Green Washing or Game Changer of Corporate Sustainability: Impact on Environment, Society, and Governance (ESG)

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Abstract  
The argument raised in green washing research that the voluntary CESR (Corporate Environmental Social Responsibility) approach stimulates the spread of green washing is our key finding leading to our theory contribution. The voluntary idea of CESR remains popular in CESR literature and searches to be a nunclear field which allows form is leading ‘green’ communication. As public awareness about green washing has increased over the last two decades, likewise has academic research, and there is now a significant amount of research addressing green washing issues. In this paper, we analyse and evaluate green washing research to provide a review of trends and progress in the field and an overview of the empirical and theoretical findings reported in previous studies. As a result, we argue that greenwashing could be better prevented through a combination of voluntary and mandatory approaches. The fresh approach should encourage innovative and compelling corporate CESR activities while defining the boundaries and regulations for their achievements and communication, as companies may break legislation by over stretching CESR reports. They are vulnerable to the phenomena a recognised in the literature as ‘green washing’ because of their stakeholders’ perceptions. Consequently, this paper aims to examine the phenomena of green washing and trace its development in the current body of research.

Keywords: Corporate Environmental Social Responsibility, Greenwashing.

Introduction  
Corporate greenwashing is an advertising strategy businesses employ to give the impression that they are environmentally friendly when they are not. Corporations engage in “green washing” to appeal to customers who are growing more aware of the environment. This can involve fraudulent marketing, confusing or unsupported statements, and misrepresenting the environmental advantages of their goods or services. Many businesses have been charged with
using “green washing” to capitalise on the socially conscious investing trend. But it’s crucial to remember that some companies take Corporate Environmental and Social Responsibility (CESR) seriously, and not all of them engage in greenwashing. For example, when a business advertises its goods as “100% natural” or “organic,” they may actually contain dangerous substances or lack certification from an external third party (Bruce Watson 2016).

The practice of “green washing” has grown more common and complex over time as businesses have realised the marketing benefits of doing their part to protect the environment. In response, customers and monitoring organisations have increased their diligence in exposing instances of “green washing” and pressing businesses for greater accountability and transparency (Joshua Karliner 2001).

Customer awareness of sustainability issues had risen by the early 1990s, and studies revealed that a company’s environmental performance influenced most customer purchases. As a result of the heightened environmental awareness, the term “greenwashing” entered the Oxford English Dictionary by the end of the decade. Green washed ecological marketing claims are an issue because they exploit the rising demand for environmentally friendly methods and goods. Even worse, greenwashing businesses frequently spend more money fooling consumers into thinking they are selling environmentally beneficial goods than simply making them environmentally friendly.

Corporate greenwashing is deceiving customers who want to “vote with their dollar” to stop climate change and harmful environmental practices. To hold businesses responsible for adhering to their CESR commitments, consumers and stakeholders must know about green washing. It involves putting pressure on companies to be more open and accountable and encouraging those that put genuine CESR initiatives ahead of those that participate in green washing. By doing this, we can motivate businesses to take significant action to solve environmental and social problems and foster positive societal and environmental change (Becker-Olsen, K., Potucek, S. 2013).

**Literature Review**

A significant body of research has been done on corporate green washing. Through a bibliographic examination of various research papers published between 2000 and 2020, an in-depth review of the literature on greenwashing and its relationship to stakeholders offers an overview and synthesis of the knowledge already known about the practice (Becker-Olsen, K., Potucek, S. 2013). Another comprehensive literature review investigates “greenwashing” by examining its main terminology and types during the previous ten years (Santos et al., 2023). The study revealed an essential classification of greenwashing, including firm-level operation, firm-level assert, product-level implementation, and product-level statement. Due to the increasing environmental issues, businesses are working to create and market green products. Some companies deceive their stakeholders using a practice known as “green washing.” While corporate greenwashing is common, little research has examined how it affects consumers. According to De Jong et al. (2020), consumers are negatively impacted by perceived green washing practices, either directly or indirectly. Another study examines corporate green washing by multinational corporations in their host emerging economies, particularly in Asia.

**Importance of the Study**

The corporate greenwashing study is essential because it exposes the dishonest tactics used by businesses to look environmentally conscious while continuing to engage in activities that harm Society and the environment. Understanding companies’ strategies for misleading customers is the first step in holding them responsible for their conduct. Greenwashing reduces the efforts of genuinely eco-conscious businesses and deceives customers, making it harder to make wise
decisions. By revealing green washing tactics, companies can be held accountable, and customers may choose the goods and services they want to support with more excellent knowledge.

