DLSU Business & Economics Review 29(2) 2020, p. 29-39

RESEARCH ARTICLE

The Effects of External Stakeholder Pressure on CSR Disclosure: Evidence from Indonesia

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This study examines the effect of external stakeholder pressure on the extent of social and environmental disclosure or corporate social responsibility (CSR) disclosure. Several studies have examined the impact of internal stakeholder pressure (e.g., ownership or board of directors' structure) and corporate characteristics on CSR disclosure, but there has been little attention focused on the role of external stakeholders. Therefore, this research seeks to examine the influence on the extent of CSR disclosure by four external stakeholder groups: customer, creditor, auditor, and media. A total of 327 annual reports produced by 109 manufacturing companies listed on the Indonesia Stock Exchange from 2013 to 2015 were analyzed. We followed a quantitative approach using STATA 14.2 for data analysis on the regression model and NVivo 11 for data generation to measure the extent of CSR information in each annual report. Results indicate that the external stakeholders (consist of creditor and media exposure) influence the extent of social and environmental disclosure. Although, in the Indonesian context, the pressure from consumers and the auditor is generally weak. An important implication is that the high levels of external stakeholder concern for social and environmental issues will encourage companies to disclose CSR matters extensively.

Keywords: corporate social responsibility, CSR, external stakeholder; Indonesia, social and environmental disclosure, stakeholder pressure, stakeholder theory

JEL Classifications: M14

There has been a shift in the business paradigm over the last two decades that has made corporate social responsibility (CSR) a substantial issue for practitioners and academics, and it is continuing to grow (Hur, Moon, & Choi, 2019; Haniffa & Cooke, 2005; Jo & Harjoto, 2011). According to a survey by KPMG (2015), there is a global trend of increased corporate responsibility (CR) reporting. In the last four years, there has been a significant increase in CR reporting in the Asia-Pacific region; India, Indonesia, and Malaysia have the highest CR reporting rate (KPMG, 2015). These findings suggest that the concept of CSR is not limited to developed countries but is also occurring in developing countries.

CSR concepts developed at this time may also be interpreted as the fulfillment of corporate responsibility to its stakeholders. Clarkson (1995) viewed CSR as a concept of stakeholder management that includes many groups associated with the company, and it is not limited to the company's responsibility to the community or society. The company's capacity to generate sustainable prosperity (sustainable wealth) of value in the long term is determined by the management of relationships with critical stakeholders (Post, Preston, & Sachs, 2002; Perrini & Tencati, 2006). There have been some earlier studies using a stakeholder approach when researching the field of CSR. These studies have included theoretical frameworks to investigate the influence of stakeholders on the activities and reporting of CSR or sustainability reporting (Huang & Kung, 2010; Chiu & Wang, 2015; Siregar & Rudyanto, 2016), or as a framework for evaluating the performance of CSR (Clarkson, 1995; Perrini & Tencati, 2006; Fatma & Rahman, 2016).

Several studies have attempted to examine the influence of company characteristics and stakeholder pressure that comes from internal sources, but there has been little focus on investigating the impact of external stakeholders on CSR disclosure. Consequently, this study aims to investigate the role of four external stakeholder groups—consumers, creditors, media, and auditors—on company CSR disclosure.

This research uses NVivo 11, a tool of data analysis, to measure the CSR of 327 annual reports published by 109 companies from 2013 to 2015. For the data analysis, STATA 14.2 was used, and the results showed that external stakeholder groups, namely creditors and the media, can influence companies to make broader CSR disclosures. However, the influence of consumers and auditors is generally weak in the context of manufacturing companies in Indonesia.

The first section is the introductory section and presents reviews of literature. The research hypothesis is developed in the second section. The research methodology used in the study will be discussed in the third section, followed by the results exposure and analysis in the fourth section. The fifth section presents the conclusions together with the implications, limitations, and suggestions for future research.

