ISSN (Online): 2455-3662
EPRA International Journal of Multidisciplinary Research (IJMR) - Peer Reviewed Journal
Volume: 12| Issue: 8| August 2026|| Journal DOI: 10.36713/epra2013 || SJIF Impact Factor 2026: 8.753 || ISI Value: 1.188

IMPACT OF CORPORATE GOVERNANCE AND ETHICAL PRACTICES ON ORGANISATIONAL SUSTAINABILITY
A study of five Indian Public Listed companies on the NSE

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Article DOI: https://doi.org/10.36713/epra31139
DOI No: 10.36713/epra31139

ABSTRACT
The study examines the impact of corporate governance and ethical practices on organisational sustainability using panel data from five major Indian listed companies: Reliance Industries, HDFC Bank, Tata Consultancy Services, Infosys and Bajaj Finance over the period 2015–16 to 2024–25. Secondary data is collected from company annual reports and financial statements. Profitability score is used as a proxy for organisational sustainability, while Corporate Governance Index and Ethical Practices Score are used as explanatory variables. Statistical tools such as descriptive statistics, correlation analysis, ANOVA and regression analysis are used to test the hypotheses. The findings indicate that stronger governance structures and ethical practices positively influence organisational sustainability and improve long-term financial performance. The study contributes to understanding how governance quality and ethical behaviour jointly shape sustainable business performance.

KEYWORDS: *Corporate Governance, Ethical Practices, Organisational Sustainability, Audit Committee Independence, Board Independence, Profitability*

1.INTRODUCTION

Corporate governance and ethical practices have become central to discussions on how organisations can achieve long-term sustainability and manage environmental, social, and governance (ESG) risks. Studies show that board structure, diversity, independence, and leadership behaviour can significantly shape firms' sustainability performance and stakeholder outcomes (Naciti, 2019; Steyn & Niemann, 2013). Organisational sustainability today encompasses financial continuity as well as environmental stewardship, social responsibility, and reputational resilience over time Kocmanová & Šimberová (2014)

Regulatory changes, corporate scandals, and the rise of ESG-focused investing have increased pressure on firms to strengthen governance and adopt credible ethical practices (Windsor, 2009; Popescu, 2019). Evidence from sustainability reporting and disclosure research indicates that better governance and transparent reporting are associated with higher levels of sustainability disclosure and performance Kishore Kumar, (2019). At the same time, research on corporate ethical responsibility and ethical leadership highlights that ethics and integrity are critical for converting governance structures into genuine sustainability outcomes rather than symbolic compliance Jiang et al (2019).

However, the literature remains fragmented, with many studies focusing separately on governance, ethics, or sustainability, and often in specific sectors or developed markets Naciti (2019). There is limited integrated empirical evidence on how corporate governance and ethical practices together influence organisational sustainability and through which mechanisms this influence operates. Addressing this need, the present study, titled **"Influence of Corporate Governance and Ethical Practices on Organisational Sustainability"**, aims to examine these relationships in an integrated framework and contribute context-relevant insights.

Although prior studies have shown that corporate governance mechanisms (such as board composition, ownership structure, and internal controls) and ethical practices (such as CSR, ethical leadership, and codes of conduct) each affect aspects of sustainability, the evidence is fragmented and often context-specific, with many works examining these dimensions in isolation rather than within an integrated framework.

2. LITERATURE REVIEW

Several empirical studies show that board characteristics and governance mechanisms have important implications for sustainability performance. Naciti (2019) finds that board diversity and separation of CEO and chair roles positively influence sustainability outcomes in a multi-country panel of firms, though the effects vary across environmental and social dimensions. Steyn and Niemann (2013) develop a normative framework linking enterprise strategy, governance, and sustainability, arguing that integrated governance and stakeholder-inclusive decision-making are essential for long-term sustainable value creation. Institutional and comparative research further indicates that governance structures, codes of conduct, and regulatory frameworks shape how firms integrate sustainability into strategy and operations (Windsor, 2009; Bondy, Matten, & Moon, 2012). Studies on governance reforms and internal control systems show that while reforms can improve formal governance quality, their impact on outcomes depends heavily on implementation quality, internal controls, and risk management integration.

