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Ownership concentration and corporate social performance – moderation impact of corporate governance in Indian firms

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Abstract: The primary objective of this study is to examine the impact of ownership concentration on Indian firms' corporate social performance (CSP). Furthermore, it evaluates the moderation impact of firms' overall internal governance quality and each corporate governance mechanism separately to attenuate or strengthen shareholding's direct and differential impact on CSP. The study's findings show that the negative impact of board size is overwhelming in attenuating the impact of ownership concentration on firms' CSP, however, board meetings always act positively in motivating firms to explore more CSP. On the contrary, women directors always undertake excessive monitoring, thereby, discouraging firms to undertake more CSP. The policymakers and regulators should enforce more stringent regulations to monitor the firm's intentions and implementation practices in CSP regards, especially in an emerging market context like India.

Keywords: ownership concentration; OC; corporate social performance; CSP; principal-principal conflicts; corporate governance mechanisms; Indian firms.

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Biographical notes: Ranjan DasGupta is currently working as an Associate Professor in Finance and Accounts Area of Indian Institute of Management Raipur. He had published more than 45 publications in reputed international journals like *Technological Forecasting and Social Change*, *International Journal of Intercultural Relations*, *Applied Economics*, *International Journal of Managerial Finance*, *Finance Research Letters*, *International Journal of the Economics of Business*, *Managerial Finance*, *Review of Behavioral Finance*, *IIMB Management Review*, etc. and attended more than ten international and national conferences of repute.

1 Introduction

The agency theory perspective argued that corporate social performance (CSP) is deployed by firm managers to fulfil their self-interests such as enhancing social standing in the community, self-image, and personal reputation and prestige, rather than

maximising shareholders' wealth (Atkinson and Galaskiewicz, 1988; Li et al., 2017; Werbel and Carter, 2002; etc.), however, mostly in developed market contexts. Empirical research has reported that ownership concentration (OC) is gaining popularity in recent years with the remarkable economic growth taking place, especially in emerging economies (Claessens et al., 2000; Faccio and Lang, 2002; Li et al., 2017). However, the concentrated shareholding phenomenon brings with it the principal-principal-conflict (PPC) specifically between the controlling and minority shareholders (Dharwadkar et al., 2000; Young et al., 2008). This is because the managers act as agents of the largest (first) shareholder(s) which in turn creates the PPC.

The role and motivations of the largest shareholder(s) and minority shareholders in driving a firm's corporate social responsibility (CSR) practices are therefore intriguing in this agency and PPC context. On one hand, well-protected minority shareholders might favour firms' view of CSR as beneficial to profitability, and on the other hand, large powerful block holders are more prone to undertake CSR activities that might reflect the preferences of the firm's controlling shareholders to view social legitimacy as more relevant even at the expense of some profit in the short-run and thereby damaging minority shareholders' interests. The scarcity and inconclusiveness of research dealing with different dimensions of OC and CSP are also evident.

Empirical scholars had largely examined the role of ownership patterns in influencing CSR in developed market contexts using agency theory and stakeholder theory arguments (Dam and Scholtens, 2013), however, with conflicting results. Some works have found a positive effect of OC on CSR, most of the time considering voluntary disclosure, which includes CSR, as a proxy for it (Eng and Mak, 2003). Some aspects of ownership structure such as insider ownership have also been found to be negatively associated with CSR (Barnea and Rubin, 2010). In the European context, López-Iturriaga and López-de-Foronda (2011) have found that the power of the largest shareholder is negatively related to CSR. Another group of works has found no correlation between OC and CSR, included in voluntary disclosure (Halme and Huse, 1997; Lorenzo et al., 2009).

Furthermore, Johnson and Greening (1999) argued that different types of ownership structures can differentially influence different dimensions of CSP in different country contexts. In emerging markets, previous multi-theory studies of organisations with different ownership structures primarily investigate differences in voluntary CSR disclosures in annual reports. For example, Ntim and Soobaroyen's (2013) study found that different types of ownership in South African firms have a differential impact on CSR disclosures. In a recent study on Indian firms, Sahasranamam et al. (2020) illustrated that business group and family ownership is beneficial for community-related CSR. However, the impact of different shareholders (promoters, used interchangeably here) based on their shareholding patterns on a firm's CSP in an emerging market context like India is yet to be explored.

Therefore, this study focuses on one of the most important and unexamined characteristics of a firm's OC, i.e., % of the shareholding in the hands of the largest and second-largest shareholder in impacting its CSP, which we consider to be the most visible to stakeholders. The largest shareholder in firms with a concentrated shareholding structure may expropriate other shareholders by extracting more private benefits (Delgado-García et al., 2010; La Porta et al., 2000). This is so because the influential role of the controlling shareholders generates information asymmetry caused by their incentive of them to obtain the necessary information to effectively control corporate policies (Attig et al. 2006). Therefore, CSP Decisions are likely to reflect both high

information asymmetry and low programmability (Deckop et al., 2006). McWilliams et al. (2006) also indicate that asymmetric information about CSP allows specifically the CEOs to hide the more practical motivations behind their CSR activities although they might perceive that many external stakeholders view CSR activity more favourably. Therefore, this study expects the largest shareholder to impact the firm's CSP practices positively, and the second largest shareholder to influence negatively in normal conditions.

However, the board of directors (BODs) can play a catalyst role in OC's impact on the firm's CSP. Especially, the monitoring and advising role of the BODs can mitigate any type of agency issues (the PPC), and resource constraints and develop a stakeholder-oriented approach for the firms. Therefore, this study also examines the moderation impact of the overall internal corporate governance mechanisms[1] in attenuating or strengthening the largest and second-largest shareholder's influence on the firm's CSP. It furthermore expects a negative moderation impact for the largest shareholder whereas a positive one for the second largest shareholder.

