

SUSTAINABILITY ISSUES IN FINANCIAL ACCOUNTING RESEARCH

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ABSTRACT

In financial accounting, sustainability is predominantly analyzed through corporate social responsibility (CSR) and environmental, social, and governance (ESG) frameworks, both of which are now integral to economic decision-making. Sustainability has become a central concern in global business and investment. The purpose of this essay is to review the literature on sustainability issues in financial accounting, with particular emphasis on information related to ESG practices. This study employs a literature review, analyzing journal articles to synthesize key findings and identify prevailing patterns. ESG research in financial accounting predominantly examines implications for financial performance, firm value, and capital costs from the perspectives of investors and creditors. While long-term benefits are acknowledged, concerns persist that ESG may obscure accounting malpractices, such as earnings management, which can erode its credibility with stakeholders. This study is not deeply explaining about behavioural factors, fraudulent practices, and creative accounting in the relationship between ESG practices and accounting variables. This study views comprehensively to prevent fraudulent accounting practices, such as earnings management and fraud. Therefore, the role of internal control systems and public auditors must be to ensure the reliability of the company's ESG information, as more and more investors, creditors, and other stakeholders use ESG information in assessing the company's business prospects and risks. This essay provides a timely synthesis that highlights the ESG paradox in financial accounting, contrasting its value as a sustainability indicator with its potential to enable opportunistic behavior. The analysis emphasizes the urgent need for regulatory intervention.

Keywords: *sustainability issues, ESG, financial accounting research, earnings management, regulation*

ABSTRAK

Dalam akuntansi keuangan, keberlanjutan sebagian besar dianalisis melalui tanggung jawab sosial perusahaan (CSR) dan kerangka kerja lingkungan, sosial, dan tata kelola (ESG), yang keduanya kini menjadi bagian integral dari pengambilan keputusan ekonomi. Keberlanjutan telah menjadi perhatian utama dalam bisnis dan investasi global. Tujuan esai ini adalah untuk meninjau literatur tentang isu-isu keberlanjutan dalam akuntansi keuangan, dengan penekanan



khusus pada informasi yang berkaitan dengan praktik ESG. Studi ini menggunakan tinjauan literatur, menganalisis artikel jurnal untuk mensintesis temuan utama dan mengidentifikasi pola yang berlaku. Penelitian ESG dalam akuntansi keuangan sebagian besar mengkaji implikasi terhadap kinerja keuangan, nilai perusahaan, dan biaya modal dari perspektif investor dan kreditor. Meskipun manfaat jangka panjang diakui, kekhawatiran tetap ada bahwa ESG dapat mengaburkan praktik akuntansi yang salah, seperti manajemen laba, yang dapat mengikis kredibilitasnya di mata pemangku kepentingan. Studi ini tidak menjelaskan secara mendalam tentang faktor perilaku, praktik curang, dan akuntansi kreatif dalam hubungan antara praktik ESG dan variabel akuntansi. Studi ini melihat secara komprehensif untuk mencegah praktik akuntansi curang, seperti manajemen laba dan kecurangan. Oleh karena itu, peran sistem pengendalian internal dan auditor publik harus memastikan keandalan informasi ESG perusahaan, karena semakin banyak investor, kreditor, dan pemangku kepentingan lainnya menggunakan informasi ESG dalam menilai prospek bisnis dan risiko perusahaan. Esai ini memberikan sintesis tepat waktu yang menyoroti paradoks ESG dalam akuntansi keuangan, membandingkan nilainya sebagai indikator keberlanjutan dengan potensinya untuk memungkinkan perilaku oportunistik. Analisis ini menekankan kebutuhan mendesak akan intervensi regulasi.

Kata kunci: *isu keberlanjutan, ESG, riset akuntansi keuangan, manajemen laba, regulasi*

INTRODUCTION

The concept of corporate sustainability involves applying strategies and business activities that align the company's needs with the interests of stakeholders in maintaining and improving human and natural resources to meet future needs (Rahi et al., 2024). Rahi et al., (2024) explained that there are two main issues of sustainability in financial accounting research: corporate social responsibility (CSR) and environmental, social, and governance (ESG). The next study focuses only on discussing ESG variables in financial accounting research, considering that CSR is one of the ESG proxies. Financial accounting research has used ESG as a research variable. Currently, ESG has become a major issue of stakeholder decision-making, so accounting needs to examine ESG as information that affects financial performance, firm value, and cost of capital (Hao, 2024). In addition, accounting has begun to examine accounting variables that affect corporate ESG practices, such as ownership structure.

