



Greenwashing as a Business Risk: How ESG Claims Influence Trust and Purchase Decisions of Indian Consumers

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Abstract:

This study looks at how greenwashing affects consumer trust and buying behavior in India. Greenwashing means when companies pretend to be environmentally friendly just to attract customers. The study also focuses on ESG, which stands for Environmental, Social, and Governance practices. These are the ways companies take care of the environment, society, and follow fair rules. The research uses primary data, which means the data was collected directly. A survey was conducted with 51 people from different age groups and education levels. The questionnaire asked about their knowledge of sustainability and ESG, how they feel about company claims, their views on greenwashing, and how all this affects their trust and buying decisions. The results show that many Indian consumers, especially young and educated people, are well aware of sustainability and ESG practices. ESG claims often make a brand look more trustworthy and increase the chances of people buying its products. However, many respondents also felt doubtful and believed that companies use ESG mainly as a marketing tool. Most respondents were aware of greenwashing. The study found that when consumers notice greenwashing, their trust in the brand drops sharply. Many people said they would completely stop supporting a brand if they found its ESG claims to be false or misleading. The study also shows that transparency is very important to rebuild trust. Consumers said that clear reporting, checks by outside experts, and independent verification help make ESG claims more believable. Overall, the study concludes that honest and proven ESG practices influence buying decisions and give companies an advantage over others. It highlights the need for companies in developing markets like India to follow ethical, transparent, and responsible sustainability practices.

Keywords: consumer trust, buying behavior

1. INTRODUCTION

These days, many consumers care a lot about the environment and society. Because of this, the way businesses work is changing. Sustainability is no longer something extra. It is now very important for a company's success. You often hear the term **ESG**, which stands for Environmental, Social, and Governance. In simple words, ESG shows how responsible and fair a company is in caring for nature, people, and rules.

Today, consumers prefer companies that truly care about the planet and society. Because of this, ESG has become an important way for companies to show what they believe in.

However, as more companies talk about being “green,” a new problem has appeared called greenwashing. Greenwashing means a company only pretends to care about the environment to look good, without taking real action. This creates trust issues. When companies make claims that cannot be easily checked, consumers feel cheated and start questioning the company’s honesty.

India is an interesting place to study this topic because the market is growing very fast. Cities are expanding, and the middle class has more money to spend. At the same time, people in India face real problems like pollution and climate change. Because of this, they are becoming more aware of environmental issues and are starting to think about sustainability when they buy products. This makes it difficult for companies that do greenwashing, but it creates challenges even for honest companies to prove their claims.

This study looks at how ESG claims and greenwashing affect consumer trust and buying behavior in India. It helps companies understand how to talk about their good actions without sounding fake. It also helps policymakers understand how to reduce misleading advertisements. The study shows that greenwashing can be risky for businesses and explores what really helps in building consumer trust.

Research Objectives

The objectives of this study are simple and clear.

First, it aims to understand how much Indian consumers know about ESG and sustainability issues. Second, it examines how consumers see company ESG claims and whether they trust or ignore them.

Another key objective is to study how aware consumers are of greenwashing and how this awareness affects their trust and buying decisions.

Finally, the study aims to find out which methods consumers trust the most to believe that a company’s sustainability claims are genuine.

2. LITERATURE REVIEW

2.1 ESG and Corporate Sustainability

ESG is a way to judge how well a company is doing, not just in terms of money, but also in how it behaves. Environmental factors look at issues like climate change, pollution, and how natural resources are used. Social factors focus on employee well-being, human rights, and how the company helps society. Governance looks at company leadership, honesty, transparency, and ethical behavior.

Research shows that companies with strong ESG practices face fewer risks, are more stable, and have a better public image. Today, businesses are expected to do more than just earn profits. They are also expected to act responsibly for the benefit of society, the government, investors, and consumers. Sustainability is now seen as important for long-term success.

2.2 Greenwashing: Definition and Forms

Greenwashing means giving false or misleading information to make a company appear environmentally friendly. Although this practice started in the 1980s, it has become more common as sustainability has gained attention. Companies may use confusing words, exaggerate small eco-

friendly actions, or even make false environmental claims. Some companies use greenwashing to improve their image without spending money on real sustainability efforts. While this may help in the short term, it is risky in the long run. If consumers discover the truth, the company's reputation can be badly damaged.

2.3 Consumer Trust and Brand Credibility

Trust is very important in the relationship between consumers and brands, especially when people cannot clearly see how products are made. When consumers trust a brand, they stay loyal, are willing to pay more, and recommend it to others. Greenwashing breaks this trust because consumers expect honesty from companies. When a company is caught lying about its environmental actions, it does not just lose sales for a short time. Its long-term reputation also suffers, and it may face stricter rules from authorities. Studies show that consumers who feel cheated often stop caring about the brand and may avoid it completely.