In addition, separately, this study has used the effectiveness of the BODs as a moderator to monitor and advise managers in exploring more CSP amidst the negative influence of OC. Furthermore, it advocates for a larger board which would fulfil the monitoring and advising functions effectively by incorporating more human capital (Harris and Raviv, 2008). Specifically, the presence of more directors potentially provides more external connections and knowledge to secure critical CSR resources, more CSR-related experience, knowledge, counsel, and advice (Dalton et al., 1999; de Villiers et al., 2011). Furthermore, the effective internal functioning of the board is also dependent on the frequency of board meetings (BM) (Vafeas, 1999). Meetings provide board members with the chance to come together and discuss and exchange thoughts and ideas on how they wish to monitor managers and the firm's strategy. Therefore, the more frequent the meetings are, the closer the control over managers, and the more relevant the advisory role, all of which lead to a positive impact on performance (proactive boards) including CSP. On an overall basis, both larger board size (BS) and high frequency of BM would have a negative moderation impact on the largest shareholder's CSP exploration, and reversely a positive impact on the second largest shareholder.

Furthermore, this study argues that a diversified/strong board with a higher number of independent directors or women directors would also monitor managers' opportunistic private gains and mitigate any types of principal-agents or principal-principal conflicts. High board independence would encourage firms to undertake more CSP as independent directors prefer reputation-building over risk-taking initiatives (Pathan, 2009), the more long-term orientation of firms (Eccles et al., 2014), and, therefore, are more likely to pursue the long-term potential of investments in environmental and social projects (de Villiers et al., 2011). In addition, more women directors on firm boards also motivate excessive monitoring and risk-averse approach which in turn may induce more CSP (Adams and Ferreira, 2009; Cruz et al., 2019; Islam et al., 2022). Stakeholder theory also supports the idea that female directors are more responsive to stakeholder needs than their men counterparts, and take a broader and potentially more socially beneficial decision (Macaulay et al., 2018), thereby increasing CSP (Harjoto et al., 2015). Therefore, overall, empirical literature supports in favour of the positive moderation impact of board independence and high women directors' presence in OC impact on a firm's CSP. However, on an overall basis, this study argues that both board independence and more women directors on the firm board would have a negative moderation impact

on the largest shareholder's CSP exploration, and reversely a positive impact for the second largest shareholder to mitigate any type of PPC.

In addition, this study expects a positive moderation impact of each corporate governance mechanism on a firm's CSP when the difference between the largest and second-largest shareholder (promoter) is lower, and a reverse impact when such difference is higher. Study assumption follows from the expropriation hypothesis argument which in turn creates the PPC (Delgado-García et al., 2010; La Porta et al., 2000).

Furthermore, this study is conducted in an Indian setting owing to the following reasons: First, India is an emerging country with OC lying in the hands of a few large shareholders (Sarkar and Sarkar, 2000) with no study has examined its influence in a firm's CSP till date. More specifically, the direct and differential impacts of the two largest shareholders in this context are non-existent in world contexts also. Second, India is characterised as an economy with weak institutional support and poor investor protection (La Porta et al., 2000) which is referred to be the root cause of PPC (Dharwadkar et al., 2000; Young et al., 2008). Hence, exploring the evidence of PPC in impacting CSP using a sample of Indian firms is apt to the main objectives of this study. Finally, the ownership structure consequences on the firm's CSP would be moderated by its internal corporate governance mechanisms. This study's third objective is to examine how the effectiveness (BS and BM impact) of the board and strength/diversity (board independence and women directors' presence) of the board would attenuate or strengthen ownership pattern's influence on the firm's CSP especially post new corporate governance codes institutionalised by Companies Act 2013.

2 Literature review and hypotheses developed

One of the potential causes of agency problems is that shareholders can only imperfectly monitor managers, both have different objectives. Managers might devote firm resources to satisfy personal preferences including CSR investments (Brammer and Millington, 2008). The dispersed ownership allows corporate managers the freedom to discrete to explore greater CSR (Denis et al., 1997; Shleifer and Vishny, 1986). On the contrary, concentrated ownership generates traditional principal-agent conflicts, and also conflicts between majority and minority shareholders (Ginglinger and Lher, 2006). However, Desender and Epure (2013) observe that the greater a shareholder's share, the less likely he/she is to favour CSR programs that don't provide a clear return on investment, even if they are socially optimal. This is so because CSR investments are most likely to pay off in the long run (Chien and Peng, 2012). As a result, CSR investment might actually be a burden for firms in the short run. In addition, the largest shareholder(s) controlling the firms generally makes the best corporate investment decisions which reap higher financial performance. However, in case of firms making higher CSR investments, the pie from improved firm performance would be shared by all stakeholders (Dam and Scholtens, 2013). Therefore, the greater the % shareholding of the largest shareholder(s), the lesser would be his/her inclination towards CSP.

Dam and Scholtens (2013) also highlight the negative relationship with social performance, which decreases as the percentage of shares held by the largest block holder increases. In emerging markets, previous multi-theory studies of organisations with different ownership structures primarily investigate differences in voluntary CSR

disclosures in annual reports. For example, in a recent study on Indian firms, Sahasranamam et al. (2020) illustrated that business group and family ownership is beneficial for community-related CSR.

Agency theory (Jensen and Meckling, 1976) has described the various problems in the agent-principal relationship between shareholders and managers. However, within the context of this study, it is important to observe that interests may differ for small vis-a`-vis large shareholders. A large shareholder may exert effective monitoring and thereby affect the operations and strategy of the firm (Shleifer and Vishny, 1997). Gomes-Casseres (2005) argue that large shareholders of firms with majority blocks are often central to their companies and can have interests that differ from those of minority shareholders. Large shareholders (block holders) may have more influence on the company than dispersed small shareholders due to their stronger incentives or more effective monitoring. The high level of separation between cash flow rights and voting rights motivates the controlling shareholder to entrench him – or herself at the expense of outside minority shareholders (Claessens et al., 2000; La Porta et al., 1999). Decisions in the area of CSP are likely to reflect both high information asymmetry and low programmability (Deckop et al., 2006). Clark and Hebb (2005) also find that moral motives, such as climate change and HIV/AIDS, can drive the large shareholders actions.

Barnea and Rubin (2010) also predict a positive relationship, however, in a different context. They observe that CSR investments would have a positive impact on firm's reputation, image and prestige, which invoke psychological satisfaction for large shareholder(s) and also managers, therefore, they tend to invest excessive amounts in CSR. Crisóstomo et al. (2013) got similar results in the Brazilian context. This behaviour then becomes a source of conflict between majority and minority shareholders. This is because the largest shareholder(s) pursue personal objectives by investing beyond the optimum threshold and minority ones would be disapproved of this expenditure if it finally reduces firm value.