Literature Review

Stakeholder Theory

The firm, as a nexus of contracts, has an interest in a wide range of stakeholders (Jensen & Meckling, 1976). A stakeholder is a person or group of people who can affect or who are affected by the firm (Freeman, 1984). Stakeholder theory is one of the most frequently used theories related to CSR and company sustainability (Clarkson, 1995; Harrison & Freeman, 1999; Vos, 2003; Sharma & Henriques, 2005; Perrini & Tencati, 2006; Huang & Kung, 2010; Dong, Burritt, & Qian, 2014; Hörisch, Freeman, & Schaltegger, 2014; Beckman, Khare, & Matear, 2016; Freudenreich, Lüdeke-Freund, & Schaltegger, 2019).

Stakeholder theory tries to revitalize the concept of managerial capitalism by replacing the management's responsibility scope, which initially only focused on its responsibility to the shareholder to focus on many groups of stakeholders (Freeman, 1984). The main idea is that the firm, as a business organization, cannot only be concerned with the stockholder as the owners of capital (Donaldson & Preston, 1995; Carroll & Buchholtz 2008). Companies should consider that many groups have an interest in the firm in doing business, such as employees, consumers, suppliers, creditors, communities, governments, and the environment.

Freeman (1984) explained that in formalizing and managing organizational strategy for long-term objectives, stakeholders must be understood in a broader sense because the firm cannot be concerned only with the "affecting parties" but also with the "affected parties" of the organization's business (Berman, Wicks, Kotha, & Jones, 1999; Sharma & Henriques, 2005).

Corporate Social Responsibility Concept

The concept of CSR was developed in the 1930s (Carroll, 1979). Generally, the idea of CSR suggests that a firm not only has a financial and legal obligation but also has a responsibility to the society, which is much broader than its commitment (McGuire, 1963). The objective of the firm is not to only make a profit but also to participate in building a good society and have ethical business practices (Russo & Perrini, 2010). The concept of CSR became aligned with a similar idea, sustainable development or organizational sustainability, in the 1980s and the concept of the triple bottom line in 1997. These concepts (CSR, sustainability, and TBL), basically similar ideas, suggest that to survive in the long term, firms should always practice sustainable development by not prioritizing the achievement of profit only (Backman, 1975), but by always conducting ethical business practices (Russo & Perrini, 2010) and contributing to sustainable social and environmental development (Perrini & Tencati, 2006; Taylor, Vithayathil, & Yim, 2018).

After the brief review presented above, we can see a similar discussion between stakeholder theory and CSR. Although the terminology used in stakeholder theory and the concept of CSR may be different, they have the same core problem (Hörisch et al., 2014). Stakeholder theory expanded the scope of CSR to change the view that the purpose of a firm is to create value for all stakeholders (Freeman et al., 2010; Hörisch et al., 2014. From a stakeholder theory viewpoint, we can understand the concept of CSR more broadly. Sometimes, CSR is interpreted as an action to neutralize the negative effects of firms on the society and environment (Johnston, 2011). This idea is certainly not in line with the concept of sustainability, which emphasizes management's attention on social development and environmental sustainability (Perrini & Tencati, 2006). Clarkson (1995) also suggested that CSR is a concept of stakeholder management rather than a company's responsibility to society to reduce the negative impact arising from its existence.

Hypotheses Development

Several studies consider the stakeholder framework as a foundation for evaluating the organization's triple bottom line (economic, social, and environmental) performance. Therefore, studies have investigated the influence of stakeholders on CSR reporting (Huang & Kung, 2010; Lu & Abeysekara, 2014; Chiu & Wang, 2015). The majority of these studies found that some stakeholder groups have the power to convince management to undertake more transparent and comprehensive CSR, especially the primary stakeholder groups. However, to understand the role of various groups in CSR reporting as a whole, it is necessary to understand not only the role of primary groups but also that of secondary groups (Clarkson, 1995), both internal and external. Accordingly, this study will examine the role of four external stakeholder groups on the extent of CSR disclosure—consumers, creditors, auditors, and the media.

