CORPORATE BOARD STRUCTURE AND ESG PERFORMANCE: AN EMPIRICAL STUDY OF LISTED FIRMS IN THE EMERGING MARKET

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Abstract

Corporate boards are one of the crucial factors for the organization to focus on environmental, social, and governance (ESG) activities of firms. ESG operations provide insight into the social and environmental viability of companies. The impact of board structure on ESG varies per nation based on their economic situation and business policies. In developed nations, corporations implement ESG norms in their business strategies voluntarily, however, in India, these practices are mandated for a subset of companies. This became the motivation for the authors to explore the nexus between existing corporate board structure and ESG practices. The sample has been taken from the listed firms of the Nifty-500 index spanning the period of 10 years from 2012 to 2022. Dynamic panel data estimations are applied through a fixed effect model. The findings revealed that chief executive officer (CEO) duality has a significant negative relationship with ESG performance which goes against the belief of stakeholder theory. Whereas board size, board independence, and board qualification have a significant positive influence on ESG performance. Further findings revealed that board size has no significant effect on governance performance. Policymakers should enact new regulations on the CEO's position in the organization, to make corporate governance responsible for improved sustainable and ESG performance.

Keywords: Corporate Governance, ESG, SDG, Panel Data, India

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1. INTRODUCTION

Corporate board structure has been one of the most debated areas of corporate governance among researchers and professionals (Linck et al., 2008). The nexus between corporate board structure and most of the financial or non-financial elements related to the organizations has been researched for decades across countries (Kakanda et al., 2016; Lagasio & Cucari, 2018; Harjoto & Wang, 2020). What makes it so crucial is, that includes the firm's elected decision-makers who have diversity in knowledge, skills, competence, and independent members (Linck et al., 2008). Over the last 10 years, the debate on sustainability, ESG, and sustainable development goals (SDGs) has sky-rocketed among society mostly in developed nations, and corporate governance is a means to achieve desired environmental, social, and governance (ESG) performance through communication with shareholders and integration of ESG with long-term strategies of firms (Menicucci & Paolucci, 2022). ESG plays a crucial role in corporate sustainability along with the sustainability of biodiversity and humans as it covers environmental, social as well as governance framework which consequentially protects the interest of all stakeholders (Raghunandan & Rajgopal, 2022; Larcker & Tayan, 2021).

Being strategy decision-makers, the board of directors should take responsibility to attain ESGs with good intentions rather than simply checking off boxes (Edison Group, 2023). The independence of directors, the power of the chief executive officer (CEO), knowledge, and expertise will lead the organization to integrate ESG into their business strategies to have a competitive edge (Heugh & Fox, 2017; Schramade, 2016). Similarly, stakeholders' theory and agency theory digs theoretical roots that corporate governance will make ethical and responsible businesses earn the trust of stakeholders and attain a competitive advantage in the market (Iatridis, 2013; Naciti et al., 2022).

According to Sharma et al. (2020), the voluntary disclosure of corporate social responsibility and corporate governance in India is generally low as majorly businesses follow policies and laws in listing agreements. According to the Organisation for Economic Co-operation and Development (OECD) factbook for 2021, India ranks 44th in global corporate governance, however, board structure rank is higher than China and the United Kingdom. The corporate board structure framework plays a determinant role in ESG outcomes, which leads to the firm becoming responsible and can also attract new investments from foreign investors (Buchetti et al., 2022). Despite the absence of legislation governing sustainability or ESG disclosures before 2021, the Asian Development Bank reports that certain ambitious commitments have contributed to a resurrection of ESG investment in India as of 2021.

Balancing environmental, social, and financial performance in isolation might be manageable, but the pursuit of simultaneous results may lead to several challenges for organizations (Epstein et al., 2015; McWilliams et al., 2016). Nevertheless, the literature indicates that the independence of directors and the CEO's position as chairman in emerging markets have a negative impact on transparency. As both shareholder and stakeholder models of corporate governance are countered by the issue of sustainability. The shareholder model prioritizes the interests of minority shareholders and is rather resistant to include environmental or social concerns in business behaviors. Along with this, the notion of balancing different interests inherent to the stakeholder model of corporate governance frequently provides primacy to immediate stakeholders, such as shareholders and labor while distal stakeholders, such as customers, the environment, and local communities are ignored, as in the shareholder model (Crifo & Reberioux, 2016).