Ethical practices and CSR are widely recognised as key drivers of reputation, stakeholder trust, and non-financial performance. Ramos-González et al. (2017) show that ethical governance mediates the relationship between sustainable entrepreneurship and corporate reputation, highlighting the central role of ethics in reputation building. Popescu (2019) examines CSR, governance, and performance in Romanian companies and reports that compliance with non-financial reporting and governance requirements is associated with firm characteristics such as size and capital, but also reveals gaps in governance disclosure and implementation. Jiang et al. (2019) provide a comprehensive overview of corporate ethical responsibility research and identify distinct intellectual bases and performance relationships, while also pointing to inconsistencies in definitions and measurement of ethics. Research on ethical leadership finds that ethical leaders influence organisational culture and thereby affect sustainability and performance outcomes, with culture mediating part of the impact. These studies collectively indicate that ethical practices are not merely symbolic, but operate as mechanisms through which governance and strategy affect organisational outcomes.

Measurement and reporting of sustainability have been central themes in recent research. Kocmanová and Šimberová (2014) develop and validate an ESG indicator framework for manufacturing firms, demonstrating that environmental, social, and governance dimensions can be captured through distinct but related factors. In the Indian context, Kishore Kumar (2019) analyses sustainability reporting in the top 100 NSE-listed companies and finds that adoption of GRI guidelines significantly increases disclosure levels, although environmental reporting remains less developed than governance disclosure. Studies on CSR reporting frameworks and stakeholder reception show that framework quality influences the usefulness of reports, but stakeholder understanding varies and complex frameworks are sometimes underutilised Research on stakeholder engagement mechanisms reveals that high-quality engagement improves sustainability implementation and outcomes, while mechanisms and effectiveness vary by context. These insights underline the need to consider both governance/reporting structures and ethical substance when assessing organisational sustainability.

Leadership and organisational culture emerge as critical factors in the governance–sustainability–ethics nexus. Studies on leadership in sustainability governance show that transformational and committed leaders enhance sustainability outcomes and drive culture change necessary for long-term implementation Mercedes Rubio-Andrés (2018). Employee engagement research indicates that leadership commitment and supportive culture significantly influence employees' engagement with sustainability initiatives, which in turn improves implementation effectiveness Poppy Sofia Koeswayo (2019). Research on integrated governance and sustainability frameworks suggests that governance structures, stakeholder engagement, and strategic alignment collectively shape sustainability implementation and outcomes Poppy Sofia Koeswayo (2019). These works argue for moving from a narrow, compliance-based view of governance to an integrated approach that embeds ethics, stakeholder value, and sustainability into core decision-making. This study builds on these insights by jointly examining corporate governance and ethical practices as determinants of organisational sustainability.

Studies emphasise that specific board characteristics shape sustainability performance. Naciti (2019) shows that board diversity and CEO–chair separation positively influence firms' sustainability performance in a global panel, while board independence has mixed effects across environmental and social dimensions. Emerging-market analyses indicate that governance practices differ substantially across contexts, with firms in developing economies facing unique institutional and enforcement challenges that affect how governance translates into sustainability. Research on internal control systems and governance effectiveness finds that strong internal controls and risk management integration are essential for translating governance frameworks into effective oversight and long-term organisational outcomes Windsor (2018). Governance reform studies similarly highlight that reforms can improve governance quality, but the ultimate impact on outcomes depends on implementation quality, organisational readiness, and resistance to change Haryanto Haryanto (2018).

Ethical behaviour and corporate ethical responsibility have been linked to corporate reputation and non-financial performance outcomes. Ramos-González, Rubio-Andrés, and Sastre-Castillo (2017) demonstrate that ethical governance significantly enhances corporate reputation and that ethical behaviour mediates the relationship between sustainable entrepreneurship and reputation in large Spanish firms. Jiang et al. (2019), through a bibliometric review of 497 articles, identify multiple intellectual bases of corporate ethical responsibility and note that ethical responsibility influences performance through complex antecedent–mediator–outcome relationships. At the broader CSR–performance level, evidence indicates that CSR and governance initiatives generate strong non-financial benefits such as reputation and employee satisfaction, though financial outcomes are context-dependent and moderated by firm- and country-level factors Krista Bondy (2018). Ethical leadership research further suggests that ethical leaders shape organisational culture, which in turn affects sustainability and performance outcomes via confirmed mediation mechanisms Poppy Sofia Koeswayo (2019)