Finally, Baron et al. (2011) show that CSP should depend on the available resources to firm managers and the discretion they have to serve their own interests, which increases with managerial entrenchment and decreases with external monitoring.

Therefore, Theoretically, the relationship between CSR and concentrated ownership can go both ways. Concentrated ownership can result in a particular financial and social performance due to the efforts of the large owner(s). However, a particular CSR performance also might be viewed as attractive from the perspective of the large shareholder and result in substantial investment in the firm with this performance. In this respect, Bartkus et al. (2002) find strong evidence for 66 US companies that powerful owners discourage excessive philanthropy. Atkinson and Galaskiewicz (1988) as well as Brammer and Millington (2005) also arrive at negative relationship between OC and giving in the US.

However, the impact of different shareholders (promoters, used interchangeably here) based on their shareholding patterns on firm's CSP in an emerging market context like India is yet to be explored. Based on above discussions, this study conjectures:

Hypothesis 1 The largest shareholder impacts firm's CSP practices positively, and the second largest shareholder influences negatively in normal conditions.

One of the internal mechanisms that can detract largest shareholder to pursue private benefits through more CSR and work in favour of second largest and other shareholders is firm's governance structure. The presence of more directors potentially provides more external connections and knowledge to secure critical CSR resources, more CSR-related experience, knowledge, counsel, and advice (Dalton et al., 1999; de Villiers et al., 2011). Furthermore, the effective internal functioning of the board is also dependent on the frequency of BM (Vafeas, 1999). Meetings provide board members the chance to come together, and to discuss and exchange thoughts and ideas on how they wish to monitor managers and firm's strategy. Lehn et al. (2003) suggest that efficient monitoring is more prominent with a larger board and proportion of meetings due to the reduced need to share information. Therefore, on an overall basis:

Hypothesis 2 Larger BS and high frequency of BM have a negative moderation impact on largest shareholder's CSP exploration, and reversely a positive impact for second largest shareholder.

Boards also play a strong monitoring role to ensure that management caters shareholder interests. High board independence would encourage firms to undertake more CSP as independent directors prefer reputation building over risk-taking initiatives (Pathan, 2009), more long-term orientation of firms (Eccles et al., 2014), and, therefore, are more likely to pursue the long-term potential of investments in environmental and social projects (de Villiers et al., 2011). Fama and Jensen (1983) also find independent directors' objective in the monitoring task more than insider directors because they wish to indicate their competence to other potential employers and as already have monitoring experience. In addition, more women directors in firm board also motivates excessive monitoring and risk-averse approach which in turn may induce more CSP (Adams and Ferreira, 2009; Cruz et al., 2019; Islam et al., 2022). Accordingly, this study argues that:

Hypothesis 3 Board independence and more women directors in firm board have a negative moderation impact on largest shareholder's CSP exploration, and reversely a positive impact for second largest shareholder to mitigate any type of PPC.

3 Materials and methods

3.1 Data and variables

This study has collected the firm level data from Centre for Monitoring Indian Economy's (CMIE's) Prowess Database. Its initial sample consists of Nifty 500 firms for the period 2014-2019[2]. However, due to non-availability of environmental, social and governance (ESG) data[3] and missing data, its final sample consists of 161 firms for above period, i.e., 805 firm-year observations.

The main dependent variable in this study is the composite CSP score calculated based on the annual social (philanthropic) performance score (SP) and the environmental performance score (EP) for all sample firms, created by assigning an equal weightage to both SP and EP (i.e., [EP + SP]/2).[4] This is in line with existing practices highlighted in extant studies (Ioannou and Serafeim, 2012; Shi and Veenstra, 2021).

Table 1 Correlations results

Variables	*CSP*	*1st PROMSH*	*2nd PROMSH*	*GOVScore*	*BS*	*BM*	*ID*	*WD*	*Age*	*Size*	*Lev*	*Liq*	*ROA*	*R&D*
CSP	1													
1st PROMSH	0.053	1												
2nd PROMSH	–0.118*	–0.170**	1											
GOVScore	0.751**	–0.147**	–0.093*	1										
BS	0.274**	–0.039	–0.058	0.190**	1									
BM	0.175**	0.233**	–0.169**	–0.014	0.200**	1								
ID	0.103*	–0.280**	–0.088	0.265**	0.029	–0.190**	1							
WD	–0.068	–0.136**	0.057	0.038	–0.112**	–0.066	0.127**	1						
Age	0.179**	0.002	–0.169**	0.043	0.285**	0.112**	0.285**	–0.062	1					
Size	0.425**	–0.015	–0.08	0.203**	0.389**	0.233**	0.014	–0.124**	0.260**	1				
Lev	0.002	–0.061	–0.049	0.015	–0.043	0.022	–0.017	0.117**	–0.079	–0.045	1			
Liq	0.379**	0.086*	–0.004	0.226**	0.268**	0.185**	0.078	–0.008	0.217**	0.474**	–0.018	1		
ROA	–0.005	0.086*	0.126**	0.013	–0.032	–0.045	0.078	0.021	0.072	0.029	–0.264**	0.027	1	
R&D	0.045	0.007	–0.157**	0.163**	–0.004	–0.077	0.172**	0.026	0.127**	–0.036	–0.006	0.057	–0.037	1
VIF	1.583	1.184	1.160	1.349	1.334	1.066	1.254	1.068	1.204	1.755	1.155	1.519	1.254	1.139

Notes: This table presents correlations results and also variance inflation factors [VIFs]. ** denotes significance at 1% level, and * implies significance at 5% level. Here, corporate social performance (CSP) and largest promoter's (shareholder's) and second largest promoter's (shareholder's) shareholdings (i.e., 1st PROMSH and 2nd PROMSH respectively) are the main variables. Firm's governance score (GOVScore), board size (BS), board meetings (BM), independent directors (ID) and women directors (WD) are the moderating variables. Furthermore, firm age (Age), size (Size), leverage (Lev), liquidity (Liq), profitability (ROA) and R&D intensity (R&D) are used as controls.

