

RETHINKING CORPORATE PRIORITIES: THE SURGE OF ESG INVESTING AND GREENWASHING RISKS

Aik Nai Chiek¹⁾



AFFILIATION:

Universiti Tunku Abdul Rahman¹⁾

CORRESPONDENCE:

aiknc@utar.edu.my¹⁾

ARTICLE HISTORY

Received:

January 16, 2024

Revised:

February 12, 2024

Accepted:

April 23, 2024



THIS ARTICLE IS AVAILABLE IN:

<http://ejournal.stiepena.ac.id/index.php/fe>



This work is licensed under a Creative
Commons Attribution-ShareAlike 4.0
International (CC BY-SA 4.0)

Abstract: ESG investing, centered on a company's environmental, social, and governance practices, has surged in popularity as businesses recognize the imperative of catering to a wider array of stakeholders beyond shareholders. Investors have transitioned from a profit-centric ethos to one that prioritizes broader societal impact. Evaluation criteria now encompass a company's commitment to ESG principles and responsible business conduct. This transformative investor perspective encourages companies to openly embrace ESG integration, particularly emphasizing environmental considerations. Nevertheless, the specter of greenwashing, where companies engage in deceptive practices to feign environmental responsibility, persists as a contentious issue in the ongoing dialogue surrounding ESG investing.

Keywords: ESG investing, greenwashing, sustainability, transparency, stakeholders

INTRODUCTION

In recent years, there has been a significant transformation in corporate values and investment strategies, particularly within the expanding domain of environmental, social, and governance (ESG) investing. This shift emphasizes the intricate relationship between sustainability, responsible business practices, and financial performance. Notably, global ESG investments have witnessed a remarkable surge, escalating from approximately 11.35 trillion U.S. dollars in 2012 to approximately 30.7 trillion U.S. dollars in 2018 (Statista, 2023). This marked increase reflects a growing recognition of integrating ESG considerations into investment decision-making. ESG investing is characterized by motivations beyond mere profit, as investors increasingly favor companies committed to sustainable and responsible business practices (Freiberg, Rogers, & Serafeim, 2019). This commitment

involves acknowledging the impact of environmental compliance, recognizing social factors in shaping corporate reputation, and appreciating the risk-mitigating effects of robust governance practices (Cappucci, 2018).

Crucially, ESG principles represent a departure from a narrow focus on shareholder interests, with companies prioritizing a broader spectrum of stakeholders (Bala, Birman, Cardamone, Kuh, Salvatori, & Stelea, 2020). This shift aims to fortify long-term business sustainability while fostering a culture of transparency and accountability aligned with contemporary investor expectations. Companies aligning with ESG principles trigger a ripple effect, prompting investors when assessing its shares to scrutinize companies through ESG criteria, seeking assurances beyond financial metrics, including commitments to environmental responsibility, social inclusivity, and high governance standards (Badía, Cortez, & Agudo, 2020).

The increasing focus on environmental compliance, social responsibility, and robust governance processes signifies a firm's commitment to risk mitigation and the formation of resilient, forward-thinking businesses. When investors align their decisions with ESG principles, they not only contribute to positive social and environmental outcomes but also stand to potentially achieve enduring financial benefits. Naeem, Cankaya, and Bildik (2022) found a positive link between ESG performance and financial performance in 383 environmentally sensitive firms. The correlation was stronger in developed countries than emerging ones, suggesting global implications for investors and companies to integrate strong ESG practices for enhanced financial outcomes. In another study, Engelhardt, Ekkenga, and Posch (2021) examined the impact of ESG ratings on stock performance amid the COVID-19 crisis. They found that European firms with high ESG ratings experienced higher abnormal returns and lower stock volatility, with the social score component of ESG identified as the primary driver. The study also indicated that ESG holds significant relevance in low-trust countries with weaker security regulations, emphasizing its potential to enhance trust and transparency.

In response to the increasing emphasis on environmental sustainability and the need to establish environmental credibility, many companies are now relying on greenwashing as a significant strategy (Zhang, Qin & Zhang, 2023). The pervasive occurrence of greenwashing incidents has the potential to substantially erode consumer trust in environmentally friendly products (Kaner, 2021). This, in turn, may result in a contraction of the consumer market for such products and services (Furrow, 2010), ultimately undermining the capital market for socially responsible investing (Shahudin, Md Shah, & Mahzan, 2015).