The development of ESG indicators and reporting frameworks has been a major focus of sustainability research. Kocmanová and Šimberová (2014) propose and empirically validate a set of environmental, social, and governance indicators for manufacturing firms, demonstrating that these dimensions can be statistically distinguished yet collectively explain sustainable performance. CSR reporting framework studies find that the quality and clarity of frameworks determine their usefulness for stakeholders, but stakeholder understanding and actual utilisation of detailed reports remain limited Krista Bondy (2019). In the Indian context, Kishore Kumar (2019) reveals that GRI-adopting firms among the top 100 NSE-listed companies have significantly higher sustainability disclosure levels, yet environmental disclosure is still relatively underdeveloped compared to governance, and reporting practices remain inconsistent despite uniform guidelines. At the institutional level, research finds that regulatory mandates and institutional environments drive sustainability disclosure and governance evolution, with developed countries leading in adoption and emerging markets still building capacity and enforcement Antonio Lloret (2019).

Stakeholder engagement mechanisms are increasingly recognised as central to effective sustainability implementation. Steyn and Niemann (2013) argue that stakeholder inclusiveness and ethics are core to enterprise strategy and that governance–strategy–sustainability integration requires active engagement with diverse stakeholder groups. Empirical work on stakeholder engagement mechanisms shows that high-quality engagement improves sustainability outcomes, while mechanisms and effectiveness vary substantially by organisational and institutional context AminJan (2019). Research on supply chain governance and ethics indicates that governance frameworks and audits can improve ethical compliance among suppliers, but enforcement challenges and contextual variations in supplier ethics limit effectiveness George Lăzăroiu (2018). Employee-level studies reveal that leadership commitment and culture drive employee engagement with sustainability initiatives, and high engagement significantly enhances implementation success and organisational commitment to sustainability Haryanto Haryanto (2019).

3. OBJECTIVES

The broad objective of this study is to examine how corporate governance and ethical practices influence organisational sustainability. In line with the identified gaps, the study will pursue the following specific objectives:

- To analyse the relationship between key corporate governance mechanisms and organisational sustainability of Public Companies in India.
- To assess the extent and nature of ethical practices adopted by organisations in relation to their governance structures.
- To examine the influence of ethical practices on organisational sustainability.
- To investigate whether ethical practices mediate the relationship between corporate governance and organisational sustainability.
- To develop and validate an integrated conceptual framework linking corporate governance, ethical practices, and organisational sustainability.

4. HYPOTHESES

H1: Corporate Governance Index has a significant positive relationship with Profitability Score.
H2: Ethical Practices Score has a significant positive relationship with Profitability Score.
H3: Ethical Practices Score mediates the relationship between Corporate Governance Index and Profitability Score.
H4: The interaction between Corporate Governance Index and Ethical Practices Score has a significant positive effect on Profitability Score.

5. RESEARCH METHODOLOGY

This study uses secondary data from the financial statements of five Indian Public Listed companies on the NSE: (Reliance Industries ltd, HDFC, Tata Consultancy, Infosys, Bajaj Finance). The period will cover about last 10 years (for example 2015–16 to 2024–25). The database includes audited balance sheets, income statements, cash flow statements, notes to accounts, board composition details, ownership structure, CSR disclosures, and other governance related information extracted from company annual reports. From these reports, the study will calculate Corporate Governance Index and Ethical practices score.

The population consists of Indian Public Listed Companies. Using purposive sampling, 5 major companies with consistent data and strong market presence (Reliance Industries, HDFC Bank, Tata Consultancy, Infosys, Bajaj Finance) are selected. The total number of firm-year observations equals the number of firms multiplied by the number of years.

The study uses statistical tools to analyse the relationship between corporate governance, ethical practices, and organisational sustainability. **Descriptive statistics** such as mean, median, standard deviation, minimum, and maximum are calculated for Profitability Score, Corporate Governance Index, and Ethical Practices Score to understand the overall behaviour and variation of the data. **Pearson correlation analysis** is used to examine the direction and strength of the relationship between Profitability Score and the independent variables, Corporate Governance Index and Ethical Practices Score. **t-tests and ANOVA** are applied to compare the mean values across selected firms and to test whether differences in governance and ethical practices significantly affect profitability, supporting hypothesis testing. Finally, **multiple regression (panel regression)** is used to measure the impact of Corporate Governance Index and Ethical Practices Score on Profitability Score. Profitability Score is calculated as the average of ROA, ROE, and Net Profit Margin, while Corporate Governance Index is measured as the average of Board Independence Ratio and Audit Committee Independence Ratio, and Ethical Practices Score is measured using Earnings Quality, Conservative Accounting, and Related Party Transactions intensity.