This study focuses its analyses on firm's ownership structures and corporate boards (moderation impacts), the two key firm-specific governance mechanisms (Denis and McConnell, 2003). For ownership structure, it focuses on first and second largest shareholders' holdings (independent variables here) and their differentials[5] as because prior studies suggested that they serve important disciplining and monitoring roles (Gillan and Starks, 2007). For boards of directors, this study focuses on BS (natural log of number of board members), BM (natural log of number of BM), board independence (ID) (% of independent directors) and women directors' presence (WD) (% of women directors) (de Villiers et al., 2011; Pathan, 2009; Vafeas, 1999).

To mitigate omitted variable bias, this study has controlled for firm size (Size) (natural log of net sales) (DasGupta, 2022; Shi and Veenstra, 2021; Singh and Gaur, 2009), firm age (Age) (current year – year of incorporation for period t) (DasGupta, 2022; Jackling and Johl, 2009), financial leverage (debt-to-equity) (Lev) (DasGupta, 2022; Arora and Bodhanwala, 2018), firm liquidity (Liq) (natural log of cash and cash equivalents) (DasGupta, 2022; DasGupta et al., 2022; Shi and Veenstra, 2021), profitability (ROA [return on assets]) (DasGupta, 2022; DasGupta et al., 2022; Shi and Veenstra, 2021), and the research and development (R&D) intensity (R&D expenditure scaled by net sales) (R&D) (DasGupta, 2022; Jackling and Johl, 2009). Furthermore, it has also used lagged CSP to control for serial correlation among residuals that may arise out of CSP persistence across years (DasGupta, 2022; DasGupta et al., 2022).

3.2 Methods

Hausman (1978) specification tests have confirmed the superiority of fixed effects models over random effects ($p < 0.001$), and this study therefore employs fixed effects models in the regressions. I took several measures to address the potential endogeneity problems, if any.[6] It first lagged my dependent variable against independent variables by one year to mitigate the potential endogeneity of reverse causality (Xu et al., 2019). Second, it has tried to control for a set of firm-level factors that may affect CSP and concentrated ownership simultaneously. Third, this study has included year and firm fixed effects in my regression models to account for within-year and within-firm variations over time. This approach helps to limit the potential bias caused by omitted variables and control for unobserved heterogeneity (Gormley and Matsa, 2014; Xu et al., 2019). This study has also controlled for potential autocorrelation and heteroskedasticity by calculating the robust standard errors clustered by firm. In addition, the variance inflation factors (VIFs) confirm the absence of multicollinearity in its dataset (see Table 1, all VIFs are < 2, and only three VIF exceeds 1.5).

4 Results and discussion

Table 1 reports the correlations results for my sample. The absolute values of Pearson coefficients between the independent variables are less than 0.5. This further corroborates my earlier VIF results showing no multicollinearity in regression models. In line with my initial assumptions, this study finds that the association between CSP and largest shareholder holdings is positive (insignificant one), however, the second largest shareholder's holdings is strongly negative and statistically significant. The moderating variables also show significant association especially with largest shareholder's holdings.

All these results augment my initial inferences that OC could determine firm's CSP and these would get attenuated or strengthened in the presence of strong internal governance mechanisms. Some control variables (age, liquidity, profitability, etc.) also have a strong impact on CSP.

From Table 2 results, this study observes the evidence of PPC in Indian firms as the largest shareholder would have a significant positive impact ($\beta = 0.071$; $p = 0.008$) on firm's CSP, however, the second largest one had an insignificant negative impact. Firm age has a significant positive impact, whereas, firm leverage impacts OC to invest in CSP in a strongly negative manner.

Table 2 Regression results (basic model)

Variables	*1st PROMSH*	*2nd PROMSH*
Constant	–50.045 (0.120) [32.092]	–32.643 (0.412) [39.701]
Explanatory variable		
1st PROMSH	0.071 (0.008) [0.027]	
2nd PROMSH		–0.142 (0.465) [0.195]
	Control variables	
CSPt-1	0.484 (0.001) [0.141]	0.476 (0.003) [0.156]
Age	61.250 (0.005) [21.588]	53.560 (0.010) [20.609]
Size	–4.651 (0.431) [5.891]	–5.152 (0.539) [8.374]
Lev	–0.111 (0.000) [0.019]	–0.102 (0.000) [0.025]
Liq	0.802 (0.227) [0.662]	0.805 (0.569) [1.412]
ROA	0.040 (0.639) [0.086]	0.069 (0.530) [0.109]
R&D	–0.297 (0.418) [0.366]	–0.335 (0.466) [0.459]
Year fixed effect	Yes	Yes
Firm fixed effect	Yes	Yes
Adj. R2	0.938	0.932
F stat (p value)	56.455 (0.000)	49.525 (0.000)

Notes: This table presents basic regression results. The dependent variable is CSP and main independent variables are largest shareholder's (promoter's) and second largest shareholder's holdings. This study has included firm-level control variables under panel fixed effect models with firm and year fixed effects. Heteroskedasticity robust firm-clustered standard errors are shown in third brackets and p values are reported in parentheses.

Therefore, I found evidence of PPC (through achieving private benefits [Delgado-García et al., 2010; La Porta et al., 2000]) specifically in between the controlling (largest) and minority (second largest, etc.) shareholders (Dharwadkar et al., 2000; Young et al., 2008) in Indian context. This might be arising from the urge to obtain social legitimacy and keeping image and reputation intact (Eng and Mak, 2003). I thereby contradict López-Iturriaga and López-de-Foronda's (2011) findings in European context. I also propagate that differential shareholdings pattern could impact firm's CSR thinking and practices distinctively within a firm.

Table 3 Moderation results (largest shareholder [promoter])

Variables	*Overall governance mechanisms (GOVScore)*	*Board size (BS)*	*Board meetings (BM)*	*Board independence (ID)*	*Women directors' presence (WD)*
Constant	–73.876 (0.068) [40.245]	–9.023 (0.005) [3.181]	–24.927 (0.529) [39.570]	–50.065 (0.166) [36.041]	–59.647 (0.100) [36.131]
Explanatory variable					
1st PROMSH	0.236 (0.002) [0.076]	0.267 (0.000) [0.053]	–0.060 (0.245) [0.052]	–0.001 (0.984) [0.071]	0.124 (0.033) [0.058]
GOVScore	0.201 (0.000) [0.053]				
BS		7.776 (0.000) [1.865]			
BM			–10.606 (0.000) [2.755]		
ID				–0.088 (0.387) [0.102]	
WD					0.246 (0.223) [0.202]
Interaction variables					
1st PROMSH*GOVScore	–0.003 (0.001) [0.001]				
1st PROMSH*BS		–0.228 (0.000) [0.050]			
1st PROMSH*BM			0.164 (0.004) [0.056]		
1st PROMSH*ID				0.002 (0.139) [0.001]	

Notes: This table presents moderation impacts of firm's overall corporate governance mechanisms and also individual mechanisms on its CSP for the largest shareholder. The dependent variable is CSP and main independent variables are largest shareholder's (promoter's) holdings and also interaction variables. This study has included firm-level control variables under panel fixed effect models with firm and year fixed effects. Heteroskedasticity robust firm-clustered standard errors are shown in third brackets and p values are reported in parentheses.