The ownership structure affects ESG practices, including performance and disclosure. Financial accounting research also explores the relationship between ownership structure and accounting practices such as earnings management, creative accounting, and fraud and their influence on corporate ESG practices. Corporate ownership has the power to influence management in implementing accounting and ESG practices (Lee et al., 2023). The relationship between management and company owners has long been a topic of interest in accounting. Agency theory has explained this relationship through the conflict-of-interest approach. Management and company owners have different interests and motivations for company performance information (Velte, 2020). Company performance is crucial information for management in achieving the expected compensation target, while company owners have a significant interest in assessing management's ability to manage their resources and expect a substantial return on their investment (Doshi et al., 2024). The differences in interests create significant pressure for management to provide information relevant to the needs of investors and to increase investor confidence in management's performance in managing company resources (Acar et al., 2021). Under certain conditions, management's opportunism becomes the primary factor that causes information asymmetry and moral hazard, potentially harming



investors' interests (Alsaadi, 2022). Therefore, management involvement in the ownership structure becomes crucial to control management's opportunistic behaviour and safeguard investors' interests.

Although management involvement in the company's ownership structure is increasingly widespread, the practice of earnings management, creative accounting, and fraud remains prevalent (Ababneh & Aga, 2019). Therefore, in addition to measuring financial performance, stakeholders need to assess the company's non-financial performance through its environmental, social, and governance (ESG) disclosure. ESG disclosures provide comprehensive information on a company's prospects, legitimacy, and risks (Q. Zhang et al., 2023). The implementation of the Sustainable Development Goals (SDGs) increasingly requires companies to disclose their ESG performance to all stakeholders. ESG disclosure has become a key component of a company's legitimacy, which can increase its value and influence stakeholders in decision-making (Feng & Wu, 2023). However, not all companies' ESG practices are trusted by stakeholders. Some company stakeholders consider ESG disclosure as a management method to trick creative accounting practices, earnings management and even fraud. ESG disclosures are believed to cover up issues of declining financial performance. Management in conducting ESG practices and disclosures must consider both the costs and benefits, as well as the interests of investors. Investors tend to dislike company activities that reduce the return they get due to a decrease in profits, so management must consider ESG practices as a variable that will increase the company's operating costs and reduce profits. Accounting and management analysts and researchers believe that ESG practices have long-term positive implications for companies.

The concept of sustainability was first proposed in the 1980s. The concept of sustainability balances societal, environmental, and governance processes in a dynamic and sustainable manner. The concept of sustainability is expected to form a system that can be applied in the long term. The concept of sustainability has been formalized into the Sustainable Development Goals. Since 2015, the Global Development Agenda has been agreed upon and manifested in 17 goals, 169 targets, and 241 indicators, which will run until 2030 (Bhattacharya & Sharma, 2023). The agreements aim to alleviate social inequality and poverty, as well as protect the environment. The concept of sustainability applies to all countries worldwide. Every country has a moral obligation to fulfill the targets and goals of sustainable development. The concept of sustainability is a follow-up agenda to the Millennium Development Goals, which ended in 2015. The active participation of all development sectors is the main key to realizing the 17 goals of the SDGs. All countries are committed to repairing the damage to nature, enhancing the quality of life for people, and improving the governance of organizations. The ultimate goal of the SDGs Agenda is to change people's behaviour towards sustainable needs. The concept of sustainability is expected to support the survival of all living things now and in the future. Sustainability is supported by three main pillars, often referred to as the triple bottom line, which involves profit, people, and the planet. These three pillars materialize in the form of sustainable social, economic, and environmental development that must run in harmony and balance (X. Zhou & Nian, 2024). Environmental, Social, and Governance (ESG) issues are the primary sustainability topics being studied in financial accounting research today. Researchers, investors, regulators, financial analysts, and the public make ESG a study that affects business decision-making. This phenomenon drives companies to make substantial investments in ESG issues. Therefore, regulators have begun to develop regulations governing companies' ESG activities. The issue of sustainability has been the primary driver of the growing recognition that ESG factors are crucial to long-term corporate performance (Edmans, 2023).



