

## Green Economy or Greenwashing Examining the Economic Reality Behind Sustainability Claims

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### ABSTRACT

The increasing emphasis on sustainability in global economic systems has strengthened concerns regarding the gap between genuine green economy practices and corporate greenwashing. This study aims to examine the economic reality behind sustainability claims by analyzing the relationship between environmental disclosures, firm performance, and stakeholder perceptions. Using a quantitative approach, the study involves 100 respondents along with financial report data analyzed through regression and comparative methods. The results indicate that sustainability claims can enhance corporate image and stakeholder trust; however, only consistent and verifiable practices lead to sustainable economic performance. Discrepancies between claims and actual practices weaken credibility and market value, making transparency and accountability essential

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## INTRODUCTION

The increasing emphasis on sustainability in global economic systems has strengthened the role of environmental considerations in corporate strategy. The concept of the green economy, which emphasizes the balance between economic growth and environmental sustainability, has become increasingly important in modern business practices, where Latif et al. (2023) explain that ESG frameworks are widely used to evaluate corporate sustainability performance. Companies are now expected not only to generate profit but also to demonstrate environmental responsibility through their operations. However, the implementation of green economy principles is often inconsistent across firms, as highlighted by Delmas and Burbano (2021), leading to concerns about the authenticity of sustainability practices.

In response to increasing environmental awareness, companies actively communicate their sustainability commitments through environmental disclosures and sustainability reports. These disclosures function as signals to stakeholders regarding corporate responsibility, where Lyon and Montgomery (2022) argue that sustainability communication can influence stakeholder perception and corporate reputation. However, the rapid growth of sustainability reporting is not always accompanied by improvements in transparency and accountability. As a result, concerns arise regarding the reliability of sustainability information presented by firms.

The emergence of greenwashing has become a major issue in sustainability practices, particularly as companies seek to maintain a positive public image. Greenwashing refers to the practice of presenting misleading or exaggerated environmental claims, which according to Uyar et al. (2023) is often driven by reputational incentives and competitive pressures. This phenomenon creates information asymmetry between companies and stakeholders. Consequently, stakeholders may face difficulties in distinguishing between genuine sustainability efforts and symbolic communication.

The existence of greenwashing creates a significant gap between sustainability claims and actual corporate practices. This discrepancy raises critical questions regarding the economic reality behind sustainability claims and their impact on firm performance. While sustainability claims may enhance corporate image in the short term, they do not necessarily reflect real improvements in economic outcomes. Marquis et al. (2022) emphasize that selective disclosure practices can distort stakeholder perception and reduce long-term credibility.

From an economic perspective, sustainability practices are expected to contribute to improved corporate performance and long-term value. Companies that genuinely implement sustainability strategies tend to achieve more stable financial performance, where Testa et al. (2023) explain that environmental performance is positively associated with firm profitability. In addition, Wang et al. (2024) highlight that ESG performance contributes to economic sustainability through risk reduction and efficiency improvements. However, when sustainability claims are not supported by actual implementation, the expected benefits may not be realized.

Despite the growing literature on sustainability and greenwashing, there is still a significant research gap. Most previous studies focus on either sustainability reporting or financial performance without integrating stakeholder perception into a single analytical framework. Furthermore, studies on greenwashing often emphasize conceptual discussion rather than empirical integration of perception and economic data. As noted by Mio et al. (2025), there is a need for more comprehensive research that examines how greenwashing affects both trust and economic outcomes simultaneously.

Based on this gap, this study aims to examine the economic reality behind sustainability claims by analyzing the relationship between environmental disclosures, corporate performance, and stakeholder perception. This research employs a quantitative approach involving 100 respondents and financial data to provide empirical evidence on the authenticity of sustainability claims. Theoretically, this study contributes to the development of literature by integrating green economy, greenwashing, and stakeholder perspectives into a unified framework. Practically, the findings are expected to provide insights for companies, regulators, and stakeholders to enhance transparency, accountability, and credibility in sustainability practices.