This study focuses on the nexus between corporate board structure and ESG performance for Indian companies as the present literature is limited and does not provide exclusive evidence (Sharma et al., 2020; Bhattacharya & Sharma, 2019; Maji & Lohia, 2023; Melinda & Wardhani, 2020; Yadav & Prashar, 2022). After applying the Hausman test to a 10-year time frame, panel data fixed effect estimations are employed. The findings of the study depict that a corporate board consisting of members qualified in business and management can be highly influential towards ESG performance (Atan et al., 2018; Baltagi et al., 2003). Corporations in emerging nations, especially in India, should separate the role of the CEO and the chairman of the board, which goes against the belief of agency and stakeholders' theory (Donaldson & Preston, 1995). Shareholders and policymakers should restrict the organizations on the CEO being also the chairman. This study will help to attain the relevance of the stakeholder theory from the perspective of corporate governance. As per the theory, corporate governance is responsible to protect the interest of stakeholders (Naciti et al., 2022). To ensure that the current corporate board structure in India has any influence on stakeholders' interest in the view of ESG performance.

The current article follows a simple structure. Section 1 provides a brief description of understanding the problem and research gap. The literature review in Section 2 follows a thematic review concept which gives a proper understanding of each theme used in the study. Section 3 explains a link between corporate governance and sustainability theory. Section 4 explains the data and variables, models, and time period of the study. Section 5 provides the research results. Section 6 discusses the results. Section 7 presents conclusions, majorly discussed outcomes, prospects, and limitations of the study.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

At the turn of the new millennium, a social paradigm arose, emphasizing directors' broader responsibility in meeting not just shareholders' but all stakeholders' interests and requirements. Societal issues and environmental degradation have forced organizations to reevaluate their strategic agendas and governance policies (Chams & García-Blandón, 2019) emphasizing researchers to study the role of corporate governance structure in affecting the ESG performance of the firms. The literature is primarily from the articles published between 2013 and 2022, as 2013 was changing point for policies related to both corporate governance and social practices in India (Ministry of Corporate Affairs, 2013). These papers have been extracted from various reputed journals such as ABDC, Web of Science, Scopus, etc. Selected paper from these journals has been further segregated based themes of on the corporate governance variables such as board size, board independence, CEO duality, board qualification, etc.

2.1. Board size

Findings from the academic literature suggest that boards with more members are likely to be responsive to stakeholder concerns and indulge in more ESG-related initiatives (Chams & García-Blandón, 2019; Husted & de Sousa-Filho, 2019; Majumder et al., 2017; Majeed et al., 2015; Giannarakis, 2014). The larger board will have more diverse talents, information, and perspectives, allowing the organizations to have a comprehensive approach toward strategies and policies. Thus, empowering them to work for the holistic welfare of all stakeholders. Nevertheless, it also aids in resolving the principal-agent dilemma of agency theory. According to Jensen and Meckling's (1976) agency theory, the agent in a specific business arrangement has an ethical obligation to represent the principal's best interests. Based on the review of relevant literature, a bigger board size contributes to improved stakeholder welfare performance compared to a smaller board. But studies also confirm that the country's geographic location has a moderating effect on board size and structure concerning the sustainable performance of the firm (Chams & García-Blandón, 2019; Samaha et al., 2015). The country's governance variables, such as its laws and policies, also influence the corporate governance behavior of the enterprises, hence influencing their ESG performance differently (Lagasio & Cucari, 2018). Esa and Anum Mohd Ghazali (2012) discovered a favorable relationship between board size and the level of CSR disclosure in publicly traded Malaysian companies. Giannarakis (2014), utilizing a sample of 100 US companies from varied industries, could not identify a significant relationship between board size and ESG disclosure.

As a result of the above literature, the following hypothesis has been proposed for one of the emerging nations.

H1: There is a positive relationship between board size and ESG performance.

