



CSR: A DOUBLE-EDGED SWORD LEADING TO GREENWASHING

Dr. EKTA VERMA

Assistant Professor

Department of Commerce and Business Administration
University Of Allahabad.

HIMANSHU MAURYA

Research Scholar

Department of Commerce and Business Administration
University of Allahabad.

Abstract

Objective – To study how behind the veil of corporate social responsibility, companies are practicing greenwashing. Corporate social responsibility initiatives were intended to serve society and protect the environment, but they have been brought down to be used as greenwashing. The paper aims to study the various ways CSR is used as a tool for greenwashing. When the purpose of CSR is defied, then it leads to greenwashing.

Research methodology – Descriptive research methodology was deemed appropriate for this study.

Findings – An extensive literature review revealed that companies use CSR to distract consumers from their unethical and hypocritical behavior and also to mislead them into believing that a company is truly a socio-environmentally friendly company. CSR is used as a marketing tool to build brand image and increase profit through sales maximization. Attempts are made to build a favorable consumer perception through a lack of transparency and accountability in CSR communication by revealing only positive aspects and by making tall environmental and social promises. Institutional pressure propels companies to indulge in exaggeration and disclosure of immaterial things to balance out their capabilities and stakeholder expectations.

Key Words - Misleading communication, Marketing tool, Transparency, Consumer perception, Environment protection.

I. INTRODUCTION

The industrial revolution has led to a massive increase in the use of coal and fossil fuels, which has caused huge emissions of carbon dioxide and other harmful gases in the environment. Since the industrial revolution, there has been no abatement in the use of energy sources that do not damage the environment. Sea levels and global mean temperatures have been on the increase ever since the industrial revolution. Global warming, pollution, biodiversity loss, and the extinction of animal and bird species are some imminent issues that humanity is currently facing. These issues have forced all the stakeholders to take cognizance of it and act in a prompt manner so that things do not go out of control. Governments, businesses, consumers, and other stakeholders have taken steps towards environmental protection. Governments are enacting laws for environmental protection, businesses are providing green and eco-friendly products, and consumers are involved in sustainable consumption.

Under this complex setting, greenwashing has taken the shape of an impediment that is defying the environmental protection intent of all stakeholders. Greenwashing comes to the fore when there is a discrepancy between environmental claims made by businesses and governments and its veracity on the ground. Greenwashing can exist in the products and services provided by companies and in the environmental initiatives taken or promised by governments. Greenwashing has also emerged from corporate social responsibility initiatives, which are acting as a big challenge to environmental protection.

Greenwashing is defined as deceptive communication by firms about their corporate sustainability performance on social, environmental, governance, or economic issues. Organizations utilize CSR communication to enhance responsiveness

regarding ethical issues and practices, corporate philanthropy, and corporate citizenship. If a company's CSR initiatives are inconsistent with its core business practices or values, it can create a perception of greenwashing. For example, a company that promotes environmental sustainability but engages in environmentally harmful practices in its operations may be accused of greenwashing (Jordan Famularo, 2023).

Greenwashing is the practice of disclosing positive information only in part while keeping the negative information hidden. The lack of negative environmental disclosure undermines consumer and investor trust, which is not in the long-term interest of the company (Lyon et al., 2011; Yue Wu et al., 2020). Companies that highlight certain CSR initiatives while downplaying or omitting information about less favorable practices give an ugly impression of those companies. This selective reporting creates a distorted view of the company's overall sustainability performance, leading to accusations of greenwashing (Ursa Golob et al., 2015).

Literature suggests that there is some sort of disconnect between the CSR performance of the company and its communication which largely takes the form of greenwashing. Firms cannot achieve long-term sustainability if they choose profit over ethics. Even big corporations engage in unethical practices such as greenwashing through manipulation of their CSR activities and reports (Priyanka Aggarwal et al., 2014).

"Greenwashing" is a term that is frequently used to describe businesses that prioritize visible CSR components while ignoring the invisible ones. Firms use CSR initiatives as a marketing tool to enhance their image (K. Krishnakumar et al., 2023) and appeal to socially conscious consumers who are looking for eco-friendly products. By emphasizing visible CSR activities and downplaying less observable actions, firms create a perception of social responsibility without necessarily making substantial contributions to sustainable practices. Consumers observe CSR investments only in some activities of the company and not in all because they do not have complete knowledge of firms' portfolio of CSR activities and motives behind them. As a result, they have to make their buying decision based on what they can observe (Yue Wu et al., 2020).