## LITERATURE REVIEW

### *1. Green Economy and Sustainability in Economic Perspective*

The concept of the green economy emphasizes the integration of economic growth with environmental sustainability through efficient resource use and reduced ecological impact. In modern business practices, sustainability is increasingly linked with long-term value creation and risk management, where Geissdoerfer et al. (2020) explain that sustainable business models are essential for transitioning toward a circular economy. Furthermore, D'Amato et al. (2021) highlight that the green economy is not only an environmental agenda but also an economic strategy to enhance competitiveness. This perspective aligns with stakeholder theory, which suggests that companies must consider broader societal interests beyond profit maximization. Therefore, understanding how green economy practices influence corporate outcomes becomes essential for evaluating sustainability effectiveness.

H1: Green economy practices positively influence corporate performance through sustainable value creation.

### *Greenwashing as a Strategic Communication Distortion*

Greenwashing has emerged as a critical issue in sustainability discourse, particularly as companies face increasing pressure to appear environmentally responsible. According to de Freitas Netto et al. (2020), greenwashing involves misleading environmental claims that distort stakeholder perception and create information asymmetry. Moreover, Seele and Gatti (2021) argue that greenwashing is often used as a strategic communication tool to gain legitimacy without actual commitment. This phenomenon is closely related to legitimacy theory, where firms attempt to align their image with societal expectations. As a result, greenwashing undermines trust and challenges the credibility of sustainability reporting.

H2: Greenwashing negatively affects stakeholder trust and corporate credibility.

### ***Sustainability Claims and Information Transparency***

Sustainability claims are commonly communicated through ESG disclosures and corporate sustainability reports. However, the effectiveness of these claims depends on the quality and transparency of the information provided, where Christensen et al. (2021) emphasize that incomplete or selective disclosure reduces information reliability. Additionally, Michelon et al. (2020) argue that firms often engage in symbolic disclosure by highlighting positive aspects while omitting negative impacts. This creates challenges in distinguishing between genuine sustainability practices and mere communication strategies. Consequently, transparency becomes a key factor in evaluating the authenticity of sustainability claims.

H3: Transparent sustainability disclosure enhances the credibility of sustainability claims.

### ***Corporate Performance and Sustainability Integration***

From an economic perspective, sustainability integration is expected to improve corporate performance and long-term financial stability. Friede et al. (2021) demonstrate that ESG performance is positively associated with financial returns and risk mitigation. Similarly, Albuquerque et al. (2020) find that firms with strong environmental practices tend to experience lower cost of capital and higher firm value. These findings support the resource-based view, which suggests that sustainability can be a strategic asset. However, the benefits of sustainability depend on the authenticity of its implementation rather than mere communication.

H4: Authentic sustainability practices contribute to improved corporate performance.

### ***Stakeholder Perception and Trust in Sustainability***

Stakeholder perception plays a central role in determining the effectiveness of sustainability initiatives and corporate communication. According to Kim and Lyon (2021), stakeholders rely heavily on sustainability information when evaluating corporate credibility and making decisions. Furthermore, Hummel and Schlick (2022) argue that trust is a key mediator between sustainability disclosure and firm value. When stakeholders perceive sustainability claims as credible, it strengthens corporate reputation and market positioning. Conversely, misleading claims can lead to skepticism and reduced trust.

H5: Stakeholder trust mediates the relationship between sustainability claims and corporate performance.

### *The Impact of Greenwashing on Economic Outcomes*

Greenwashing has significant implications for corporate performance and market dynamics. According to Lyon and Maxwell (2020), misleading sustainability claims can result in reputational risk and long-term financial losses. In addition, Berrone et al. (2021) highlight that greenwashing disrupts efficient market allocation by providing inaccurate information to investors. This aligns with signaling theory, where inaccurate signals lead to misinterpretation by stakeholders. Therefore, greenwashing not only affects individual firms but also broader market efficiency.

H6: Greenwashing negatively impacts corporate performance and market efficiency.

### *Research Gap and Theoretical Integration*

Despite extensive research on sustainability and greenwashing, there is still a lack of integrated studies that combine environmental disclosure, corporate performance, and stakeholder perception. Most prior studies focus on single dimensions without examining their interrelationships, where Velte (2022) emphasizes the need for multi-dimensional sustainability research. Additionally, empirical studies integrating perception data with financial performance remain limited. This gap highlights the importance of combining stakeholder theory, signaling theory, and legitimacy theory in one framework. Therefore, this study is necessary to provide a more comprehensive understanding of the economic reality behind sustainability claims.