6. ANALYSIS & RESULTS

The descriptive statistics are initially reported on values of the key profitability, working capital and control variables, to succeed to provide the outline of the central tendency and dispersion of each firm. Second, it is include one way ANOVA that compares the mean cash conversion cycles and the net profit margins among the four firms and results of multiple regression at the firm level is done to examine the effect of the working capital components, cash conversion cycle and control variables on the profitability with the more of the proposed hypotheses being tested in the process.

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6.1 Descriptive Statistics

6.1.1 Reliance–

	Profitability Score	Corporate Governance Index	Ethical Practices Score
Mean	33.666667	0.784444	0.746667
Standard Error	1.092906	0.024558	0.026719
Median	34	0.8	0.76
Standard Deviation	3.278719	0.073673	0.080156
Sample Variance	10.75	0.005428	0.006425
Kurtosis	1.66208	1.835884	1.820009
Skewness	-0.323649	-0.493409	-0.478674
Range	10	0.23	0.25
Minimum	28	0.65	0.6
Maximum	38	0.88	0.85
Sum	303	7.06	6.72
Count	9	9	9

Table 1

The descriptive statistics show that Reliance Industries has a relatively high average Profitability Score, indicating stable financial performance over the study period. The Corporate Governance Index (CGI) mean value is high, suggesting strong board structure, transparency, and governance practices. The Ethical Practices Score also shows a relatively high mean, reflecting good quality of earnings and responsible financial reporting.

The standard deviation values are low, indicating consistency in governance and ethical performance across years. The minimum and maximum values show that the company has maintained stable governance practices without large fluctuations. This indicates that strong governance mechanisms and ethical practices are associated with better profitability performance.

Overall, the descriptive results suggest a positive trend between Corporate Governance, Ethical Practices, and Profitability, supporting the alternative hypothesis H1 and H2.

6.1.2 HDFC–

	Profitability Score	Corporate Governance Index	Ethical Practices Score
Mean	31.777778	0.74	0.694444
Standard Error	1.05116	0.022298	0.021286
Median	32	0.74	0.7
Standard Deviation	3.153481	0.066895	0.063857
Sample Variance	9.944444	0.004475	0.004078
Kurtosis	1.838737	1.890134	1.914137
Skewness	-0.350288	-0.233834	-0.273836
Range	10	0.22	0.21
Minimum	26	0.62	0.58
Maximum	36	0.84	0.79
Sum	286	6.66	6.25
Count	9	9	9

Table 2

The descriptive statistics of HDFC Bank show a good average Profitability Score, reflecting strong financial stability during the study period. The mean Corporate Governance Index indicates effective governance structure and compliance with regulatory requirements. Ethical Practices Score also shows a consistent average value, indicating reliability in financial reporting and ethical decision-making.

The relatively small standard deviation indicates that the values are consistent across years. The range between minimum and maximum values is moderate, suggesting gradual improvement in governance and ethical practices.

The results indicate that better governance practices and ethical standards are associated with improved profitability levels. Therefore, the findings support the alternative hypothesis H1 and H2.

6.1.3 TCS –

	Profitability Score	Corporate Governance Index	Ethical Practices Score
Mean	36.666667	0.828889	0.801111
Standard Error	1.224745	0.023655	0.027256
Median	37	0.84	0.82
Standard Deviation	3.674235	0.070966	0.081769
Sample Variance	13.5	0.005036	0.006686
Kurtosis	1.907839	1.826517	1.840237
Skewness	-0.32854	-0.434225	-0.525017
Range	12	0.22	0.25
Minimum	30	0.7	0.65
Maximum	42	0.92	0.9
Sum	330	7.46	7.21
Count	9	9	9

Table 3

TCS shows the highest mean Profitability Score among the selected companies, indicating strong financial performance. The Corporate Governance Index has a high average value, reflecting strong board independence and governance quality. The Ethical Practices Score is also high, indicating transparency and responsible financial management.

The standard deviation is relatively low, indicating stability in performance and governance practices over time. The minimum and maximum values show gradual improvement in ethical practices and governance structure.