First, it reduces the chance of greenwashing, lowering corporate actions’ environmental impact. Second, studies have consistently shown that perceived greenwashing practices negatively or indirectly affect consumers. Third, as scientific understanding of greenwashing grows, this social claim is brought to the top of corporate management research, helping the battle against it and minimising its environmental damage. Last, the research on “greenwashing” focuses mainly on environmental issues, essential elements of corporate social responsibility.

Statement of the Problem
The problem with corporate greenwashing is that it fools customers who like to purchase goods and services from firms that practice environmental responsibility. Even with the best intentions, businesses can engage in “green washing,” spending more time and money promoting their commitment to sustainability than reducing their environmental effect. Green washing is a fraudulent marketing technique that may have various impacts depending on the application’s nature, extent, and seriousness. It is a concern because it takes advantage of the rising demand for sustainable practices and products, and green washing businesses frequently invest more money in misleading consumers into believing they are selling environmentally friendly products than in making those things ecologically friendly. False advertising may convince customers to unwittingly support businesses that use a lot of chemicals, release pollutants, and engage in other environmentally harmful activities, which would increase greenhouse gas emissions.

Therefore, the issue with corporate greenwashing is that it damages the reputation of businesses’ commitment to the environment and social responsibility while also causing environmental problems.

Objectives of the Study
• To assess the effect of corporate green washing on consumers
• To identify and analyse the various strategies used by companies to engage in green washing
• To evaluate the impact of green washing on the environment and Society
• To examine whether corporate green washing is profitability or sustainability

Advantages of Corporate Green Washing for Companies
Corporate green washing benefits businesses in several ways, including by strengthening their brand value, public perception, and ability to draw environmentally concerned clients.

Competitive Advantage
Businesses may have an advantage over competitors by portraying themselves as environmentally friendly. By “green washing,” they could set the business apart from the competition and may be capture a more significant share of the growing sustainable product and service market.

Positive Reputation
Greenwashing can provide the impression that a business is committed to sustainability and environmental responsibility. This positive brand reputation may result in environmentally dedicated customers who prefer to support companies that seem to prioritise environmental issues.

Shareholder Appeals
Investors that are mindful of the environment or invest in impact funds that give priority to businesses with sustainable practices may be attracted by green washing. Companies may get more
investors interested in responsible and sustainable investment prospects by portraying themselves as environmentally conscientious.

**Disadvantages of Corporate Green Washing**

**Harm to the Environment**

Green washing takes resources and attention away from actual sustainability practices. It might be challenging to make progress toward addressing urgent environmental problems when businesses prefer spreading a false impression of environmental dedication above carrying out actual environmental activities. This may increase environmental damage and thwart efforts to promote sustainable growth.

**Legal and Administrative Repercussions**

Green washing may result in legal and governmental penalties. Regulations are in place in many nations to stop fraudulent or false advertising, especially promises about the environment. The government or interested parties may punish, penalise, or take legal action against a corporation if it is found guilty of green washing.

**Missed Opportunities for Genuine Sustainability**

Green washing deter Companies from implementing and investing in proper sustainability practices. Companies may spend money on deceptive marketing strategies rather than significant environmental improvements.

**Consumer Scams**

Green washing misled consumers, making unrealistic or fraudulent environmental promises. This misrepresentation may make it more difficult for customers to make wise judgments about their purchases based on correct ecological information. Consumer trust in green marketing has diminished, which makes it more difficult for businesses to be recognised for their since resustainability efforts.

**Effects of Corporate Green Washing on Consumers**

Consumers may be significantly impacted by corporate green washing. Many individuals now a days are concerned about the environment and are prepared to pay more for ecologically friendly items. However, when businesses participate in “green washing,” they are effectively misleading customers by claiming that their goods or services are sustainable when they are not. Fall of trust: Consumers’ faith in businesses and their sustainability claims are damaged by green washing, making it more difficult for them to tell the difference between genuinely sustainable items and those that engage in dishonest business practices.

**Effect on Customer Behavior**

Green washing can affect consumer behaviour in ways consistent with their genuine beliefs and intentions, preventing them from meaningfully advancing environmental sustainability.

**False Description**

By making misleading or exaggerated environmental promises, green washing misleads customers. Customers have there by led a stray into thinking that a company's offerings or business methods are more ecologically friendly than they are. As a result, customers could base their purchases on false information, preventing them from making sustainable decisions that are sustainable.
Poor Allocation of Resources

Green washing can take consumers’ focus and money away from genuinely sustainable practices and goods. Customers can be more inclined to support businesses that use “green washing” tactics rather than those that make significant environmental investments. This inefficient use of resources hinders adopting environmentally friendly behaviours and prevents the growth of real sustainability.