Table 3 Moderation results (largest shareholder [promoter]) (continued)

Variables	*Overall governance mechanisms (GOVScore)*	*Board size (BS)*	*Board meetings (BM)*	*Board independence (ID)*	*Women directors' presence (WD)*
			Interaction variables		
1st PROMSH*WD					–0.006 (0.165) [0.004]
CSPt–1	0.463 (0.001) [0.141]	0.881 (0.000) [0.029]	0.483 (0.001) [0.145]	0.480 (0.001) [0.138]	0.475 (0.001) [0.136]
Age	67.353 (0.007) [24.740]	1.332 (0.332) [1.372]	50.442 (0.070) [27.681]	62.970 (0.004) [21.445]	64.410 (0.007) [23.828]
Size	–3.902 (0.517) [6.005]	0.765 (0.001) [0.234]	–4.576 (0.441) [5.933]	–4.349 (0.472) [6.038]	–4.022 (0.454) [5.357]
Lev	–0.142 (0.000) [0.020]	–0.025 (0.002) [0.008]	–0.119 (0.000) [0.024]	–0.102 (0.000) [0.023]	–0.121 (0.000) [0.021]
Liq	1.058 (0.072) [0.585]	0.671 (0.046) [0.335]	0.681 (0.244) [0.583]	0.763 (0.239) [0.647]	0.756 (0.222) [0.617]
ROA	0.039 (0.628) [0.081]	0.001 (0.905) [0.011]	0.045 (0.605) [0.086]	0.030 (0.689) [0.074]	0.022 (0.783) [0.081]
R&D	–0.414 (0.370) [0.461]	–0.067 (0.128) [0.044]	–0.300 (0.399) [0.355]	–0.292 (0.426) [0.366]	–0.373 (0.230) [0.310]
Year fixed effect	Yes	Yes	Yes	Yes	Yes
Firm fixed effect	Yes	–	Yes	Yes	Yes
Adj. R^2	0.939	0.925	0.937	0.937	0.938
F stat (p value)	56.579 (0.000)	272.954 (0.000)	54.596 (0.000)	54.842 (0.000)	55.099 (0.000)

Notes: This table presents moderation impacts of firm's overall corporate governance mechanisms and also individual mechanisms on its CSP for the largest shareholder. The dependent variable is CSP and main independent variables are largest shareholder's (promoter's) holdings and also interaction variables. This study has included firm-level control variables under panel fixed effect models with firm and year fixed effects. Heteroskedasticity robust firm-clustered standard errors are shown in third brackets and p values are reported in parentheses.

Tables 3 and 4 report how firm's overall internal corporate governance mechanisms and individual elements moderate this study's initial studied association. It finds that strong governance quality within a firm actually negatively ($\beta = –0.003$; $p = 0.001$) moderates the largest shareholder's CSP practices. On the contrary, it observes a positive but insignificant moderation impact for the second largest shareholding. This confers its initial hypotheses that strong internal governance mechanisms act against the expropriation of private benefits by the largest shareholder through more CSP.

Table 4 Moderation results (second largest shareholder [promoter])

Variables	*Overall governance mechanisms (GOVScore)*	*Board size (BS)*	*Board meetings (BM)*	*Board independence (ID)*	*Women directors' presence (WD)*
Constant	–60.598 (0.136) [40.514]	7.812 (0.861) [44.550]	–18.236 (0.709) [48.745]	–33.345 (0.351) [35.649]	–38.835 (0.392) [45.241]
			Explanatory variable		
2nd PROMSH	–0.146 (0.680) [0.352]	–2.952 (0.000) [0.744]	–0.386 (0.128) [0.252]	–0.117 (0.843) [0.592]	0.024 (0.855) [0.130]
GOVScore	0.104 (0.047) [0.052]				
BS		–21.920 (0.002) [7.093]			
BM			–11.039 (0.038) [5.285]		
ID				–0.017 (0.915) [0.161]	
WD					0.164 (0.116) [0.104]
			Interaction variables		
2nd PROMSH*GOVScore	0.000 (0.947) [0.005]				
2nd PROMSH*BS		2.397 (0.000) [0.594]			
2nd PROMSH*BM			0.312 (0.213) [0.250]		
2nd PROMSH*ID				–0.000 (0.968) [0.012]	
2nd PROMSH*WD					–0.030 (0.004) [0.010]
CSPt-1	0.455 (0.005) [0.160]	0.477 (0.001) [0.145]	0.476 (0.004) [0.165]	0.475 (0.002) [0.152]	0.485 (0.002) [0.153]
Age	62.812 (0.003) [20.853]	49.084 (0.013) [19.503]	45.068 (0.099) [27.171]	54.135 (0.000) [14.850]	56.149 (0.019) [23.628]
Size	–3.651 (0.657) [8.200]	–6.591 (0.460) [8.910]	–3.660 (0.679) [8.814]	–5.000 (0.579) [8.982]	–4.990 (0.552) [8.366]
Lev	–0.116 (0.000) [0.027]	–0.134 (0.000) [0.027]	–0.106 (0.001) [0.031]	–0.101 (0.009) [0.038]	–0.086 (0.000) [0.024]
Liq	1.372 (0.248) [1.183]	0.705 (0.609) [1.377]	0.700 (0.532) [1.118]	0.804 (0.567) [1.402]	0.801 (0.580) [1.446]
ROA	0.056 (0.605) [0.108]	0.019 (0.772) [0.064]	0.066 (0.546) [0.109]	0.063 (0.500) [0.093]	0.108 (0.352) [0.116]
R&D	–0.610 (0.273) [0.555]	–0.320 (0.483) [0.455]	–0.327 (0.462) [0.443]	–0.345 (0.453) [0.459]	–0.291 (0.536) [0.469]
Year fixed effect	Yes	Yes	Yes	Yes	Yes
Firm fixed effect	Yes	Yes	Yes	Yes	Yes
Adj. R2	0.933	0.934	0.932	0.931	0.933
F stat (p value)	49.108 (0.000)	49.690 (0.000)	48.045 (0.000)	47.704 (0.000)	48.595 (0.000)