Greenwashing is facilitated by the misuse of CSR and is portrayed as a cost-effective strategy for companies to enhance their reputation and increase sales without making substantial investments in genuine sustainability efforts (K. Krishnakumar et al., 2023). The misuse of CSR by companies contributes to greenwashing by creating a facade of environmental responsibility while engaging in deceptive practices that harm both society and the environment. A cost-effective strategy in the context of greenwashing involves companies using minimal financial resources to create a misleading image of environmental responsibility (which is actually done by superficial CSR initiatives). By focusing on superficial changes or marketing tactics that give the appearance of eco-friendliness, companies can save on costs associated with implementing real sustainability measures. This approach allows them to capitalize on the growing consumer demand for green products and services without making substantial financial investments. Companies that prioritize cost-effective greenwashing strategies over genuine environmental responsibility risk facing backlash from consumers and stakeholders once their deceptive practices are exposed.

Companies that engage in CSR practices but fail to communicate them accurately or transparently may inadvertently be engaged in greenwashing. Misleading or exaggerated claims about environmental or social performance erode the trust of stakeholders and undermine the credibility of CSR efforts.

Firms may engage in greenwashing as a strategy to maximize profits without a genuine commitment to social or environmental causes. By leveraging CSR as a marketing gimmick or a means to attract consumers, firms prioritize superficial displays of social responsibility over meaningful impact (Yue Wu et al., 2020). A firm that aims for profit maximization cannot fully concentrate on quality of its CSR initiatives, there will always be some drawback in their CSR actions as a result its social and environmental actions will be seen through a greenwashing lens.

II. LITERATURE REVIEW

Sushobhan Sen-Sharma et al., (2022) describe that Indian companies have a distinct advantage over companies from other developed nations when it comes to corporate governance and social responsibility due to the compulsory expenditure on CSR. However, Indian companies lag behind in terms of their environmental performance compared to other companies.

Priyanka Aggarwal et al., (2014) highlight that companies with a high overall CSR score are involved in some form of greenwashing practices. It is observed that whenever an environmental disaster occurs, firms intensify their CSR and green marketing initiatives in order to enhance their public image. During a crisis, it is essential for organizations to respond promptly and transparently in order to uphold their legitimacy and prevent any potential damage to their reputation.

Yue Wu et al., (2020) found that a profit-maximizing firm pretends to care about society by imitating the CSR investments of a socially responsible company. This selective investment in visible CSR initiatives, while neglecting unobservable aspects, can create a facade of social responsibility without genuine commitment to it. For such firms, profit is the top priority over social and environmental issues. Through CSR publicity campaigns, they aim to portray themselves as a socially and environmentally responsible firm.

Ursa Golob et al., (2015) talked about the decoupling aspect of CSR communication. There is a concern that corporate social responsibility messages may not accurately reflect the actual corporate practices, which can result in the public being skeptical of the CSR messages. There is a gap between what is being communicated and what is actually done. Companies might do CSR activities exceptionally well, but if they fail to communicate optimally then, they might become victims of consumer skepticism. Stakeholders are showing a growing concern about the societal role of businesses and are now requesting that companies synchronize their operations with environmental and social requirements.

K. Krishnakumar et al., (2014) state that companies engage in greenwashing to create a false image of environmental responsibility while continuing harmful practices, indicating a lack of genuine concern for sustainability. CSR is sometimes used as a marketing tool by companies to project an environmentally friendly image without genuinely committing to sustainable practices. This manipulation of CSR for marketing purposes contributes to the phenomenon of greenwashing.

De Jong et al., (2019) emphasize that Corporate Social Responsibility is misused for greenwashing purposes. Organizations use CSR initiatives as part of their greenwashing strategies to create a false impression of environmental responsibility. Greenwashing occurs when there is a discrepancy between an organization's environmental claims and its actual environmental performance. By wearing cloak of CSR activities, organizations attempt to portray themselves as environmentally friendly without truly aligning their behaviors with their claims. This practice can lead consumers to develop negative attitudes and skepticism towards the organization when the greenwashing is uncovered.

III. NEED OF THE STUDY

Greenwashing is a big concern for stakeholders especially who are on the recipient side. Greenwashing is done in various ways, and CSR is also one of the mediums through which large-scale deception from reality is done. There is a need for a study to understand how CSR is being misused to project a false image of a green or eco-friendly firm. An in-depth study is needed to bring out results which can highlight the dubious purpose behind CSR and how it is being used as a tool to manipulate consumers' minds and mislead them.

