ABSTRACT

This study aims to obtain empirical evidence on the effect of ESG greenwashing on the cost of debt of non-financial corporate bond issuers listed on the Indonesia Stock Exchange during 2021–2024, using framing theory (Goffman, 1974; Entman, 1993) and adapting the measurement model of Peng & Xie (2024). Cost of debt is measured as the ratio of financial expenses to total interest-bearing liabilities, while ESG greenwashing is measured as the z-score gap between ESG disclosure and actual performance scores. The sample consists of 190 firm-year observations from 49 companies (2021–2024), tested using panel data regression with a Random Effect Model (REM) corrected by EGLS cross-section weights and White cross-section robust standard errors.

The results show that ESG greenwashing has no significant effect on cost of debt ($\beta = 0.000148$; $p = 0.8812$), leading to rejection of the research hypothesis. In contrast, all control variables (size, leverage, ROA, and age) significantly affect cost of debt, indicating that conventional financial fundamentals remain the primary determinants of debt costs in the Indonesian bond market, while ESG information has not yet been fully integrated into creditors' risk assessments.

This study has several limitations, including a small sample size due to limited Bloomberg ESG data availability, control variables that exclude factors such as credit rating and corporate governance, reliance on a single ESG data source, an observation period coinciding with the post-pandemic recovery, and the absence of sector- or ownership-based (state-owned vs. non-state-owned) analysis.

Keywords: *ESG greenwashing, cost of debt, framing theory, corporate bonds, Indonesia Stock Exchange*