While ESG investing has gained popularity in recent years, the comprehension of greenwashing remains an ongoing challenge due to the absence of universal regulations for greenwashing. This study aims to thoroughly examine the ongoing debate surrounding ESG investing.

UNDERPINNING THEORIES

Researchers have conducted studies to understand the relationship between ESG performance and stock performance, resulting in the development of various theories. This literature review will examine the following key theories: neoclassical theory, stakeholder theory, behavioral finance theory, and modern portfolio theory.

NEOCLASSICAL THEORY

Assuming the costs of ESG activities outweigh their benefits, the neoclassical economic paradigm often perceives ESG investing as unnecessary and incompatible with the goal of maximizing profits, as exemplified by Friedman's views in 1970. Earlier studies within neoclassical theory indicates that there is no significant impact of ESG performance on stock prices. For example, Kim and Lyon (2015) found that firms involved in environmentally friendly activities often experience negative abnormal returns. This is because investors perceive these actions as expensive investments for the company. Subsequent evidence within the theory however suggests a positive effect on the firm value stemming from ESG activities.

STAKEHOLDER THEORY

Socially responsible behavior, as advocated by stakeholder theory (Freeman, 1984), benefits non-owner stakeholders such as customers, employees, suppliers, communities, and the environment. Companies that prioritize ESG issues are viewed as trustworthy, ethical, and socially responsible by investors. This positive perception can result in increased demand for their stock and potentially higher stock prices (Fatemi, Fooladi, & Tehranian, 2015; Eccles & Serafeim, 2013). See also Hörisch, Schaltegger and Freeman (2020).

AGENCY THEORY

Agency theory examines stakeholder relationships and potential conflicts, especially between managers and shareholders. It posits an inherent misalignment of interests and suggests that effective governance practices, encompassing ESG considerations, can address these misalignments (Feng, Goodell, & Shen, 2022). By expanding its focus beyond shareholders to include diverse stakeholders, the incorporation of ESG metrics enriches the evaluation framework for managerial performance (Tang, 2022).

RESOURCE-BASED VIEW (RBV) THEORY

The resource-based view (RBV) provides a framework for understanding how a firm's unique resources and capabilities contribute to sustained competitive advantage (Oliver, 1997). In the context of ESG considerations, the RBV emphasizes that a firm's competitive edge is strengthened by resources related to environmental and social responsibility (Lichtenthaler, 2022). These resources, such as eco-friendly technologies or socially responsible business practices, contribute not only to financial success but also enhance the company's reputation and stakeholder relationships.

BEHAVIORAL FINANCE THEORY

Behavioral finance theory suggests that investors' decisions are influenced by psychological factors, which can affect the demand for sustainable assets and subsequently positively impact their prices. Unlike traditional asset pricing models, behavioral finance theory recognizes that sustainability considerations can play a significant role in determining asset values (Cunha, Meira, & Orsato, 2021). This suggests that the influence of sustainability on asset prices is not adequately captured by conventional pricing models.

MODERN PORTFOLIO THEORY

Modern portfolio theory (MPT), also referred to as mean-variance analysis, has revolutionized portfolio selection by introducing a systematic approach to balancing risk and return in investment decision-making (Fabozzi, Gupta, & Markowitz, 2002). MPT argues that nonfinancial screening, such as excluding companies based on ESG criteria, limits the available investment options, and can negatively impact portfolio performance (Lee & Faff, 2009).

EMPIRICAL DISCUSSION ON CORPORATE PRIORITIES AND GREENWASHING

The evolution of corporate priorities in response to ESG considerations has seen significant changes in recent years. As stakeholders increasingly emphasize sustainability and responsible business practices, companies are adapting their strategies to meet ESG criteria (Zhao, 2022). Companies are recognizing the interconnectedness of their operations with broader societal and environmental issues, prompting adjustments in strategies to align with ESG criteria. Empirical studies show a growing trend where companies are increasingly incorporating ESG factors into their overall business strategies (Perskaya, Ogryzov, & Zvereva, 2022).