IV. STATEMENT OF THE PROBLEM

There is a large-scale greenwashing practiced by businesses, and to some extent, it is accelerated by the use of CSR. CSR is meant to serve society and the environment, companies do a small bit for the environment and society but create hype that they are doing so much for the same. Untrue claims made by firms are very problematic and leads to greenwashing. The problem arises when consumers are made to believe the false environmental and social image of the companies through ambiguous CSR communication.

V. OBJECTIVES

- To investigate how CSR leads to greenwashing
- To study various ways CSR is used for greenwashing
- To study selective nature of CSR reports and its communication

VI. RESEARCH METHODOLOGY

An in-depth study of Greenwashing and CSR literature is conducted to fully understand how these two factors interact and influence each other. A descriptive research methodology was adopted during the entire process of this study. Descriptive research methodology is useful for this type of study because it helps to critically examine the problem and delineate the findings. Descriptive research methodology is the backbone of research conducted in social sciences due to its features and top-down approach in diagnosing and solving problems.

VII. FINDINGS

The environmental aspect of CSR is susceptible to greenwashing (Francesca Bernini et al., 2023) because there is a thin line between CSR and what constitutes greenwashing. Failure of CSR objectives leads to greenwashing. The CSR aspect of companies is vulnerable to accusations of greenwashing, especially when there is an inclusion of environmental initiatives taken up by the companies. Environmental initiatives are not easy to fulfill because it involves nature, which has massive length and breadth. Due to this, the results of human actions for nature protection are barely visible. Also, humans are not collectively putting efforts to protect the environment and nature; their actions are patchy and sporadic. Corporate Social Responsibility initiatives are a key application of Legitimacy Theory which is used to enhance firms' image and gain acceptance of their ESG performance. According to legitimacy theory, when an organization's actions, values, and policies align with the norms, values, and expectations of its stakeholders then it is said that legitimacy is achieved. Organizations engage in CSR to demonstrate their commitment to social welfare, environmental sustainability, and ethical practices which is a way of enhancing legitimacy among stakeholders (Mathieu Gomes et al., 2024; Van V. Miller et al., 2020). Corporate social responsibility initiatives are new sources of legitimacy. Greenwashing occurs within

the framework of pragmatic legitimacy, which is associated with the deliberate manipulation of stakeholders' perceptions regarding a company's environmental and social practices (Peter Seele et al., 2017).

There are two types of greenwashing: hard greenwashing and light greenwashing. Hard greenwashing is environmental communication without CSR, whereas light greenwashing is when a corporation minimizes its CSR activities and focuses more on advertising green claims. There is a clear correlation between a company's level of corporate social responsibility and its green communication. In other words, companies that invest more in CSR activities are less likely to engage in greenwashing (Bazillier et al., 2013; Priyanka Aggarwal et al., 2014).

Inadequate monitoring and evaluation of CSR activities contributes to greenwashing by allowing companies to make unsubstantiated claims about their environmental or social impact. Without transparent accountability mechanisms, companies may engage in greenwashing practices with impunity (Ursa Golob et al., 2015). Companies safely escape from being held accountable for what they claim in their social and environmental communication.

With the growing popularity of corporate social responsibility (CSR), critics point out that firms tend to focus on salient and observable CSR activities (like community events, charity fundraising, recycling programs etc.) while slacking off on the unobservable ones (like labor conditions, supply chain sustainability, ethics, governance, gender diversity etc.) by using CSR as a marketing gimmick. Firms' emphasis on observable aspects and negligence of the unobservable aspects are often labeled as greenwashing. A socially desirable outcome is achieved when there is a sufficiently high level of CSR transparency. This level of transparency is important as it helps to eliminate greenwashing and allows consumers to make more informed decisions when making purchases. Greenwashing happens when there is little transparency. On the contrary, more transparency highlights the positive aspects of greenwashing and enhances societal well-being (Yue Wu et al., 2020). A firm that has high transparency with respect to socio-environmental communication, enjoys customer loyalty through favorable consumer perception.

External institutional pressures can contribute to perceived greenwashing outcomes. Companies may face conflicting demands from standard-setters, regulators, and stakeholders, leading them to overstate immaterial disclosures or engage in deceptive practices to comply with guidelines. Companies face challenges in balancing transparency and compliance while avoiding greenwashing accusations (Jordan Famularo, 2023). It is difficult for companies to meet the expectations of all stakeholders due to variability in expectations and demands. Companies implement faulty techniques to satisfy all stakeholders, which may not be feasible for their long-term survival.

