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The Impact of Governance Parameters on Social Performance of Indian Companies: An Empirical Study

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Abstract:

In India's changing Corporate landscape, governance and social performance are increasingly intertwined. Corporate governance plays a crucial role in strengthening corporate social responsibility (CSR) by promoting stakeholder engagement, board independence, and transparency. Board dynamics and interlocking directorships significantly shape corporate decisions and social impact in India. Effective governance not only supports regulatory compliance but also drives companies toward more socially responsible practices, contributing to long-term societal impact. This study examines governance's influence on social performance in Indian firms, advancing understanding of corporate responsibility. The findings aim to provide actionable insights for corporate leaders and policymakers to enhance ESG strategies

Keywords: Corporate Governance, Social Performance, ESG, Sustainability, CSR, Board Practices

1. Introduction

In the rapidly evolving corporate landscape of India, the interplay between governance structures and social performance has garnered significant attention among scholars and policymakers. Corporate governance encompasses a broad range of mechanisms aimed at balancing the interests of diverse stakeholders, which in turn influences ethical practices, transparency, and accountability within firms. Particularly, issues such as Board independence, Board diversity, Board meeting frequency, Presence of Code of Conduct, Whistleblower mechanisms, ESG risk management inclusion highlight the complexities companies face while aligning profitability with social responsibility and regulatory compliance. Moreover, board dynamics, including interlocking directorships, play a pivotal role in shaping corporate decisions and their social impact. The phenomenon of board interlocks in India reveals both potential benefits in resource sharing and collaborative governance, as well as concerns about

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power concentration within a small elite cadre of directors, impacting firms' social and financial outcomes (Balasubramanian et al.). This study aims to examine these governance variables using primary data to evaluate their influence on the social performance of Indian companies, thereby contributing to a nuanced understanding of corporate responsibility in the local context.

2. Literature Review

Previous studies have emphasized the role of governance in improving overall ESG outcomes. Ateeq et al. (2023) highlighted how effective governance structures shape environmental practices and policies. Their study underscores the role of governance in promoting environmental stewardship and sustainable business practices, contributing to literature on corporate responsibility and environmental sustainability. Damian (2023) analyzes the relationship between corporate governance mechanisms and sustainability outcomes in BIST (Borsa Istanbul) companies, revealing how effective governance drives sustainable business practices. The study "Voting by Mouth: Media Attention and Environmental Governance" (2023) explores how media coverage influences environmental governance by shaping public discourse and decision-making. It introduces the concept of "voting by mouth," showing how media narratives impact environmental policymaking and corporate behavior, and underscores the importance of proactive media strategies in driving positive environmental outcomes. Fitriasari (2023) examines the impact of sustainability-focused corporate governance on environmental disclosure, revealing that robust governance mechanisms enhance transparency and accountability in corporate environmental reporting. Syeda et al. (2023) explore the relationship between corporate governance and environmental performance in Japanese companies, demonstrating that effective governance mechanisms significantly enhance environmental outcomes.

Governance attributes such as board independence, transparency, and risk management are known to positively affect corporate responsibility (Mallin, 2019; Eccles et al., 2014). However, limited empirical work exists that directly links governance structures with social performance metrics like Human Rights, Corporate Social Responsibility Impact, Workforce diversity, Health & Saefety and Capacity building.

3. Research Objectives

- To identify key governance parameters relevant to Indian companies.
- To measure the social performance indicators of these companies.

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- To analyze the correlation between governance practices and social performance.

4. Methodology

To explore the influence of corporate governance on the social performance of companies in India, a rigorous methodology for collecting and analyzing primary data is essential. The research design employs structured surveys of various Sustainability, ESG professionals, Safety, CSR, Company Secretary, Senior management of the Corporates and Consulting companies to gather nuanced insights into governance practices and their social outcomes.

Sampling focuses on a diverse set of companies across various industries to ensure representativeness and to capture sector-specific governance dynamics. Data analysis combines qualitative thematic analysis with quantitative statistical techniques to identify patterns and correlations between governance variables and social performance indicators.

Governance Parameters (Independent Variables)

- Board independence (% of independent directors)
- Board diversity (gender, age, expertise)
- Board meeting frequency
- Presence of Code of Conduct
- Whistleblower mechanisms
- Stakeholder engagement policies
- ESG risk management inclusion

Social Performance Parameters (Dependent Variables)

- Occupational health and safety
- Training & Development
- Workforce diversity
- Community initiative reaches and effectiveness
- Human rights policies and grievance redressal mechanism

Sample Design The study targets Sustainability, ESG professionals, Safety, CSR, Company Secretary, Senior management across various industries in India. A minimum sample of 100 respondents was targeted to ensure statistical relevance. Probability sampling – Simple random sampling was used based on industry sector, company size, and ESG reporting status.

5. Results and Discussion

5.1 Correlation Between Governance Practices and Social Performance

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Pearson Correlation Coefficient: The correlation between average governance and social performance scores is 0.77.

This is a strong positive relationship, meaning companies with higher governance scores tend to also have higher social performance scores.

5.2 Regression Analysis

Model: Social Performance = 0.87 + 0.75 × Governance Parameter_Avg

R-squared: 0.593

About 59% of the variance in social performance is explained by governance practices.

Interpretation: For every 1-point increase in governance average, the social average increases by about 0.75 points. The relationship is highly significant ($p < 0.001$).

5.3 Impact of Company Size and Sustainability Reporting

Company Size: Larger companies ("More than 5000" employees) tend to have higher average governance and social scores. Smaller companies show more variability and generally lower scores.

Sustainability Reporting: Companies that publish a sustainability report have higher average governance and social scores than those that do not.

5.4 Summary

Analysis Aspect	**Result/Insight**
Correlation (Governance vs Social)	0.77 (strong positive)
Regression Slope	0.75 (per 1-point governance increase)
Regression RÂ²	0.59 (59% of social performance explained)
Company Size Effect	Larger companies score higher
Sustainability Report Effect	Reporting companies score higher

6. Conclusion

In conclusion, this study underscores the critical influence of corporate governance on Social performance, offering profound insights into corporate responsibility within India. As companies increasingly embrace stronger governance frameworks, the evidence points to a corresponding rise in social outcomes—though this relationship remains nuanced, often shaped by external regulatory forces. The study highlighted the strong positive link between governance and social performance for the sample studied. It also emphasizes that both

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company size and sustainability reporting are associated with higher scores. The intricate link between governance structures and Social performance highlights the urgent need for targeted reforms that address region-specific challenges, as emphasized by Adkins et al. (2019). Collectively, these findings advocate for a holistic governance model that integrates comprehensive sustainability metrics for social performance, driving not just regulatory compliance but a deep, enduring commitment to social responsibility.

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