Empirical research has sought to quantify the impact of ESG practices on financial performance, stakeholder relations, and overall corporate reputation. Studies have demonstrated positive correlations between strong ESG performance and financial outperformance, attracting the attention of investors who increasingly factor ESG criteria into their decision-making processes (Friede, Busch, & Bassen, 2015). Companies with high ESG ratings often experience higher abnormal returns and lower stock volatility, reinforcing the notion that responsible

business practices contribute to long-term financial stability. Ashwin Kumar, Smith, Badis, Wang, Ambrosy, and Tavares (2016) surveyed 809 non-listed companies and 157 companies listed on the Dow Jones Sustainability Index. They found that companies integrating ESG factors exhibit reduced volatility in their stock performances compared to industry counterparts. Similarly, Biktimirov and Afego (2022) examined how investors value environmental sustainability by analyzing stock market reactions to changes in the FTSE Environmental Opportunities 100 index (FTSE EO 100). Their findings suggested that investors do not react to index inclusion news for firms without prior environmental credentials, but reward or punish firms with credentials and superior or declining stock performance.

Studies have also found positive associations between corporate ESG performance disclosure and firm value (Fatemi, Galum, & Kaiser, 2018), and the impact of ESG ratings and responsible investment practices on firm value (Wong, Batten, Ahmad, Mohamed-Arshad, Nordin & Adzis, 2021). For example, Gholami, Sands and Rahman (2022) found a strong positive association between corporate ESG performance disclosure and profitability across industries. However, significant differences are found when comparing financial and non-financial sectors. In the financial industry, all ESG elements show a positive association with profitability, while in non-financial sectors, only corporate governance is significant. In Malaysia, Mohammad and Wasiuzzaman (2021) conducted a study using a sample of 3966 firm-year observations from 661 listed firms in Bursa Malaysia between 2012 and 2017. Their findings reveal that ESG disclosure positively impacts firm performance, even when controlling for competitive advantage. When Wong et al. (2021) examined the impact of ESG certification on Malaysian firms, they found that it lowers a firm's cost of capital and increases Tobin's Q. Their findings confirmed the positive impact of ESG ratings and responsible investment practices on firm value.

Despite most of the literature suggesting a positive link between ESG ratings and returns, there are also studies that have found ambiguous or mixed results, depending on the ESG rating provider or the industry sector being examined. For example, Halbritter and Dorfleitner (2015) examined the relationship between corporate social and financial performance using two different approaches based on ESG ratings. Their findings indicated that ESG portfolios do not show significant return differences between companies with high and low ESG ratings, and there is an ambiguous significant influence of some ESG variables in cross-sectional regressions, dependent on the ESG rating provider. See also Gholami et al. (2022) and Aouadi and Marsat (2016).

From an investor's perspective, the evolution of corporate priorities in response to ESG considerations holds significant implications for decision-making and portfolio management. Investors are increasingly recognizing the material impact of ESG factors on a company's long-term performance and risk profile. Consequently, there is a growing trend among investors to incorporate ESG criteria into their investment strategies, reflecting a belief that companies with strong ESG practices are better positioned for sustainable financial returns. Empirical studies have consistently shown a positive correlation between high ESG performance and financial outperformance (Zhao, Guo, Yuan, Wu, Li, Zhou, & Kang, 2018). Investors, both institutional and individual, are leveraging this insight to identify investment opportunities that align with their ethical and sustainability preferences. Companies with robust ESG ratings often attract a broader investor base, as their commitment to responsible business practices is seen as a marker of sound management and resilience in the face of evolving market dynamics (Chatzitheodorou, Skouloudis, Evangelinos, & Nikolaou, 2019; Blank, Sgambati, & Truelson, 2016).

The demand for ESG-aligned investments has led to the development of a range of sustainable investment products, including ESG-focused funds and indices. These financial instruments allow investors to allocate capital to companies that align with their values and sustainability goals. The success of these investment products further underscores the importance of ESG considerations in shaping investor preferences. Peng, Zhang, Goodell, and Li (2023) found that Chinese companies with better ESG performance are more likely to receive investments from socially responsible investment (SRI) mutual funds, resulting in a positive and long-lasting effect on their ESG performance. Their findings suggested that mutual fund

companies' corporate responsibility rhetoric and socially responsible investments declarations genuinely impact corporate ESG performance, particularly in the environmental dimension.

