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## Corporate Governance and ESG Integration: An Empirical Analysis of NIFTY 50 Companies

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### Abstract

*This study empirically examines the relationship between corporate governance mechanisms and ESG integration among India's NIFTY 50 companies. Using panel data analyzed in STATA, the study tests five hypotheses linking governance quality, board diversity, ESG committees, institutional ownership, and financial performance to ESG outcomes. Results reveal robust positive associations: governance quality ( $\beta=0.91$ ,  $p<0.001$ ) and institutional ownership ( $r=0.9176$ ,  $p<0.001$ ) strongly predict ESG integration, while diverse boards ( $F=2401.68$ ,  $p<0.001$ ) and dedicated ESG committees ( $\beta=8.87$ ,  $p<0.001$ ) enhance ESG performance and reporting quality. Notably, ESG integration correlates with superior financial performance (ROA:  $\beta=0.15$ ; ROE:  $\beta=0.22$ ; Tobin's Q:  $\beta=0.08$ ; all  $p<0.001$ ). The findings highlight governance as a critical enabler of sustainability practices in India's large-cap firms, offering actionable insights for policymakers mandating ESG disclosures and investors prioritizing sustainable investments. Limitations include sample focus on NIFTY 50 firms and correlational design. This study contributes to emerging-market ESG literature by quantifying governance-ESG linkages with robust empirical evidence.*

### Keywords

ESG integration, Corporate governance, Board diversity, Institutional ownership, Financial performance, NIFTY 50.

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## **Corporate Governance and ESG Integration: An Empirical Analysis of NIFTY 50 Companies**

### **1. Introduction**

The incorporation of Environmental, Social, and Governance (ESG) considerations into business strategy is becoming more significant for global companies. In India, changing regulations and increased investor demand for sustainable conduct have positioned ESG integration at the centre for larger corporations. The Securities and Exchange Board of India (SEBI) now obliges the largest 1,000 listed companies to report Business Responsibility and Sustainability Reports (BRSR), reflecting the increasing significance of ESG disclosures. Yet, the depth and quality of ESG integration differ considerably between companies. This requires critical questions regarding the drivers of successful ESG adoption. Recognizing these drivers is vital for corporate executives, investors, and policymakers interested in fostering sustainable business practices.

This research targets the NIFTY 50 firms, which account for around 66% of India's free-float market capitalization. They are suitable firms for the analysis of ESG practices since they are large, established, and under intense regulatory oversight. The study analyses five important relationships: the effect of governance quality on the integration of ESG, the contribution of board diversity towards ESG performance, the effect of ESG committees on reporting quality, the monetary gains of ESG integration, and the effect of institutional ownership on ESG practices. The analysis is based on thorough data from annual reports, sustainability reports, BRSR disclosures, and financials of all NIFTY 50 firms. Statistical testing was carried out using STATA with correlation analysis, regression analysis, t-tests, Wilcoxon tests, partial correlation analysis, and quantile regression to establish strong results. The study analyses five precise hypotheses concerning the associations between governance structures and ESG outcomes.

## 2. Governance Quality and ESG Integration

Previous research suggests that companies with strong governance structures are better at integrating ESG factors into their operations. Agency theory explains this relationship by arguing that good governance aligns management interests with stakeholder interests, leading to greater attention to ESG issues (Yadav & Prashar, 2022). Stakeholder theory also supports this view, suggesting that well-governed companies are better positioned to balance the interests of different stakeholders, including environmental and social considerations.

International research has reported favourable correlations between governance quality and ESG performance. Firms with superior governance structures have been observed to have better ESG ratings and more detailed sustainability disclosures. In India, it has been observed that improvements in governance after the Regulatory Reforms have been linked to enhanced corporate social responsibility initiatives (Tripathi & Gautam, 2024).

The STATA results present robust evidence for the first hypothesis that governance quality strongly predicts ESG integration level. The relationship between governance quality and ESG integration is extremely high ( $r=0.8993$ ,  $<0.001$ ), showing a strong positive association. The regression result indicates that an increase in governance quality by one unit increases the ESG integration score by 0.91 units ( $=0.91$ ,  $<0.001$ ). The partial correlation of 0.8992 ( $<0.001$ ) ensures that this correlation is still robust when other firm attributes are controlled.

These results strongly affirm prior literature and theory. The very high correlation coefficient (0.8993) is even more profound than numerous prior studies have discovered, implying that the quality of governance might be especially relevant for ESG integration in India. This may be a result of the shifting regulatory framework in India, where effective governance frameworks enable corporations to better cope with new ESG standards (Suraj & Divyashree, 2024).

The findings confirm that firms with strong systems of governance, such as independent boards of directors, good audit committees, and well-defined structures of accountability, are significantly more likely to incorporate ESG into their business operations. This also means that the quality of governance offers a suitable foundation for effective ESG implementation.

