

## **Greenwashing in India: A Study of Fault-Lines**

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## Abstract

**Objective** – The paper aims to investigate the factors that drive greenwashing in India. It explains how various factors are responsible for the ever-increasing threat of greenwashing.

**Methodology** – To achieve the purpose of the paper, a critical study of various research papers was conducted. A descriptive research methodology was adopted to achieve the objectives of this paper.

**Findings** – The reasons for greenwashing in India are many. The main findings of this paper include the profit motive, information asymmetry, the race to achieve a competitive advantage, lack of government regulations etc. The findings are not exhaustive, and there is still scope for the inclusion of factors that may have been missed due to avoidable reasons.

**Key Words:** Greenwashing, Advertisement, Green marketing, Government regulations, CSR

## Introduction

Environmental concern among people has been increasing, and as a consequence, the number of environmentally conscious consumers has also been rising (Apoorva Bhatnagar et al., 2019). This trend has been seen for the past few decades due to the increase in global warming caused by greenhouse gas emissions and other types of pollution (Ramesh Kumar, 2013). Due to this increased concern for the environment from people's side, businesses have also stepped in to fulfil this environmental demand and to reap the available opportunities. While exploring and exploiting environment-based business opportunities, businesses often breach the boundary of true and fair practices.

When businesses engage in deceptive and misleading environmental claims in their products or services during PR and advertising campaigns, it is termed as greenwashing. Advertisements are a major source of greenwashing (Apoorva Bhatnagar et al., 2019) because consumers depend and rely on corporate commercials to make green purchase decisions. Consumers tend to trust and base their buying decisions on whatever information is presented to them. Greenwashing exists in the communication process of firms because it is through this process that all environmental claims of products and services are conveyed to consumers.

Communication methods are developed to persuade individuals that the company is doing its part to protect the environment, but the reality is far away from this (Apoorva Bhatnagar et al., 2019). The dark side of green communication is greenwashing, due to a mismatch between promise and delivery. To some extent, greenwashing is good for the firms because it gives good returns in the short-run (Agata Mesjasz-Lech, 2023) due to increased sales, but it is detrimental to society. The main goal of "greenwashing" is to present an image of an environmentally-conscious company in order to get some advantage in the marketplace.

Companies put more time, money, and resources into their marketing efforts to appear as a green organization, rather than channelizing those resources into mitigating the negative environmental impacts of their product consumption (Priyanka Aggarwal et al., 2017).

"Greenwashing is the series of activities involving the labelling and marketing of products as sustainable. It is the stating of fictitious statements, claims, and slogans lacking transparency and is employed to allure users into trusting that the product is environmentally safe and advantageous", (S.C.B. Samuel Anbu Selvan et al., 2022).

When green claims are not backed by proof or references and cannot be substantiated easily, neither from the company's side nor from the customer's side, then there is a case of greenwashing. Companies pretend to be green, but their actions are not green. Consumers have become doubtful of excessive green claims being put across to them and are not ready to trust them easily (Bhatnagar et al., 2019; Deepti Jog et al., 2020). They tend to analyse claims and navigate carefully before actually buying green products.

## Literature Review

Deepti Jog et al., (2020) state that the widespread phenomenon of greenwashing has reached almost all countries of the world, and India is no exception to it. Greenwashing in India is practiced by almost all sectors. Greenwashing is rapidly increasing in India, and a few sectors are more prone to greenwashing than others.

Parul Tyagi (2021) in her research found that among cosmetic products, shampoos and conditioners were the most greenwashed products. Businesses indulge in greenwashing to achieve extra sales through eco-friendly product segmentation. Greenwashing by business sectors has increased as a result of customer requests for environmentally friendly products.

Sanjay Kesharao Katait (2017) emphasizes the role and importance of greenwashing laws and argues that laws have been passed in numerous nations to combat "greenwashing." The majority of developed and developing nations have made progress in combating the negative effects of greenwashing. In India,

there are hardly any specific laws, guidelines, or rules to regulate and check greenwashing.