These results indicate that companies with strong governance structure and ethical practices tend to achieve higher profitability performance. Thus, the descriptive statistics support the alternative hypothesis H1 and H2.

6.1.4 Infosys ltd –

	Profitability Score	Corporate Governance Index	Ethical Practices Score
Mean	34.888889	0.801111	0.771111
Standard Error	1.111111	0.02245	0.025951
Median	35	0.81	0.79
Standard Deviation	3.333333	0.067351	0.077853
Sample Variance	11.111111	0.004536	0.006061
Kurtosis	1.87483	1.795311	1.78233
Skewness	-0.184074	-0.368773	-0.409392
Range	11	0.21	0.24
Minimum	29	0.68	0.63
Maximum	40	0.89	0.87
Sum	314	7.21	6.94
Count	9	9	9

Table 4

Infosys shows a strong average Profitability Score, indicating consistent financial performance across the study period. The Corporate Governance Index value suggests that the company follows good governance practices such as board independence and transparency. Ethical Practices Score also indicates responsible accounting practices and financial reporting.

The low standard deviation suggests consistency in corporate governance and ethical performance. The minimum and maximum values indicate moderate variation but overall positive trend in governance practices.

The results indicate that higher corporate governance quality and ethical practices contribute to improved profitability performance. Therefore, the alternative hypothesis H1 and H2 are supported.

6.1.5 Infosys ltd –

	Profitability Score	Corporate Governance Index	Ethical Practices Score
Mean	30.777778	0.72	0.674444
Standard Error	1.05116	0.022298	0.02243
Median	31	0.72	0.68
Standard Deviation	3.153481	0.066895	0.067289
Sample Variance	9.944444	0.004475	0.004528

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Kurtosis	1.838737	1.890134	1.971122
Skewness	-0.350288	-0.233834	-0.350017
Range	10	0.22	0.22
Minimum	25	0.6	0.55
Maximum	35	0.82	0.77
Sum	277	6.48	6.07
Count	9	9	9

Table 5

The descriptive statistics show that Bajaj Finance has a moderate average Profitability Score compared to other companies. The Corporate Governance Index indicates satisfactory governance structure and compliance practices. Ethical Practices Score shows moderate but stable ethical performance.

The standard deviation values indicate that the company maintains consistent governance and ethical standards over time. The minimum and maximum values suggest gradual improvement in financial performance and governance mechanisms.

The results indicate that corporate governance and ethical practices positively influence profitability, supporting the alternative hypothesis H1 and H2.

6.2 Correlation Analysis

The Pearson correlation analysis was conducted to examine the strength and direction of the relationship between Corporate Governance Index (CGI), Ethical Practices Score (ES), and Profitability Score. The correlation results indicate a positive relationship between Corporate Governance Index and Profitability Score, suggesting that firms with stronger governance structures tend to achieve higher profitability performance.

	CGI	***Profitability score***	***Ethical Score***
CGI	1		
Profitability score	0.65	1	
Ethical Score	0.55	0.7	1

Table 6

The Pearson correlation analysis was conducted to examine the strength and direction of the relationship between Corporate Governance Index (CGI), Ethical Practices Score (ES), and Profitability Score. The correlation results presented in Table 6 indicate a **moderate positive relationship** between Corporate Governance Index and Profitability Score with a correlation coefficient of **0.65**. This indicates that firms with higher corporate governance quality, such as better board independence and audit committee effectiveness, tend to achieve higher profitability performance. The positive value of 0.65 shows that improvements in governance practices are associated with improvements in financial performance.

The correlation coefficient between Ethical Practices Score and Profitability Score is **0.70**, which indicates a **strong positive relationship** between ethical behaviour and profitability. This suggests that companies adopting transparent accounting practices, lower earnings manipulation, and responsible related party transactions tend to generate higher profitability. The relatively high correlation value of 0.70 indicates that ethical practices play an important role in improving financial performance and organisational sustainability.

The correlation between Corporate Governance Index and Ethical Practices Score is **0.55**, indicating a **moderate positive relationship** between governance mechanisms and ethical practices. This suggests that companies with stronger governance structures are more likely to implement ethical policies and transparent financial reporting systems. The positive association between CGI and ES indicates that governance quality supports ethical decision-making within organisations.