2.4 The Indian Consumer Context

The Indian consumer market is very diverse and is changing quickly. With more media coverage and government efforts, awareness about environmental issues has increased, especially in cities. Many consumers now think about sustainability when buying products. However, there are still challenges. Many consumers are very price-conscious, which makes it harder for them to choose sustainable products that may cost more. Also, differences in education levels and lack of clear information make it difficult for people to check whether company claims are true. Because of this, consumers can easily fall victim to greenwashing.

3. RESEARCH METHODOLOGY

3.1 Research Design

This study used a quantitative research design, which means it focused on numbers and measurable responses. Data was collected using a structured questionnaire filled out by Indian consumers. The study followed a cross-sectional approach, meaning it captured people's opinions at one point in time. The questions covered topics such as awareness of sustainability, views on ESG, trust in company claims, and how greenwashing affects buying behavior.

3.2 Sampling Method

The study used convenience sampling, which means the survey was shared online with people who were easily available. A total of 51 respondents participated. The study accepts that the results cannot represent everyone, but they are useful for understanding general trends. The respondents came from different backgrounds, and most were between 20 and 35 years old. This age group is important because they have more spending power and are active internet users.

3.3 Data Collection Instrument

The questionnaire was divided into eight sections. These sections included basic personal details, awareness of ESG and sustainability, views on company claims, awareness of greenwashing, trust in brands, buying behavior, preferred ways to check company claims, and overall views on sustainability.

The questionnaire mainly used multiple-choice questions and a five-point rating scale, where people chose how strongly they agreed or disagreed. This made the survey easy to understand and answer.

3.4 Data Analysis

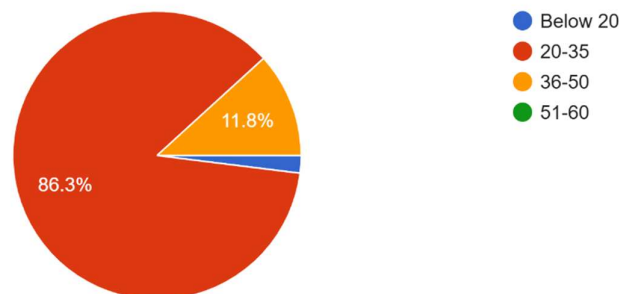
The data was analyzed using simple methods. These included counting how many people chose each answer, finding percentages, and calculating average scores. The study also compared answers from different age and background groups to see patterns. The main focus was to understand how awareness, trust, and buying behavior are connected.

4. FINDINGS AND ANALYSIS

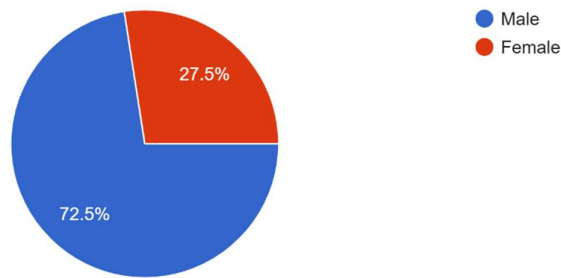
4.1 Demographic Profile

Most of the respondents were young adults. About 86.3% of them were in the 20–35 age group. The gender split was balanced, with 72.5% males and 27.5% females. The education level of the respondents was quite high. Around 86.2% had completed an undergraduate or postgraduate degree. This shows that most participants were well educated and able to understand information related to ESG and sustainability.