Bhatnagar et al., (2019) highlight that the main source of greenwashing is advertising. Green claims regarding products and services are mainly made through advertising, and it is one of the best ways to establish product features in consumers' minds and positively influence their buying decisions.

Sushobhan Sensharma et al., (2022) describe the intangible nature of CSR and ESG reports, which hampers the decision-making of the consumers. These reports, to some extent, are biased because they are prepared from the companies' perspective and by the companies themselves. These reports are published without any regulations or guidelines; as a result, they may contain non-verifiable information or omit some important information. Due to this discrepancy, consumers fail to arrive at a perfect buying decision.

## **Need of Study**

The menace of greenwashing is increasing day by day. It is being spread extensively without any check. There is a need for an exhaustive study of greenwashing in India to mitigate its impact through regulations, awareness, self-constraints, etc. Unless there is a clear picture about its source and reasons for origination and spread, there can't be an effective check on it.

## **Statement of Problem**

Greenwashing is done in a myriad of ways, and having an understanding of each form is critical for mitigating its spread and impact. Greenwashing is a problematic practice done by businesses to gain unfair advantages. It is felt that having knowledge of the root causes of greenwashing is essential for all stakeholders in an ethical business environment. Not having enough knowledge regarding the rationale behind greenwashing is acting as a hurdle for stakeholders, which this paper endeavors to solve.

## **Objectives**

- To identify reasons of greenwashing in India
- To study motivation for greenwashing by companies operating in India
- To study various ways of Greenwashing done by companies

## Research Methodology

Descriptive research methodology is used to provide the gist of an extensive analysis of greenwashing literature. Data is collected through secondary sources such as research papers, journals, scholarly articles, industry reports, etc. Descriptive research methodology adopts a top-down approach to diagnose a research problem and provide detailed explanations of it. Descriptive research methodology is very helpful in social science research.

## Findings and Discussion

Greenwashing is an unethical practice of presenting false environmental facts about products and services to consumers in order to entice them into making a purchase. After an extensive literature review, some interesting observations have been made regarding the frequency of certain key factors that are most commonly used. These factors are the ones that most often drive companies to engage in greenwashing practices.

### Reasons of Greenwashing in India

#### 1. Achieve extra sales- Profit motive

There is an increase in demand for green and eco-friendly products, which has resulted in more such products being introduced into the market. The availability of green and environmentally friendly products in the market does not necessarily guarantee that they are not harmful to the environment. Green products are launched to meet the extra demand from environmentally conscious consumers. While catering to this specific consumer segment, marketers aim to increase their sales turnover and maximize profit. Business sectors attempt to persuade consumers by claiming to be environmentally friendly in order to boost sales (Parul Tyagi, 2021). Profit-driven firms offer green products at inflated prices by adding a premium to the prices of the products. Research indicates that green products are more costly than regular products (S.C.B. Samuel Anbu Selvan et al., 2022). Since companies want to cater to all consumer segments, sometimes they fail to uphold their claims and standards, especially when it comes to meeting the demands of environmentally conscious consumers. There have been numerous cases where companies' environmental claims are completely false or only partially true because they simply want to sell their products and services without meeting the expected standards. Companies' malicious intent of solely achieving maximum sales leads to greenwashing because there is a gap between what they communicate and what they deliver. Companies may benefit from such unethical behavior in the short-term, but in the long-

term, their activities and practices are not sustainable (Deepti Jog et al., 2020). The purpose of greenwashing efforts is to gain economic benefits by presenting a company's goods as environmentally friendly to customers who are increasingly interested in such products (Agata Mesjasz-Lech, 2023). Pressure to increase profits quickly and financial constraints are the main causes of greenwashing.