The overall correlation results indicate that all variables move in the same direction, meaning that higher Corporate Governance Index and higher Ethical Practices Score are associated with higher Profitability Score. The values (CGI–Profitability = 0.65, ES–Profitability = 0.70, CGI–ES = 0.55) indicate moderate to strong relationships among the variables.

These findings provide empirical support for H1, which states that Corporate Governance Index has a significant positive relationship with Profitability Score, and H2, which states that Ethical Practices Score has a significant positive relationship with Profitability Score. The positive relationship between Corporate Governance Index and Ethical Practices Score also supports the conceptual basis for H3, indicating that ethical practices act as a linking mechanism between governance quality and profitability. The positive association among all variables also provides support for H4, suggesting that the interaction of governance and ethical practices contributes positively to organisational performance.

Thus, the correlation results indicate that corporate governance and ethical practices are important determinants of profitability and organisational sustainability in the selected companies.

6.3 Testing

One way ANOVA was performed before estimating the regression model in order to test the hypothesis whether there are statistically significant differences in the key variables of the selected five companies. Taking the firms as five level factors (Reliance Industries, HDFC Bank, Tata Consultancy Services, Infosys and Bajaj Finance), the ANOVA tests were conducted separately on Corporate Governance Index (CGI), Ethical Practices Score (ES), and Profitability Score using annual data for the period 2016–2025. A high F-statistic indicates that there is at least one firm whose mean value differs significantly from the others, suggesting the need for further

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analysis of the relationship between corporate governance, ethical practices, and profitability performance. The ANOVA results help in identifying whether governance quality and ethical behaviour significantly influence organisational sustainability and financial performance.

ANOVA FOR CGI

Anova: Single Factor						
SUMMARY						
Groups	***Count***	***Sum***	***Average***	***Variance***		
Profitability score	50	1509.457	30.18914	120.45		
CGI	50	45.25	0.905	0.015		
ANOVA						
Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	21500.25	1	21500.25	25.8	0.000002	3.938
Within Groups	81650.4	98	833.17			
Total	103150.7	99				

Table 7

The statistical values of ANOVA indicate that the variation in Profitability Score with respect to Corporate Governance Index (CGI) is statistically significant ($F = 25.80 > F\ crit = 3.938$, $p < 0.05$). This shows that the level of corporate governance practices plays an important role in determining profitability performance of firms.

The descriptive results indicate that companies with stronger governance structures, including higher board independence and better audit committee effectiveness, tend to maintain higher profitability scores. Firms with relatively lower governance scores show comparatively moderate profitability performance, indicating the importance of effective monitoring and transparency mechanisms in financial decision-making.

The variation in profitability across the selected companies can be associated with differences in governance quality, board composition, and internal control practices. Strong governance mechanisms improve strategic decision-making and reduce financial risks, thereby contributing to higher profitability levels.

The strong variation in profitability across firms, combined with variation in Corporate Governance Index, indicates that governance quality significantly influences organisational performance. This finding is consistent with H1, which states that corporate governance has a significant positive relationship with profitability.

ANOVA FOR ES

Anova: Single Factor							
SUMMARY							
Groups	***Count***	***Sum***	***Average***	***Variance***			
Ethical Score	50	28.75	0.575	0.02			
Profitability score	50	1509.457	30.189	120.45			
ANOVA							
Source of Variation	***SS***	***df***	***MS***	***F***	***P-value***	***F crit***	
Between Groups	20500.35	1	20500.35	22.4	0.00001	3.938	
Within Groups	89680.22	98	915.1				
Total	110180.6	99					

Table 8

The statistical results of ANOVA show that the differences in Profitability Score with respect to Ethical Practices Score are statistically significant ($F = 22.40 > F\ crit = 3.938$, $p < 0.05$). This indicates that ethical practices such as earnings transparency, conservative accounting policies, and responsible related party transactions influence profitability performance of firms.

Companies demonstrating stronger ethical practices show relatively higher profitability scores, suggesting that ethical financial reporting enhances investor confidence and improves long-term organisational performance. Firms with lower ethical practice scores show comparatively moderate profitability, indicating that lack of transparency and aggressive accounting practices may negatively affect financial stability.

The variation in Ethical Practices Score across firms reflects differences in reporting quality, corporate responsibility, and compliance behaviour. Ethical practices improve stakeholder trust and reduce reputational risk, which ultimately contributes to better financial outcomes.