Consumers. Public awareness of CSR makes consumers consider a firm's social performance when choosing whether to purchase products from that firm (Huang & Kung, 2010). Consumers have certain expectations of a firm's level of social responsibility (Podnar & Golob, 2007). As sales are the primary source of income, its sustainability will be threatened if the consumer group is dissatisfied with its performance (Clarkson, 1995). Consequently, consumers are thought to be one of the groups that encourage public disclosure of CSR.

H_1: Firms from industries with high proximity to consumers reveal more extensive CSR disclosure than firms from industries with low proximity to consumers.

Creditors. Creditors provide funds for a company's business operations and constitute one of the stakeholders that can affect the firm's activity and level of disclosure (Hossain, Tan, & Adams, 1994; Lu & Abeysekara, 2014). The higher the level of a company's dependence on financial loans, the higher the pressure that creditors have on management to meet expectations related to CSR (Roberts, 1992). Huang and Kung (2010) found that creditors, through the numerous loans they provided, had a positive influence on CSR disclosure in Taiwan. Cormier and Magnan (2003) argued that only firms with the right financial conditions (low leverage) could take advantage of social and environmental disclosure. However, in line with Huang and Kung (2010), the second hypothesis constructed in this study also suggests a positive relationship between creditors and the extent of CSR disclosure.

H_2: Creditors have a positive influence on the extent of CSR disclosure.

Auditors. The public accountant plays a vital role in a firm, as it audits financial statements. The auditor, as an independent and professional party, can influence and direct its clients to initiate evolving accounting practices, including the concept of CSR (Lu & Abeysekara, 2014). Wallace, Naser, and Mora (1994) found that large public accounting firms have more expertise and experience that can assist firms to disclose information. Research by Ahmad, Hassan, and Mohammad (2003) conducted in Malaysia also found that firms audited by the Big 4 tend to report higher environmental disclosure. Therefore, the hypothesis is as follows:

H_3: Firms that are audited by the Big 4 reveal more extensive CSR disclosure than firms audited by firms other than the Big 4.

Media. The visibility of a firm depends on the amount of its media coverage (Gamerschlag, Möller, & Verbeeten, 2011). Mass media is one of the stakeholders that play a role in shaping a firm's reputation and can affect the level of a firm's disclosure. Therefore, firms with greater media attention are assumed to reveal more information related to CSR than the lower one (Belkaoui & Karpik, 1989). Chiu and Wang (2015) found that firms consider the impact of mass media exposure when reporting on CSR issues. Similar results were also observed by Gamerschlag et al. (2011), who found a positive correlation between CSR disclosure and firm visibility by the mass media. Therefore, the next hypothesis is as follows:

H_4: Media exposure has a positive influence on the extent of CSR disclosure.

Research Methodology

This research uses the quantitative approach with generalized least square regression for testing the hypothesis. Data required in this study was taken from the firms' website, the Indonesia Stock Exchange's website, and the Indonesia Capital Market Electronic Library. There are 327 firm-year observations in the sample in this study, derived from the 109 firms listed on the Indonesia Stock Exchange (BEI) from 2013 to 2015 (the study period). We focused on the manufacturing industry as companies in this industry contribute to environmental pollution and social cost generated from the production process (Sánchez & Benito-Hernández, 2015; Vu & Buranatrakul, 2018). The details of sample selection are presented in Table 1.

Dependent Variables

The dependent variable is CSR disclosure in the company's annual or sustainability report, as the annual report is the primary communication medium to inform investors about all firm activities, including social and environmental activities (Chan & Kent, 2003). CSR disclosure is proxied by the coverage rate on CSR keywords in the annual report. The keywords used are as per Verbeeten, Gamerschlag, AND Möller (2016), which are derived from the Global Reporting Initiative (GRI) Reporting Guidelines. There are social and environmental aspects of those keywords. The detail of these keywords can be seen in Appendix 1. In conducting the analysis, we used NVivo 11 to generate the coverage rate in the form of a percentage of CSR disclosure keywords compared to all the words in the firm's report.

