

UNEARTHING THE GREENWASHING PRACTICES IN INDIA WITH SPECIAL REFERENCE TO BANKING INDUSTRY

Yasmin. A. Barodawala

Dr. Thakorbhai Patel Girl's Commerce College, Vadodara-Gujarat.

Abstract:

people with the deceptive idea of 'Green Washing' has become a prominent customer attraction source, as the nations and their responsible citizens are actualizing the need of Sustainable Development, reducing carbon footprints and likewise to preserve Mother nature. Greenwashing is a marketing practice where in a company or bank presents a false or misleading image of its products or services being environmentally friendly or sustainable. It involves making exaggerated claims about environmental benefits, without actually implementing such sustainable practices. This paper provides a comprehensive analysis of greenwashing, encompassing its definition, various tactics employed by businesses and banks, its impact on consumers, the environment and society. To access the popularity of this practice, a survey method is conducted, containing 80 respondents. It sheds light on the complex nature of greenwashing and its awareness amongst the respondents, indicating the need for more education and alertness related to Greenwashing in India. Thus this research paper is a calling to each one of us for detecting and countering greenwashing. We as Homo Sapiens, being the most intelligent species of this planet, should promote authentic sustainability, foster responsible consumption and create a marketplace that genuinely values environmental and social responsibility, emphasizing the importance of transparency and accountability.

Key Words: Environment, Sustainability, Greenwashing, Eco-friendly, Corporate Social Report, ESD

Introduction

Greenwashing is nothing but making false claims of being environmentally conscious or making misrepresentative

claims about product and service. Presenting in such a manner that it appears to be environmental friendly than what it is in reality. Greenwashing has many undesirable consequences, but there are

major two outcomes. First it misleads the consumers and second it harms the environment (Singh , 2010).That is, it does not bring about any improvement in reducing the greenhouse gases nor leads to any climate change.

The concept of greenwashing is felt in foreign countries and it has become prevalent in India too. The practice of Greenwashing is seen in Sectors like textile, home appliance and FMCG. Greenwashing activity is increasing in numbers and so the skepticism on the part of the consumers has also increased (Do Paço & Reis, 2012). But it is unfortunate that the skepticism so created affects the genuine brands who are actually following environment friendly practices and doing their best to further the sustainability goals. It also affects the actions taken by authorities concerned.

Greenwashing is not an obvious false claim. In fact, it can be a statement that is not entirely accurate or is in way or the other misleading or say in a nature of deception. As a matter of fact, greenwashing is far hard to spot as it is far less sensational. We regularly confront misleading claims made for packaging or sustainability measures sponsored by companies.

What is Greenwashing?

Greenwashing which is also called as ‘green sheen’, is a way of advertising in which the idea of green marketing is used in such a way that it persuades the public to believe that the organization’s

product or service, its aims and strategies are ecologically friendly. It is referred by other names as well, like “impact washing”, “Sustainability washing” or “SDG washing”.

It is a practice where by the company appear to be more ecological, healthier, more natural, recyclable, less wastage of natural resources, chemical free etc. But in practice its activities actually cause pollution. Greenwashing is therefore assumed as abusive because the company positions itself dishonestly as being more committed to sustainable development than it actually is.

In 1986, an environmentalist and researcher, Jay Westervel, introduced this term ‘Greenwashing’ in his article where he criticized the common practice of hotels which asked its visitors to reuse the towels as a way to conserve the environment. On the other hand, these hotels barely did any act to save the environment and that the towel reuse request was an act of greenwashing.

But the word has a much expansive meaning nowadays. Now the consumers as well as the government are becoming sensitive to save the environment and take responsible actions. Study of (Haytko & Matulich, 2008) proved that consumers are ready to pay more for green products.

Now the growing emphasis is on (ESG)- Environmental, Social and Governance – initiatives in companies (Chelawat & Trivedi, 2016). So the need to show ESG efforts have made the companies to follow

greenwashing and make environmental claims (Sensharma, Sinha, & Sharma, 2022). It is also substituted with Corporate Social Responsibility(CSR) activities. (Gaurav & Khanna, 2021). Greenwashing is taken up while tendering the Corporate Social Report (CSR) in a way to create an impression of being a sustainable and environmental friendly company (Burhan & Rahmanti, 2012).

Banks and Greenwashing

As discussed earlier Greenwashing is a way of creating unsubstantiated claims which are often misleading regarding the environmental profits of a service or product. In banking it can take many forms, such as:

- The bank for example use vague and ambiguous language and just mention that the ‘Bank is committed to sustainability’ without giving any proof or details about it.
- It may be promoting green investment funds but many a times such banks may be investing in companies that have poor record about the environment and are polluting the environment.
- A bank might claim that their green loans are ‘Carbon Neutral’. But in reality only a minor or insignificant portion is being associated with the emissions.

