated reporting. It can be done through surveys, interviews, focus groups, or regular communication channels. By actively seeking stakeholder input, organizations can identify areas of alignment and divergence between stakeholder expectations and integrated reporting practices. Improve the communication of integrated reporting efforts and their benefits to stakeholders. Sometimes, stakeholders may need to fully understand the value of integrated reporting or its impact on the organization's sustainability and long-term success. Companies should use clear and accessible language to explain the purpose and benefits of integrated reporting to stakeholders. Emphasize the long-term benefits of integrated reporting, such as improved risk management, better decision-making, and enhanced reputation. Highlight how integrated reporting aligns with the organization's sustainability goals and contributes to its success. Therefore, addressing the challenge of stakeholder pressure not affecting integrated reporting requires a multifaceted approach that involves engagement, communication, education, leadership commitment, and a continuous commitment to improvement. Organizations can enhance transparency, accountability, and sustainability reporting by actively involving stakeholders and aligning integrated reporting practices with their expectations.

This study also state that corporate governance cannot moderate the impact of stakeholder pressure on integrated reporting. Corporate governance cannot effectively moderate the impact of stakeholder pressure on integrated reporting, so it is crucial to explore strategies and actions that can help mitigate this issue. The companies must review and enhance the organization's corporate governance framework to ensure it is robust and aligned with best practices. It may involve revising governance charters, committee structures, and processes to improve oversight and transparency. Ensure that the board of directors and relevant committees, including the audit committee, are composed of independent members who can provide objective oversight. Independent directors are less likely to be swayed by undue stakeholder pressure. Companies also develop clear reporting guidelines and protocols that explicitly define the responsibilities of the board and committees regarding integrated reporting. It can help ensure consistency and alignment with stakeholder expectations. Therefore, addressing the challenge of corporate governance's inability to moderate the impact of stakeholder pressure on integrated reporting requires proactive measures to strengthen governance practices, enhance transparency, and align reporting with stakeholder expectations. By focusing on these areas, companies can better navigate the complexities of reporting in the context of stakeholder pressures.

One limitation of this study is its exclusive reliance on a representative sample of LQ45 businesses as the primary data source. While this approach offers valuable insights into the behaviours and practices of a subset of prominent companies in Indonesia, it introduces certain limitations that warrant deeper consideration and may impact the generalizability and robustness of the study's findings. Additionally, the unique characteristics and market

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

conditions specific to Indonesia's LQ45 companies may limit the applicability of the study's findings to businesses operating in different countries or regions. Variations in regulatory environments, cultural norms, and stakeholder expectations can significantly influence the relationship between corporate governance, stakeholder pressure, and integrated reporting practices.

Future research could expand the sample beyond LQ45 companies to include a more diverse range of firms in size, sector, and market capitalization to provide a broader perspective on the relationship between corporate governance and integrated reporting. Complementing quantitative analyses with qualitative research methods, such as interviews or content analysis of integrated reports, can provide a richer understanding of organizations' motivations, challenges, and strategies in response to stakeholder pressures.

5. REFERENCES

Ahmed Haji, A., and Anifowose, M. (2016). The trend of integrated reporting practice in South Africa: ceremonial or substantive? *Sustainability Accounting, Management and Policy Journal*, *7*(2), 190–224.

Arrokhman, D.B.K and Siswanto, S. (2021). Effect of environmental pressure, shareholder pressure, and company size on the quality of sustainability reporting. *E-Jurnal Akuntansi*, *31*(12), 3162–3177.

Chariri, A., and Januarti, I. (2017). Audit committee characteristics and integrated reporting: Empirical study of companies listed on the Johannesburg stock exchange. *European Research Studies Journal*, *20*(4), 305–318.

Dong, S., Burritt, R., and Qian, W. (2014). Salient stakeholders in corporate social responsibility reporting by Chinese mining and minerals companies. *Journal of Cleaner Production*, *84*(1), 59–69.

Fernandez-Feijoo, B., Romero, S., and Ruiz, S. (2014). Effect of stakeholders' pressure on transparency of sustainability reports within the GRI framework. *Journal of Business Ethics*, *122*(1), 53–63.

Freeman, R. E., and Evan, W. M. (1990). Corporate governance: A stakeholder interpretation. *The Journal of Behavioral Economics*, *19*(4), 337–359.