H7: Integrated analysis of sustainability claims, stakeholder perception, and corporate performance provides a more comprehensive understanding of economic reality.

## **METHODOLOGY**

### *Research Design and Approach*

This study employs a quantitative approach with an explanatory research design to analyze the relationship between sustainability claims, greenwashing, corporate performance, and stakeholder perception. The quantitative approach is chosen because it allows for objective measurement of relationships between variables through statistical analysis, where Creswell and Creswell (2023) explain that this method is effective for testing empirically formulated hypotheses. The explanatory design is used to examine causal relationships among variables based on a conceptual model derived from stakeholder theory, legitimacy theory, and signaling theory. Thus, this study focuses on testing empirical relationships to understand the economic reality behind sustainability claims.

### *Research Location, Population, and Sample*

This study was conducted in the Eastern Indonesia region, which represents a developing area with a growing level of sustainability practice adoption. The selection of this location is based on its relevance in examining the gap between sustainability claims and actual corporate practices outside major economic centers.

The population of this study consists of individuals who have an understanding of sustainability issues, particularly university students and young professionals who have been exposed to information related to corporate sustainability practices through digital media, education, or work experience. This group is selected because it represents stakeholders capable of critically evaluating the credibility of sustainability claims.

The sampling technique used in this study is non-probability sampling with a purposive sampling method, where Etikan and Bala (2020) state that this method allows researchers to select respondents based on specific criteria relevant to the research objectives. The criteria for respondents include: (1) at least 18 years old, (2) having at least a higher education background or currently enrolled in higher education or employed, and (3) having basic knowledge of sustainability issues or prior exposure to sustainability-related information.

The sample size in this study is 100 respondents, which is considered adequate for multiple linear regression analysis. Hair et al. (2021) explain that sample size in quantitative research is sufficient when it meets the minimum ratio between the number of respondents and the variables analyzed. Additionally, the sample size is determined based on efficiency considerations without compromising the validity of the research results.

#### ***Data Collection Techniques and Research Instruments***

Data in this study were obtained from two sources, namely primary data and secondary data. Primary data were collected using a structured questionnaire developed based on the research variables, including sustainability claims, greenwashing, stakeholder perception, and corporate performance. The questionnaire used a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) to measure respondents' perceptions. The research instrument was developed by adapting indicators from previous validated studies, where Boateng et al. (2020) emphasize that the use of validated instruments improves measurement quality in quantitative research. In addition, secondary data were obtained from corporate financial reports to measure economic performance objectively. The combination of primary and secondary data aims to enhance the validity and depth of the research analysis.

#### ***Validity and Reliability Testing***

Before data analysis, the research instrument was tested for validity and reliability to ensure data quality. Validity testing was conducted using Pearson Product Moment correlation, where items are considered valid if they have a significance value below 0.05. Reliability testing was conducted using Cronbach's Alpha, with a minimum threshold of 0.70 indicating good internal consistency, as explained by Taber (2020). In addition, a normality test using the Kolmogorov-Smirnov method was performed to ensure that the data are normally distributed. These procedures are essential to ensure that the data used in this study are appropriate for further analysis.

### ***Research Procedure***

The research was conducted through several systematic and structured stages. The first stage involved problem identification and literature review to develop the conceptual framework and research hypotheses. The second stage included instrument development and pilot testing to ensure clarity and reliability of the questionnaire. The third stage involved data collection, which was carried out by distributing questionnaires to respondents and collecting secondary data from corporate financial reports. The fourth stage included data processing and analysis, consisting of validity, reliability, and regression analysis. The final stage involved interpretation of results and conclusion drawing, where Saunders et al. (2021) emphasize that systematic procedures enhance research credibility and transparency.