2.2. Board independence

As the name suggests, board independence describes the number of board members that do not relate to the company or are associated with the company. Modern-day independent directors not only protect the interest of shareholders but stakeholders in general. Thus, more independent board members help to remove biases in decision-making. Al Amosh and Khatib (2022) provide evidence of the positive impact of board independence on the ESG disclosure of the firms which was also supported by Ortas et al. (2017) and found that independent boards were associated with better social outcomes. Khan et al. (2013) discovered a similar pattern with 116 Bangladeshi industrial companies registered on the Dhaka Stock Exchange (DSE) between 2005 and 2009. Board independence also helps balance social responsibility and financial performance in Gulf Cooperation Council (GCC) counties (Arayssi et al., 2020). An insignificant positive relation between board independence and corporate social disclosure is found by Majumder et al. (2017). With reference to the literature review, the positive relationship between independent directors and ESG disclosures supports the stakeholders' theory since, according to the theory, the firm should reflect the interests of any dependent third parties. As these external stakeholders are not directly involved in the firm's decision-making process, but they are affected by the operations of the firm.

Families tend to dominate the Indian corporate world, and corporate governance and legislation tend to favor investors over other stakeholders (Chahal & Sharma, 2022). Consequently, independent directors could contribute a broader perspective to decision-making, resulting in improved ESG performance. Hence, based on the above research studies, the second hypothesis proposed is:

H2: There is a positive relationship between board independence and ESG performance.

2.3. CEO duality

When the CEO performs the board chairperson role and retains the superior authority of two positions, it is termed CEO duality. Dual leadership may impair board independence and efficacy by permitting CEOs to pursue strategies that boost their personal benefits at the expense of stakeholders and by limiting the board's monitoring function over top management conduct (Kim et al., 2009). Conversely, merging the positions of chairperson and CEO may increase board effectiveness by decreasing the cost of board member discussions and accelerating the decision-making processes (Prado-Lorenzo & Garcia-Sanchez, 2010).

Prior studies (Iyengar & Zampelli, 2009; Rechner & Dalton, 1991) have revealed that CEO dualism tends to hinder the firm's financial success. Other studies show CEO duality has an insignificant and negative association with social disclosures, thus impacting the ESG scores (Samaha et al., 2015). Allegrini and Greco (2013) and Husted and de Sousa-Filho (2019) reveal a significant negative effect on environmental disclosure by firms. These disclosures play a pivotal role in defining the ESG performance of the firms (Mallin et al., 2013; Jizi et al., 2014; Prado-Lorenzo et al., 2009; Kilincarslan et al., 2020) and demonstrate a positive relationship between CEO duality and environmental reporting. The extensive empirical literature on general or ESG transparency produces the mixed result; therefore, based on the outcomes of the given research, the hypothesis proposed is as follows:

H3: There is a positive relationship between CEO duality and ESG performance.

2.4. Board qualification

Board competencies define the firm's competency, and it is measured by their qualification in management and finance. Knowledge and awareness of the subject will lead to the envisioned accent of sustainable activities. The qualification has a positive influence on environmental disclosure practices (Lewis et al., 2014). According to Janggu et al. (2014) and Gold et al. (2021), companies with professionally qualified boards facilitate their firm to disclose sustainable information. Hence, it is considered one of the pivotal factors, to study its influence on ESG performance. The fourth hypothesis is as follows:

H4: There is a positive relationship between board qualification and ESG performance.

3. LINK BETWEEN CORPORATE GOVERNANCE AND SUSTAINABILITY THEORY

The board structure controls the ethical and responsible behavior of the firm. Corporate governance plays a paramount role in describing sustainable, responsible activities to be performed by firms (Aras, 2019). Even managers who carry out these functions have delegated authority to the board of directors. Therefore, in this study, the authors want to understand the role of the corporate governance structure in describing the ESG scores. The theories enlarge the scope to broader societal embeddedness of organizations and their interdependencies with the societal environment. Some of these theories related to the concept are discussed below.

The stakeholder theory is the most widely used in sustainability and corporate governance (Montiel & Delgado-Ceballos, 2014). Stakeholder theory and sustainable management ask similar questions about the company, i.e., *What are the purpose and scope of the business? How will it impact society and the environment?* (Pedersen et al., 2013). The theory proposes that the interest of the shareholders and stakeholders should align in the same direction. As per the contract cost principle of the theory, the cost-bearing of stakeholders should be equal to the advantage gained. Similar is a rule of sustainability, fulfilling needs without compromising the needs of the future generation. Both concepts have a common understanding of morality and profit-making, thus stakeholder theory can be supported by sustainable development (Hörisch et al., 2014).