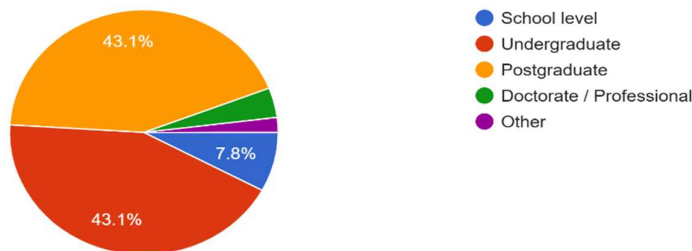
Age Group
51 responses



Gender
51 responses



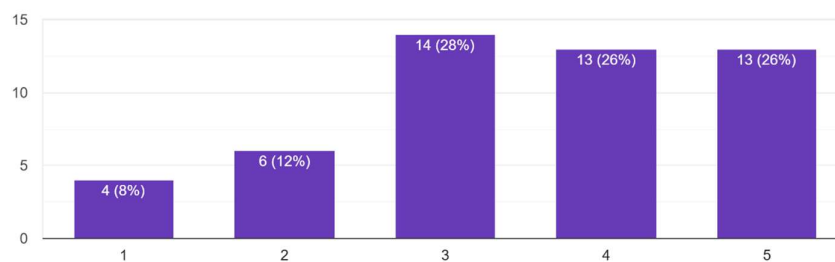
Educational Qualification
51 responses



4.2 Awareness of Sustainability and ESG

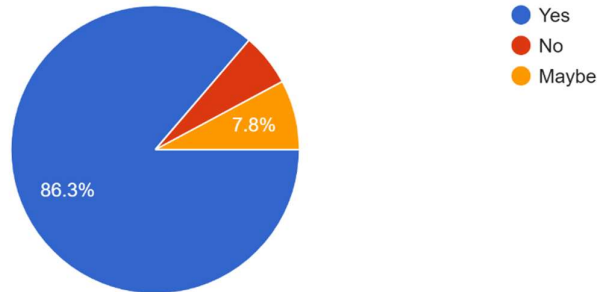
The respondents showed a good understanding of sustainability concepts. On a five-point scale, the average score was 3.5, which means most people were quite familiar with the topic. Awareness of ESG was also high. About 86.3% of the respondents said they had already seen or heard about ESG claims made by companies. When asked where they get this information from, most people say social media was their main source. This was followed by news platforms and information shown on product packaging.

How familiar are you with the concept of sustainability? 1- Not Familiar 5- Familiar
50 responses



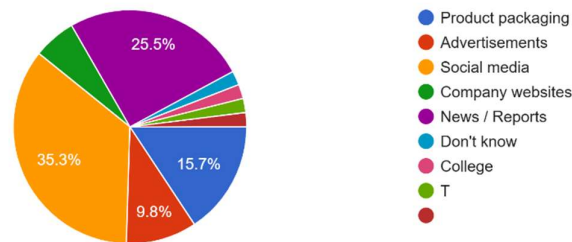
Have you heard of the term “ESG (Environmental, Social, Governance)” before?

51 responses



Where do you usually come across ESG or sustainability claims?

51 responses



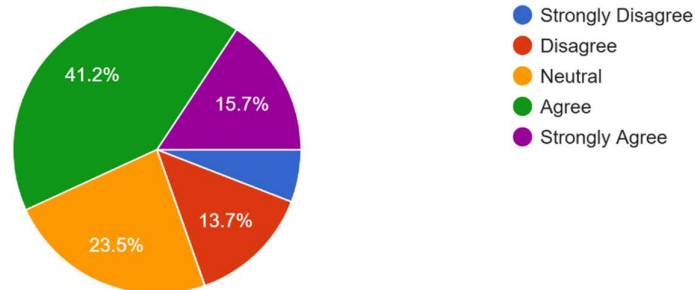
4.3 Perception of ESG Claims

The respondents had mixed opinions about ESG claims made by companies. About **52.9%** felt that ESG claims help them identify brands that care about the environment. Around **41.2%** believed that these claims would improve a company’s credibility. However, **53%** of the respondents also felt that companies mainly use ESG claims as a marketing strategy rather than for real action. Even with this doubt, **56.8%** said they trust brands that clearly and honestly share their sustainability efforts. This

shows that **transparency** plays a very important role in building trust.

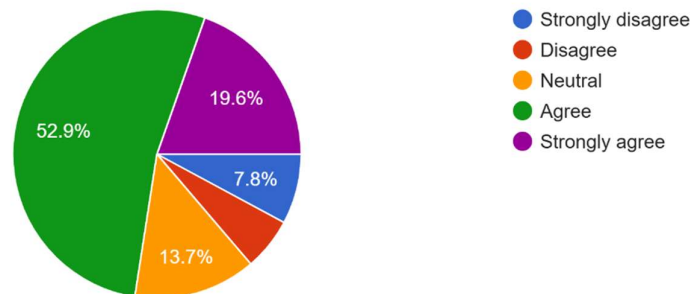
ESG claims influence my perception of a company's credibility.

51 responses



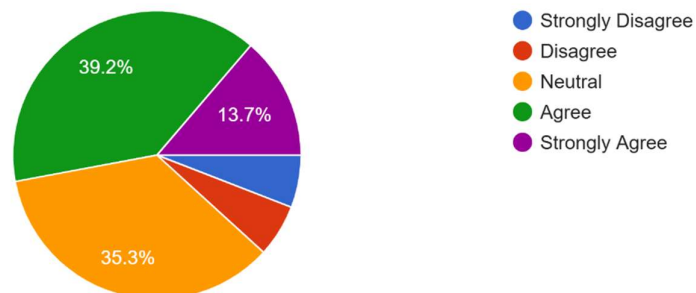
ESG claims help me identify environmentally responsible brands.

51 responses



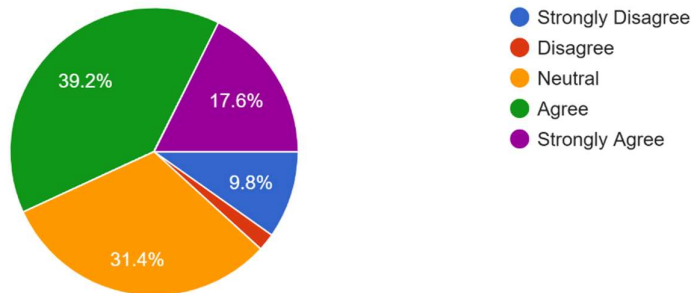
Companies use ESG claims mainly for marketing purposes.