On the other hand, the growing importance of ESG has brought forth concerns about greenwashing, where companies engage in positive communication about their environmental performance despite poor actual performance (Vieira, Felipe, Regina, & Robert, 2020). Greenwashing companies may engage in deceptive tactics to create an appearance of being more environmentally and socially responsible than they genuinely are (as defined by the Swiss Financial Market Authority (FINMA) in Guidance 05/2021). While many businesses genuinely embrace ESG principles, greenwashing can undermine the credibility of the broader movement and reduce firm value (Ghitti, Gianfrate, & Palma, 2023). A significant challenge is the potential decline in confidence in genuinely eco-friendly products, as greenwashing fosters skepticism and hesitancy among consumers (Aji & Sutikno, 2015). This poses a setback for genuinely sustainable companies and impedes progress toward a greener economy (Ramtiyal, Garg, Johari, Rathore, & Thakrey, 2023). Delmas and Burbano's 2011 study stresses that greenwashing weakens confidence in environmentally responsible businesses, leading to a decline in trust among consumers and investors. Effectively addressing these challenges requires increased transparency, stringent regulations, and consumer education to foster genuine commitment to sustainability and prevent the misleading effects of greenwashing on environmentally conscious choices (Hu, Hua, Liu & Wang, 2023).

The complexity of reporting frameworks and the lack of clear measures for assessing ESG performance further contribute to the problem of greenwashing, highlighting the need for transparent and credible ESG reporting measures (de Silva Lokuwaduge & De Silva, 2022; Lukinović & Jovanović, 2019). The presence of structural ambiguities in ESG frameworks can make it challenging to accurately assess and verify a company's true sustainability practices (Chen & Yang, 2020). Furthermore, the lack of mandatory reporting requirements and the existence of multiple competing ESG frameworks enable companies to manipulate the system by selectively choosing activities that would yield favorable scores from one or more rating providers (Marquis, Toffel, & Zhou, 2016; Bowen & Aragon-Correa, 2014). For example, some ESG frameworks may permit certain harmful activities to be considered acceptable if they fall below a specific threshold, such as revenue from fossil fuels. This loophole enables companies to attain high ESG scores while continuing unsustainable practices. These challenges can lead to inconsistencies and biases in ESG assessments (Wu, Zhang, & Xie, 2020). Consequently, it becomes crucial for investors to differentiate between companies genuinely committed to ESG principles and those engaging in deceptive practices.

Investors are increasingly relying on third-party ESG ratings, certifications, and transparent reporting practices to gauge the authenticity of a company's commitment to sustainability (Al-Shaer, Albitar, Hussainey, 2022; Berthelot, Coulmont, & Serret, 2012). Regulatory bodies and stock exchanges play a crucial role in shaping the investor landscape by standardizing reporting practices, enhancing comparability, and ensuring the reliability of ESG data (Zhang 2023; Yu, Van Luu, & Chen, 2020; Zumente, Lāce, & Bistrova, 2020). This push for transparent ESG disclosure is not only a response to the demand for transparency but also a proactive measure to curb greenwashing, as companies are held accountable for the accuracy of their ESG reporting (Amran & Ooi, 2014; Fifka, 2013).

CONCLUSION

In conclusion, ESG investing's momentum is positive, but concerns about greenwashing remain. The positive correlation between strong ESG performance and financial outperformance has positioned ESG as a key factor in investment decision-making. While companies are increasingly integrating ESG considerations into their strategies, the rise of greenwashing poses challenges to the authenticity of these efforts. The interplay between genuine commitment to ESG principles and deceptive practices highlights the importance of standardized reporting and regulatory frameworks to ensure the credibility and effectiveness of the broader ESG movement. Investors are increasingly recognizing ESG considerations as integral to their investment

strategies. Investors must exercise due diligence to ensure investments align with sustainability objectives. As the ESG landscape continues to evolve, investors are likely to play a pivotal role in shaping corporate behavior by directing capital towards companies that prioritize environmental, social, and governance sustainability.