The relevance of ESG value is still debated among researchers regarding whether ESG is an investment or just an analysis of non-financial factors. Today, shareholders not only value companies based on corporate profits, but they also value the intangible assets of the company, such as corporate culture, customer loyalty, and innovative capabilities. However, ESG activities are costly and time-consuming, necessitating a deeper consideration of their benefits and risks. Companies have begun to assess investor behaviour in evaluating companies based on long-term value, rather than short-term profits. This condition will cause companies to focus on long-term value. ESG is the need for companies to create long-term value that is implemented voluntarily. ESG is not a political product whose implementation must be forced by regulations and stakeholder pressure (Eliwa et al., 2021).

The ESG practices carried out by the company are a commitment and manifestation of the company's sustainable development efforts. ESG practices can drive financial performance and firm value (Zhou et al., 2022). This causes investors to increasingly focus on ESG disclosure information in assessing and considering investment and financing decisions. Edmans (2023) criticizes the behaviour of investors who focus too much on corporate ESG practices. Edmans (2023) considers ESG practices as a variable that is no better or worse than other variables that can drive the long-term value of the company. First, ESG is a variable that cannot be ignored as companies and investors go to great lengths to demonstrate their commitment to ESG. Companies and investors take more pride in engaging with ESG issues than in productivity, capital allocation, and strategy. Secondly, business practitioners should not be rash in giving special attention to ESG factors that they do not give to other intangible factors. Third, one of the controversies of ESG is that ESG is not perfectly correlated with firm value in the long run.

Edmans (2023) argues that ESG is not a special variable and believes that some practices applied to ESG can also be applied to other areas of finance. Binding regulations on the management of ESG practices and maintaining investor confidence in the ESG disclosure report are integrated into the company's sustainability report. Some investors are less inclined to trust ESG disclosures in sustainability reporting because ESG is perceived as a strategy to manipulate accounting practices, such as earnings management, creative accounting, and even fraud. This is confirmed by Liu et al. (2023), who explored how real earnings management (REM) practices affect sustainability reporting (ESG disclosure) in companies in Egypt. This issue examines the effectiveness of REM as a safer earnings management tool and its impact on the transparency and credibility of sustainability reporting. The Stock Exchange, as an authorized regulatory authority, has issued a series of regulations.

The Stock Exchange, as the authority responsible for regulating companies, has issued a series of regulations related to sustainability reporting to enhance investor confidence and protect their interests. In the Indonesian context, the Indonesian Stock Exchange (IDX) has implemented a series of sustainable finance initiatives as part of its efforts to create an inclusive and globally competitive capital market, as well as a catalyst to realize a healthy, stable, and sustainably growing sector of the Indonesian economy. BEI's full commitment to supporting the SDGs, as a member of the Sustainable Stock Exchange (SSE) since 2019, aims to increase the transparency of ESG performance among listed companies and encourage the implementation of sustainability targets as part of the stakeholder decision-making process. The IDX, in collaboration with Sustainalytics, provides environmental, social, governance (ESG) performance ratings for listed companies.

ESG ratings are crucial for assessing a company's compliance with disclosing its ESG performance information. (Zhou et al., 2022) recommend that regulators, in this case, the Stock



Exchange, prioritize ESG ratings of companies that have an impact on increasing companies' commitment to actively implement ESG practices. ESG practices are believed to continue providing long-term benefits to firm value, even though some investors are hesitant about ESG practices due to management's opportunistic attitude, which can lead to conflicts of interest between managers and investors.

METHOD

This study adopted a literature review methodology as its primary approach. This method was chosen because it aligns with the research objectives, which are exploratory and synthetic in nature, to map, analyze, and summarize the latest developments in knowledge in the research field. This study is a qualitative literature essay or narrative review. The focus is on narratively synthesizing findings to identify key themes, patterns, contradictions, and gaps in the research, rather than on statistical calculations or quantitative meta-analysis. The primary data sources are academic journal articles published in the fields of financial accounting, sustainable finance, and corporate governance. Journal articles were selected because they have undergone a peer-review process, which ensures their scientific quality and validity. The Data Collection and Analysis Procedures for this study are as follows:

1. **Identification & Search:** Researchers will likely conduct a literature search in leading academic databases (such as Scopus and ScienceDirect) using related keywords such as "ESG reporting," "sustainability accounting," "financial performance," "earnings management," and "corporate governance."
2. **Selection & Evaluation:** The articles found were then screened based on inclusion and exclusion criteria. These criteria may include the publication timeframe (e.g., the last decade), relevance to ESG topics in the context of financial accounting, and the journal's reputation.
3. **Extraction & Categorization:** Key data or findings from each article were extracted and categorized based on emerging themes or research questions. In this study, the main themes identified were: (1) The implications of ESG for financial performance, firm value, and the cost of capital, and (2) The relationship between ESG reporting and questionable accounting practices (earnings management).
4. **Synthesis & Interpretation:** The core stage of this method is synthesizing findings from various articles to build a coherent argument. The researcher not only summarizes but also compares, contrasts, and interprets these findings. From this synthesis, the "ESG Practice" emerged—the value of ESG as a sustainability indicator versus its potential for opportunistic behavior.