Legitimacy theory is based on the idea that a social contract exists between a company and society. According to this theory, companies need to present their socially responsible image by disclosing their information. This helps them to legitimize their doings to the stakeholders' group (Gavancha & Paiva, 2020). Transparency and disclosure are the factors that help describe the companies' sustainable, responsible behavior. Hummel and Schlick (2016) suggested a negative relationship exists between sustainable performance and low-quality disclosure. Under this theory, a company will disclose information vaguely if its sustainable performance is not well.

The resource-based theory claims that a firm that owns strategic resources that are rare, valuable, difficult to imitate, and non-substitutable has a competitive advantage over other firms. In sustainability, this can be interpreted as the company that is preserving and developing its strategic resources (environmental or social) is also preserving its competitive advantage (McWilliams & Siegel, 2011).

The institutional theory states that firms operate under pressure from the different constituents of their business environment. Surviving in that environment necessitates them to respond and adapt to that change. Managers as institutional actors are the causal agents that have the ability to interpret and reframe demands for the organization (Scott, 2008). In pursuit of sustainability, institutional theory can be used as a framework to examine how external drivers can influence an organization's internal drivers (Iarossi et al., 2012).

4. RESEARCH METHODOLOGY

4.1. Data and sample selection

The data set is derived from CSRHub for 10 years, from 2012 to 2022, by selecting Nifty-500 index firms. CSRHub is the largest ESG rating and reporting agency with a weight data of 18000 firms in 132 countries across 136 industries. It covers the drawback of multiple rating methodologies used by different agencies and researchers. It filters, normalizes, and aggregates those scores to overcome the biases. Financial sector firms were excluded from the study, because of their distinct accounting methods and high regulations from the government; this reduced the sample size to 321 non-financial firms.

Further firms with unavailable data for two consecutive years were excluded or only those included who were continuously part of the Nifty-500 indexes for the last 10 years. Firms from the coal, oil, and mining sectors were also removed to create uniformity in the sample. The final sample size was 72 non-financial firms listed in the Nifty-500 index.

4.2. Methodology

In previous studies, researchers have used different techniques such as ordinary least square (OLS), two-stage least squares (2SLS), and fixed effect modeling techniques panel data to estimate the relationship between corporate board structure and ESG disclosure or performance (Sharma et al., 2020; Bhattacharya & Sharma, 2019; Maji & Lohia, 2023; Melinda & Wardhani, 2020; Yadav & Prashar, 2022). However, the present study follows balanced panel data estimations to test the relationship as it is widely used in the literature because it has been considered one of the efficient methods when there is no constant intercept (van den Berg, 2015).

4.3. Variables

Variables used in this study are grouped into *board structure*, *ESG*, and control variables. A description of these variables is presented below.

Measuring the *board structure*: Following the prior research (Taliento et al., 2019; Rubino & Napoli, 2020), this study uses *board size*, *board independence*, *CEO duality*, and *board financial qualification* as independent variables. The *board size* variable was measured by the natural logarithm of the total number (Khan et al., 2019). *Board independence* was measured by the proxy percentage of independent directors (Shao, 2019). CEO-duality was measured by a dummy variable; if the CEO is chairman, then 1, otherwise 0 (Arora & Sharma, 2016; Khan et al., 2019). *Board qualification* was measured by a dummy variable; if more than two members have management or financial degrees then 1, otherwise 0.

Measuring *ESG* variable: *ESG* is measured by considering ratings from multiple agencies and then normalizing and aggregating those scores.

Measuring control variables: These are considered to isolate the effect of other factors that can predict ESG performance. Following prior studies (Jo & Harjoto, 2011; Shu & Chiang, 2020), the control variables used are *firm size* measured by the natural log of total assets, and *volatility of stock returns*, measured by the standard deviation of yearly stock returns from the last 10 years.

4.4. Model

As per the present methodology, the model assumes that ESG performance may correlate with time-constant covariances such as ownership structure and industry type. So the fixed effect is used to overcome biases and inconsistency. Hausman specification test has also been conducted that shows ($p < 0.05$), so we accept the null hypothesis (H_0). The Winsorization technique was used to eliminate possible outliers. This study uses a year-lagged variable of ESG scores, as its highly likely that last year's ESG performance may have a continuous effect on the following year.