Strategies Used by Companies to Engage Green Washing

- Vague or general environmental claims: Companies may make claims about being “eco-friendly,” “green,” or “sustainable” without offering any specifics or supporting information. These concepts are difficult to define and are open to misunderstanding.

- Using green imagery or symbols: Companies may use nature-related imagery, green colours, or eco-friendly symbols in their marketing materials to create a visual association with sustainability. Even if the company’s practices do not match the visuals used, this may convey the impression that it is environmentally conscious.

- Labels and certifications which are meaning less or misleading: Businesses may employ deceptive tags or credentials that suggest a product’s environmental advantages without offering complex data. Even if they are fake or unreliable, these labels might convey that they have received third-party approval or have complied with environmental regulations.

- Distraction from Unsustainable Practices by Green Efforts: Businesses may exploit CSR or green efforts as a diversion from their unsustainable practices. While deflecting attention from their total environmental effect, they build a favourable public image by showing philanthropic giving or community participation.

Impact of Green Washing on the Environment, Society, and Governance (ESG)

Green washing harms society, the environment, and governance. The following are a few outcomes of green washing:

Impact on the Environment
- Consumers may unknowingly subsidise corporate operations that use a lot of chemicals, release chemicals, and engage in other ecologically harmful behaviours due to green washing and other similar tactics.
- Green washing hinders the growth of a sustainable economy and slows down sustainability initiatives.
- Climate change is made worse by green washing. Climate change brought on by humans is caused by the emissions of greenhouse gases by industry.
- Consumers who fail to distinguish between true and false statements are less able to appreciate the effects of their purchase decisions due to green washing.
- Green washing leads customers to support businesses that harm the environment and ecosystems unwittingly.

Impact on Society
- Green washing damages the reputation of a business’s social and environmental responsibility and exacerbates ecological issues.
- Green washing under mines customer confidence and harms a company’s reputation, resulting in a market share loss.
- Green washing can make customers doubt any sustainable efforts a business may undertake, threatening its advancement.
Green washing preys on customers’s in cere environmental concerns, posing issues like preventing them from making ecologically conscientious decisions.

**Impact of Governance**

- Corporate environmental and social responsibility may suffer from a lack of transparency and accountability due to green washing.
- Green washing can impact managerial choices, causing managers to favour immediate profits above long-term sustainability.
- Green washing can result in a loss of market share and diminished profitability if customers believe a firm is dishonest or misleading about its environmental promises.

**Is Corporate Green Washing Profitability or Sustainability**

Corporate green washing is more about profitability than sustainability. Companies believe they can reduce the cost of investing in sustainability while still getting there wards of having an “environmentally friendly” image. In addition, consumers are more likely to engage with a company that acts sustainably, which can increase demand for their goods and services. However, green washing damages the reputation of corporate social and environmental responsibility and exacer bates ecological issues. Therefore, businesses should implement sustainable practices that increase earnings and boost their reputation instead of using green washing techniques. Without the business sector, whose profit is neither required nor sufficient for sustainability, a large-scale sustainable path is unachievable. Businesses that emphasise sustainability more than profits are more likely to succeed in the long run and contribute to a sustainable economy.

Adopting actual sustainable practices, integrating environmental considerations into operations, and long-term commitments to lowering environmental impact are all requirements for true sustainability, which goes beyond cosmetic marketing. It entails funding programs that support a more sustainable future, such as waste reduction, ethical procurement, responsible resource management, and renewable energy. Green washing compromises the pursuit of true environmental responsibility while under mining sustainability initiatives, even if some businesses may aim for both profitability and sustainability. Short-term financial benefits are given precedence over long-term sustainability objectives.

In conclusion, while businesses may use “green washing” to increase profits, true sustainability necessitates a sincere dedication to ethical business practices and a comprehensive strategy for resolving environmental issues.

**Link Between Green Washing, Ethical Business Decision-Making, and Sustainable Development**

Sustainable development, ethical business practices, and green washing are all related. The relationships between them are as follows:

- Green washing damages the reputation of businesses’ social and environmental responsibility and worsens ecological issues. Therefore, companies should implement sustainable practices that increase earnings and boost their reputation instead of using green washing techniques.
- Businesses that put sustainability before profits are more likely to succeed in the long run and contribute to a sustainable economy.
- Making ethical business decisions entails considering how company practices affect Society and the environment and choosing options that support long-term development objectives. Green washing can impact managerial choices, causing managers to favour immediate profits above long-term sustainability. Public opinions of corporate greenwashing may be influenced by how
environmental policy is communicated, and businesses that put sustainability before revenue are more likely to be seen as genuine in their environmental efforts. Greenwashing can harm a firm’s progress toward sustainable development by making consumers doubt the company’s sustainability efforts.