51 responses



I trust brands that openly communicate their sustainability efforts.

51 responses

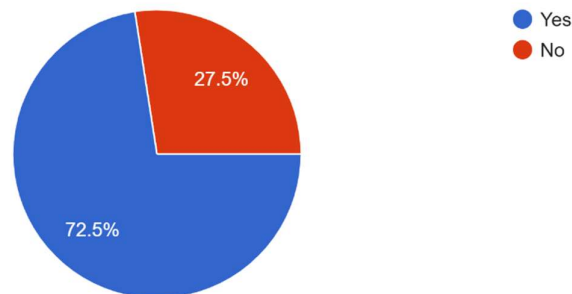


4.4 Greenwashing Awareness

The respondents' awareness of greenwashing was high, with 72.5% of the respondents familiar with the concept. Most respondents believed that companies tend to exaggerate environmental advantages and that it is difficult for them to distinguish the authenticity of ESG claims.

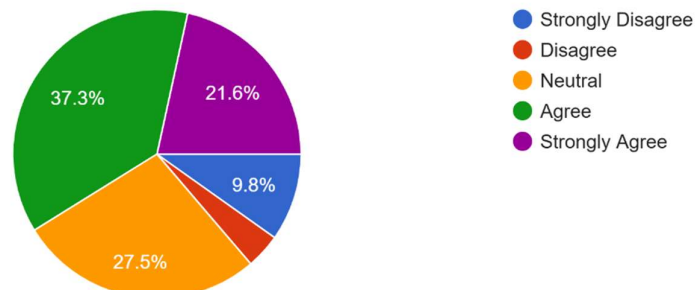
Are you aware of the term "Greenwashing"?

51 responses



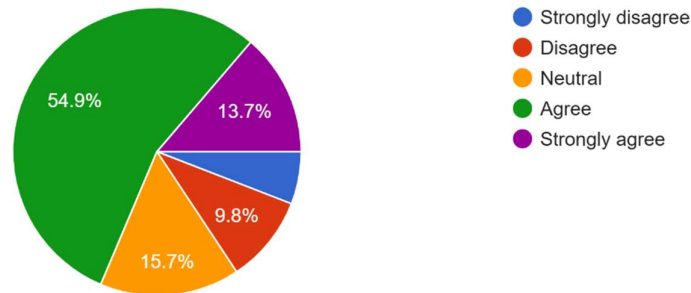
Greenwashing refers to misleading or exaggerated environmental claims by companies.

51 responses



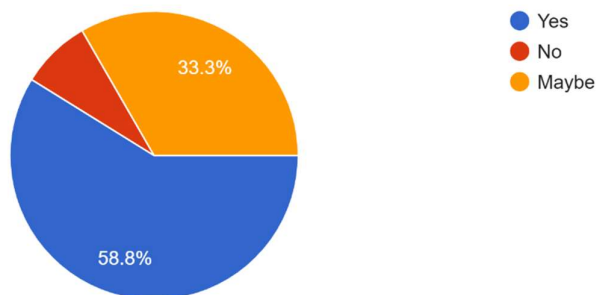
I believe many companies exaggerate their ESG claims.

51 responses



It is difficult to verify whether ESG claims made by companies are genuine.

51 responses



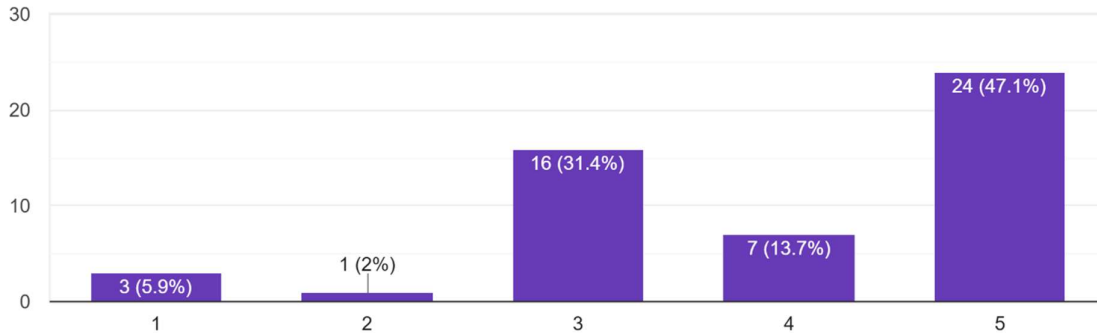
4.5 Impact on Trust and Brand Image

The results show that greenwashing has a strong negative effect on consumer trust and a brand's image. On a five-point scale, the average score was around 3.9, which means most respondents agreed that greenwashing reduces their trust in a brand. Many respondents chose the higher ratings of 4 or 5, showing that they are very concerned about false or misleading sustainability claims. This clearly suggests that greenwashing can harm a brand's reputation over time. It also shows that greenwashing

is a serious risk for companies that want to build long-term trust with consumers