Greenwashing is a serious problem because it can mislead consumers and investors into thinking that they are supporting

sustainable businesses when they are not. This can have a negative impact on the environment and on the credibility of the banking industry.

Prevailing matter of greenwashing in India

In India the practice of Greenwashing is prevailing like any other countries abroad. This fact is supported by numerable studies and reports (Khandelwal & Bajpai, 2011). The CSE- Centre for Science and Environment’s study found that in India there are many companies that make false claims, make use of exaggerations about their Product’s environmental benefits. These companies lack transparency and accountability. Another study conducted by the ASCI-Advertising Standard Council of India found that the green claims made in advertisement are 79% misleading and over exaggerated. The most evident and obvious greenwashing practice followed in India is the use of packaging. The companies pack the product in ways in which it appears to be eco-friendly or organic, like using greenery, picture of leaves that gives an impression that the product is environmental friendly. Many companies make use of eco-labels, green certification and many a times claiming that their product is bio-degradable, easily recyclable when they are actually not.

Factors Contributing Greenwashing In India

- Lack of strict regulations about environmental claims.
- Demand for eco-friendly product and services.
- Difficult for companies to assess the environmental effect of their product.
- To have sustainable practice is an expensive affair but engaging in Greenwashing is rather inexpensive.
- Lack of awareness on the part of the consumers.
- Regulations are existing in India but there is lack of enforcement.

Repercussion of Greenwashing practices

- This deceptive practice can have negative consequences for both the environment and consumers (Halverson, 2018). It is important for companies to be transparent and honest about their environmental practices and impacts to build trust with consumers and promote sustainability.
- Greenwashing creates an unfair advantage for companies that engage in greenwashing over companies that are genuinely committed to sustainability, as consumers may be more likely to choose the former based on misleading information.
- Greenwashing can also erode consumer trust and confidence in environmental statements made by companies, which can undermine

efforts to promote sustainability and reduce environmental impression. Furthermore, it can also lead to regulatory and legal action, as there are laws and regulations in many countries that prohibit false or misleading advertising claims.

Current Landscape

The concept of Greenwashing is age old in India. There exist many studies that detail out the reasons behind the practice of Greenwashing and also highlight the extent of its occurrence. One such study is of CSE- Centre for Science and Environment (2020) unveiled that the cleaning products marketed as being safe for environment and eco-friendly, contain harmful chemicals. As per the survey by Consumer VOICE, the products that are sold as 'Eco-friendly' and 'Green', nearly 40% of such companies do not have any certification back-up. A study undertaken by Accenture revealed that 78% of consumers profess that the companies must be responsible for the environment, but only 50% of them believed that the companies were actually doing it.

Greenwashing in different sectors in India

Greenwashing can be seen across various sectors and industries in India as displayed in the chart below:

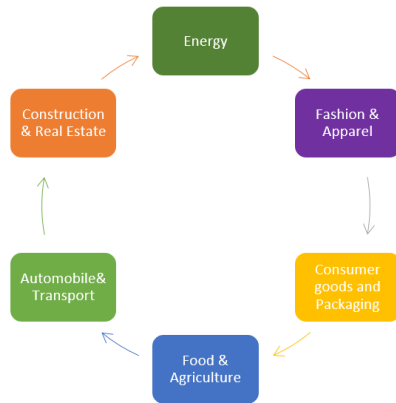


Figure: 1 Greenwashing in various sectors in India.

Examples of Greenwashing in India

Let us now look at some of the popular examples of greenwashing practice in India.

The first one is the Hindustan Unilever Ltd. (HUL). It is criticized for major two issues. The company is accused for greenwashing in respect of personal care and home care brands like Dove, Surf Excel, Rin and Lifebuoy. It is said that these products contain palm oil which is connected with deforestation and human rights exploitation in southeast Asia and the company advertises as being environment friendly and sensitive towards social impacts of its product. Second the campaign run by the company as ‘Clean India’ claims to improve public health and sanitation is misleading. As the

company does not address the root cause of poor sanitation in the country.

The popular FMCG Company, Patanjali Ayurved Ltd. claims to make and sell ‘Herbal’ and ‘Natural’ products in India. On scrutiny it was discovered that many of its product contain harmful chemicals such as mercury, lead and arsenic. In 2016 its Amla Juice was banned by the FSSAI-Food and Safety Standards Authority of India because it was detected to be unfit for human consumption.