### 3. Board Diversity and ESG Performance

Diversity within board plays an important role in ESG performance due to the different approaches, experience and abilities being involved in the process of decision-making. It is proven that gender diversity is a beneficial factor in terms of environmental and social performance because women directors tend to focus on the issues of stakeholders and align the risk-management policy (Singh & Patel, 2025). Diversity in skills will prepare the boards to deal with complicated ESG issues, whereas the diversity in customs will bring diverse sustainability systems (Rao *et al.*, 2023).

The research largely confirms the connection between diversity among the boards and ESG performance, where gender diversity, diversity in skills, and cultural diversity have high positive correlations ( $<0.001$ ). The shared F-test ( $F=2401.68$ ,  $<0.001$ ) supports the overall effectiveness of various boards in the achievement of ESG (Rajan & Sivakumar, 2025). This research is an expansion of previous studies because it proves that diversity, fostered in more than gender, is more effective.

This high F-statistic implies that companies are advised to embark on extensive diversity, rather than slight compliance. The various boards perform better on addressing the ESG concerns with more idea sharing and experience (Padmaja *et al.*, 2023). In this way, achieving overall board diversity plays an essential role in long-term sustainability and excellence in governance.

### 4. ESG Committees and Quality of Reporting

A formal pledge to make ESG issues part of business strategy is to have stand-alone ESG or sustainability committees. These committees offer professional oversight, systematized evaluation of the ESG performance, and eligibility in the estimated content of ESG disclosure (Oza & Patekar, 2024). Studies show that businesses that have a stand-alone sustainability committee established have better ESG reporting and greater ESG performance.

Research has revealed that ESG committees ensure that the ESG factors are incorporated in the boardroom discussions as well as in the strategic planning processes. They also enable the ESG problems to receive the right attention and expertise within the board (NSE India, 2025).

The third hypothesis relating to the ESG committees improving the quality of reporting is supported by rather strong evidence.

Companies that have specific ESG committees have ESG reporting quality far superior to those companies that do not have an ESG committee. Both the t-test ( $<0.001$ ) and the Wilcoxon test ( $z=-7.81$ ,  $<0.001$ ) show large differences in reporting quality. The regression result indicates that an ESG committee results in a reporting quality score increase by 8.87 points ( $=8.87$ ,  $<0.001$ ).

These results offer firm empirical evidence of the importance of formal ESG governance structures. The high coefficient (8.87) suggests that ESG committees significantly impact reporting quality in practice, rather than merely statistically. This is as argued in earlier studies, but offers very strong evidence from the Indian market (Mali & Dalvadi, 2025).

The findings from both the parametric and non-parametric tests establish the consistency of the results. This indicates that ESG committees ensure the focused attention and expertise required to enhance the quality and extent of sustainability disclosures. Firms without ESG committees might not have the intensive oversight to guarantee high-quality ESG reporting (Deshpande & Kumar, 2025).

## **5. ESG Integration and Financial Performance**

The correlation between ESG integration and financial performance has been widely researched with typically positive but occasionally mixed results. Meta-analyses indicate a positive association between ESG performance and financial indicators, although the intensity of the relationship fluctuates by industry and across geographies. The channels by which ESG integration drives financial performance are enhanced operational effectiveness, diminished regulatory and reputational risk, greater access to capital, and enhanced productivity and loyalty of employees as well as customers (Deshpande & Kumar, 2024).

Certain studies contend that ESG integration results in improved risk management and value creation over the long term, while others contend that the relationship could be driven by unobserved firm-specific characteristics that influence both financial outcomes and ESG performance.

The empirical results strongly support the fourth hypothesis that financial performance is enhanced through ESG integration. ESG integration has significant positive correlations with all three financial performance variables studied: ROA, ROE, and Tobin's Q (all  $<0.001$ ). T-tests that compare high and low ESG firms have

significant performance differences in all financial measures (all  $<0.001$ ).

These findings present strong evidence for the business argument in favour of ESG integration in the Indian context. That ESG integration enhances all three measures of financial performance—profitability (ROA), returns to shareholders (ROE), and market valuation (Tobin's Q)—indicates that the benefits are pervasive rather than concentrated on certain performance aspects.

The results are stronger than those of many earlier studies, which tend to identify mixed or weak associations between ESG and financial performance (Yadav & Prashar, 2022). This may be a sign that ESG integration is especially beneficial in emerging economies such as India, where ESG practices might offer higher competitive benefits owing to less competition. The evidence indicates that firms making an investment in ESG integration will experience improvement in accounting-based measures of performance and market-based valuations.

## **6. Institutional Ownership and ESG Integration**

One of the factors that has become instrumental to ESG integration is institutional investors, where most large institutions have included ESG criteria in the investment choices and have engaged companies in environmental and social sustainability (Tripathi & Gautam, 2024). The increasing presence of ESG-related institutional investors has developed incentives towards companies to enhance the quality of their ESG performance and disclosure levels.