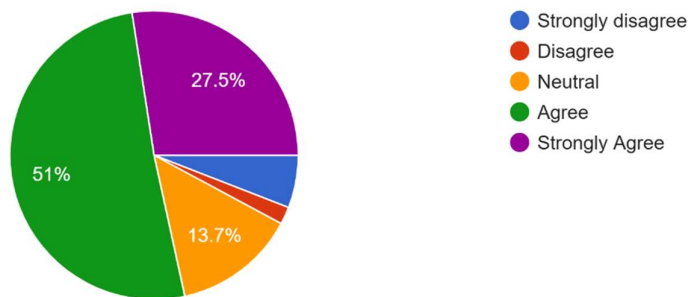
Greenwashing reduces my trust in a brand. 1-Disagree 5-Agree

51 responses



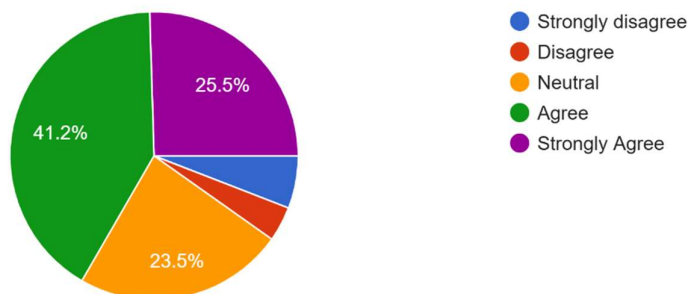
Misleading ESG claims can damage a company's long-term reputation.

51 responses



Greenwashing poses a serious business risk for companies.

51 responses



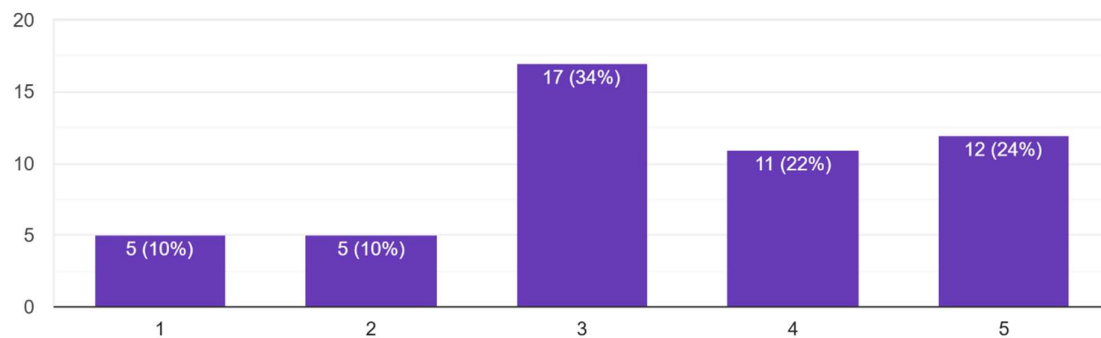
4.6 Influence on Purchase Decisions

Consumers showed a preference for sustainable brands, but ESG issues were not the main reason behind their buying decisions. Most participants were only moderately willing to pay extra for products that are sustainable.

However, a very important finding was that many participants said they would completely stop buying from a brand if they discovered that the company was involved in greenwashing. This shows that misleading sustainability claims can strongly damage customer loyalty.

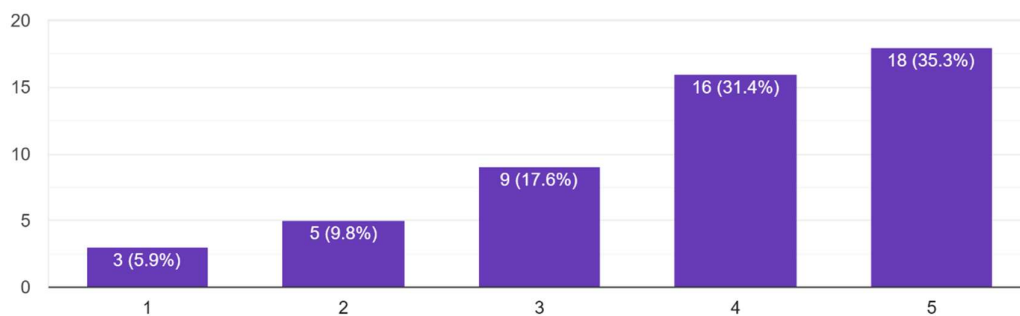
ESG claims influence my buying decisions. 1- Disagree 5- Agree