REFERENCES

- Aji, H. M., & Sutikno, B. (2015). The extended consequence of greenwashing: perceived consumer skepticism. *International Journal of Business and Information*, 10(4), 433-468. DOI: 10.6702/ijbi.2015.10.4.2
- Al-Shaer, H., Albitar, K., & Hussainey, K. (2022). Creating sustainability reports that matter: an investigation of factors behind the narratives. *Journal of Applied Accounting Research*, 23(3), 738-763. DOI: 10.1108/JAAR-05-2021-0136
- Amran, A., & Ooi, S. K. (2014). Sustainability reporting: meeting stakeholder demands. *Strategic Direction*, 30(7), 38-41. DOI: 10.1108/SD-03-2014-0035
- Aouadi, A., & Marsat, S. (2016). Do ESG controversies matter for firm value? Evidence from international data. *Journal of Business Ethics*, 151(4), 1027-1047. DOI: 10.1007/s10551-016-3213-8
- Ashwin Kumar, N. C., Smith, C., Badis, L., Wang, N., Ambrosy, P., & Tavares, R. (2016). ESG factors and risk-adjusted performance: A new quantitative model. *Journal of Sustainable Finance & Investment*, 6(4), 292-300. DOI: 10.1080/20430795.2016.1234909
- Badía, G., Maria Céu Cortez, M. C., & Agudo, L. F. (2020). Socially responsible investing worldwide: Do markets value corporate social responsibility? *Corporate Social Responsibility and Environmental Management*, 27(6), 2751-2764. DOI: 10.1002/csr.1999
- Bala, G., Birman, S., Cardamone, J., Kuh, T., Salvatori, A., & Stelea, N. (2020). ESG materiality factors in the fourth industrial revolution - measuring stakeholder externalities via dynamic materiality. *Social Science Research Network*. DOI: 10.2139/ssrn.3751058
- Berthelot, S., Coulmont, M., & Serret, V. (2012). Do investors value sustainability reports? A Canadian study. *Corporate Social Responsibility and Environmental Management*, 19(6), 355-363. DOI: 10.1002/csr.285
- Biktimirov, E. N., & Afego, P. N. (2022). Do investors value environmental sustainability? Evidence from the FTSE Environmental Opportunities 100 index. *Finance Research Letters*, 44, 102112. DOI: 10.1016/j.frl.2021.102112
- Blank, H., Sgambati, G., & Truelson, Z. (2016). Best Practices in ESG Investing. *The Journal of Investing*, 25(2), 103-112. DOI: 10.3905/joi.2016.25.2.103
- Bowen, F., & Aragon-Correa, J. A. (2014). Greenwashing in corporate environmentalism research and practice: The importance of what we say and do. *Organization & Environment*, 27(2), 107-112. DOI: 10.1177/1086026614537078
- Cappucci, M. (2018). The ESG integration paradox. *Journal of Applied Corporate Finance*, 30(2), 22-28. DOI: 10.1111/jacf.12296
- Chatzitheodorou, K., Skouloudis, A., Evangelinos, K., & Nikolaou, I. (2019). Exploring socially responsible investment perspectives: A literature mapping and an investor classification. *Sustainable Production and Consumption*, 19, 117-129. DOI: 10.1016/j.spc.2019.03.006
- Chen, H., & Yang, S. S. (2020). Do investors exaggerate corporate ESG information? Evidence of the ESG momentum effect in the Taiwanese market. *Pacific-Basin Finance Journal*, 63, 101407.

