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A Case Study Approach to Uncover Greenwashing and Ensure Consumer Protection

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Abstract

Consumers in India are increasingly seeking eco-friendly products due to growing environmental awareness and heightened health concerns in the present-day scenario. Companies are promoting sustainable and eco-friendly products, but the presence of Greenwashing is evident. This Greenwashing marketing tactic is misleading consumers. This paper aims to examine the legal framework in the form of Indian legislation, rules and regulations that protect consumers and the sustainability of the environment. In addition, the paper analyses FMCG King, an Ayurvedic firm that is in discussion for greenwashing and misleading advertisements, demystifying this corporate case in the light of the legal environment. This paper focuses on the legal framework in which businesses can adopt sustainable business practices in India. The findings of this research emphasize the importance of protecting consumer interests and ensuring the appropriateness of business practices for policymakers, consumers and companies overall.

Keywords: Greenwashing, Consumer Safeguarding, Consumer Protection Laws, Patanjali Ayurveda, Sustainability, Green Labeling.

Introduction

In India people are increasingly turning to natural and herbal products because of their safety and convince, as busy lifestyle requires healthier ways to maintain fitness. Green marketing being a modern tool has a positive effect on various factors in the economy. However, many companies employ an unethical strategy, 'Greenwashing' to conduct business.

In 1986, Jay Westervelt, an environmentalist, introduced the term Greenwashing by focusing on the hospitality industry's practices promoting towel reuse. (Guo, R., Zhang et al (2018) & Wolniak, R. (2015). Greenwashing undermines consumer trust in environmentally friendly products by making false claims about their benefits.

The last two decades witnessed a sharp increase in public concern over greenwashing, leading to a similar rise in academic research and a sizable body of literature addressing relevant topics. In India, greenwashing has become a major problem, especially in industries like FMCG and textiles. This illusive marketing tactic makes consumers question the validity of these claims and results in less sustainable choices. There are only few studies on consumer protection and greenwashing that examine the Indian legal framework. Jog D, et al., (2022) India's research indicates that

consumers with better knowledge of greenwashing scrutinize products, make green purchases, and are more environmentally conscious, willing to pay higher prices for green products. Rashid, et al., (2009). Greenwashing purchasing intentions refers to a consumer's willingness to purchase a product or service from an environmentally friendly company due to their environmental attitudes. Newton, J.D., et al., (2015).

Green purchase intention highlights the significant impact of knowledge on consumer decision-making processes. It's time for consumers to learn how to spot greenwashing. Additionally, businesses ought to adopt more socially conscious policies. country's legal apparatus needs to be tightened up more in regards to greenwashing.

Rebuilding confidence following a greenwashing incident is a challenging and protracted process for businesses, necessitating a specific modification to their marketing approach. Vangeli, A., et al., (2023). Corporates greenwashing negatively impacts consumers' willingness to buy green through green word-of-mouth at the consumer level. Zhang., et al., (2018).

Literature Review

Poorvi Rai, (2021) This research examines the deceptive practices of companies claiming to be environmentally friendly, and the need for consumers to be more aware during their purchases. The paper sheds light on the collaborative efforts of government and private organization to address the issue of Greenwashing. Some common tactics used by companies in Greenwashing.

Khandelwal, M, Sharma et al (2019) in this article author examines growing prominence of green advertising and the confusion it can cause for consumers. It also investigates which sectors are most prone to Greenwashing and how it affects consumer behavior.

De Freitas Netto, S. V., Sobral (2020) This research identifies the phenomenon of greenwashing and its main typologies for the past 10 years. Different types of greenwashing are identified and how consumers avoid falling victim to greenwashing is examined.

Santos, C., Coelho et al., (2023) the study amalgamated existing knowledge on greenwashing, focusing on its impacts on stakeholders. Its analysis is on previous literature, identifies influential aspects and focuses on trends. The study contributes on branding, consumer attitudes and B2B. Future directions enhances impact of greenwashing on stakeholders.