Adani Power which is the subsidiary of Adani group has its Power plant in Mundra, Gujarat. The company is claimed to have been falsely greenwashing that their plant is complaint with the environmental regulations. The NGT- National Green Tribunal, in 2013, had ordered the company to pay Rs.100 Crores fine for the damage done to the environment and the health of the public. But Adani Power continued claiming that their power plant was compliant with the government regulations and they are committed to sustainable development.

Later in 2019, Adani Power was found violating several norms like emitting over the limit levels of Sulphur dioxide, letting the hot water into the sea, dumping fly ash and so on. The company is also accused of submitting false data to CPCB-Central Pollution Control Board to denote that they follow the environmental norms.

Literature Review

(Uyar, Karaman, & Kilic, 2020) the authors have attempted to examine the

linkage between CSR- Corporate Social Responsibility and CSR- Corporates social reporting based on theories related to greenwashing and signaling. The ESG-environmental, Social and Governance is another name for CSR performance. The study found that

Companies that have greater CSR performance will announce and put up a CSR report. The outcome of the research is in favor of signaling theory and rejects the greenwashing activities in the logistic sector.

(De Jong, Harkink, & Barth, 2018) professes that the occurrence of greenwashing has erupted due to the victory of green products, but it has a devastating effects on consumers. The study has attempted to distinguish the response of customers towards greenwashing, Vocal green, silent green and silent brown companies that are engaged in selling perfumes and detergents. The findings declare that greenwashing is a strategy that is non beneficial for the company as it does not affect the intentions of customer purchase. Customers perceive greenwashing companies similar to silent brown companies. Greenwashing creates a negative impression about the integrity of the company in the minds of the consumers and does not generate any true competitive advantage for the company.

(Marquis, Toffel, & Yanhua, 2016) opines that companies restore to greenwash activities due to the pressure they undergo to fulfill their compliance towards their authority to show the impacts of their product and services on the environment.

This is termed as selective disclosure in their study, and has surfaced various circumstances wherein these companies can refrain from greenwashing. By using panel data analysis of 4750 Public companies from among 45 countries across the global during four years, 2004-2007, the authors affirm that companies which are placed in countries which have sterner norms are unlikely to practice greenwashing, are more transparent and more accountable.

(Brouwer, 2016) observes that when companies opt for practicing green marketing the occurrence of Greenwashing is inevitable. This gives rise to various issues though they are not investigated properly. Using group discussion, the bearing of greenwashing activities on consumers is assessed on before and after basis. The study reveals that in the long run greenwashing does not fetch any benefits to the company. Suggestions are made for the enactment of public policy and stronger regulations on the part of the government to reduce the messages that are greenwashed to influence the buying behavior of the consumers.

(Atkinson & Rosenthal, 2014) stresses that when an ecolabel is attached to a product it creates a positive impact on the consumers. The impact is more in case of branded goods than products of daily use like FMCG and food items. Thus ecolabel becomes a signaling device. Corporates can use the results so received from this study, to increase the creditworthiness and trust amongst the consumer's mind by

promoting eco-labels and generate more positive attitudes for their product and services.

Research Methodology

Objective of the study:

To study the awareness level and the knowledge of the concept of Greenwashing in India.

Method of Analysis

To investigate the popularity of greenwashing in India, survey was conducted as the primary data collection method and also secondary data was referred from published and unpublished works of the past. Survey are a useful research tool for collecting quantitative data from a large sample of participants. The sample size for the present study is 80 respondents and was selected using

random sampling technique. The survey was designed to collect data for different aspects of greenwashing encompassing consumer awareness, perception and attitudes for greenwashing in India. The questionnaire was developed based on through review of literature on greenwashing and adapted for Indian context.

Limitations to the study

This paper aims on surfacing the concept of greenwashing to limelight. It does not cover everything related to it as this is a wide and vast topic. This limits its usefulness in providing a comprehensive notion of a particular issue for some individuals. Also the paper has surveyed a small sample size of 80 individuals and drawn conclusions based on the opinions received from them. This can lead to bias in the research or conclusions presented in this paper.

