ABSTRACT

Firm value reflects market expectations regarding a company's performance and future prospects, which heavily depend on the quality of information available to investors. One increasingly prevalent form of information distortion is greenwashing, a condition in which companies disclose excessive sustainability claims without being matched by equivalent environmental performance. This study aims to analyze the effect of greenwashing on firm value and examine the moderating role of external corporate governance, proxied by institutional ownership, in companies listed on the Indonesia Stock Exchange during the 2023 – 2024 period.

This study employs a quantitative approach using secondary data, including ESG scores obtained from the Refinitiv database and stock prices from id.investing.com. The sample was selected through purposive sampling, resulting in 176 firm-years from 91 companies. Greenwashing is measured as the gap between the ESG Disclosure Score and ESG Performance Score, while firm value is proxied by Tobin's Q, which incorporates the book value of liabilities. Data were analyzed using panel data regression with EViews 13, with model selection conducted through the Chow Test, Hausman Test, and Lagrange Multiplier Test, resulting in the Random Effect Model as the most appropriate model.

The results indicate that greenwashing has a negative and significant effect on firm value, suggesting that the Indonesian capital market is able to detect and penalize companies whose sustainability disclosures are inconsistent with their actual performance. Conversely, institutional ownership is not proven to weaken the negative effect of greenwashing on firm value, which is presumably due to the relatively low average proportion of institutional ownership within the sample, rendering its external monitoring function ineffective. These findings provide implications for investors to be more critical in evaluating the credibility of corporate sustainability disclosures, as well as for regulators to strengthen external monitoring mechanisms beyond institutional ownership structures.

Keywords: *greenwashing, firm value, institutional ownership, information asymmetry theory, external corporate governance*