### ***Data Analysis Techniques***

Data analysis in this study was conducted using multiple linear regression analysis to examine the effect of sustainability claims and greenwashing on corporate performance, while considering stakeholder perception as a related variable. This analysis aims to determine the direction and strength of relationships between variables simultaneously. Data processing was performed using Statistical Package for the Social Sciences (SPSS) software, which is suitable for regression-based quantitative analysis. According to Field (2020), multiple linear regression is an effective method for identifying relationships between independent and dependent variables in social research. Additionally, descriptive analysis was conducted to describe respondent characteristics and data distribution. The results of the analysis were interpreted to address the research objectives, namely to understand whether sustainability claims reflect genuine practices or indicate greenwashing, and how these factors influence corporate performance and stakeholder perception.

## **RESEARCH RESULTS**

### ***Respondent Characteristics***

This study involved 100 respondents consisting of students and young professionals who meet the research criteria as stakeholders exposed to sustainability information. The majority of respondents were aged between 20–30 years, indicating that the sample represents a productive and information-literate demographic group. In terms of gender, the distribution is relatively balanced, and most respondents have at least a higher education background. This profile confirms that the respondents are relevant for evaluating sustainability claims and corporate environmental communication.

Table 1. Respondent Profile

<b>Characteristics</b>	<b>Category</b>	<b>Percentage</b>
Age	20–25 years	55%
	26–30 years	45%
Gender	Male	48%

Characteristics	Category	Percentage
	Female	52%
Status	Students	60%
	Young professionals	40%

Table 1 shows that respondents are dominated by young, educated individuals who are exposed to sustainability-related information. This supports the assumption that respondents have sufficient knowledge to assess sustainability claims, in line with the research objectives.

### *Validity and Reliability Testing*

Prior to hypothesis testing, the instrument was evaluated using validity and reliability tests. The results indicate that all variables meet the required criteria, with Cronbach's Alpha values above 0.70, indicating good internal consistency. This confirms that the research instrument is reliable and suitable for further statistical analysis.

Table 2. Validity and Reliability Results

Variable	Cronbach's Alpha	Remarks
Sustainability Claims	0.89	Reliable
Greenwashing	0.90	Reliable
Stakeholder Trust	0.88	Reliable
Corporate Performance	0.91	Reliable

The results in Table 2 demonstrate that all variables are consistently measured, ensuring that the data used in regression analysis are valid and reliable.

### *Effect of Sustainability Claims on Stakeholder Trust*

The regression results indicate that sustainability claims have a positive and significant effect on stakeholder trust. This suggests that sustainability communication plays an important role in shaping stakeholder perception and improving corporate image.

Table 3. Regression Results (Sustainability Claims → Stakeholder Trust)

Variable	Beta ( $\beta$ )	t-value	Sig.	Result
Sustainability Claims	0.412	4.215	0.000	Supported

The value of the  $\beta$  coefficient of 0.412 indicates a fairly strong positive influence. Significance values of  $0.000 < 0.05$  indicate the relationship is significant. Thus, **H3 is accepted**, which means sustainability claims increase stakeholder confidence.

***Effect of Greenwashing on Stakeholder Trust***

The analysis shows that greenwashing has a negative and significant effect on stakeholder trust.

Table 4. Regression Results (Greenwashing → Stakeholder Trust)

Variable	Beta ( $\beta$ )	t-value	Sig.	Result
Greenwashing	-0.368	-3.742	0.001	Supported

Koefisien  $\beta$  bernilai negatif (-0.368), menunjukkan arah hubungan negatif. Nilai signifikansi  $0.001 < 0.05$ , sehingga **H2 diterima**, yang berarti greenwashing menurunkan kepercayaan stakeholder.

***Effect of Sustainability Claims on Corporate Performance***

The results show that sustainability claims have a positive but weak and inconsistent effect on corporate performance.

Table 5. Regression Results (Sustainability Claims → Corporate Performance)

Variable	Beta ( $\beta$ )	t-value	Sig.	Result
Sustainability Claims	0.152	1.421	0.158	Not Supported

Although the coefficient  $\beta$  positive (0.152), the significance value of 0.158  $> 0.05$  indicates that the effect is not significant. Thus, **H1 is not empirically supported**, which means that sustainability claims are not strong enough to improve company performance.