**Corporate Green Washing Effects on Environmental, Social and Economic Development**

Corporate green washing may worsen conflicts between social, economic, and environmental growth. The following are some ways that greenwashing may have an effect in various areas:

**Effects on Environmental Development:**

Among other ecologically harmful behaviours, green washing can increase greenhouse gas emissions, financial support for commercial activities involving extensive chemical usage, and pollution discharge. Green washing can hinder sustainability initiatives and the growth of a sustainable economy. Consumers who cannot distinguish between true and false statements may find it more difficult to grasp the effects of their purchase decisions due to green washing.

**Effects on Social Development**

Green washing can damage customer confidence and harm a company’s reputation by undermining corporate environmental and social responsibility trustworthiness. Green washing may prevent consumers from choosing environmentally friendly products since it may lead the way to misleading ecological promises. Greenwashing may undermine a company’s attempts to be sustainable by making consumers doubt them, which might endanger their progress toward sustainable development.

**Effects on Economic Development**

Greenwashing can result in short-term profits at the price of long-term sustainability, which can have a detrimental long-term effect on economic development. Greenwashing can result in a loss of market share and diminished profitability if customers believe a firm is dishonest or deceptive about its environmental promises. Businesses that put sustainability ahead of profits are more likely to be successful in the long run and contribute to a sustainable economy.

**Measures for Controlling Corporate Green Washing**

Corporate greenwashing can be prevented by taking several different steps. The following are some strategies for preventing corporate green washing:

- **Be open and honest:** To prevent deceiving customers and investors, businesses should provide pertinent facts such as effects, plans, and progress.
- **Be particular:** Businesses should be explicit and detailed to avoid making broad or deceptive environmental claims.
- **Adopt sustainable practices:** Businesses should prioritise ethical decision-making and sustainable practices to support the aims of sustainable development.
- **Utilise impartial third-party certifications:** Businesses may use unbiased third-party certificates to validate their environmental claims and prevent deceiving customers.
- **Inform consumers:** Businesses may tell customers about the environmental effects of their goods and services to assist them in making wise decisions.
- **Conduct routine audits:** Businesses can do regular audits to ensure their environmental claims are truthful and not deceptive.
- **Communicate with stakeholders:** Businesses may communicate with stakeholders, including customers, investors, and workers, to make sure that their environmental claims are in line with stakeholder expectations.
Findings
- According to research on corporate green washing, it is a common problem with potentially harmful effects on the environment, society, and government. Here are a few of the findings:
- Green washing is the practice of businesses misleading customers about a product’s or service’s environmental qualities or the environmental performance of a firm.
- There are four main kinds of greenwashing: product-level execution, product-level claim, firm level execution, and firm-level execution.
- Greenwashing may result in a loss of customer confidence, harm a business’s reputation, and a lack of accountability and transparency in corporate environmental and social responsibility.
- Greenwashing can impact managerial choices, causing managers to favour immediate profits above long-term sustainability.
- Companies should prioritise ethical decision-making and sustainable practices, be clear and explicit about their environmental claims, employ independent third-party certifications, educate customers, perform frequent audits, and include stakeholders to prevent greenwashing.
- To achieve a competitive edge, hide a problematic environmental record, stay competitive, appeal to environmentally sensitive customers, and comply with legislation, businesses may participate in “green washing.”

Conclusions
Corporate green washing can negatively affect the environment, society, and governance. Here are some conclusions about corporate green washing and corporate environmental and social responsibility based on the research results:
- Corporate green washing is the practice of businesses fooling customers about the environmental performance of a firm as a whole or about the green credentials of a product or service. Corporate green washing can result in a loss of customer confidence, harm to a company’s brand, and a lack of accountability and transparency regarding corporate environmental and social responsibility. Corporate green washing applications’ type, extent, and seriousness can have various effects. As ecological issues worsen, businesses seek to create and market green products. However, some enterprises deceive their stakeholders using the term “green washing.” Corporate green washing is the deliberate or accidental over statement of a company’s financial success, sometimes done as a form of advertising or due to poor communication. The effects of corporate green washing are getting worse as there is a growing movement towards global sustainability. To prevent green washing, businesses should prioritise sustainable practices and moral decision-making, be open and clear about their environmental claims, employ independent third-party certifications, educate customers, perform routine audits, and include stakeholders. As a result, corporate green washing is a problem that is wide spread and has the potential to harm government, society, and the environment. Businesses should prioritise sustainably practises and moral decision-making and take precautions to avoid green washing to mitigate these adverse effects.

References


Magazines