Research has shown that companies with a higher percentage of independent directors on their boards have a positive impact on CSR disclosures. The more independent directors there are, the greater the chances of true and fair disclosure of CSR activities. A company's good CSR performance increases the likelihood of them publishing more accurate and transparent CSR reports. Conversely, a company that chooses to understate its environmental, social, and governance performance will see negative effects on its stock market performance (Sushobhan Sen-Sharma et al., 2022). Companies with better CSR performance are more likely to make higher CSR disclosures. Furthermore, organizations with superior CSR performance are more likely to publish a larger number of CSR reports (Uyar et al., 2020). Performance and disclosure go hand in hand and are directly proportional to each other, which means that good CSR or ESG performance leads to fair and more disclosures, whereas poor performance leads to the concealment of facts.

Environmental disclosure and performance can be enhanced by having gender diversity on the company's board of directors because diversity is considered beneficial. Gender-diverse boards allocate more effort to monitoring ESG activities. Having more women on the board has a positive impact on CSR disclosure and environmental performance (Marco Ghitti et al., 2020; Sushobhan Sen-Sharma et al., 2022). Businesses with three or more female directors on their boards perform better on environmental issues (Post et al., 2011). Diversity plays a crucial role in bringing out good CSR performance in companies.

VIII. CONCLUSION

There is great potential in Corporate Social Responsibility for ameliorating environmental and social conditions that we are presently witnessing. CSR has all the positive aspects to benefit all the stakeholders, including companies themselves, but it has lost all its sheen in the current scheme of things. Under the guise of CSR, there are multiple activities done that are not in line with social welfare or environmental protection.

CSR initiatives are used to disguise greenwashing practices. Companies engage in unethical behavior by hiding their actions behind CSR marketing campaigns and corporate self-promotion, rather than genuinely contributing to society. Companies are very selective when it comes to disclosing their entire CSR activities; they only reveal favorable and observable aspects and conceal the negative aspects to lure consumers into believing that the company is genuinely concerned about society and the environment.

CSR reporting lacks transparency and accountability. Companies are not transparent about their unethical behavior, which is not observed by consumers. At the same time, the lack of accountability gives them leeway to make ambitious environmental and social initiative promises that do not result in punishment if they fail to fulfill those promises. Stakeholder pressure also propels companies to practice greenwashing by exaggerating CSR initiatives or disclosing immaterial things to meet their expectations.

It turns out that misleading and deceptive CSR communication is the most commonly used channel for practicing greenwashing. Consumer perception is manipulated through this method by creating an impression of a socially and environmentally responsible company.

IX. RECOMMENDATIONS

Companies that engage in CSR practices should strive to be more transparent about their social and environmental initiatives. This transparency can help reduce the likelihood of greenwashing by providing stakeholders with accurate and reliable information about the company's sustainability efforts. When companies engage in authentic CSR practices and communicate transparently about their efforts, they are less likely to be accused of greenwashing. Firms should disclose a complete picture of their environmental performance which includes both positive and negative contributions to the ecology.

Accountability can be promoted within organizations by setting clear goals and metrics for measuring social and environmental performance. This accountability can help to deter greenwashing practices as companies are held responsible for their actions. By implementing robust monitoring and reporting systems for CSR activities, companies can demonstrate their commitment to sustainability and mitigate the risk of greenwashing accusations.

Organizations must engage with their stakeholders, including investors, customers, employees, and the wider community, to understand their expectations and concerns, and to ensure that their actions are aligned with these expectations. By involving stakeholders in CSR decision-making processes, companies can receive feedback and input that can help ensure the authenticity and credibility of their sustainability efforts. Building trust with stakeholders is essential in CSR communication. Companies that prioritize meaningful CSR activities and effectively communicate their impact are more likely to gain trust from stakeholders.

Seeking third-party verification or certification for CSR initiatives can enhance credibility and legitimacy. Companies that obtain certifications from reputable organizations demonstrate a genuine commitment to sustainability, which can help counter greenwashing claims. One way is the inclusion of an auditor's certificate, often in the form of a letter appended to the CSR report, that specifies what was audited.

Ensuring consistency between CSR messaging and actual practices is crucial in combating greenwashing. Companies must align their communication efforts with tangible actions to avoid discrepancies that could lead to accusations of greenwashing.