Research Questions

- Why do the existing consumer protection and environment laws fail to effectively prevent Greenwashing in India?
- How do regulators and governing bodies contribute to safeguarding consumer rights and the environment in India?
- What measures can consumer take to shield themselves from Greenwashing tactics employed by companies in India?

Methodology

Greenwashing, a significant obstacle to sustainable development, has not been covered due to its lack of underlying causes. (Nygaard et al. 2023). This paper is descriptive, and the research is based on secondary data sources. The study involves a comprehensive analysis of the legal implications of greenwashing, and consumer protection, utilizing simple observation techniques for case analysis.

Laws & Regulations Safeguarding Consumerism & Sustainability in India

The Consumer Protection Act, of 1930, aims to safeguard the rights of consumers and hold

businesses accountable for unfair practices, including greenwashing. Presently, the Act provides consumers with the right to seek redress against unfair trade practices, including misleading advertisements. However, greenwashing is not specially addressed in the law.

The Indian Penal Code of 1850: IPC Code Section 89: Manufacturers or service providers who create misleading advertisements that harm consumers face imprisonment for up to two years and a fine of up to 10 lakhs, with subsequent penalties up to five years.

The Companies Act, 2013, makes it compulsory for certain companies to spend a portion of their profits on CSR activities. This law encourages businesses to contribute to social and environmental causes. Sustainable business models can focus on CSR initiatives that benefit the environment and society, fulfilling their legal obligations and making a positive impact

The Advertising Standards Council of India (ASCI) plays an essential role in regulating advertising tactics in India as a self-regulatory organization. Despite not being a statutory body, ASCI fall under the jurisdiction of the ministry of Information & Broadcasting. It investigates Consumer Complaints related to deceptive advertising, particularly, those involving “Greenwashing”

Bureau of Indian Standards (BIS) certification adds credibility to products claiming to be environmentally friendly. BIS establishes for product quality, safety and environment impact. Companies that display eco-friendly labels without conforming to BIS standards face legal action.

The Solid Waste Management Rules of 2016 provide guidelines for waste management in India. These rules emphasize the separation of different types of waste, recycling and proper disposal. Sustainable business models can adhere to these principles by implementing efficient waste management systems promoting, recycling and minimizing waste generation.

The Energy Conservation Act of 2001 promotes energy efficiency in various sectors. It includes requirement for energy audits, energy consumption standards, and labels for specific products. Sustainable business models can prioritize efficient energy use, investment in renewable energy sources, and compliance with energy efficiency standards mandated by law.

Magic Remedies (objectionable Advertisement) 1954 Act is to shield the public from effectiveness of pharmaceuticals in treating or preventing certain illnesses. It permits the promotion of treatment purported to have magical properties and addresses related issues.

Case Study- Patanjali Ayurveda Limited

Patanjali Ayurveda Limited (PAL), a small pharmacy in Haridwar, India, began as Patanjali Ayurveda Kendra Private Limited in 2006. The company has expanded its products range to include items like herbal medicines, personal care products, and food products. Patanjali gained popularity for promoting traditional Indian medicine and emphasizing natural ingredients. Patanjali competes against both domestic and foreign businesses in a very competitive market. It is significant to note that Patanjali has grown its consumer base and market share in spite of obstacles to quality assurance, network growth, and competition from more established firms. Patanjali Ayurveda Limited has the vision to take the turnover of Patanjali Group to Rs. 1 lakh crore in the next 5 years and that of Patanjali Foods, which is a listed company, to up to Rs. 50,000 crores. (The Economic Times, 19 June, 2023). The PAL has strong financial standing; Baba Ramdev used contributions, yoga retreats, and TV programmes on pay channels to launch the firm with an initial investment of 400 million. spending on advertising budget, few commercials, and staff members who volunteered to promote the brand. All of these indicated that there was no financial load on the business.