Haji, A. A. (2017). Initial trends in corporate disclosures following the introduction of integrated reporting practice in South Africa. *Journal of Intellectual Capital*, *18*(2), 373–399.

Jati, A. W., Widyastuti, A., and Jannah, W. (2023). Good Corporate Governance in moderating intellectual capital and voluntary reporting on company performance. *Jurnal ASET (Akuntansi Riset)*, *15*(1), 135–154.

Kurniawan, P. S., and Wahyuni, M. A. (2018). Factors affecting company's capability in performing integrated reporting: An empirical evidence from indonesian companies. *Assets: Jurnal Akuntansi Dan Pendidikan*, *7*(2), 141-155.

Li, J., Mangena, M., and Pike, R. (2012). The effect of audit committee characteristics on intellectual capital disclosure. *British Accounting Review*, *44*(2), 98–110.

Liesen, A., Hoepner, A. G., Patten, D. M., and Figge, F. (2015). Does stakeholder pressure influence corporate GHG emissions reporting? Empirical evidence from Europe. *Accounting, Auditing and Accountability Journal*, *28*(7), 1047–1074.

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

Lisic, L. L., Neal, T. L., Zhang, I. X., and Zhang, Y. (2016). CEO power, internal control quality, and audit committee effectiveness in substance versus in form. *Contemporary Accounting Research*, *33*(3), 1199–1237.

Raimo, N., NIcolò, G., Tartaglia Polcini, P., and Vitolla, F. (2022). Corporate governance and risk disclosure: evidence from integrated reporting adopters. *Corporate Governance: The International Journal of Business in Society*, *22*(7), 1462–1490.

Rudyanto, A., and Siregar, S. V. (2018). The effect of stakeholder pressure and corporate governance on the sustainability report quality. *International Journal of Ethics and Systems*, *34*(2), 233–249.

Senani, K. G. P., Ajward, R., and Kumari, J. S. (2022). Determinants and consequences of integrated reporting disclosures of non-financial listed firms in an emerging economy. *Journal of Financial Reporting and Accounting*, *20*(3).

Setiawan, A. (2016). Integrated reporting: Are indonesian companies ready to do it? *Asian Journal of Accounting Research*, *1*(2), 62–70.

Shahria, G. (2023). *Exploring the Affiliation between Integrated Reporting and Firm Performance : Evidence from Bangladesh*. *10*(2), 181–198.

Tarmidi, D., Helliana, H., and Rosdiana, Y. (2023). Earnings quality: The role of owners. *Jurnal ASET (Akuntansi Riset)*, *15*(1), 01–012.

Velte, P. (2017). Integrated reporting: The current state of empirical research, limitations and future research implications. *Journal of Management Control*, *28*(3), 275–320.

Velte, P. (2022). Does sustainable corporate governance have an impact on materiality disclosure quality in integrated reporting? International evidence. *Sustainable Development*, *April*, 1–16.

Vitolla, F., Raimo, N., Marrone, A., and Rubino, M. (2020). The role of board of directors in intellectual capital disclosure after the advent of integrated reporting. *Corporate Social Responsibility and Environmental Management*, *27*(5), 2188–2200.

Vitolla, F., Raimo, N., and Rubino, M. (2020). Board characteristics and integrated reporting quality: an agency theory perspective. *Corporate Social Responsibility and Environmental Management*, *27*(2), 1152–1163.

Vitolla, F., Raimo, N., Rubino, M., and Garzoni, A. (2019). How pressure from stakeholders affects integrated reporting quality. *Corporate Social Responsibility and Environmental Management*, *26*(6), 1591–1606.

Vitolla, F., Raimo, N., Rubino, M., and Garzoni, A. (2019a). The impact of national culture on integrated reporting quality. A stakeholder theory approach. *Business Strategy and the Environment*, *28*(8), 1558–1571.

Zadeh, F. O., and Eskandari, A. (2012). Firm size as company's characteristic and level of risk disclosure : review on theories and literatures. *International Journal of Business and Social Science*, *3*(17), 9–17.

Zaitul, Z., Puttri, D., Novianti, N., and Ilona, D. (2020). Accounting standard, corporate governance, and accounting quality. *Jurnal ASET (Akuntansi Riset)*, *12*(2), 404–415.

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342