DOI: 10.1016/j.pacifin.2020.101407

- Cunha, F. A. F. D. S., Meira, E., & Orsato, R. J. (2021). Sustainable finance and investment: Review and research agenda. *Business Strategy and the Environment*, 30(8), 3821-3838. DOI: 10.1002/bse.2842
- Delmas, M. A., & Burbano, V. C. (2011). The Drivers of Greenwashing. *California Management Review*, 54(1), 64-87. DOI:10.1525/cmr.2011.54.1.64
- de Silva Lokuwaduge, C. S., & De Silva, K. M. (2022). ESG risk disclosure and the risk of green washing. *Australasian Business, Accounting and Finance Journal*, 16(1), 146-159. DOI: 10.14453/aabfj.v16i1.10
- Eccles, R. G., & Serafeim, G. (2013). The performance frontier. *Harvard Business Review*, 91(5), 50-60.
- Engelhardt, N., Ekkenga, J., & Posch, P. (2021). ESG ratings and stock performance during the COVID-19 crisis. *Sustainability*, 13(13), 7133. DOI: 10.3390/su13137133
- Fabozzi, F. J., Gupta, F., & Markowitz, H. M. (2002). The legacy of modern portfolio theory. *The Journal of Investing*, 11(3), 7-22. DOI: 10.3905/joi.2002.319510
- Fatemi, A., Fooladi, I., & Tehranian, H. (2015). Valuation effects of corporate social responsibility. *Journal of Banking & Finance*, 59, 182-192. DOI: 10.1016/j.jbankfin.2015.04.028
- Fatemi, A., Glaum, M., & Kaiser, S. (2018). ESG performance and firm value: The moderating role of disclosure. *Global Finance Journal*, 38, 45-64. DOI: 10.1016/j.gfj.2017.03.001
- Feng, J., Goodell, J. W., & Shen, D. (2022). ESG rating and stock price crash risk: Evidence from China. *Finance Research Letters*, 46, 102476. DOI: 10.1016/j.frl.2021.102476
- Fifka, M. S. (2013). Sustainability Reporting: A Challenge Worthwhile. Springer, 235-247. DOI: 10.1007/978-3-642-38753-1_16
- FINMA publishes guidance on preventing and combating greenwashing. (2021, November 3). Eidgenössische Finanzmarktaufsicht FINMA. Available at: <https://www.finma.ch/en/news/2021/11/20211103-finma-aufsichtsmittteilung-05-21/>
- Freeman, R. E. (1984). Stakeholder management: a strategic approach. New York: Pitman, 46.
- Freiberg, D., Rogers, J., & Serafeim, G. (2019). Pathways to materiality: How sustainability issues become financially material to corporations and their investors. *Social Science Research Network*. DOI: 10.2139/ssrn.3482546
- Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: aggregated evidence from more than 2000 empirical studies. *Journal of Sustainable Finance & Investment*, 5(4), 210-233. DOI: 10.1080/20430795.2015.1118917
- Friedman, M. (1970). A Friedman doctrine: The social responsibility of business is to increase its profits. *The New York Times Magazine*, 13(1970), 32-33.
- Furlow, N. E. (2010). Greenwashing in the new millennium. *The Journal of Applied Business and Economics*, 10(6), 22.
- Ghitti, M., Gianfrate, G., & Palma, L. (2023). The agency of greenwashing. *Journal of Management & Governance*. DOI: 10.1007/s10997-023-09683-8
- Gholami, A., Sands, J., & Rahman, H. U. (2022). Environmental, social and governance disclosure and value generation: Is the financial industry different? *Sustainability*, 14(5), 2647. DOI: 10.3390/su14052647

- Halbritter, G., & Dorfleitner, G. (2015). The wages of social responsibility — where are they? A critical review of ESG investing. *Review of Financial Economics*, 26, 25–35. DOI:10.1016/j.rfe.2015.03.004
- Hörisch, J., Schaltegger, S., & Freeman, R. E. (2020). Integrating stakeholder theory and sustainability accounting: A conceptual synthesis. *Journal of Cleaner Production*, 275, 124097. DOI: 10.1016/j.jclepro.2020.124097
- Hu, X., Hua, R., Liu, Q., & Wang, C. (2023). The green fog: Environmental rating disagreement and Corporate greenwashing. *Pacific-Basin Finance Journal*, 78, 101952. DOI: 10.1016/j.pacfin.2023.101952
- Kaner, G. (2021). Greenwashing: How difficult it is to be transparent to the consumer—H&M case study. *Palgrave Studies of Marketing in Emerging Economies*, 203–226. DOI: 10.1007/978-3-030-74065-8_9
- Kim, E.-H., & Lyon, T. P. (2015). Greenwash vs. brownwash: Exaggeration and undue modesty in corporate sustainability disclosure. *Organization Science*, 26(3), 705–723. DOI:10.1287/orsc.2014.0949
- Lee, D. D., & Faff, R. W. (2009). Corporate sustainability performance and idiosyncratic risk: A global perspective. *Financial Review*, 44(2), 213–237. DOI:10.1111/j.1540-6288.2009.00216.x
- Lichtenthaler, U. (2022). Explicating a sustainability-based view of sustainable competitive advantage. *Journal of Strategy and Management*, 15(1), 76–95. DOI: 10.1108/JSMA-06-2021-0126
- Lukinović, M., & Jovanović, L. (2019). Greenwashing – fake green/environmental marketing. Fundamental and applied researches in practice of leading scientific schools, 33(3), 15-17. DOI: 10.33531/farplss.2019.3.04
- Marquis, C., Toffel, M. W., & Zhou, Y. (2016). Scrutiny, Norms, and Selective Disclosure: A Global Study of Greenwashing. *Organization Science*, 483-504. Available at: <http://www.jstor.org/stable/24763314>
- Mohammad, W. M. W., & Wasiuzzaman, S. (2021). Environmental, social and governance (ESG) disclosure, competitive advantage and performance of firms in Malaysia. *Cleaner Environmental Systems*, 2, 100015. DOI: 10.1016/j.cesys.2021.100015
- Naeem, N., Cankaya, S., & Bildik, R. (2022). Does ESG performance affect the financial performance of environmentally sensitive industries? A comparison between emerging and developed markets. *Borsa Istanbul Review*, 22(2), 128-140. DOI: 10.1016/j.bir.2022.11.014
- Oliver, C. (1997). Sustainable competitive advantage: combining institutional and resource-based views. *Strategic Management Journal*, 18(9), 697-713.
- Peng, H., Zhang, Z., Goodell, J. W., & Li, M. (2023). Socially responsible investing: Is it for real or just for show? *International Review of Financial Analysis*, 86, 102553. DOI: 10.1016/j.irfa.2023.102553.
- Perskaya, V. V., Ogryzov, A.A., & Zvereva, A.D. (2022). ESG strategies and socialization of companies' activities in modern conditions (international experience). *Social'no-Trudovye Issledovaniâ*, 48(3), 46–55. DOI: 10.34022/2658-3712-2022-48-3-46-55
- Ramtiyal, B., Garg, P., Johari, S., Rathore, A. P. S., & Thakrey, A. (2023). Investigating the effects of corporate social responsibility on sustainable consumer purchase behavior. *Journal of Global Operations and Strategic Sourcing*. DOI: 10.1108/JGOSS-03-2023-0014
- Statista. (2023, October 30). Global investment on environmental, social, and corporate

