

A Study on the Impact of Greenwashing Behavior in the Shaanxi Coal Industry

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Abstract: Greenwashing behavior is increasing with the development of society, which has a great negative impact on people and companies. In recent years, moreover, there are many companies for the sake of short-term interests, a large number of false green propaganda, and the reasons behind the behavior and the behavior of the companies that carry out the behavior of greenwashing have been exposed. The impact of the behavior is worth an in-depth discussion. This paper is a case study, selecting an enterprise, Shaanxi Coal Industry in Shaanxi, a city in China, as an example, and analyzing the motivation of greenwashing behavior from the perspectives of both external and internal factors, combined with the actual situation of the company. Using event analysis to show the impact on Shaanxi Coal's share price within a short time after the exposure of greenwashing behavior, and further exploring the performance of financial indicators and non-financial indicators, combined with the company's 2023 half-year report and 2024 half-year comparative analysis, it was found that the behavior has a certain degree of impact on the company's operating income, as well as a great obstacle to the future development of Shaanxi Coal, and also greatly hinder the future development of Shaanxi Coal. Based on the motivation of Shaanxi Coal and its impact on performance, corresponding recommendations were made, pointing out that greenwashing behavior yields only momentary profit, which has a significantly negative effect on the company's and the country's long-term development. It is recommended that the company adopt a realistic and practical approach to green development.

Keywords: Greenwash Behavior, Event Analysis Method, Financial Performance, Non-Financial Performance

1. Introduction

In today's society, due to the negative impact of environmental pollution, green development has become a crucial topic and an inevitable trend, and many countries are paying more and more attention to environmental protection, green energy saving, and other aspects. Since the 18th Party Congress, General Secretary Xi Jinping has pointed out that green development is the most important issue in regulating the harmonious coexistence of man and nature, and should adhere to the concept of "green mountains are golden mountains". As the country attaches more and more importance to green development, many companies are also very concerned about it.

Introduced in the United States in the early 1990s, "greenwashing" is a compound word consisting of the words "green" and "bleach," and is a false green propaganda created by companies for profit. In recent years, a lot of companies have been exposed to the phenomenon of greenwashing, such as

PetroChina's four pollutant reduction data is seriously inconsistent, the paper produced by the Jinguang Group of carbon neutral certificate is still used after the cancellation of the paper, Decathlon on the fabric and content of the false propaganda, and so on. With more and more exposure to the greenwashing behavior of major companies, "greenwashing" has also come into the view of many people and scholars. Some scholars have shown that the essence of "greenwashing" is a dishonest green marketing strategy, which is utilized by enterprises to gain a competitive advantage and attract environmentally conscious customers [1]. False green behavior can hurt a company in the long run, even though it may provide some short-term, superficial benefits [2]. "Greenwashing" behavior affects consumer trust, corporate reputation, and social responsibility perceptions, and has an impact on corporate performance, including a decline in financial performance and damage to non-financial performance [3]. Shaanxi Coal did not escape the judgment of society. On August 8, 2024, the act was exposed and attracted a lot of attention from the Southern Weekend. The reason behind the act and the impact of the aftermath is a topic worth exploring.

The research topic of this paper is Shaanxi Coal Bleaching Behavior and Performance, using the case study method, focusing on the impact and pros and cons of bleaching behavior on Shaanxi Coal Company Limited, the effect of bleaching behavior on performance, and the recommendations given.

2. Background on the case of Shaanxi Coal's greenwash behavior

2.1. Basic information of Shaanxi Coal

Shaanxi Coal Industry Co., Ltd. is a joint-stock limited company established in 2008, which mainly engages in coal mining, operation, sales, processing, and comprehensive utilization. The enterprise is at the forefront of the national coal industry; the degree of mining mechanization, scale, equipment, efficiency, and other indicators in the country are at the leading level, creating a lot of brands and having a certain degree of influence.