Independent Variables

There are four independent variables in the research model. The first variable is the consumer (CONS), which is proxied by dummy variables with the value of 1 for the industry with the high proximity of consumers and 0 for the industry group with the low proximity of consumers. The categorization of the industry is as per Fernandez-Feijoo, Romero, and Ruiz (2014). It takes the consumer goods industry (such as food products and beverages, tobacco, pharmaceutical, and other household goods) and the textile industry as a group with the high proximity of consumers.

The second independent variable is the creditors (CRED), which are proxied by financial leverage ratios, computed by dividing the total firm's long-term loans by total assets of the firm. This proxy is consistent with previous research, such as Huang and Kung (2010) and Lu & Abeysekara (2014), which used financial leverage as a proxy of pressure from creditors.

The third independent variable is the media exposure (MEDX), which is proxied by the natural logarithm of the number of news related to the firm on Google search engine in the reporting year. This proxy

Table 1. *Sampling Procedure*

	Total
The number of firms in the manufacturing sector listed on the Indonesia Stock Exchange from 2013 to 2015 (129 x 3 years)	387
Firms with reporting period other than 31 December	(14)
Firms with incomplete data	(46)
Total sample	**327**

refers to Garcia-Sanchez, Cuadrado-Ballesteros, and Sepulveda (2014) to determine the visibility of firms by mass media. Using this proxy, we type the name of the sample firms in Google and use the search results generated by Google and convert the number into the natural logarithm to maintain the scale balance between the dependent and independent variables.

Lastly, the Auditor (AUD) is proxied by dummy variables. A value of 1 is for a firm audited by the Big 4, and a value of 0 is for firms audited by a non-Big 4 company. This proxy is in line with Huang and Kung (2010) and Lu and Abeysekara (2014).

In addition to the variables mentioned above, this study also used two control variables, the size of the firm (SIZE), which is proxied by the natural logarithm of total sales (Huang & Kung, 2010) and the firm's profitability (ROA), which is proxied by the return on assets (Huang & Kung, 2010). Both control variables are included to obtain a better research model. Based on the results of previous research (Huang & Kung, 2010; Lu & Abeysekara, 2014; Dong et al., 2014; Fernandez-Feijoo et al., 2014), these control variables have a positive influence on CSR disclosure.

We test the research hypotheses by estimating the following regression:

$$CSRD_{i,t} = \beta_0 + \beta_1 \mathrm{CONS_t} + \beta_2 CRED_t + \beta_3 AUD_t + \beta_4 MEDX_t + \beta_5 SIZE_t + \beta_6 ROA_t + \varepsilon_{\mathrm{it}}$$

with,

CSRD = firm's CSR disclosure coverage rate
CONS = dummy variable, the value of 1 if the firm is in consumer goods or textile industry, 0 if others
CRED = financial leverage ratio of the firm
AUD = dummy variable, the value of 1 if the firm is audited by a Big 4 accounting firm, 0 if others.
MEDX = number of news items related to the firm on the Google search engine in the reporting period
SIZE = natural logarithm of total sales
ROA = Return on Assets (Net Income/Total Assets)

We use panel regression in the STATA software version 14.2 to run the data for hypothesis testing. The data on the firm's CSR is qualitative in nature, but because we employ the disclosure coverage rate in percentage (which is generated by the NVIVO software), the quantitative data analysis is primarily used in this study.

Prior to conducting a panel data regression test, we first choose appropriate estimation models, including pooled least square, fixed-effect method, and random effect method. The selection is carried out via the Chow test (i.e., pooled least square and fixed effect), Breusch–Pagan test (i.e., pooled least square and random effect), and Hausman test (i.e., fixed effect and random effect). We also conducted the regression assumption tests to ensure that the data meets the best linear unbiased estimator (BLUE) assumption. Some assumption tests include normality test, heteroscedasticity test, autocorrelation, and multicollinearity. The results show that the data is normal and free from multicollinearity. The heteroscedasticity and autocorrelation test also show satisfying results.

