THE ROLE OF ACCOUNTING IN DETECTING AND PREVENTING "GREENWASHING": ECONOMIC IMPACTS ON THE ENVIRONMENT AND CORPORATE TRANSPARENCY

Chief assistant prof. Nikolay Katsarski PhD

Sofia University St. Kliment Ohridski, **Bulgaria**

ABSTRACT

Global sustainability initiatives, effective resource allocation, and corporate responsibility are all at risk from greenwashing, which is the willful distortion of environmental sustainability policies. With an emphasis on the economic ramifications of greenwashing, corporate transparency, and the economical use of natural resources, this paper explores the function of accounting in identifying and stopping it. We examine how sound accounting procedures might improve responsibility in resource and waste management by analyzing financial reporting standards, sustainability disclosures, and auditing procedures. Key findings show that regulatory monitoring, third-party verification, and standardized Environmental, Social, and Governance (ESG) measures are essential for ensuring that business statements are in line with actual environmental performance. Examined are the negative economic effects of greenwashing, such as skewed capital flows, reputational hazards, and legal repercussions, highlighting the necessity of open and verified sustainability reporting. This study also demonstrates how better accounting frameworks can eliminate waste, encourage the circular economy, and support the efficient use of environmental resources. Policy proposals to improve corporate openness, lessen information asymmetry, and promote sustainable economic development are included in the study's conclusion.

Keywords: greenwashing, environmental economic, environmental transparency

INTRODUCTION

Accounting practices play a crucial role in identifying and mitigating greenwashing, which has considerable economic effects on both the environment and the transparency of corporations [1]. Traditional accounting methods frequently fail to adequately address environmental costs, which necessitates the use of environmental management accounting to promote sustainable business practices [2]. Environmental management accounting helps companies identify and control environmental costs, integrate environmental considerations into decision-making, and report environmental performance to stakeholders [3]. Sustainable accounting, also known as environmental accounting, integrates traditional accounting practices with environmental and social considerations, moving beyond mere financial performance to include the environmental and social impacts of business operations [4]. Green accounting methodologies can be categorized based on whose actions are being accounted for, the time period being considered, and how environmental impacts are measured [5]. These techniques enable stakeholders to evaluate an organization's true environmental

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