Notes: This table presents moderation impacts of firm's overall corporate governance mechanisms and also individual mechanisms on its CSP for the second largest shareholder. The dependent variable is corporate social performance (CSP) and main independent variables are second largest shareholder's (promoter's) holdings and also interaction variables. This study has included firm-level control variables under panel fixed effect models with firm and year fixed effects. Heteroskedasticity robust firm-clustered standard errors are shown in third brackets and p values are reported in parentheses.

Table 5 Differential shareholdings results (basic and moderation)

Variables	*Basic model*	*Overall governance mechanisms (GOVScore)*	*Board size (BS)*	*Board meetings (BM)*	*Board independence (ID)*	*Women directors' presence (WD)*
Explanatory variable						
25_10Difference	–11.283 (0.002) [3.671]	–5.949 (0.155) [4.164]	–11.728 (0.343) [12.352]	–30.485 (0.003) [10.171]	2.618 (0.792) [9.938]	–21.096 (0.000) [4.907]
GOVScore		0.095 (0.016) [0.039]				
BS			0.558 (0.822) [2.473]			
BM				–3.552 (0.084) [2.049]		
ID					0.038 (0.498) [0.056]	
WD						0.056 (0.348) [0.060]
Interaction variables						
25_10Difference*GOVScore		–0.093 (0.296) [0.088]				
25_10Difference*BS			0.436 (0.972) [12.337]			
25_10Difference*BM				22.879 (0.073) [12.703]		
25_10Difference*ID					–0.295 (0.048) [0.155]	
25_10Difference*WD						0.700 (0.000) [0.193]
Year fixed effect	Yes	Yes	Yes	Yes	Yes	Yes
Firm fixed effect	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R2	0.937	0.939	0.937	0.938	0.937	0.938
F stat (p value)	58.488 (0.000)	58.162 (0.000)	56.652 (0.000)	57.084 (0.000)	56.939 (0.000)	58.000 (0.000)

Notes: This table presents the differential shareholdings basic and moderation regression results in between largest shareholder (promoter) and second largest shareholder when they both hold minimum more than 10% holdings in the firm, however, there is a difference of more than 25% (proxied by 25_10Difference) in between them. The dependent variable is corporate social performance (CSP) and main independent variables are largest and second largest shareholder's differential holdings and also interaction variables. This study has included firm-level control variables under panel fixed effect models with firm and year fixed effects. However, control results are not reported here for the sake of brevity. Heteroskedasticity robust firm-clustered standard errors are shown in third brackets and p values are reported in parentheses.

Table 6 Differential shareholdings results (basic and moderation)

Variables	*Basic model*	*Overall governance mechanisms (GOVScore)*	*Board size (BS)*	*Board meetings (BM)*	*Board independence (ID)*	*Women directors' presence (WD)*
Explanatory variable						
5_10Difference	–2.023 (0.096) [1.209]	–14.470 (0.027) [6.509]	–15.079 (0.034) [7.070]	7.267 (0.131) [4.791]	11.172 (0.035) [5.275]	–9.546 (0.001) [2.700]
GOVScore		0.070 (0.004) [0.024]				
BS			–0.184 (0.932) [2.157]			
BM				–0.227 (0.922) [2.317]		
ID					0.022 (0.641) [0.048]	
WD						0.076 (0.206) [0.060]
Interaction variables						
5_10Difference*GOVScore		0.209 (0.041) [0.102]				
5_10Difference*BS			11.321 (0.082) [6.483]			
5_10Difference*BM				–12.034 (0.063) [6.439]		
5_10Difference*ID					–0.283 (0.028) [0.128]	
5_10Difference*WD						0.602 (0.010) [0.233]
Year fixed effect	Yes	Yes	Yes	Yes	Yes	Yes
Firm fixed effect	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R2	0.934	0.936	0.934	0.934	0.935	0.935
F stat (p value)	55.589 (0.000)	55.894 (0.000)	54.056 (0.000)	53.289 (0.000)	54.497 (0.000)	54.906 (0.000)

Notes: This table presents the differential shareholdings basic and moderation regression results in between largest shareholder (promoter) and second largest shareholder when they both hold minimum more than 10% holdings in the firm, however, there is a difference of less than 5% holding (proxied by 5_10Difference) in between them. The dependent variable is corporate social performance (CSP) and main independent variables are largest and second largest shareholder's differential holdings and also interaction variables. This study has included firm-level control variables under panel fixed effect models with firm and year fixed effects. However, control results are not reported here for the sake of brevity. Heteroskedasticity robust firm-clustered standard errors are shown in third brackets and p values are reported in parentheses.

Table 7 Robustness analyses (basic and overall governance quality moderations results)

Variables	*1st PROMSH*				*2nd PROMSH*			
	Corporate environmental performance (CEP)		*Corporate philanthropic performance (CPP)*		*Corporate environmental performance (CEP)*		*Corporate philanthropic performance (CPP)*	
	Basic model	*Overall governance mechanisms (GOVScore)*	*Basic model*	*Overall governance mechanisms (GOVScore)*	*Basic model*	*Overall governance mechanisms (GOVScore)*	*Basic model*	*Overall governance mechanisms (GOVScore)*
Explanatory variable								
1st PROMSH	0.074 (0.208) [0.058]		0.069 (0.359) [0.075]					
2nd PROMSH					–0.113 (0.602) [0.217]		–0.181 (0.352) [0.194]	
GOVScore		0.170 (0.009) [0.065]		0.238 (0.000) [0.065]		0.041 (0.431) [0.051]		0.175 (0.010) [0.067]
Interaction variables								
1st PROMSH*GOVScore		–0.003 (0.073) [0.001]		–0.004 (0.000) [0.001]				
2nd PROMSH*GOVScore						0.005 (0.446) [0.006]		–0.004 (0.380) [0.005]
Year fixed effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm fixed effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.912	0.912	0.919	0.921	0.910	0.910	0.916	0.918
F stat (p value)	39.198 (0.000)	38.534 (0.000)	43.064 (0.000)	43.269 (0.000)	36.912	35.992 (0.000)	39.444 (0.000)	39.608 (0.000)