The analysis process aims to summarize the current state of knowledge regarding how financial accounting research views and measures the impacts of ESG, find key consensus or trends in the literature (e.g., the dominance of the investor perspective and a focus on financial performance), highlight debates or tensions within the field, such as the tension between the long-term benefits of ESG and concerns about greenwashing or earnings management.

Based on the synthesis, this study concludes by emphasizing the need for regulatory intervention, while also highlighting gaps in current regulations that warrant further investigation. Using the literature review method, this study successfully produced a comprehensive and timely synthesis of the ESG research landscape in financial accounting. The strength of this method is its ability to provide a broad and in-depth overview of a field of study, consolidate scattered knowledge, and provide a strong foundation for arguments about the need



for change or attention to a specific area—in this case, the need for stronger regulation to ensure the integrity of ESG information.

RESULTS AND DISCUSSION

1. The Evolution and Financial Impact of Sustainability Disclosures

The integration of sustainability within the realm of financial accounting has transformed from a peripheral concern to a central component of corporate strategy, primarily aimed at securing organizational legitimacy and reputation. Current literature emphasizes that Environmental, Social, and Governance (ESG) factors, alongside Corporate Social Responsibility (CSR), are no longer merely ethical choices but critical variables influencing financial trajectories. For instance, Rahi et al. (2024) highlighted a significant positive relationship between sustainability initiatives and long-term financial performance, although this impact remains complex in highly rationalized capitalist economies. Such developments suggest that corporations utilize these disclosures to signal stability to the market, even as the underlying motivations vary across different economic jurisdictions. Furthermore, the evolution of these issues reflects a broader shift in how value is perceived, moving beyond traditional profit metrics to include social and environmental impacts. This transition necessitates a deeper understanding of how sustainability metrics are standardized and reported to ensure they provide a true representation of a firm's long-term viability and ethical standing within a very complex global economy today (Chopra et al., 2024; Fülbier & Sellhorn, 2023).

The divergence in interests between investors and management regarding ESG disclosures presents a significant challenge for contemporary financial reporting and corporate governance frameworks. Investors increasingly utilize ESG data to evaluate sustainability prospects and forecast future returns, viewing these disclosures as essential risk management tools in an uncertain market environment (Doshi et al., 2024). Conversely, management often perceives ESG practices as strategic initiatives designed to bolster corporate image and personal reputation, demonstrating a commitment to governance and social responsibility (Gholami et al., 2022). However, this alignment is not always seamless, as the substantial costs associated with implementing robust sustainability practices can temporarily reduce immediate profits, leading to potential friction with short-term-oriented shareholders. To mitigate these tensions, an effective internal control system is indispensable for regulating accounting practices and ensuring that ESG reporting remains transparent and reliable (Boulhaga et al., 2023). Such systems serve to harmonize the conflicting objectives of various stakeholders, ensuring that sustainability efforts contribute to authentic value creation rather than being used as mere tools for impression management or superficial compliance (Dasinapa, 2024; Šneiderienė & Legenzova, 2025, 2026).

2. The Role of Internal Control and Behavioral Accounting

Internal control systems play a pivotal role in shaping corporate behavior by preventing management from engaging in activities that might undermine the integrity of ESG practices or conceal fraudulent actions. These systems are designed to monitor and regulate individual actions within an organization, ensuring that accounting tasks are performed with a high degree of professionalism and ethical rigor. According to Zhang and Zhang (2024), the relationship between behavior and accounting is reciprocal; individual attitudes and habits significantly influence the implementation of financial tasks, while the accounting framework itself directs organizational conduct. High levels of professionalism and responsibility among staff lead to more effective accounting outcomes, which in turn foster a culture of transparency and trust. When internal controls are robust, they act as a safeguard against the temptation to prioritize



short-term gains over long-term sustainability goals. By establishing clear boundaries and expectations, these systems help align individual performance with the broader strategic objectives of the firm, ultimately enhancing the reliability of both financial and non-financial information provided to stakeholders.