50 responses



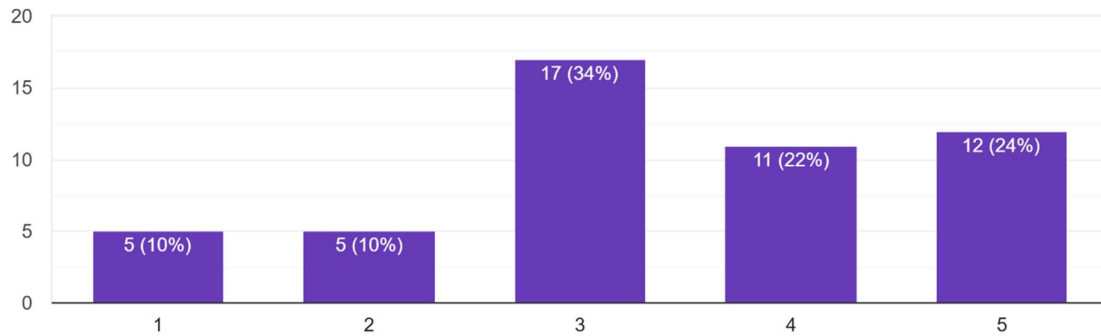
I am more likely to purchase from brands with genuine ESG practices 1- Disagree 5- Agree

51 responses



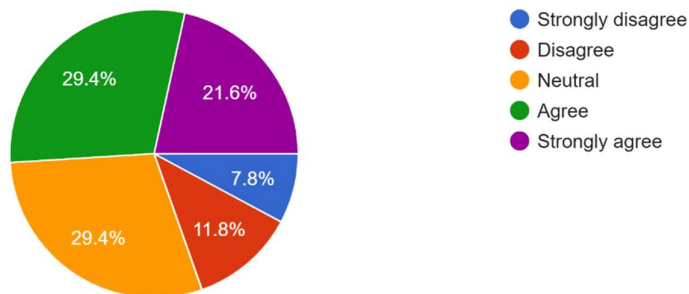
ESG claims influence my buying decisions. 1- Disagree 5- Agree

50 responses



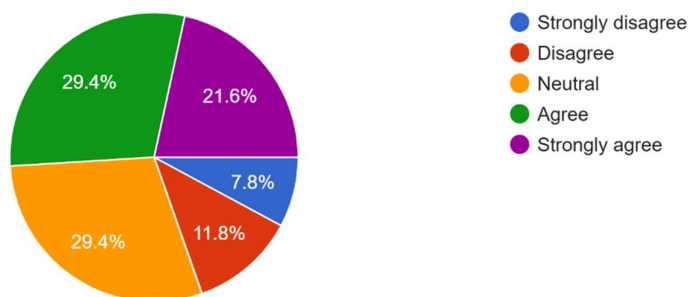
If I discover greenwashing, I stop supporting that brand.

51 responses



If I discover greenwashing, I stop supporting that brand.

51 responses

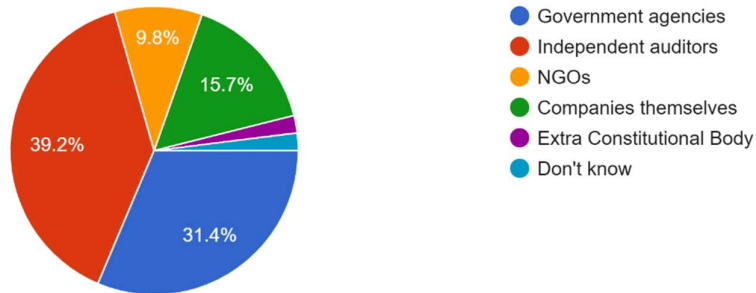


4.7 Verification Preferences

The participants trusted independent auditors more than government agencies for sustainability claims verification. The most effective way to build and sustain trust with consumers was found to be transparent reporting.

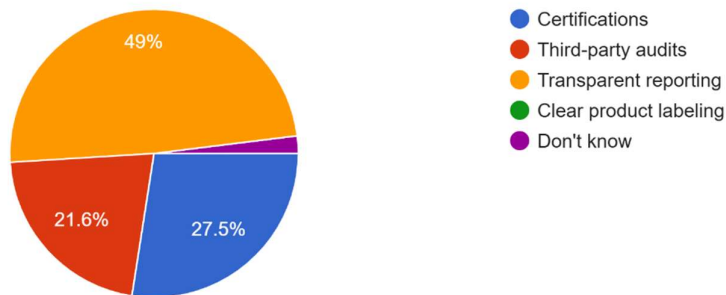
Who should verify ESG claims made by companies?

51 responses



What would increase your trust in ESG claims

51 responses



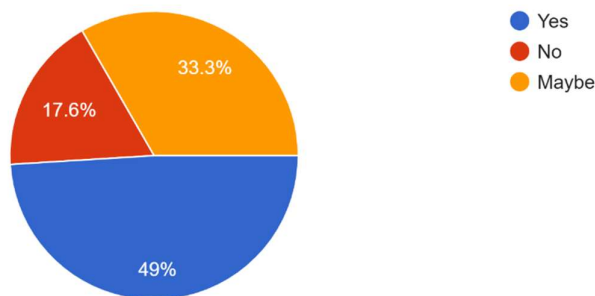
4.8 Importance of ESG Practices in Purchase Decisions and Competitive Advantage

The survey results show that ESG practices matter to consumers when they make buying decisions. About 33.3% of respondents said ESG directly affects what they buy. A larger group, 49%, said ESG may influence their decisions. This shows that many consumers are becoming aware of ESG, even if it is not the main factor for everyone. Only 17.6% said ESG does not affect their buying behavior at all.