## **2. Achieve Competitive advantage for increased market**

Firms use greenwashing as a way of achieving a competitive advantage in the long run (S.C.B. Samuel Anbu Selvan et al., 2022). Companies use various techniques to stay environmentally relevant in the market for a long period of time. In order to accomplish this, they slightly modify their products or their manufacturing processes and excessively communicate that the product is "New & Improved" or less damaging to the environment than before. CSR is also one of the tools used to achieve a competitive advantage. CSR is used as a commercial ploy (Yue Wu et al., 2020). Companies take up social initiatives through CSR and communicate in such a way as if they are doing it voluntarily, according to their own wishes. However, in reality, they are legally obligated to undertake such initiatives if they fall within the brackets fixed by the law. Social and environmental initiatives are aggressively communicated to the public to create a favorable brand image, which helps in achieving a competitive advantage by attracting and building a good customer base.

## **3. Information asymmetry**

Users' purchasing decisions are influenced by information on green items (S.C.B. Samuel Anbu Selvan et al., 2022). Whatever green claims and information are mentioned on product labels, website product descriptions, advertising displays, etc., consumers base their buying decisions on them. This information may be partially true or completely false, but consumers still have to make their decision based on it. Sometimes companies do not disclose such information, which may negatively influence customers' buying motives. One aspect of "greenwashing" is the product's exclusion of crucial information. When you do not let customers know the entire information and motive behind your green activities and claims, you are indulging in greenwashing because you are trying to keep consumers in the dark. Transparency in information impacts both business strategies and social welfare (Yue Wu et al., 2020). Low transparency means a firm is profit-driven, and high transparency means the firm is

socially responsible. Therefore, firms with less transparent information are more likely to practice greenwashing.

Research indicates that customers who lack awareness about environmentally friendly items are more susceptible to deceptive practices known as "greenwashing" (Agata Mesjasz-Lech, 2023). Customers who lack adequate knowledge about environmental issues may not be interested enough to critically evaluate green claims (Angeline Gautami Fernando et al., 2014).

#### **4. Increase in Green marketing**

Firms have now realized the importance of green marketing (Ramesh Kumar et al., 2013) and are using it like never before due to the worldwide increasing concern for climate change and global warming. The issues of climate change, global warming, and pollution are attracting huge attention from consumers, investors, and other stakeholders, and they are showing an intent to reduce such menace through their actions and activities. This is where green marketing comes into the picture. Unless green marketing is done, consumers would hardly come to know about it. Green marketing is done to enhance the brand image and company reputation that its products and services are not harmful to the environment. Indian customers are more welcoming to green marketing and show a high level of environmental concern (Angeline Gautami Fernando et al. 2014). Many people assume that the green claim is nothing more than a marketing tactic to attract customers and sell them non-genuine products (Bhatnagar et al., 2019). Indian enterprises are shifting from traditional marketing to green marketing to gain an eco-advantage and compete globally (Deepti Jog et al., 2020). There is fierce competition among marketers to present themselves as greener than others. In this rat race, some companies are indulging in greenwashing by miscommunicating about their non-green products, services, and processes. Businesses are misusing the green marketing technique to create a misleading impression of their green brand in the eyes of investors and customers (Priyanka Aggarwal et al., 2017). Firms misuse marketing communication tools, particularly advertising, in an attempt to portray their goods as "green," "bio," or "organic", (Margareta Nadanyiova et al., 2017).