Quantitative Research results

A survey was conducted to assess the level of awareness on the topic of Greenwashing from a set of 80 individuals. The survey included the knowledge about perception of Greenwashing and its implications which is shown in table 1 below:

Sr. No	Questions	Agree	Percentage
1	Never heard about Greenwashing	44	55
2	To what extent do you trust the “recycling” label ?provided on the product	52	65
3	Would seeing this label make a difference in your ?decision to purchase it	64	80

4	At least once in the past have become victim to Greenwashing	48	60
5	When purchasing products, how often do you look for green alternatives	28	35
6	How important is it for you to strive to live a sustainable lifestyle	24	30
7	Not concerned about Greenwashing	20	25
8	Company should pay attention to sustainability practices	56	70
9	Government should introduce stricter rules and laws to control it	72	90
10	Greenwashing has become a major problem in India	44	55

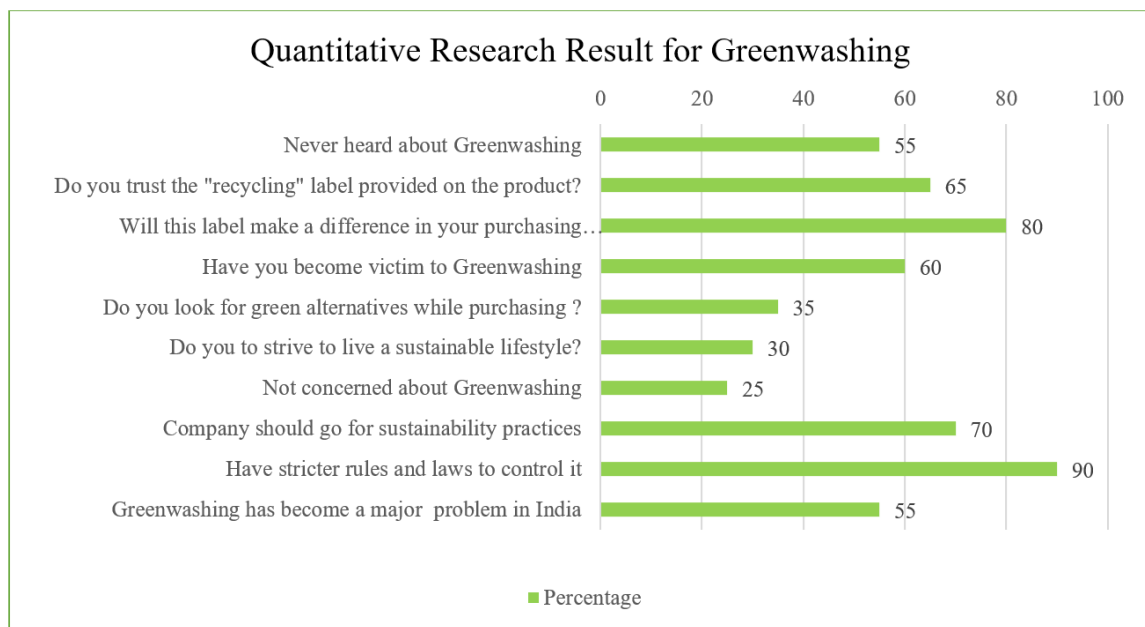


Figure: 2 Quantitative Research Result for Greenwashing

The outcome of the survey is as follows:

1. An astounding of 55% have never heard about Greenwashing before.
2. 65% individuals admitted that they trust the label of recycling given on the product.
3. Around 80% of consumer's decision to purchase is affected on seeing the recycling label.
4. 60% of consumers have become victim of greenwashing at least once in the past.
5. About 35% individuals are particular to look for green alternatives.
6. Only 30% have shown the importance to strive to live a life that is devoted to sustainability.
7. 25% individuals seem not to be concerned regarding greenwashing which could be due to lack of awareness.
8. 70% consumers believe that companies

should pay attention to sustainability practices.

9. 90% of the respondents profess that Government should introduce stricter laws to control greenwashing.
10. 55% individuals are of the opinion that Greenwashing has become a grave problem in India.

Recommendations for Banks

Banks can do number of things to avoid greenwashing, such as:

- Be clear and transparent about their environmental commitments.
- Use credible third-party verification for their environmental claims.
- Disclose the full environmental impact of their products and services.
- Engage with stakeholders to get feedback on their sustainability efforts.

Conclusion

In conclusion, this paper underscores the urgency of addressing greenwashing as a significant barrier to achieving true

sustainability. For having a sustainable corporate practice and for protecting consumers from fake, green coated claims, it is necessary to reduce greenwashing practices. There is a need to expose the tactics employed by unscrupulous companies and offer a roadmap for regulatory and consumer driven solutions, being more transparent, responsible and having genuine eco-conscious business landscape. A robust legal framework is essential to hold the companies and banks accountable for their inaccurate environmental claims along with significant penalties. Apart from this, a better consumer education and awareness about greenwashing and its identification is required. SEBI have issued guidelines for the same but there is still a long way to go in decreasing the green washed actions of corporates and banks and moving towards genuine sustainable development goals to save our world and our mother earth.

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