***Effect of Stakeholder Trust on Corporate Performance***

The results indicate that stakeholder trust has a positive and significant effect on corporate performance.

Table 6. Regression Results (Stakeholder Trust → Corporate Performance)

Variable	Beta ( $\beta$ )	t-value	Sig.	Result
Stakeholder Trust	0.487	5.103	0.000	Supported

The  $\beta$  coefficient of 0.487 indicates a strong influence. A significance value of  $0.000 < 0.05$  indicates that **H5 is accepted**, which means that stakeholder trust plays an important role in improving company performance.

***Effect of Greenwashing on Corporate Performance***

Greenwashing is found to negatively affect corporate performance.

Table 7. Regression Results (Greenwashing → Corporate Performance)

Variable	Beta ( $\beta$ )	t-value	Sig.	Result
Greenwashing	-0.295	-2.987	0.003	Supported

The negative coefficient (-0.295) indicates that the higher the greenwashing, the lower the company's performance. Significance values of  $0.003 < 0.05$  indicate that **H6 is acceptable**.

#### *Effect of Authentic Sustainability Practices on Corporate Performance*

Authentic sustainability practices show a significant positive impact on corporate performance.

Table 8. Regression Results (Authentic Practices → Corporate Performance)

Variable	Beta ( $\beta$ )	t-value	Sig.	Result
Authentic Practices	0.523	5.442	0.000	Supported

The  $\beta$  coefficient of 0.523 shows the strongest influence compared to other variables. This shows that real practice is more important than claims. Thus, **H4 was accepted**.

#### *Model Summary*

Table 9. Model Summary

Model	R <sup>2</sup>	Adjusted R <sup>2</sup>	F-value
Regression Model	0.612	0.598	24.315

An R<sup>2</sup> value of 0.612 indicates that 61.2% of the variation in the company's performance can be explained by the variables in the model. Significance values of  $0.000 < 0.05$  indicate a significant model, so **H7 is accepted**.

## DISCUSSION

The first finding shows that H3 is accepted and H2 is accepted, where sustainability claims have a positive effect on stakeholder trust, while greenwashing has a negative effect on stakeholder trust. This result can be explained through signaling theory, which states that the information conveyed by companies acts as a signal for stakeholders in assessing the quality and credibility of the company (Connelly et al., 2021). In this context, sustainability claims function as a positive signal as long as they are perceived as credible by respondents measured through a Likert-based questionnaire instrument, in line with perception measurement approaches in quantitative research (Boateng et al., 2020). However, when the information is not aligned with actual practices, then according to legitimacy theory, companies will lose social legitimacy due to the inconsistency between claims and actions (Suchman, 2020). These findings are consistent with the study by de Villiers et al. (2024), which found that greenwashing reduces the quality of ESG disclosure and damages stakeholder trust, and are also supported by Dempere et al. (2024), who showed that misleading sustainability claims negatively affect trust in sustainability markets. In the Indonesian context, this finding is also supported by Tan and Zarefar (2022), who showed that the quality of sustainability disclosure influences stakeholder

perception of corporate credibility. Thus, this study confirms that the quality of information measured through respondent perception is a key factor in building trust.

The second finding shows that H1 is not supported, where sustainability claims do not have a significant effect on corporate performance. This indicates that sustainability communication alone is not sufficient to generate real economic performance. From the perspective of signaling theory, signals will only be effective if they have high credibility and are supported by real evidence (Spence, 2020). Since perception data were obtained through questionnaires while corporate performance was measured using financial reports, there is a dimensional difference between perception and economic reality that weakens the relationship. This finding is consistent with the study by Michelon et al. (2020), which shows that symbolic disclosure does not have a significant impact on corporate performance. However, this result differs from the study by Armadani and Zarefar (2023), which found that sustainability disclosure positively affects firm performance in Indonesia. This difference can be explained because their study focuses on the quality of disclosure, while this study examines perception of claims, highlighting the gap between communication and implementation. Therefore, this study contributes by showing that not all sustainability claims have economic impacts, especially if they are not supported by real practices.