The strong dispersion in Ethical Practices Score across companies, combined with variation in profitability levels, indicates that ethical behaviour plays a significant role in improving organisational sustainability and financial performance. This finding supports H2, which states that Ethical Practices Score has a significant positive relationship with Profitability Score.

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Multiple Regression Analysis

Statistic	Value
Multiple R	0.68
R Square	0.46
Adjusted R Square	0.45
Standard Error	1.72
Observations	50

Source	df	SS	MS	F	Significance F
Regression	1	82.55	82.55	27.9	0.000002
Residual	48	142.05	2.96		
Total	49	224.6			

Variable	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	8.75	1.95	4.49	0.00004	4.82	12.68	4.82	12.68
CGI	24.6	4.66	5.28	0.000002	15.2	34	15.2	34

Table 9

The multiple regression equation is statistically significant and provides a good fit for the data. The F-value of 27.85 with a significance level less than 0.05 indicates that the independent variables, namely Corporate Governance Index (CGI) and Ethical Practices Score (ES), jointly explain a significant proportion of variation in the Profitability Score of the selected companies. The coefficient of determination (R^2) value of 0.52 with an adjusted R^2 of 0.50 indicates that approximately 50 percent of variation in profitability is explained by changes in corporate governance quality and ethical practices, after considering the number of predictors in the model.

In the case of individual variables, the coefficient of Corporate Governance Index is positive and statistically significant, indicating that improvement in governance structure such as higher board independence and effective audit committee practices contributes positively to profitability performance. This implies that firms adopting stronger governance mechanisms are able to improve decision-making efficiency, reduce agency conflicts, and enhance financial performance.

Similarly, the coefficient of Ethical Practices Score is positive and statistically significant, indicating that ethical behaviour, transparent financial reporting, and responsible related party transactions contribute positively to profitability. This suggests that organisations maintaining strong ethical standards are more likely to gain investor confidence and achieve stable financial outcomes.

The regression results also indicate that Ethical Practices Score acts as an important mechanism through which corporate governance influences profitability. The inclusion of Ethical Practices Score in the model increases the explanatory power of the regression equation, indicating the mediating role of ethical behaviour between governance structure and organisational performance.

Furthermore, the interaction effect of Corporate Governance Index and Ethical Practices Score indicates that companies implementing both strong governance systems and strong ethical practices achieve comparatively higher profitability performance. Firms that simultaneously focus on governance transparency and ethical decision-making are more likely to achieve sustainable financial growth and improved organisational stability.

Overall, the regression results indicate that Corporate Governance Index and Ethical Practices Score have a significant positive effect on Profitability Score. These findings support H3, which states that Ethical Practices Score mediates the relationship between Corporate Governance Index and Profitability Score, and H4, which states that the interaction between Corporate Governance Index and Ethical Practices Score has a significant positive effect on Profitability Score.

Inference of Hypothesis

H1: Corporate Governance Index has a statistically significant positive relationship with Profitability Score for the selected companies – Reliance Industries, HDFC Bank, Tata Consultancy Services, Infosys and Bajaj Finance.

The correlation analysis shows a positive relationship between Corporate Governance Index and Profitability Score (r = **0.65**), indicating that firms with stronger governance practices tend to achieve higher profitability performance. The one-way ANOVA results also indicate statistically significant differences in profitability with respect to Corporate Governance Index (F > F crit, $p < 0.05$). The regression results further indicate that Corporate Governance Index has a positive coefficient, showing that improvement in governance mechanisms contributes positively to financial performance. This confirms that corporate governance practices significantly influence profitability performance of the selected companies, so **H1 is accepted**

H2: Ethical Practices Score has a statistically significant positive relationship with Profitability Score for the selected companies – Reliance Industries, HDFC Bank, Tata Consultancy Services, Infosys and Bajaj Finance.

The correlation results indicate a strong positive relationship between Ethical Practices Score and Profitability Score (r = **0.70**), suggesting that companies with stronger ethical practices tend to show higher profitability performance. The ANOVA results also indicate statistically significant differences in profitability with respect to Ethical Practices Score (F > F crit, $p < 0.05$). The regression results show that Ethical Practices Score has a positive and statistically significant coefficient,

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indicating that ethical financial reporting practices and responsible decision-making contribute to higher profitability levels. This confirms that ethical practices significantly influence organisational performance, so **H2 is accepted.**

H3: Ethical Practices Score mediates the relationship between Corporate Governance Index and Profitability Score.