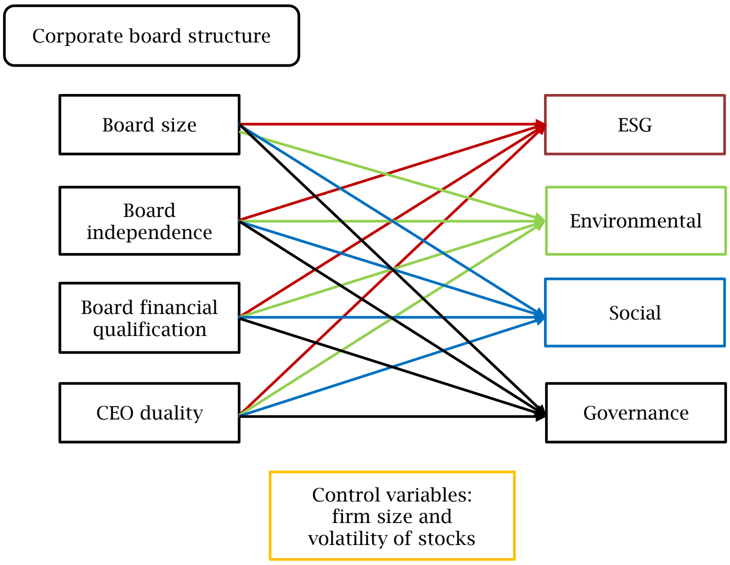
$$\gamma_{it} = \alpha + \gamma_{it-1} + \beta_1(BSIZE)_{it} + \beta_2(BIND)_{it} + \beta_3(CEOD)_{it} + \beta_4(BFQ)_{it} + \beta_5(LogTA)_{it} + \beta_6(DstocR)_{it} + \beta_7(YearDummy) + \beta_8(IndustryDummy) + \varepsilon_{it} \quad (1)$$

where,
γ_{it} = dependent variable; in lowercase, i represents the firms, and t represents the time;
α = intercept;
γ_{it-1} = one-year lag of dependent variable;
BSIZE = board size;
BIND = independent directors;
CEOD = CEO duality;
BFQ = board financial qualification;
LogTA = log of total assets as the control variable;
DstocR = deviation of stock returns as the control variable;
ε = error term.

4.5. Conceptual framework

The below framework is given to define the concept of the present study. As illustrated in Figure 1, this study attempts to analyze the effect of various corporate board characteristics, such as the board size, independence, qualification, etc. on the ESG performance collectively and distinctively on ESG factors of the listed firms. Hence, with corporate *board structure* being the independent variable and *ESG* as the dependent variable, the control variables used are *firm size* and *volatility of the stock*, to cover their effect on results.

Figure 1. Conceptual framework



Source: Authors' elaboration.

5. RESULTS

5.1. Descriptive statistics

The study's key variables and their descriptive statistics are listed in Table 1. The value of board size lies between 8 to 18, with an average value of 9.4 members, which shows higher variability. There are 6.3 independent directors on the company board of Nifty-500 indices. CEO as chairman for Indian firms is 63% of the total sample size on average. This shows that more than half of firms listed in the National Stock Exchange (NSE) have their CEOs as board chairmen on average. On average, the financial qualifies members of the corporate Board members are 28% of the total board members with a minimum member of 1 and a maximum of 5 qualified members.

Table 1. Descriptive statistics

Variables	*Obs.*	*Mean*	*SD*	*Min*	*Med*	*Max*
BSIZE	726	9.4	2.62	8	10.8	18
BIND	726	6.3	1.48	5	7.2	8.
CEOD	726	0.63	0.52	0	-	1
BFQ	726	0.28	3.71	1	1.94	5
LogTA	726	0.28	0.53	0.13	5.48	8.62
DstocR	726	1.34	0.05	0.42	2.48	5.36
ESG scores	726	56.5	5.34	40	51.3	72
Social scores	726	53.2	2.84	37	51	80
Environmental scores	726	50.5	6.19	15	47	85
Governance scores	726	47.9	7.18	22	44	74

Source: Authors' calculations.

5.2. Correlation matrix

Table 2 provides the correlation results among all key variables used for estimation. An absolute value of 0.7 or higher is an indication of multicollinearity. Table 2 shows that all key variables' coefficients have an absolute value of less than 0.7, so our model does not suffer from multicollinearity issues. The variation inflation factor (VIF) for all explanatory variables was less than the threshold of 10, which also confirms no evidence of multicollinearity in the model.