Transparency in accounting practices is a fundamental driver of organizational accountability, particularly regarding the decisions made by top-level executives like CEOs who are under constant scrutiny. When financial and non-financial information is presented clearly, leaders are more likely to be held responsible for their strategic choices and the resulting organizational outcomes (Cherian et al., 2020). Furthermore, financial incentive structures, such as performance-based bonuses or stock options, are frequently employed to motivate individuals toward achieving specific organizational goals, yet they must be balanced carefully. If not properly managed, these incentives can inadvertently encourage opportunistic behavior or creative accounting as individuals strive to meet aggressive targets at the expense of ethical standards. Therefore, maintaining strict compliance with established rules and regulations is essential for fostering a disciplined environment where industry standards are respected and upheld. By integrating ethical considerations into the incentive framework, organizations can promote a more sustainable model of behavior that values long-term integrity as much as immediate financial success, thereby securing the company's reputation in the eyes of the public.

3. Information Asymmetry and the Dynamics of Corporate Fraud

Accounting fraud remains a pervasive issue in the corporate world, often manifesting as a deliberate attempt to misrepresent financial facts for personal gain or to manipulate stakeholder perceptions. Such actions are frequently categorized as opportunistic behavior, where managers select specific accounting policies to artificially inflate or deflate profits according to their immediate needs. Li et al. (2024) observe that this tendency for fraud is not confined to any specific region but occurs globally, utilizing various pretexts under the guise of creative accounting. The psychological and systemic drivers behind these actions are complex, involving a combination of pressure, opportunity, and rationalization that allows individuals to justify their deviations from standard practices. As firms face increasing pressure to perform, the temptation to engage in earnings management becomes more pronounced, requiring sophisticated detection methods and a strong ethical culture to combat. Understanding the patterns of relationship between ESG commitment and fraud prevalence is a burgeoning area of study, as researchers seek to determine if sustainable firms are truly more ethical or simply better at managing their public image.

The phenomenon of information asymmetry significantly exacerbates the risk of fraud within organizations, creating a gap where agents possess critical information that is unavailable to the principals. This imbalance provides a fertile ground for agents to present inaccurate data, especially when such information is linked to the evaluation of their own performance or compensation (Amarna et al., 2024). Research has consistently demonstrated that high levels of information asymmetry are positively correlated with the occurrence of fraudulent activities, as the lack of transparency hinders effective oversight (Diantimala et al., 2022). To address this, organizations must strive to reduce the gap between management and stakeholders through more comprehensive and frequent reporting of both financial and non-financial metrics. By narrowing the information divide, firms can limit the opportunities for opportunistic behavior and ensure that the interests of the agent are better aligned with those of the principal. Ultimately, the reduction of information asymmetry not only protects investors but also enhances the overall efficiency of the capital markets by fostering a more transparent



and honest reporting environment that discourages the deliberate misrepresentation of a company's true economic status.

4. The Impact of Global Crises and Creative Accounting Practices

The COVID-19 pandemic served as a global catalyst for economic instability, significantly increasing the prevalence of opportunistic behavior and information asymmetry across various industrial sectors. This unprecedented crisis forced many companies to navigate extreme financial distress, leading to a heightened interest in creative accounting techniques to secure government assistance or maintain credit ratings (Agustina & Murwaningsari, 2022). As global connectivity deepened the economic impact of the pandemic, existing structural challenges like climate change and rising inequality were further complicated by the urgent need for financial survival. Alshahrani et al. (2023) noted that the pressures of the pandemic era encouraged a shift toward more manipulative practices, particularly in developing countries where regulatory oversight might be less stringent compared to developed markets. Consequently, the pandemic period highlighted the vulnerabilities in current accounting frameworks, revealing how external shocks can undermine the integrity of financial reporting. These developments emphasize the necessity for regulators to remain vigilant and adapt their oversight mechanisms to account for the unique pressures that arise during periods of significant global turmoil and economic uncertainty.