The survey also found that most respondents believe companies with honest and transparent ESG practices have an advantage over others. Consumers link strong ESG efforts with higher trust, better credibility, and long-term brand value. Overall, these findings show that ESG is not just about following rules. It is also a smart business strategy that can improve how consumers see a company and help it stand out in the market.

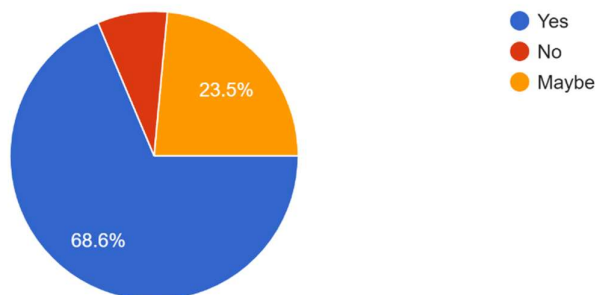
Overall, how important are ESG practices in your purchase decisions?

51 responses



Do you believe ethical and transparent ESG practices provide a competitive advantage to companies?

51 responses



5. DISCUSSION

This study was done to understand what people think about ESG, sustainability, and greenwashing. It also tries to see how these ideas affect trust and buying choices. The answers help us understand how people think today, especially young and educated consumers.

Most people in the study already know about sustainability. Many said they understand it at a medium or good level. This shows that sustainability is no longer a new or confusing topic. Young people between 20 and 35 years seemed to know more about it, which means they hear about these issues more often.

Many people had also heard about ESG, which means how companies take care of the environment, society, and rules. This is because ESG is talked about more in the news, schools, and company promotions. However, just knowing the word ESG does not mean everyone understands it well. Some people were unsure when judging ESG claims, showing that awareness does not always mean deep understanding.

Most people said they see ESG and sustainability messages on social media, in the news, in advertisements, and on product labels. Social media was the most common source, especially for young people. However, this can be a problem because ads and social media posts are made to promote companies. People who learned about ESG from news reports or company websites were more careful, which shows that where the information comes from affects how much people trust it. People had mixed feelings about ESG claims. Some felt that ESG helps them find brands that care about the environment. At the same time, many felt that companies use ESG mainly to look good and sell more products. This shows that people are thinking more carefully and not believing everything they see. They trust brands that clearly and honestly explain what they are doing. When ESG messages look unclear or exaggerated, trust becomes weaker.

Most people clearly understood what greenwashing means. They said it is when companies lie or exaggerate about being eco-friendly. Many people also felt that greenwashing happens quite often. They strongly believed that greenwashing reduces trust, harms a company's image, and is risky for businesses in the long run. This shows that consumers take greenwashing seriously.

The study shows that ESG does affect buying decisions, but not in every case. Many people prefer brands that truly care about the environment and society, and some are willing to pay a little more for such products. However, this only works if the company is honest. People clearly said that if they find out a company is greenwashing, they will stop buying from that brand completely.

People do not want to just believe what companies say. They want proof. Most people trust ESG claims more when they are checked by outside experts, government bodies, or NGOs. Clear reports, independent checks, and trusted certificates help people believe companies more. In simple words, consumers are saying that companies should not just talk about being good for the planet but should show real proof.

6. LIMITATIONS AND FUTURE RESEARCH

6.1 Limitations of the Study

While the study provides useful insights, certain limitations should be acknowledged:

1. **Limited Sample Size**
The study is based on a relatively small group of respondents, mostly within the 20–35 age group. This limits the ability to generalize findings across all consumer segments.
2. **Self-Reported Responses**
Since the data is based on self-reported opinions, responses may be influenced by personal bias or socially desirable answers.
3. **Time-Specific Nature**
The study captures consumer perceptions at a single point in time. Attitudes toward ESG may change with new regulations, awareness campaigns, or corporate scandals.
4. **Geographical Concentration**
The sample appears regionally concentrated, which may not fully represent broader national or global consumer perspectives.

6.2 Scope for Future Research

Future research can expand this study in several meaningful ways:

- Including larger and more diverse samples across age groups and regions
- Conducting industry-specific studies to understand ESG perception in sectors such as FMCG, fashion, or energy
- Using longitudinal studies to track changes in ESG perception over time
- Comparing verified ESG claims with vague sustainability messaging through experimental research

7. CONCLUSION

This research shows that Indian consumers—especially young and educated people—are well aware of ESG and sustainability. However, they do not fully trust corporate sustainability claims. Consumers are interested in supporting responsible brands, but they remain cautious and often suspect that ESG messaging is just a marketing strategy rather than a genuine effort.