Table 2. Correlation matrix

	ESG	*Soc*	*Env*	*Gov*	*BSIZE*	*BIND*	*CEOD*	*BFQ*	*LogTA*	*DstocR*	*VIF*
ESG	1.000										1.29
Soc	0.446	1.000									1.67
Env	0.431	0.030	1.000								1.56
Gov	0.224	0.016	0.340	1.000							1.79
BSIZE	0.028	0.069	0.661	0.171	1.000						1.46
BIND	0.072	0.230	0.426	-0.349	0.053	1.000					1.83
CEOD	-0.191	-0.050	-0.224	0.669	0.038	-0.455	1.000				1.05
BFQ	-0.081	0.007	0.032	0.043	0.450	0.563	-0.349	1.000			1.29
LogTA	-0.500	-0.072	-0.057	0.152	-0.052	0.167	0.003	-0.121	1.000		1.43
DstocR	-0.006	-0.045	0.764	0.063	0.156	0.029	-0.008	0.168	0.003	1.000	1.57

Source: Authors' calculations.

6. DISCUSSION

The relationship between corporate board structure and ESG performance is being explored worldwide. The findings differentiate according to the country, political system, literacy, and information flow (Khan, 2019; Shrivastava & Addas, 2014). India, as an emerging country committed to contributing to a sustainable world, has to involve each sector of society accordingly to fulfill those commitments. The role of corruption in a sustainable world is wide and important. The board of directors being a vital part of an organization is responsible for ESG performance. Hence the effect of board structure on ESG performance has been measured by running the panel data regression method and the results are in Table 3. It describes that lagged dependent variables of *ESG* (*social, environmental, and governance*) scores are significant, which means the previous year's ESG performance influences the following year's performance, which is consistent with the result of Jo and Harjoto (2011), and Rooh et al. (2021).

Table 3. Fixed effect estimations with ESG scores as dependent variables

Variables	*Fixed effect (ESG)*	*Fixed effect (Social)*	*Fixed effect (Environment)*	*Fixed effect (Governance)*
lesg-1	0.184** (1.96)			
ls-1		0.134*** (1.58)		
le-1			0.246*** (1.73)	
lg-1				0.046** (1.36)
BSIZE	1.154*** (0.75)	0.029*** (0.37)	0.168** (0.78)	2.001 (1.03)
BIND	1.364*** (4.23)	2.461** (1.77)	2.681** (2.66)	3.701*** (1.02)
CEOD	-2.336** (-0.86)	-1.864** (-0.76)	1.061 (0.06)	-2.176** (-0.68)
BFQ	1.337*** (0.18)	2.364** (0.30)	3.648*** (0.24)	1.860** (0.43)
LogTA	0.766* (0.13)	1.336* (0.21)	1.456** (0.38)	0.325 (1.06)
DstocR	1.438*** (1.59)	2.336*** (1.36)	2.866*** (1.07)	0.568* (1.01)
Cons.	2.663** (0.76)	1.521*** (1.32)	2.864*** (1.53)	0.126* (1.32)
Obs.	726	726	726	726
YearDummy	Yes	Yes	Yes	Yes
IndustryDummy	Yes	Yes	Yes	Yes
R-square	0.625	0.531	0.501	0.496

*Note: T-statistics is given in parenthesis; *, **, *** represents significance level at 10%, 5%, and 1%; lesg-1, ls-1, le-1, and lg-1 are lag values which show previous year performance has a significant impact on the current year's performance. BSIZE (board size), BIND (board independence), and BFQ (board financial qualification) are positively significant while CEOD (CEO and chairman being one) has a significant negative role. LogTA is log of total assets and DstocR is the total daily stock returns.*
Source: Authors' calculations.

The board size (*BSIZE*) and board independence (*BIND*) have significant positive effects on ESG performance at 1% significance levels each, respectively, thus this study accepts *H1* and *H2*. Additionally, it was discovered that board independence and size had a considerably favorable impact on environmental (2.681 and 0.029), social (2.461 and 0.168), and governance (3.701 and 2.001) performance separately as all values are positive at a significance level of 1% and 5% (except board size did not have any impact on governance performance). These findings align with the result of Garde Sánchez et al. (2016), Giannarakis (2014), and Majeed et al. (2015). This can be possible, as the board with a wide range of representation will have more ideas to consider and better ways to communicate and make decisions regarding all business opportunities (Aksoy et al., 2020; Syaputra & Rahadi, 2022). The board of directors receives external information, particularly from non-executive directors, who make up 50% of the board and may have had a substantial impact on ESG awareness (Shrivastava & Addas, 2014). Moreover, independent directors may have been obligated to provide feedback on social and environmental board activities since, according to the stakeholder theory, they are the actual representatives of stakeholders. Calderón et al. (2020) argue that the independence of the board is the key factor in prompting companies to take social and environmental action.