The Ayurveda and Unani Licensing Authority (AULA) of Uttarakhand halted the manufacture of five drugs by Divya Pharmacy, a unit of yoga guru Ramdev’s Patanjali Ayurveda Limited. The drugs whose manufacturing had been halted include medications for blood pressure (BP Grit) diabetes (Madhugrit), goiter (Thyogrit), glaucoma (Eyegrit), and high cholesterol (Lipidom). The

move follows a complaint file in July by a Kerala-based ophthalmologist, K V Babu, who alleged that Divya Pharmacy had repeatedly violated the drugs and Magic Remedies (objectionable Advertisements) Act, 1954; Drugs and Cosmetics Act, 1940; and the Drugs and Cosmetics Rules, 1945. Babu K V, an ophthalmologist in Kerala, persisted in his efforts by sending over 100 RTI's and related communications and reaching out to lawmakers. Eventually, he achieved a victory for public health, a matter that concerns him as both a citizen and a doctor. In his attempt to stop Divya Pharmacy, a manufacturing unit owned by Patanjali Ayurveda Limited in Haridwar, Uttarakhand, from publishing advertisements prohibited by the law in national newspapers, Babu submitted over 100 RTI applications and related communications to the Drugs Controller General of India (DCGI), the ministry of Ayush, Ayurveda, and Unani Services, Uttarakhand, and the press Council of India. He used RTI's so that applicant could track the progress and status of the complaint and also review the officials' comments in the file. Till recently, the supreme Court announced to consider imposing a fine of Rs.1 crore on every product if a false claim is made that it can cure a particular ailment. (The Economic Times November, 2023). Baba Ramdev found it simpler to seize the opportunity of business with the slogan "Prakriti ka Ashirwad" because trust and religion are still more appealing in India than reasoning and science.

Regulatory Gaps and Challenges

Greater regulation, surveillance, and consumer education are needed to fight 'greenwashing' and holding companies accountable for their actions. The corporate sector has regulations to enhance transparency and disclosure regarding environment performance and eco-friendly products. The discrepancy between claims and actual practices is due to selective disclosure or disconnecting behavior to satisfy stakeholders.

The SEBI (2021) circular on Business Responsibility Reporting (BRSR) mandates reporting for the top 1000 listed companies. However, some companies lack updated data. The variety of reporting standards necessitates a standardized norm for estimating changes based on energy consumption, as well as single-unit certification of disclosures. ESG reports show that companies with high-value scores below 50 indicate poor performance. (Business Standard, February 2, 2024).

Policy Implications from the Case Study

- Companies overcommit to socially responsible initiatives can damage customer relationship and their reputation for product quality or innovation mitigates positive impact.
- Greenwashing damages the reputation of companies that are genuinely striving to be sustainable by casting doubt in the minds of consumers. By understanding the legal aspects in India, businesses can comply with regulations and utilize the legal framework to adopt sustainable practices.
- Strengthening Regulatory framework: The Advertising Standards Council of India (ASCI) has issued guidelines to prevent false eco-friendly claims, or greenwashing, across sectors. The government also indicate concern and believes that these guidelines promote transparency and accountability in the environment. (Deccan Herald January 18th 2024)
- The fact that advertising aims to sell a good or service is one of the main reasons it misrepresents the truth. Because of the way that are presented, ads have the power to distort reality. Before purchasing or using a product or service, consumers must examine it and learn about it. To search for reviews, visit the company's website and social media accounts.
- NGOs should step up their efforts to promote environmental conservation, raise public awareness of environmental issues, and educate consumers about their environmental responsibilities.

- Legal awareness and knowledge, understanding the implementation of Indian laws, rules, and regulations pertaining to consumer protection.

Future Directions of Research

Greenwashing is a multi-faceted problem. In addition to misleading consumers, it also undermines collective efforts to preserve environment. The limitation of this research is that single corporate case has been examined; research on many companies of different industries can be taken for a holistic comprehension of Greenwashing in Indian corporations. Additionally, apart from FMCG other sectors can also be investigated for greenwashing activities and appropriate remedies for the same.

The study could expand to explore the influence of consumers' greenwashing perception on companies' green purchasing intentions and overall green consumption willingness after the company holds for greenwashing and tries to rebuild the brand. Research on role of NGOs in mitigating greenwashing can be done.

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