Creative accounting is often defined as a set of practices that, while perhaps staying within the technical letter of the law, deviate from the spirit of standard accounting principles. According to Ababneh and Aga (2019), these techniques are frequently used to adjust actual accounting values to meet specific desired targets, effectively deceiving the public about a firm's performance. Such practices may involve manipulating revenue recognition, altering amortization schedules, or misreporting assets and liabilities to present a more favorable financial image than what truly exists (Kliestik, 2022). The primary motivation behind this "creativity" is usually to enhance corporate reputation or to comply with legal requirements in a way that minimizes perceived risk. However, businesses that consistently fail to adhere to fundamental accounting principles often find that these short-term manipulations lead to long-term instability and a loss of stakeholder trust (Blazek & Durana, 2023). Therefore, it is critical for organizations to cultivate a culture that prioritizes genuine financial transparency over the superficial benefits of creative reporting, ensuring that financial statements reflect the true economic reality of the business rather than a manufactured version of success.

5. Corporate Ownership Structure and Stakeholder Governance

The structure of corporate ownership has profound implications for a company's commitment to ESG disclosure and its overall transparency regarding sustainability practices. Institutional investors, often acting as "block holders" with significant influence, play a crucial role in pressuring management to adopt long-term perspectives and transparent reporting standards (Bai et al., 2022). Research indicates that companies with high levels of government or institutional ownership tend to provide more comprehensive ESG disclosures, as these entities are often more sensitive to public scrutiny and regulatory requirements (Doshi et al., 2024). Conversely, private ownership may not always yield the same level of transparency, as the pressure from external stakeholders might be less direct or intense. Institutional investors are increasingly allocating funds toward companies that demonstrate strong ESG performance, viewing these firms as less risky and more capable of creating sustainable value (Nasta et al., 2024). This shift in investment paradigms forces management to adapt, recognizing that long-term corporate value is intrinsically linked to how well a company manages its social and environmental impacts in response to the growing demands of its owners.



Effective corporate governance is essential for suppressing opportunistic behavior, yet it must be supplemented by ongoing employee training and a strong ethical culture to be truly effective. Interestingly, research suggests that the gender composition of management teams can influence a firm's tendency toward accounting manipulation, with female directors often associated with more conservative and less manipulative reporting (Kliestik, 2022). Beyond internal dynamics, external pressures from activists, politicians, and the public are increasingly challenging the traditional dominance of the Big 4 accounting firms in defining acceptable tax behaviors and transparency standards. Christensen and Seabrooke (2022) explored how these transnational pressures can destabilize established frameworks, forcing accounting professionals to legitimize their practices in new ways that align with evolving societal values. As stakeholders demand greater accountability, the role of public accounting firms becomes even more critical in providing the confidence necessary for markets to function efficiently. Ultimately, the intersection of governance, gender diversity, and external stakeholder pressure creates a complex environment where transparency is no longer optional but a prerequisite for maintaining legitimacy and ensuring the long-term sustainability of the modern corporation.

CONCLUSION

The integration of sustainability into financial accounting has transformed from a mere ethical issue to a key strategic pillar in global economic decision-making. Research findings indicate that environmental, social, and governance (ESG) factors are now critical variables significantly impacting financial performance, company value, and the cost of capital. However, in practice, there is a significant challenge in the form of divergent interests between management and investors. While investors use ESG data as a risk management tool to predict future returns, management often exploits it strategically to build organizational reputation or corporate legitimacy. This tension is compounded by the relatively high cost of implementing sustainability practices, which can potentially reduce short-term profits and trigger conflicts with short-term-oriented shareholders. Therefore, the existence of a robust internal control system is essential to ensure transparency and reliability of reporting. Harmonizing various stakeholder interests is essential for sustainability initiatives to truly create authentic value and not simply become a superficial impression management tool.

This research reveals an ESG paradox, where sustainability disclosures have the potential to facilitate opportunistic behavior such as earnings management and creative accounting. The information asymmetry between agents and principals creates loopholes for companies to obscure poor accounting practices under the guise of ethical commitments or social responsibility. Pressure during global crises, such as the pandemic, often drives companies to manipulate data to maintain credit ratings or obtain government assistance. Regarding suggestions for future research, academics are encouraged to conduct longitudinal studies to examine the long-term impact of mandatory disclosure regulations on real carbon footprint reductions rather than merely symbolic reporting. Furthermore, a deeper exploration of behavioral accounting, particularly how gender diversity in boardrooms influences the prevalence of greenwashing practices, would provide valuable theoretical contributions. Future studies should also investigate the effectiveness of using artificial intelligence technology in detecting anomalies between actual financial performance and companies' ESG ratings to ensure information integrity for all stakeholders in the capital market.



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