Board financial qualification (*BFQ*) is highly significant, with ESG performance at a 1% significance level. Further, board financial qualification has a significant positive relationship with social, environmental, and governance scores at 5%, 1%, and 5% significance levels, respectively, hence we accept the null hypothesis (H_0) of *H4*. It demonstrates that having an average of more than nine directors, with 28% being qualified in management and finance, positively affects ESG performance. This can be justified due to their basic subjective and practical knowledge of corporate social and environmental operations, which can have an impact on ESG performance.

CEO duality has an inverse relationship with ESG performance at a 5% significant level (-2.336), so we reject *H3*. It means firms with CEO duality are likely to have a -2.336 units negative impact on ESG performance than those firms where the role of CEO and chairman are separate. These findings are in line with (Romano et al., 2020; Syaputra & Rahadi, 2022). This can feasible as the concentration of the CEO's power restricts the control function of other directors and shareholders, resulting in actions that are not always in the best interests of stakeholders (Romano et al., 2020). When the same individual occupies both the CEO and chairman posts, the likelihood of conflicts of interest, misuse of authority, and exclusion of other directors from the decision-making process increase (Romano et al., 2020). The CEO's self-interest can adversely affect the interests of stakeholders; our findings imply, in Indian and other emerging nations context, the roles of the CEO and chairman of the board should be separated because the organization and stakeholders benefit more from the ideas and insight of the two authorities.

7. CONCLUSION

Corporations were contributing to society in the form of schools, hospitals, etc. under the CSR initiatives. But with the rise in ESG awareness, environmental concerns are also taken into consideration. As corporate social responsibility is an economic theory that encourages businesses to create and carry out initiatives for the benefit of society and the business. On the other hand, ESG refers to the standards by which businesses' actions and commitments to environmental and social responsibility are evaluated. A successful milestone for an investor back then would have been a consistent rise in the company's profit. But then climate change was shown to be more than just a made-up threat and eventually, attitudes began to shift. The sustainability of businesses has now become one of the biggest priorities, especially after the COVID-19 pandemic. Academies, experts, researchers, and society as a whole are taking environmental challenges, socioeconomic inequality, and unethical corporate practices very seriously, which might be extremely detrimental for corporations that avoid acting responsibly and ethically. ESG exclusively addresses ESG issues and corporate governance is a way to achieve ESG goals by integrating it with the long-term strategies of the companies.

Corporate governance in Indian listed firms leisurely recognizes ESG. Investors, regulators, and customers have started to ask for transparency and actions taken on ESG issues. India is one of the fastest-growing emerging countries with rapidly growing business sectors. It is also among those nations vulnerable to climate change and is committed to a sustainable world, i.e., achieving SGDs, and omitting carbon footprints in Paris Agreement. Corporate boards must take responsibility by actively engaging with investors and shareholders to make them understand all perspectives of ESG. The board of directors should adopt and implicate standard frameworks of ESG given by BRSR, TCFD, GRI, and SASB to attract customers and investors nationally and internationally. The frequent reforms in corporate governance since 1991 have started to benefit Indian corporations as the Indian global rank of corporate governance has improved in the last decade. The current study reveals that most constraints in corporate board structure are beneficial for the ESG factors except when CEO has been given a dual role. The dual role of the CEO has been empirically proven could negatively influence ESG performance as powerful could act in an authoritative manner.

Corporations in India should start to recognize the implication of avoiding ESG issues, which have resulted in environmental degradation, social injustice, corporate scams, and failures in the last three decades. Policymakers should introduce new policies which should make corporate governance responsible for sustainable and ESG performance. The limitation of the study is that it did not include financial firms and other corporate board characteristics such as gender diversity, audit committees, ownership structure, and remuneration of directors. India has a vast number of family-owned businesses and also becoming a major manufacturing hub, future researchers can focus on the corporate board structure of family-owned businesses and the manufacturing sector. This study contributes to the existing literature and will help policymakers and companies decide on future courses.

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