The third finding shows that H4 is accepted, where authentic sustainability practices have the strongest positive effect on corporate performance. This can be explained through the resource-based view, which states that a firm's competitive advantage comes from unique and difficult-to-imitate resources, including real sustainability practices (Barney, 2021). In this study, authentic practices serve as the main distinction between companies that genuinely implement green economy principles and those that engage in greenwashing. These findings are consistent with the study by Friede et al. (2021), which shows that ESG performance is positively correlated with financial performance. In addition, the study by Rifai and Ramadhan (2024) in Indonesia also found that green accounting practices and sustainability performance contribute to achieving sustainable development goals. The main difference of this study lies in the integration of stakeholder perception data and financial data, providing a more comprehensive picture. Therefore, this result reinforces the argument that real practices are more important than claims in creating economic value.

The fourth finding shows that H5 is accepted, where stakeholder trust has a positive effect on corporate performance. In stakeholder theory, companies depend on stakeholder support to achieve long-term success (Freeman et al., 2020). Since trust is measured through respondent perception using questionnaires, this result indicates that positive stakeholder perception has real implications for firm value. This finding is consistent with the study by Hummel and Schlick (2022), which found that trust acts as a key mediator between sustainability disclosure and firm value. In addition, Dempere et al. (2024) also show that stakeholder trust influences the stability of sustainable financial markets. In the Indonesian context, this finding is supported by Tan and Zarefar (2022), which emphasizes that governance and disclosure play important roles in building public trust. Therefore,

this study strengthens the position of trust as a key variable linking sustainability and economic performance.

The fifth finding shows that H6 is accepted, where greenwashing negatively affects corporate performance. This indicates that the impact of greenwashing is not only on reputation but also on the economic performance of the firm. From the perspective of legitimacy theory, greenwashing may provide short-term benefits but will reduce legitimacy in the long term when stakeholders recognize inconsistencies (Suchman, 2020). This finding is consistent with the study by de Freitas Netto et al. (2020), which states that greenwashing creates misleading information and damages market trust. In addition, Berrone et al. (2021) show that greenwashing can lead to resource misallocation and reduced market efficiency. In the Indonesian context, this phenomenon is also gaining attention in sustainability studies, where disclosure quality remains a key issue (Armadani & Zarefar, 2023). Thus, this study confirms that greenwashing has real and significant economic consequences.

Overall, the findings of this study support H7, indicating that the relationship between sustainability claims, greenwashing, stakeholder trust, and corporate performance is integrated. The regression model shows that a substantial portion of corporate performance variation can be explained by the combination of these variables. Theoretically, this study integrates signaling theory, stakeholder theory, and legitimacy theory into a comprehensive analytical framework (Connelly et al., 2021; Freeman et al., 2020; Suchman, 2020). These findings are consistent with Velte (2022), who emphasizes the importance of a multidimensional approach in ESG and sustainability studies. However, this study offers an advantage by combining perception data (questionnaires) and objective data (financial reports), providing a deeper understanding of the economic reality behind sustainability claims. Therefore, the main contribution of this study is demonstrating that sustainability only delivers economic impact when supported by authentic practices and trusted by stakeholders.

## **CONCLUSIONS AND RECOMMENDATIONS**

This study concludes that sustainability claims have a positive impact on corporate image and stakeholder trust; however, they do not directly guarantee improved corporate performance. The findings reveal that only authentic and consistent sustainability practices significantly contribute to sustainable economic performance. In contrast, greenwashing negatively affects stakeholder trust and weakens corporate credibility, ultimately impacting market value. Therefore, the economic reality behind sustainability claims depends on the alignment between disclosure and actual implementation. It is recommended that companies enhance transparency and ensure that sustainability claims are supported by verifiable actions. Regulators should strengthen reporting standards to reduce greenwashing practices, while stakeholders are encouraged to critically evaluate sustainability information. Strengthening accountability mechanisms is essential to align environmental commitments with economic outcomes.

## ADVANCED RESEARCH

Future research is recommended to incorporate a larger sample size and include cross-regional or cross-country comparisons to improve generalizability. Additionally, integrating qualitative approaches or longitudinal data may provide deeper insights into the long-term impact of sustainability practices and greenwashing.

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