Notes: This table presents basic model results and moderation impacts of firm's overall corporate governance mechanisms of and on its CEP and CPP for the largest and second largest shareholders (promoters). The dependent variable is CEP and CPP and main independent variables are largest and second largest shareholder's (promoter's) holdings and also interaction variables. This study has included firm-level control variables under panel fixed effect models with firm and year fixed effects. However, control results are not reported here for the sake of brevity. Heteroskedasticity robust firm-clustered standard errors are shown in third brackets and p values are reported in parentheses.

Table 8 Robustness analyses (individual governance mechanisms moderations results – largest shareholder)

Variables	*Corporate environmental performance (CEP)*				*Corporate philanthropic performance (CPP)*			
	Board size (BS)	*Board meetings (BM)*	*Board independence (ID)*	*Women directors' presence (WD)*	*Board size (BS)*	*Board meetings (BM)*	*Board independence (ID)*	*Women directors' presence (WD)*
Explanatory variable								
1st PROMSH	0.278 (0.004) [0.095]	–0.113 (0.298) [0.109]	–0.013 (0.937) [0.160]	0.150 (0.058) [0.079]	0.251 (0.000) [0.040]	–0.012 (0.719) [0.033]	0.006 (0.908) [0.049]	0.105 (0.269) [0.095]
BS	3.711 (0.339) [3.873]				11.965 (0.000) [2.384]			
BM		–15.293 (0.000) [0.998]				–5.918 (0.317) [5.904]		
ID			–0.103 (0.519) [0.160]				–0.077 (0.242) [0.066]	
WD				0.431 (0.154) [0.301]				0.094 (0.702) [0.247]
Interaction variables								
1st PROMSH*BS	–0.239 (0.003) [0.080]				–0.212 (0.000) [0.003]			
1st PROMSH*BM		0.233 (0.027) [0.040]				0.100 (0.260) [0.105]		
1st PROMSH*ID			0.002 (0.497) [0.088]				0.002 (0.183) [0.001]	
1st PROMSH*WD				–0.008 (0.151) [0.006]				–0.004 (0.386) [0.005]
Year fixed effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm fixed effect	–	Yes	Yes	Yes	-	Yes	Yes	Yes
Adj. R2	0.898	0.912	0.911	0.912	0.897	0.920	0.919	0.919
F stat (p value)	195.754 (0.000)	38.156 (0.000)	38.060 (0.000)	38.386 (0.000)	194.265 (0.000)	42.117 (0.000)	41.774	41.884 (0.000)

Notes: This table presents moderation impacts of firm's overall corporate governance mechanisms on its CEP and CPP for the largest shareholder (promoter). The dependent variable is CEP and CPP and main independent variables are largest shareholder's (promoter's) holdings and also interaction variables. This study has included firm-level control variables under panel fixed effect models with firm and year fixed effects. However, control results are not reported here for the sake of brevity. Heteroskedasticity robust firm-clustered standard errors are shown in third brackets and p values are reported in parentheses.

Table 9 Robustness analyses (individual governance mechanisms moderations results – second largest shareholder)

Variables	*Corporate environmental performance (CEP)*				*Corporate philanthropic performance (CPP)*			
	Board size (BS)	*Board meetings (BM)*	*Board independence (ID)*	*Women directors' presence (WD)*	*Board size (BS)*	*Board meetings (BM)*	*Board independence (ID)*	*Women directors' presence (WD)*
Explanatory variable								
2nd PROMSH	–3.521 (0.003) [1.182]	–0.491 (0.186) [0.369]	0.073 (0.932) [0.845]	0.001 (0.994) [0.175]	–2.379 (0.000) [0.612]	–0.285 (0.114) [0.179]	–0.296 (0.596) [0.558]	0.028 (0.776) [0.099]
BS	–38.809 (0.000) [9.998]				–4.357 (0.397) [5.128]			
BM		–15.455 (0.014) [6.249]				–6.527 (0.195) [5.012]		
ID			–0.037 (0.855) [0.200]				0.002 (0.990) [0.156]	
WD				0.212 (0.275) [0.193]				0.122 (0.219) [0.099]
Interaction variables								
2ndPROMSH*BS	2.914 (0.003) [0.959]				1.868 (0.000) [0.443]			
2ndPROMSH*BM		0.481 (0.152) [0.334]				0.138 (0.429) [0.174]		
2ndPROMSH*ID			–0.004 (0.820) [0.016]				0.002 (0.855) [0.012]	
2ndPROMSH*WD				–0.018 (0.341) [0.019]				–0.039 (0.002) [0.012]
Year fixed effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm fixed effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R2	0.914	0.911	0.910	0.910	0.918	0.917	0.915	0.917
F stat (p value)	37.404 (0.000)	36.096 (0.000)	35.657 (0.000)	35.843 (0.000)	39.518 (0.000)	38.470 (0.000)	38.000	39.027 (0.000)

Notes: This table presents moderation impacts of firm's overall corporate governance mechanisms on its CEP and CPP for the second largest shareholder (promoter). The dependent variable is CEP and CPP and main independent variables are second largest shareholder's (promoter's) holdings and also interaction variables. This study has included firm-level control variables under panel fixed effect models with firm and year fixed effects. However, control results are not reported here for the sake of brevity. Heteroskedasticity robust firm-clustered standard errors are shown in third brackets and p values are reported in parentheses.

Overall, my moderation results prove that the PPC would tone down when firms have strong corporate governance structure within. A large board weakens largest shareholder(s) reaping of private benefits through excessive CSR practices. It also strengthens minority (including second largest) shareholders' interests by controlling CSR practices.