2.2. Shaanxi Coal's green drifting behavior

Shaanxi Coal claims to regard environmental protection as the company's most valued synonym, and will continue to build green mines, implement environmental protection, and fully practice the path of green and low-carbon. According to incomplete records, in 2023, Shaanxi Coal paid the highest amount of fines in the Seiketsu database for environmental violations, nearly 22 million yuan. In January 2023, residents of Xianyang City, Shaanxi Province, noticed a sudden darkening of the water in the section of the Jing River that runs from Tingkou Town, Changwu County, to Binzhou City. In January 2024, residents of Xianyang City, Shaanxi Province, noticed a sudden darkening of the water in the section of the Jing River that runs from Tingkou Town, Changwu County, to Binzhou City. The Bureau of Ecology and Environment of Xianyang City determined that the cause of the accident was Shaanxi Binchang Hujiahe Mining Company Limited, a subsidiary of Shaanxi Coal. The company was fined 2.37 million yuan in 2023 for discharging pollutants through seepage pits, discharging excessive ammonia nitrogen into wastewater, and failing to activate the emergency response plan for environmental emergencies and take emergency action after water pollution. The company was also fined \$7.61 million for occupying 114 acres of land without permission.

On August 8, 2024, Southern Weekend published its 10th "China's Bleaching Green List", noting that Shaanxi Coal's subsidiaries and a large number of companies holding its shares had received a lot of penalties in 2023, and that Shaanxi Coal's subsidiaries and a large number of companies holding its shares had received a lot of penalties.

2.3. Analysis of the reasons for the practice of greenwashing

2.3.1. External factors

2.3.1.1. Regulatory requirements

With the rapid development of society, the state's focus on “green” is also constantly changing, some scholars have found that from 2003 to 2011, the national research is mainly in the green technological innovation to achieve sustainable development, and from 2012 to 2021, the direction of green technological innovation in terms of the drivers and influencing factors. From 2012 to 2021, the direction shifted towards the drivers and influences of green technological innovation, while from 2022 onwards the focus began to focus on the relationship between media attention and digital finance and green technological innovation [4]. The country's focus on green innovation is constantly pro-people, various corporate misbehavior has been exposed by major media outlets, and people and regulation are paying more and more attention to it, which has made environmental issues one of the most important indicators that companies cannot ignore, and has put a lot of pressure on Shaanxi Coal to improve its environmental performance. According to international scholars Lemon and Ackerstein, the quality of the regulatory environment is a major factor in determining how companies manage their “greenwash” behavior [5].

2.3.1.2. Social pressure

In 2022, the IPE Center for Public and Environmental Research published a list of the bottom 100 listed companies in China in terms of environmental performance, in which Shaanxi Coal ranked 20th. On August 8, 2024, Southern Weekly published its tenth “China's Green Drifting List” (2023-2024), which revealed Shaanxi Coal's green drifting behavior. On August 8, 2024, Southern Weekly published the tenth “China Greenwash List” (2023-2024), which publicized Shaanxi Coal's greenwash behavior. Green and environmental protection have been focused on again and again, and there is fierce competition between the companies, and Shaanxi Coal's environmental problems are constantly being exposed by various platforms, which also makes its social pressure rise. Liu Yiwen and other scholars believe that those public opinions brought about by media attention will generate significant pressure, and there is a high degree of possibility that heavily polluting companies do “greenwashing”, thus replacing green technological innovations that are truly effective in maintaining the environment [6].

2.3.2. Internal factors

2.3.2.1. Economic burden

With Shaanxi Coal Industry 2022 annual report, 2023 annual report and 2024 half-yearly report shows, collected Shaanxi Coal Industry in the past three years operating income and operating costs to do the Table 1, the company's annual operating costs are about as high as 50% of the operating income, the huge cost also caused a lot of pressure to the Shaanxi Coal Industry, so that the heavy economic burden has become one of the triggers of Shaanxi Coal Industry's behavior of drifting green.