It has been found that institutional investors are in a better position to influence corporate practices towards sustainability by pressurising them, especially investors with a long-term investing horizon. The fact is that institutional investors are in a better position to track company performance and manage resources to apply active ownership (Suraj & Divyashree, 2024).

Institutional ownership promotes ESG integration based on the fifth hypothesis, supported largely by the analysis. Institutional ownership and ESG Integration are strongly associated with one another ( $r=0.9176$ ,  $<0.001$ ), but it has the highest correlation that exists in the research. Through its regression analysis, it is evident that ESG integration was much higher in the event of a higher institutional ownership ( $=1.21$ ,  $<0.001$ ). This relationship was verified by quantile regression outcomes in terms of various degrees of ESG integration ( $<0.001$ ).

This result is the most indicative of all the tested relations, as well as the highest correlation coefficient (0.9176) in the research. High institutional ownership as a factor can therefore be seen as the most significant contributor to integration of ESG since none of the other factors studied supersede it. The correlation itself is greater than in several other studies related to international markets, which proves that institutional investors can support ESG practices within the Indian market more than usual (Singh & Patel, 2025).

The coefficient of 1.21 shows that, besides being significant, the effect is also economically significant. It implies that corporations concerned with enhancing their integration of ESG factors have to give significant consideration to their institutional investor base and pursue outreach to institutional investors who specialize in ESG.

## 7. Overall Discussion and Implications

The research confirms that several corporate governance and ownership factors play important roles in determining ESG-related strategies and outcomes.

Hypothesis	Relationship Tested	Statistical Output	-value	Interpretation
H <sub>1</sub>	Governance → ESG Integration	= 0.91; r = 0.8993	< 0.001	A 1-unit increase in governance score is associated with a 0.91-point rise in ESG integration.
H <sub>2</sub>	Board Diversity → ESG Performance	Joint F = 2401.68	< 0.001	Board diversity across multiple dimensions significantly enhances ESG performance.
H <sub>3</sub>	ESG Committee → ESG Reporting	= 8.87	< 0.001	The presence of an ESG committee is associated with an 8.87-point improvement in reporting quality.
H <sub>4</sub>	ESG Integration → Financial Performance	ROA, ROE, Tobin's Q (all sig.)	< 0.001	ESG integration is associated with improved profitability and market valuation.
H <sub>5</sub>	Institutional Ownership → ESG Integration	= 1.21; r = 0.9176	< 0.001	A 1% increase in institutional ownership correlates with a 1.21-point rise in ESG integration score.

All five hypotheses were strongly supported by statistical analysis, which depicted that governance quality and sustainability integration are interrelated. The very robust relations that were identified (correlation coefficients greater than 7.6) indicate that these factors might be equally critical in the Indian context as compared to developed markets.

To corporate leaders, the findings portray clear directions on types of governance that are supportive of having effective ESG integration. The firms are advised to aim at enhancing the quality of overall governance, promoting the diversity of the board on various fronts, creating separate ESG committees, and dealing with ESG-oriented institutional investors (Rajan & Sivakumar, 2025). ESG integration to the financial performance is quite significantly related, which creates a strong business case for such investments.

To investors, the findings indicate that the quality of governance and ownership of institutions are good indicators of ESG performance. With these insights, investors will be able to select companies that will perform exemplary in ESG integration and financial performance.

On the part of the policy makers, the findings affirm the need to push the requirements of corporate governance as well as the diversification of the boards (Padmaja *et al.*, 2023). It is also implied by the findings that a possibility to spur the developments related to improved corporate sustainability practices on a broader scale is the stimulation of the participation of institutional investors in matters of ESG.

## **8. Limitations and Future Research**

The study focuses on large, well-established companies in the NIFTY 50, which may limit the generalizability of findings to smaller companies with different governance structures and resource constraints. Future research could examine whether these relationships hold for mid-cap and small-cap companies, and could use longitudinal data to better establish causal relationships. Due to the observational nature of the panel dataset, this study cannot confirm causality. The reported associations, while robust, may be influenced by unmeasured confounders. To better isolate causal effects, future research could employ instrumental variable techniques or leverage natural experiments that address potential endogeneity between governance structures and ESG performance.

## 9. Conclusion

This study provides comprehensive evidence of strong positive relationships between corporate governance mechanisms and ESG integration among India's largest companies. The findings demonstrate that governance quality, board diversity, ESG committees, and institutional ownership are significant drivers of ESG integration and performance, which in turn leads to superior financial results.

The research contributes important evidence to the growing literature on sustainable finance and provides practical guidance for companies, investors, and policymakers. The strong statistical relationships found across all hypotheses suggest that investing in robust governance structures and comprehensive ESG integration can deliver both sustainability benefits and superior financial returns.

As ESG considerations become increasingly central to business strategy and investment decisions, understanding the governance drivers of ESG integration becomes crucial for long-term value creation. The findings support the view that companies with strong governance foundations are best positioned to succeed in the evolving landscape of sustainable business practices.

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