Furthermore, this study's individual corporate governance mechanisms findings put interesting conclusive insights on the overall observations. It observes that larger BS strongly negatively ($\beta = -0.228$; $p = 0.000$) moderate largest shareholder's intent to undertake more CSP to extract private benefits over other shareholders. However, it has a significant positive moderation impact on second largest shareholder's inclination towards firm's higher CSP. This augments its initial assumption. On the other hand, more BM motivate firms to undertake more CSP irrespective of OC. This might be the evidence of advisory and regular monitoring capabilities of the Indian BODs which could neutralise expropriation of private benefits by largest shareholder.

Therefore, I corroborate with de Villiers et al. (2011), Harris and Raviv (2008), etc. to substantiate that strong board rich in advice, counsel and monitoring would work in favour of all shareholders rather than the single largest shareholder(s) creating PPC. However, I did not find any conclusive evidence that more BM weaken/strengthen largest shareholder(s) intention to do more CSP.

In addition, this study finds that presence of women directors in more numbers would always have a negative moderation impact on concentrated ownership and firm's CSP practices, more so, significantly ($\beta = -0.030$; $p = 0.004$) in case of second largest shareholder. Therefore, it emphasises that more women directors in a firm board pursue excessive monitoring and risk-averse approach, however, this in turn might not induce more CSP (contradicting Adams and Ferreira, 2009; Cruz et al., 2019; Harjoto et al., 2015; Islam et al., 2022) in Indian context. So, my study findings are in line with the stakeholder theory (Macaulay et al., 2018) that women directors neutralise the largest shareholder(s) intention to use excessive CSR for private benefits rather control CSP practices on behalf of all stakeholders. Therefore, I can augment that their presence would not tolerate any PPC and be favourable towards minority shareholders interest fulfilment. In addition, surprisingly, it doesn't report any significant moderating role of independent directors in my studied association. Therefore, I could not substantiate whether independent directors would negate PPC conflicts by pursuing the long-term potential of investments in environmental and social projects (de Villiers et al., 2011) judiciously (Eccles et al., 2014). The control results are exactly similar to that with its basic results.

Tables 5 and 6 report the basic and moderation results of differential holdings of the largest and second largest shareholders. As predicted, this study observes a significant positive moderation impact ($\beta = 0.209$, $p = 0.041$) of firm's internal governance mechanisms on differential shareholdings to undertake more CSP when there is a difference of less than 5% holding (proxied by 5_10Difference) in between them. However, it finds only an insignificant negative impact when there is a difference of more than 25% (proxied by 25_10Difference) in between them. In addition, it observes a significant negative moderation impact of board independence in case of 25_10Difference holdings, however, surprisingly, women directors always favour more CSP irrespective of high or low differential holdings in between largest and second largest shareholders.

In addition, this study conducts robustness analyses by using individual environmental score (representing corporate environmental performance [CEP]) and social score (representing corporate philanthropic performance [CPP]) as the dependent variable to substantiate its main findings (DasGupta, 2022). Tables 7–9 reports the findings. Overall results are qualitatively similar with its main findings. More specifically, this study observes that BS has a significant negative impact to moderate largest shareholder's PPC intends in terms of both CEP and CPP, but, impact positively in regard to second largest shareholder to explore both more CEP and CPP. On the contrary, more BM motivate firms to undertake only more CEP which in turn may result in expropriation by the largest shareholder through this route. In addition, more women directors in a firm board impact significant negatively the CPP for the second largest shareholder.[7]

Therefore, overall, my study findings would contribute to the ownership structure and governance literature dealing with CSR and CSP for emerging markets.

5 Conclusions and policy implications

This study contributes to the scanty ownership structure and CSP literature by reporting the distinctive impact firm's largest (first) and second-largest shareholder has in undertaking CSP in the emerging market context of India. It proves the possible PPC between them as the largest shareholder expropriates private benefits through more CSP. Furthermore, it finds that a firm's overall internal corporate governance quality, and more specifically individual corporate governance mechanisms representing board effectiveness (BS and BM) and board diversity/strength (board independence and women directors' presence) play a strong moderating role in attenuating or strengthening the largest shareholder-driven PPC.

Overall, strong internal governance mechanisms act against the expropriation of private benefits by the largest shareholder through more CSP. At an individual level, the negative impact of BS is overwhelming in attenuating PPC, however, BM always act positively in motivating firms to explore CSP irrespective of shareholding patterns. On the other hand, women directors always undertake excessive monitoring, thereby, denying firms to do more CSP, again irrespective of OC. The differential shareholdings analyse also put forward the strong moderating role of independent directors when the difference between the largest and second-largest shareholder's holdings is 25% or more.

One of the possible limitations and scope for future researchers to look into is the role of CEO's characteristics in this type of PPC and also whether the nation-level institutional environment can weaken such conflicts.

The policy-makers and regulators should enforce more stringent regulations to monitor the firm's intentions and implementation practices in CSP regards, especially in an emerging market context like India.

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Notes

1 This study employs the governance score collected from refinitive asset 4 database in this regard. This score is a relative weighted score calculated from 48 indicators on levels of leadership team transparency with stakeholders; the completion of sustainability reports; minority shareholders' rights; and the remuneration of executives, independent board members and audit committees; etc.

2 In 2013 the new Corporate Governance Code had been institutionalized in India through The Companies Act, 2013 to enhance disclosures, reporting and transparency through new regulations as well as new compliance norms. Year 2020–2021 was affected by COVID-19 outbreak all over the world. Accordingly, this study has been undertaken up to 2019 from 2014.

3 This data has been collected from Refinitive (erstwhile Thompson Reuters) Asset 4 database.

4 In the robustness study, this study also shown the impact of concentrated ownership on firm's SP and EP separately.

5 This study tests two shareholding differential situations: First, when there is a difference of minimum 25% shareholding (ranges 25–50%) in between largest and second largest shareholders when both are holding 10% or more (Desender and Epure, 2014; Faccio et al., 2001; La Porta et al., 1999); and Second, when there is a difference of less than 5% shareholding (ranges 1–5%) in between largest and second largest shareholders when both are holding 10% or more.

6 It is not expected that firm's CSP would anyway determine its ownership holdings. In addition, it would not be possible that error terms will be correlated with its explanatory variables, i.e., shareholders' holdings.

7 The shareholdings differential results are also on similar lines with its main findings. Therefore, this study doesn't report them separately here for the sake of brevity.