Key Findings

1. **Greenwashing Is a Serious Risk**
The survey clearly shows that greenwashing is more than an ethical issue—it is a real business risk. Most respondents believe misleading sustainability claims reduce trust and harm a company's reputation. Many consumers said they would stop buying from a brand if they discovered greenwashing, proving that false claims can directly lead to customer loss.

2. Consumers Want Proof, Not Promises

Self-declared ESG claims are not enough to build trust. Respondents strongly prefer ESG information verified by independent auditors or government agencies. Transparent reporting and official certifications are seen as the most reliable ways to increase credibility. This means companies must focus on third-party verification rather than self-promotion.

3. Authenticity Creates Competitive Advantage

Even though consumers are skeptical, they strongly support brands with genuine and verifiable ESG practices. Many respondents said they are willing to choose such brands and even pay a premium for them. This shows that trust directly influences purchasing decisions and revenue.

Strategic Implications

For companies operating in India, the message is clear: transparency is essential. To avoid the risks of greenwashing, firms must move beyond advertising claims and invest in credible, third-party audits and disclosures. For policymakers, the findings highlight the need for standardized ESG regulations, as consumers actively look to government and independent bodies for validation. In a market where awareness is high and scrutiny is strong, genuine transparency is the only long-term competitive advantage.

Appendix

Appendix A: Questionnaire

Research Topic

Greenwashing as a Business Risk: How ESG Claims Influence Trust and Purchase Decisions of Indian Consumers

Introductory Note

This questionnaire is part of an academic research study conducted to understand how environmental, social, and governance (ESG) claims made by companies influence consumer trust and purchase decisions. All responses will be used solely for academic purposes and will be kept strictly confidential. Participation is voluntary.

Section A: Demographic Information

1. Age Group

- ☐ Below 20
- ☐ 20–29
- ☐ 30–39
- ☐ 40–49
- ☐ 51 and above

2. Gender

- ☐ Male
- ☐ Female
- ☐ Prefer not to say

3. Highest Level of Education

- ☐ School
- ☐ Undergraduate
- ☐ Postgraduate
- ☐ Other

Section B: Awareness of Sustainability

4. **Have you heard about sustainability or eco-friendly practices?**

- ☐ Yes
☐ No

5. **Are you aware of ESG (Environmental, Social, and Governance) claims made by companies?**

- ☐ Yes
☐ No

6. **Where do you usually encounter sustainability or eco-friendly claims?**

(You may select more than one option)

- ☐ Product packaging
☐ Advertisements
☐ social media
☐ Company websites
☐ News media

Section C: Perception of ESG Claims

Please indicate your level of agreement with the following statements:

(Strongly Disagree – Disagree – Neutral – Agree – Strongly Agree)

7. Sustainability claims help me choose better products.
8. Many companies use eco-friendly claims mainly as a marketing tool.
9. I trust brands that clearly explain their environmental efforts.
10. Sustainability claims influence my perception of a company.

Section D: Awareness of Greenwashing

11. **Have you heard the term “greenwashing”?**

(Greenwashing refers to false or exaggerated environmental claims made by companies.)

- ☐ Yes
☐ No

Please indicate your level of agreement:

(Strongly Disagree – Disagree – Neutral – Agree – Strongly Agree)

12. Some companies exaggerate their eco-friendly claims.
13. It is difficult to verify whether sustainability claims made by companies are genuine.

Section E: Trust and Brand Image

(Strongly Disagree – Disagree – Neutral – Agree – Strongly Agree)

14. Misleading sustainability claims reduce my trust in a brand.

15. If I lose trust in a brand, I avoid purchasing from it again.
16. Greenwashing can negatively affect a company's long-term reputation.

Section F: Purchase Decisions

(Strongly Disagree – Disagree – Neutral – Agree – Strongly Agree)

17. I prefer purchasing products from companies that are genuinely eco-friendly.
18. Sustainability claims influence my buying decisions.
19. I am willing to pay a higher price for genuinely sustainable products.
20. If I discover that a company is involved in greenwashing, I stop supporting it.

Section G: Consumer Expectations

21. Who should be responsible for verifying sustainability claims?

- ☐ Government agencies
- ☐ Independent agencies
- ☐ Non-governmental organizations (NGOs)
- ☐ Companies themselves

22. What would increase your trust in sustainability claims?

(Select all that apply)

- ☐ Eco-certifications
- ☐ Independent verification
- ☐ Clear and detailed information
- ☐ Honest and transparent advertising

23. In your opinion, how can companies be more honest about sustainability?

(Short answer)

Section H: Overall Opinion

24. How important is sustainability when making a purchase decision?

- ☐ Not important
- ☐ Slightly important
- ☐ Moderately important
- ☐ Very important

25. Do you believe that honest sustainability practices help companies gain consumer trust?

- ☐ Yes
- ☐ No
- ☐ Not sure