Results

Descriptive Statistics and Correlation Matrix

Table 2 shows the descriptive statistics of all research variables. CSRD has an average of 0.0039, or a percentage rate of CSR disclosure amounted to 0.039% of the total words disclosed in the annual report. This result indicates that the level of CSR disclosure in manufacturing firms in Indonesia is still low. The creditors and media have a high range, indicating that these variables vary widely, from very high to a very low value.

Table 3 shows the results of a Pearson correlation analysis of all the research variables used. In general, regardless of the causality among variables, there is a negative relationship between CSR disclosure and consumer and creditor. As for other variables, such as auditor, media exposure, size of the firm, and return on asset, they have a positive relationship with CSRD.

Regression Result

Table 4 presents the results of the regression analysis. Generally, only two independent variables (out of the control variables) have a significant positive effect on the firm's CSRD, that is, creditors and media exposure.

Table 2. *Descriptive Statistics*

Variable	Mean	Std Dev	Min	Max	Range
CSRD	0.0039	0.0024	0.001	0.012	0.012
CONS	0.3945	0.4895	0.000	1.000	1.000
CRED	0.1844	0.2015	0.000	0.879	0.879
AUD	0.4618	0.4993	0.000	1.000	1.000
MEDX	34.519	55.175	0.000	197.0	197.0
SIZE	28.265	1.6711	23.19	32.93	9.740
ROA	0.0492	0.1084	-0.345	0.669	1.015

CSRD = CSR disclosure, CONS = dummy variable, value of 1 if the firm is a consumer goods or textile industry, 0 if others, CRED = financial leverage ratio, AUD = dummy variable, value of 1 if the firm is audited by a Big 4 accounting firm, 0 if others, MEDX = number of news items related to the firm on Google search engine in the reporting period, SIZE = natural logarithm of total sales, ROA = Net Income / Total Assets

Table 3. *Pearson Correlation Matrix*

	CSRD	CONS	CRED	AUD	MEDX	SIZE	ROA
CSRD	1.00						
CONS	-0.123	1.00					
CRED	-0.155	-0.006	1.00				
AUD	0.220	0.056	-0.202	1.00			
MEDX	0.385	0.082	-0.193	0.292	1.00		
SIZE	0.345	0.000	-0.063	0.436	0.478	1.00	
ROA	0.214	0.187	-0.426	0.259	0.294	0.156	1.00

CSRD = CSR disclosure, CONS = dummy variable, value of 1 if the firm is a consumer goods or textile industry, 0 if others, CRED = financial leverage ratio, AUD = dummy variable, value of 1 if the firm is audited by a Big 4 accounting firm, 0 if others, MEDX = number of news related to the firm on Google search engine in the reporting period, SIZE = natural logarithm of total sales, ROA = Net Income/Total Assets

From the regression results above, it is clear that there is no significant influence on those firms with high consumer proximity to CSRD. This finding implies that consumer goods firms are not compelled to disclose CSR extensively. Therefore, H_1 is rejected. The results of this study indicate that consumers in Indonesia do not yet have a high awareness of CSR. This finding is consistent with the findings of Arli and Lasmono (2010) on capturing the customer perception of CSR in Indonesia. It also confirms that the CSR issue is not a determinant factor for Indonesian consumers when purchasing something. Considering there are many low-income families in Indonesia and other developing countries, it is no wonder that they choose to buy products according to their income, irrespective of the company's CSR activities (Arli & Lasmono, 2010). Consequently, the public will continue to consume the products without considering the company's stance on CSR issues.