Table 1: Shaanxi Coal's operating revenue and operating costs in the past three years

Data source: Juchao Information Network

Shaanxi Coal Subjects	2022	2023	First half of 2024
Operating income (billions of dollars)	1668.48	1708.72	847.37
Operating costs (billions of dollars)	917.84	1061.88	548.6

3. The impact of green drifting behavior on performance in the Shaanxi Coal industry

3.1. Analysis of stock changes following the announcement of greenwash behavior

The greenwashing behavior of companies is tantamount to deceiving consumers, taking advantage of the information asymmetry between the two, and raising the image of the company in the field. The disclosure of “greenwashing” behavior increases the risk of consumer investment and can further confuse their understanding of the green market [7]. Therefore, once the greenwashing behavior is announced, many consumers and investors will immediately stop their losses. After the announcement of the 2024 China Bleaching Green List, as shown by Oriental Wealth, Shaanxi Coal's stock volume declined to some extent in the short term.

The exposure of green-bleaching behavior has a certain impact on Shaanxi Coal Industry in terms of financial aspects, analyzed by event analysis, using August 8, 2024 as the event date, (-1,1) as the event window period, and the estimation window is set as (-210, -11) because the announcement of the green-bleaching list is likely to be known in advance in the market, and the abnormal returns during the event window period are respectively derived, which facilitates the analysis by the cumulative abnormal return (CAR) to visualize the impact of China's Bleaching Green List announcement on Shaanxi Coal in 2024, yielding the change in abnormal returns during the event window period in Figure 1. Calculated from the market rate of return and the company's true rate of return, the cumulative abnormal rate of return (CAR) was -0.49%, which caused a significant impact on Shaanxi Coal's share price.

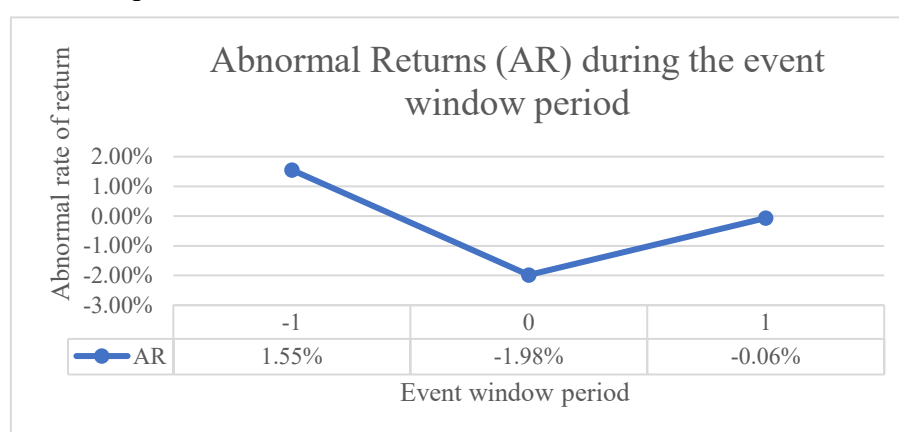


Figure 1: Changes in abnormal returns during the event window period
Data source: Investing.com

3.2. Performance analysis of financial indicators

The exposure of the bleaching green behavior has brought a heavy blow to Shaanxi Coal's financial indicators, according to Shaanxi Coal's 2023 semi-annual report of operating income and net profit attributable to shareholders of the parent company with the 2024 semi-annual report of the comparison can be seen, resulting in the first half of the last two years of Shaanxi Coal's revenues and net profit attributable to shareholders of the parent company in Table 2. Shaanxi Coal realized operating revenue of 84.737 billion yuan in 2024, a decrease of 5.925 billion yuan, or 6.54% year-on-year; net profit attributable to shareholders of listed companies in 2024 was 10.556 billion yuan, a decrease of 1.023 billion yuan, or 8.83% year-on-year. It can be seen that the “China Bleaching Green List” published by “Southern Weekend” has caused Shaanxi Coal's profitability to drop significantly, causing a significant impact and hindering the company's future operation and development to a certain extent.