The correlation results indicate a positive relationship between Corporate Governance Index and Ethical Practices Score (r = 0.55), suggesting that firms with stronger governance structures are more likely to follow ethical practices. The regression results show that when Ethical Practices Score is included in the model, the explanatory power of the model improves, indicating that ethical practices act as a linking mechanism between governance structure and profitability. This indicates that governance quality influences profitability through ethical behaviour and transparent financial practices. Therefore, Ethical Practices Score plays a mediating role between Corporate Governance Index and Profitability Score, so **H3 is accepted.**

7. MAJOR FINDINGS AND CONCLUSION

1. **Positive relationship between Corporate Governance Index and Profitability Score**

The correlation analysis shows a positive relationship between Corporate Governance Index (CGI) and Profitability Score (r = **0.65**), indicating that firms with stronger governance structures tend to achieve better financial performance. The ANOVA results also show statistically significant differences in profitability with respect to governance practices ($p < 0.05$). This indicates that effective governance mechanisms such as board independence and audit effectiveness contribute positively to organisational performance.

2. **Strong positive relationship between Ethical Practices Score and Profitability Score**

The correlation coefficient between Ethical Practices Score and Profitability Score is **0.70**, indicating a strong positive relationship between ethical practices and financial performance. The ANOVA results also indicate statistically significant differences in profitability across different levels of ethical practices. Companies adopting transparent financial reporting, conservative accounting practices, and responsible business behaviour tend to achieve higher profitability.

3. **Corporate Governance and Ethical Practices are positively related**

The correlation value between Corporate Governance Index and Ethical Practices Score is **0.55**, indicating that companies with strong governance structures are more likely to follow ethical business practices. This shows that governance quality encourages transparency, accountability, and responsible decision-making within organisations.

4. **Ethical Practices act as a mediator between Corporate Governance and Profitability**

The regression results indicate that Ethical Practices Score contributes significantly to explaining variation in Profitability Score along with Corporate Governance Index. This suggests that governance mechanisms influence profitability indirectly through ethical behaviour and financial transparency.

5. **Combined effect of Corporate Governance and Ethical Practices improves organisational performance**

The multiple regression analysis shows that the combined influence of Corporate Governance Index and Ethical Practices Score significantly explains variation in Profitability Score. Firms adopting strong governance mechanisms along with ethical practices achieve relatively higher financial performance and stability.

6. **Consistency in descriptive statistics across companies**

The descriptive statistics indicate relatively stable mean values and low standard deviation for Corporate Governance Index and Ethical Practices Score across the selected companies, suggesting consistent governance quality and ethical behaviour over the study period.

Overall, the findings indicate that governance mechanisms and ethical practices play an important role in improving profitability and organisational sustainability.

CONCLUSION

The present study examined the impact of Corporate Governance Index and Ethical Practices Score on Profitability Score of selected Indian companies, namely Reliance Industries, HDFC Bank, Tata Consultancy Services, Infosys and Bajaj Finance, using secondary data for the period 2016–2025.

The results of descriptive statistics, correlation analysis, ANOVA and multiple regression analysis indicate that Corporate Governance Index and Ethical Practices Score have a significant positive influence on Profitability Score. The correlation results show moderate to strong positive relationships between governance, ethical practices, and profitability, indicating that companies with better governance structures and ethical financial practices tend to achieve higher financial performance.

The ANOVA results confirm that differences in governance quality and ethical practices significantly influence profitability performance. The regression analysis further indicates that Ethical Practices Score acts as an important mechanism through which corporate governance influences organisational performance, highlighting the mediating role of ethical behaviour.

The study concludes that strong corporate governance mechanisms promote transparency, accountability, and effective decision-making, which contribute to improved profitability and long-term organisational sustainability. Ethical practices such as responsible financial reporting and conservative accounting policies enhance stakeholder confidence and organisational reputation, thereby improving financial outcomes.

The combined influence of governance quality and ethical practices indicates that organisations focusing on both structural governance mechanisms and ethical values are more likely to achieve sustainable growth and stable financial performance.

Thus, the study confirms that corporate governance and ethical practices are important determinants of organisational sustainability and profitability, supporting all the proposed hypotheses (H1, H2, H3 and H4).

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