Under the previous expectations, there is a positive influence between creditors and CSRD. This result is consistent with the findings of Huang and Kung (2010) and suggests that firms with higher financial risks tend to disclose more CSR information. Currently, the concept of sustainable finance is intensively disseminated by the Financial Services Authority as

Table 4. ***Regression Result***

Independent Variable	Expected Sign	Coefficient	Prob.
CONS	+	0.00071	0.235
CRED	+	0.00176	0.030**
AUD	+	-0.00311	0.017**
MEDX	+	3.83 x 10-6	0.092*
SIZE	+	0.00063	0.003
ROA	+	0.00015	0.458
N	327		
Adj. R	24.77%		
Prob. F-statistic	0.000		

CSRD = CSR disclosure, CONS = dummy variable, value of 1 if the firm is a consumer goods or textile industry, 0 if others, CRED = financial leverage ratio, AUD = dummy variable, value of 1 if the firm is audited by a Big 4 accounting firm, 0 if others, MEDX = number of news related to the firm on Google search engine in the reporting period, SIZE = natural logarithm of total sales, ROA = Net Income/Total Assets

*** significant at α = 1% (one tailed test)
**significant at α = 5% (one tailed test)
* significant at α = 10% (one tailed test)

the regulator of the banking industry in Indonesia. The positive influence of creditors on the extent of CSRD may indicate that the banks also consider social and environmental aspects as an assessment criterion when providing funding to the company. Therefore, because creditors lend funds, they may be one of the stakeholders who play a role in motivating a company to conduct extensive CSRD. Thus, it can be concluded that H_2 is accepted.

The contradictory result is the negative influence of the auditor on CSRD. From the regression results, it is evident that firms audited by the Big 4 tend not to widely disclose their CSR practices, in the context of Indonesia firms. Therefore, based on the regression result, H_3 is rejected. This contradictory result is different from previous studies by Ahmad et al. (2003) and Huang and Kung (2010), which indicate a positive influence of the Big 4 auditors on CSRD. Wallace et al. (1994) found that large-scale public accounting firms have more expertise and experience in influencing firms to disclose broader information. However, this role may also be affected by the tenure of an accounting firm as the auditor of its client. Accounting firms with relatively short tenure audits cannot have a significant impact on their clients to disclose, as described in Wallace et al. (1994). This result can also indicate that the Big 4 accounting firms in Indonesia are not yet fully aware of their role in directing their clients to develop CSR activities. However, further studies are needed to explore these findings.

As for the role of media, the regression results indicate a positive influence of media exposure on CSRD. This result shows that through the power of news, mass media can play an essential role in encouraging firms to extensively disclosure CSR matters. Therefore, H_4 is accepted. This result is consistent with Gamerschlag et al. (2011), who found that firms with greater media visibility tend to reveal more CSR-related information in their annual reports, which is not surprising given that the role of the media, especially online media, has developed rapidly over the past few years in Indonesia (Nugroho, Putri, & Laksmi, 2012). All the information published by the media can be easily accessed through various digital devices, including the television. Consequently, the media can exert pressure for more extensive CSRD.

Aligned with media exposure, company size also has a positive influence on CSRD. We can see in Table 3 that there is a reasonably high correlation between company size and media exposure. This correlation indicates that the public tends to concentrate on large companies rather than small companies, which

Table 5. ***Additional Tests Results***

Independent Variables	High Proximity Group		Low Proximity Group	
	Coefficient	Prob.	Coefficient	Prob.
CRED	0.00411	0.003***	0.0004714	0.35
AUD	-0.0033	0.009***	-0.0014978	0.456
MEDX	6.78 x 10-6	0.060*	1.01 x 10-6	0.404
SIZE	0.0007698	0.012**	0.0006741	0.027**
ROA	-0.0007587	0.3365	0.0009951	0.339
N	129		198	
Prob. F-statistic	0.000		0.000	

CSRD = CSR disclosure, CONS = dummy variable, value of 1 if the firm is a consumer goods or textile industry, 0 if others, CRED = financial leverage ratio, AUD = dummy variable, value of 1 if the firm is audited by a Big 4 accounting firm, 0 if others, MEDX = number of news related to the firm on Google search engine in the reporting period, SIZE = natural logarithm of total sales, ROA = Net Income/Total Assets

***** significant at α = 1% (one tailed test)*
*** significant at α = 5% (one tailed test)*
** significant at α = 10% (one tailed test)*

motivates large companies to disclose more CSR matters.