Table 2: Shaanxi Coal's revenue and net profit attributable to parent shareholders in the first half of the last two years

Data source: Juchao Information Network

Shaanxi Coal Subjects	First half of 2023	First half of 2024	Percentage change (%)
Operating income (billions of dollars)	906.62	847.37	-6.54
Net profit attributable to equity holders of the parent (in billions of dollars)	115.79	105.56	-8.83

3.3. Performance analysis of non-financial indicators

3.3.1. Consumer trust

Although the green bleaching has brought some revenue for the company in the early stage, once the behavior is exposed, consumers realize that they have been deceived, and it is easy for consumers to lose confidence in the green products and doubt the company's environmental protection statement, and the trust of the company has decreased significantly, which may damage the image of the brand and reduce the possibility of consumers to buy [8]. Shaanxi Coal has always claimed to be aiming for green and low-carbon development, and the publication of the Bleaching Green List has caused it to lose the trust of consumers, which could lead to stock volatility and some degree of damage to the company.

3.3.2. Regulatory attention

Some scholars believe that companies engaging in “greenwashing” may be subject to fines and other penalties from the government, which may lead to a reduction in their value [9]. Negative media reports can bring more public pressure and social attention to companies [10]. This will make it easier to attract the attention of regulators and, at the same time, increase the supervision of Shaanxi Coal. Shaanxi Coal advertises environmental protection and has been noted by various platforms as having serious environmental pollution issues and needing to improve its environmental disclosures. With the country viewing green development as a top priority at this stage, Shaanxi Coal's green-bleaching behavior is likely to attract the attention of the government as well as regulators, which puts more pressure on the company, and there is likely to be an increase in social concern about it.

4. Recommendations

With the progress of the times, environmental issues are being emphasized more and more, and green homes and low-carbon environmental protection also run through the lives of many people. Whether it is in response to the state, or for the long-term development of the company, Shaanxi Coal should fulfill the environmental protection in place, abandon the short-term interests brought about by the bleaching of the green, put the vision of the long term, strengthen the company's internal supervision and governance of the environment, add green and low-carbon indicators, control the amount of coal mining, promote low-carbon green, energy saving and emission reduction, honest publicity, down-to-earth, regain the trust of consumers, and carry out relevant publicity activities. Put the green development concept into practice.

5. Conclusion

Shaanxi Coal's green-bleaching behavior focuses on immediate short-term benefits and falsely advertises the company's greenness, and with the exposure of the incident also cost Shaanxi Coal more profits. This thesis clarifies Shaanxi Coal's green-bleaching behavior and the motivation for this behavior through the case study of Shaanxi Coal, arguing from both external and internal factors. At the same time, the impact of the release of the green-bleaching behavior on the company's financial and non-financial indicators was studied, and through the event analysis method, it was found that the green-bleaching behavior caused Shaanxi Coal's share price to fall by a certain extent, and with the comparison of the company's half-yearly report of 2023 and the half-yearly report of 2024, it was found that the behavior caused a serious decline in its profitability, which added an obstacle to Shaanxi Coal's future development. Combining the published literature of scholars with the real situation of Shaanxi Coal, it is found that greenwashing behavior will strike the trust of consumers, raise the attention of regulators, and create more pressure and risk for the company. The company should spend more time and energy on low-carbon and environmental protection rather than false propaganda.

With the environmental issues in the world's attention rising, “greenwash” has gradually entered the public's field of vision, and more and more scholars have begun to pay attention to the negative impacts of the phenomenon and put forward different ways of thinking. In the future, green development will certainly receive more and more attention, the community will also be more resistant to greenwashing behavior, more views on greenwashing hope which later scholars can have a deeper level of discussion.

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