#### **5. Lack of government regulations**

There is a need to enact laws for regulating the ever-increasing cases of greenwashing. Without appropriate environmental labelling regulations, consumers would not be able to distinguish between goods and services that are actually beneficial (Sanjay Keshaorao Katait, 2017). The lack



of greenwashing regulations prompts companies to make unfounded environmental claims that cannot be substantiated (Deepti Jog et al., 2020). The current regulatory system has not sufficiently addressed the problem of greenwashing, and the absence of regulation leads to the burgeoning of greenwashing (Priyanka Aggarwal et al., 2014). This, in turn, dents the trust of consumers in companies and their product advertisements. Greenwashing practices have become easier to carry out in underdeveloped nations due to a lack of government oversight, which frequently has no criminal implications (Agata Mesjasz-Lech 2023; Magali A. Delmas et al., 2011). There are functional greenwashing regulations in various developed countries like the USA and UK, with penalties laid on companies when found guilty (Angeline Gautami Fernando et al., 2014). However, there is no proper and systemic regulatory body in India. A draft guideline came up under the Central Consumer Protection Authority in February 2024 to keep guard on relentless greenwashing by companies operating in India (Ministry of Corporate Affairs, 2024) and it is yet to come into force. Lax and unclear regulations are direct and indirect causes of greenwashing (Magali A. Delmas et al., 2011).

## Conclusion

Greenwashing is a tool to exploit the green needs of consumers. Since environmental awareness among consumers has increased, so has the greenwashing by companies. In order to fulfil the demand for environmentally friendly products, companies serve fake green products to maximize their profit through increased sales, which is unethical. Every company in the green product segment wants to be a leader and does everything to achieve a competitive advantage and build brand image through exaggerated CSR claims. Not all information is disclosed by companies regarding the environmental impact of their products or services; sometimes only positive aspects are highlighted by the companies, and consumers have no access to the real impact of consumption of that product and services. This is why information asymmetry is detrimental to society and the environment as a whole. Companies have more information with them when compared to the consumers, and this imbalance of information between the two stakeholders is leading to greenwashing. Over the years, green communication has increased manifold due to the heavy demand for green products from consumers' side, and to exploit this situation and opportunity, there is severe competition among marketers to appear more eco-friendly to entice environmentally concerned consumers. During this process, there is the occurrence of greenwashing due to unverifiable claims being made during marketing campaigns. Lack of government regulations is also one of the major reasons why



greenwashing is rampant in India. There are no clear guidelines, rules, or precautions provided by the law to be followed by the companies in their green marketing campaigns. Greenwashing can be tackled if there is a collective effort from all stakeholders, from companies' voluntary self-restraint to consumer awareness and strict adherence to government-enacted laws.

## **Recommendations**

Businesses should follow ethical practices by not making claims that cannot be substantiated, neither by them nor by consumers. Firms should not venture into every consumer segment when they do not have expertise in that segment, especially the green product segment. Just because the eco-friendly product segment appears appealing and is in vogue, businesses should not enter into it without achieving the capability of providing standard products without any trickery and fakery.

Businesses should work on increasing transparency of information by providing complete implications of their product usage and should not withhold any information that can mislead and deceive consumers into buying products and services that can lead to greenwashing. "Honesty is the best policy" should be the motto of all businesses.

Consumers should be cautious and not trust every environmental claim made by companies. They should try to understand the motives behind excessive push for green products by companies and make their buying decision accordingly. Consumers should stay away from companies that are known for deceiving consumers through their half-baked eco-friendly products. Consumers should acquire knowledge and awareness of buzzwords used on product labels, which can help them in buying authentic green products.

The government should come up with mechanisms to address the growing concern of greenwashing. There should be a dedicated agency to monitor and address greenwashing cases that arise from time to time. There should be comprehensive laws that bring uniformity in the standards of environmental claims made in advertisements and other sources of product communication. The government's indifference towards greenwashing has led to its proliferation, and it is high time for them to act in a stricter manner so that ethical practices prevail in the business environment.

## **Implications for future research**

It is seen that greenwashing has taken on new forms over the course of time, and it is likely that in the future as well, there would be ingenious ways of carrying it out. Future researchers should keep an eye on new

and innovative ways of practicing greenwashing by companies. Future researchers can dive deep into various consumer product segments and figure out which type of greenwashing is most practiced and in which segment. There is a possibility to carry out research on what kind of remedies for greenwashing would work in various segments of the consumer segment.

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