X. IMPLICATIONS FOR FUTURE RESEARCH

Greenwashing poses a big challenge to achieving good social and environmental performance. There is a need for collective efforts from all stakeholders to nip this threat. Future research can focus on categorizing companies that engage in greenwashing through the use of CSR. An industry-wise study of CSR manipulation for greenwashing can also be conducted. Future researchers can work on how to avoiding greenwashing by not misleading through corporate social initiatives, by deeply engaging in studying the expectations of all stakeholders, and recommending solutions accordingly.

XI. REFERENCES

- Aggarwal, P., & Kadyan, P. (2014). Green washing: the darker side of CSR. In *International Journal of Innovative Research and Practices*, 2(5), 22-35. https://www.forum4researchers.com/cw_admin/docs/IJIRP-MAY-14-03.pdf
- Bernini, F., & La Rosa, F. (2023). Research in the greenwashing field: Concepts, theories, and potential impacts on economic and social value. *Journal of Management and Governance*, 28(2), 405-444. <https://doi.org/10.1007/s10997-023-09686-5>
- De Jong, M. D. T., Huluba, G., & Beldad, A. D. (2019). Different shades of greenwashing: consumers' reactions to environmental lies, Half-Lies, and organizations taking credit for following legal obligations. *Journal of Business and Technical Communication*, 34(1), 38–76. <https://doi.org/10.1177/1050651919874105>
- Elving, W. J., Golob, U., Podnar, K., Ellerup - Nielsen, A., & Thomson, C. (2015). The bad, the ugly and the good: New challenges for CSR communication. *Corporate Communications: An International Journal*, 20(2), 118-127. <https://doi.org/10.1108/ccij-02-2015-0006>
- Famularo, J. (2023). Corporate social responsibility communication in the ICT sector: Digital issues, greenwashing, and materiality. *International Journal of Corporate Social Responsibility*, 8(1), 1-25. <https://doi.org/10.1186/s40991-023-00082-8>
- Ghitti, M., Gianfrate, G., & Palma, L. (2020). The agency of greenwashing. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3629608>
- Gomes, M., Marsat, S., Peillex, J., & Pijourlet, G. (2024). Does religiosity influence corporate greenwashing behavior? *Journal of Cleaner Production*, 434, 140-151. <https://doi.org/10.1016/j.jclepro.2023.140151>

Lyon, T. P., & Maxwell, J. W. (2011). Greenwash: Corporate environmental disclosure under threat of audit. *Journal of Economics & Management Strategy*, 20(1), 3-41. <https://doi.org/10.1111/j.1530-9134.2010.00282.x>

Martinravi, C., Krishnakumar, K., & (2023). A green mirage: Corporate greenwashing and its malicious acts to society and climate change. *Journal of Emerging Technologies and Innovative Research*, 10(10), 683-691. <https://www.jetir.org/papers/JETIR2310685.pdf>

Miller, V. V., Su, Q., Perez-Batres, L. A., & Pisani, M. J. (2020). China's green watch program: Beyond greenwashing. *Chinese Management Studies*, 14(4), 977-993. <https://doi.org/10.1108/cms-11-2018-0736>

Post, C., Rahman, N., & Rubow, E. (2011). Green governance: boards of directors' composition and environmental corporate social responsibility. *Business & Society*, 50(1), 189-223. <https://doi.org/10.1177/0007650310394642>

Seele, P., & Gatti, L. (2015). Greenwashing revisited: In search of a typology and accusation - based definition incorporating legitimacy strategies. *Business Strategy and the Environment*, 26(2), 239-252. <https://doi.org/10.1002/bse.1912>

Sensharma, S., Sinha, M., & Sharma, D. (2022). Do Indian firms engage in greenwashing? *Australasian Accounting, Business and Finance Journal*, 16 (5), 67-88. <http://dx.doi.org/10.14453/aabfj.v16i5.06>

Uyar, A., Karaman, A. S., & Kilic, M. (2020). Is corporate social responsibility reporting a tool of signaling or greenwashing? Evidence from the worldwide logistics sector. *Journal of Cleaner Production*, 253, 1-13. <https://doi.org/10.1016/j.jclepro.2020.119997>

Wu, Y., Zhang, K., & Xie, J. (2020). Bad greenwashing, good greenwashing: corporate social responsibility and information transparency. *Management Science*, 1-18. <https://doi.org/10.1287/mnsc.2019.3340>