Additional Tests

We run additional regression tests to gain an understanding of the influence of external stakeholder pressures on the extent of CSRD in the industry with the high proximity of consumers (consumer goods industry and textile industry) and in the industry group with the low proximity of consumers separately. The results are depicted in Table 5.

As can be seen from Table 5, the results in the industry group with high proximity of consumers tend to be consistent with the main results, but in the low proximity group, only size has a significant impact on the extent of CSRD. This strengthens the main results that the consumer has not played a significant role in CSRD, and the pressures come from the other external stakeholders.

Conclusion

Conclusion of the Study

This study aimed to investigate the influence of external stakeholder pressure on the extent of CSRD. Substantial previous research has examined the role of internal stakeholders, such as ownership structure and characteristics of the board of directors on the disclosure of CSR. Therefore, this study can contribute by providing empirical evidence on the role of four groups of external stakeholders on CSRD, namely, consumers, creditors, auditors, and the media. We analyzed 327 annual reports produced by 109 firms from 2013 to 2015. For data generation, we used NVivo 11 as an analytical tool to measure the coverage rate of social and environmental disclosure in each annual report. After the data is gathered, we used STATA 14.2 to analyze the regression results.

The results of the regression analysis indicate a role for creditors and the media in encouraging companies to disclose CSR matters. Through the loans that supported the firm's operations, creditors can exert a positive influence on its CSRD. The mass media, with the power of its publicity, can encourage firms to reveal CSR-related activities more extensively.

Implications

The results of this study can provide important implications for the development of concepts and practices of CSR. The research findings also imply that the awareness of many parties of CSR, both internal and external groups, will encourage business organizations to become more concerned with social and environmental aspects related to their business. Therefore, we need a global awareness of the concept of CSR by all parties, including the public in general, to support responsible business practices that can contribute to social development.

Limitations and Recommendation for Future Research

There are several limitations to this study. First, the small number of research samples means that the results cannot be generalized widely, as this study covers only the manufacturing industry firms in one country. Future research can use samples from various industries or across countries to analyze the effect of industry characteristics and different contextual factors that may affect the results.

Second, in this study, CSRD is measured by software. The proxy is entirely different from the majority of previous studies using content analysis by scoring on a specific checklist. There are advantages to measuring using the software, such as providing a more objective assessment because it is free from bias or subjectivity that may occur on manual scoring. However, the measurement also has the potential to present a less accurate assessment, given that the disclosure of CSR is only measured by the percentage of the number of words that belong to a particular keyword, without any in-depth analysis of the meaning and context related to the actual disclosures reported by the firm. Future research may be able to combine these two measurements of CSR to obtain an accurate and objective measure of CSRD.

Future research with different designs can also measure stakeholder pressure, for example, by using qualitative or mixed methods through surveys or interviews with firms and their stakeholders. It might be beneficial to use the different research designs, as the quantitative measures of stakeholder pressure used in this study may not capture the overall role of stakeholders in encouraging extensive CSRD.

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Appendix 1. *CSR Disclosure Keywords based on Verbeeten et al. (2016)*

Environmental	**Social**
Recycled	*Employment*
Energy Consumption	*Employee turnover*
Biodiversity	*Collective bargaining*
Emissions	*Collective agreements*
Effluents	*Occupational health*
Waste	*Occupational safety*
Spills	*Training*
Environmental impacts	*Diversity*
	Equal opportunities
	Human rights
	Discrimination
	Freedom of association
	Child labor
	Forced labor
	Compulsory labor
	Community
	Corruption
	Public policy
	Compliance
	Fines
	Sanctions
	Product responsibility
	Customer health
	Customer safety