- governance 2012-2018. <https://www.statista.com/statistics/1135526/investment-environmental-social-corporate-governance-globally/>
- Shahudin, M. H., Md Shah, M. A. M., & Mahzan, S. (2015). Modelling the greenwashing behavior among Malaysian Firms: The roles of organizational and individual drivers. *International Journal of Business, Economics and Law*, 7(2), 8-12.
- Tang, H. (2022). The effect of ESG performance on corporate innovation in China: The mediating role of financial constraints and agency cost. *Sustainability*, 14(7), 3769. DOI: 10.3390/su14073769
- Vieira, S., Felipe, M., Regina, A., & Robert. (2020). Concepts and forms of greenwashing: a systematic review. *Environmental Sciences Europe*, 32(1). DOI: 10.1186/s12302-020-0300-3
- Wong, W. C., Batten, J. A., Ahmad, A. H., Mohamed-Arshad, S. B., Nordin, S., & Adzis, A. A. (2021). Does ESG certification add firm value? *Finance Research Letters*, 39, 101593. DOI: 10.1016/j.frl.2020.101593
- Wu, Y., Zhang, K., & Xie, J. (2020). Bad greenwashing, good greenwashing: Corporate social responsibility and information transparency. *Management Science*, 66(7), 3095-3112. DOI: 10.1287/mnsc.2019.3340
- Yu, E. P. Y., Van Luu, B., & Chen, C. H. (2020). Greenwashing in environmental, social and governance disclosures. *Research in International Business and Finance*, 52, 101192. DOI: 10.1016/j.ribaf.2020.101192
- Zhang, D. (2023). Can environmental monitoring power transition curb corporate greenwashing behavior? *Journal of Economic Behavior & Organization*, 212, 199-218. DOI: 10.1016/j.jebo.2023.05.034
- Zhang, W., Qin, C., & Zhang, W. (2023). Top management team characteristics, technological innovation and firm's greenwashing: Evidence from China's heavy-polluting industries. *Technological Forecasting and Social Change*, 191, 122522. DOI: 10.1016/j.techfore.2023.122522
- Zhao, C., Guo, Y., Yuan, J., Wu, M., Li, D., Zhou, Y., & Kang J. (2018). ESG and corporate financial performance: Empirical evidence from China's listed power generation companies. *Sustainability*, 10(8), 2607. DOI: 10.3390/su10082607
- Zhao, D. (2022). ESG strategies and practices of Chinese listed companies. *Frontiers in Management Science*, 1(3), 29-36. <https://www.paradigmpress.org/fms/article/view/337>
- Zumente, I., Lāce, N., & Bistrova, J. (2020). ESG disclosure patterns in the Baltics. *Business and Management*, 28-37. DOI: 10.3846/bm.2020.484