



Corporate Governance and Financial Performance Indicators: A Comparative Analysis of Hindustan Unilever, ITC Ltd., and Dabur India Ltd., Maharashtra, India

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Abstract

Corporate governance plays a vital role in enhancing organizational transparency, accountability, and long-term financial sustainability. This study, titled 'Corporate Governance and Financial Performance Indicators: A Comparative Analysis of HUL, ITC Ltd. and Dabur India Ltd. examines the relationship between corporate governance practices and selected financial performance indicators in the Indian FMCG sector. The study focuses on three leading companies HUL, ITC Ltd. and Dabur India Ltd. over the period of six years. A Corporate Governance Index (CGI) was developed using key governance dimensions to assess the quality of governance practices across the selected companies. Financial performance was evaluated using indicators such as EPS and ROA. To examine the relationship between corporate governance and financial performance, Spearman's Rank Correlation was applied as a non-parametric statistical tool. The findings indicate varied relationships across the selected firms. However it demonstrates, a positive association between governance quality and financial performance in most of the cases, suggesting that improved governance practices contribute positively to profitability and shareholder value. The study concludes that effective corporate governance serves as an important determinant of financial performance, though its impact varies across organizations based on strategic, operational, and market factors.

Keywords: Corporate Governance, CGI, Financial Performance, EPS, ROA.

Introduction

Corporate governance refers to the system of rules, practices, and processes by which companies are directed and controlled. It encompasses principles of accountability, transparency, fairness, and responsibility in corporate decision-making, thereby ensuring that the interests of shareholders and other stakeholders are protected¹. In recent years, corporate governance has gained increased prominence due to evolving regulatory requirements, investor expectations, and growing emphasis on sustainable business practices².

In India, reforms in governance regulations, including SEBI's listing obligations, mandatory board committees, and enhanced disclosure requirements under Business Responsibility and Sustainability Reporting (BRSR), have strengthened governance standards among listed companies^{3,4}. These reforms have encouraged firms to adopt better governance practices, improve board effectiveness and enhance disclosure quality.

The Indian FMCG sector provides an ideal context for examining governance-performance relationships due to its competitive market environment, strong consumer orientation, and consistent financial reporting. Among the leading firms, Hindustan Unilever, ITC Ltd., and Dabur India Ltd. represent

established corporate entities with significant market capitalization, diverse governance structures, and strong operational footprints. A comparative evaluation of these firms offers valuable insights into how governance quality influences financial outcomes.

This study focuses on examining the relationship between Corporate Governance Index (CGI) and selected financial performance indicators—Earnings Per Share (EPS) and Return on Assets (ROA), through Spearman's Rank Correlation analysis.

Review of Literature

Corporate governance is considered a vital element in determining a company's effectiveness, enhancing stakeholder trust, and supporting sustainable business growth^{5,6}. Practices such as maintaining an independent board, establishing efficient committee systems, and ensuring openness in financial and non-financial disclosures help strengthen managerial accountability, improve oversight functions, and minimize conflicts of interest between owners and management^{7,8}.

Research in this area suggests that organizations with well-developed governance structures are more likely to achieve stronger financial outcomes, higher corporate valuation, and

improved operational performance⁷. Nevertheless, the influence of governance on financial success may vary depending on internal management approaches, competitive industry conditions, and broader economic factors, which can shape the overall effectiveness of governance mechanisms⁹.

Within India, scholarly work examining the relationship between corporate governance and business performance has largely concentrated on sectors such as banking, manufacturing, and diversified enterprises. Comparatively, the FMCG sector has received less attention in governance-related comparative studies, highlighting the need for deeper examination of how governance practices affect the performance of leading FMCG companies.

Research Gap: Existing literature has extensively examined corporate governance and firm performance; however, limited comparative evidence exists on governance–performance relationships among major Indian FMCG companies using a composite governance index and non-parametric statistical testing. Further, few studies specifically examine the association of governance quality with EPS and ROA simultaneously. This study attempts to bridge this gap by undertaking a comparative analysis of Hindustan Unilever, ITC Ltd., and Dabur India Ltd.

Objectives of the Study: To examine the corporate governance practices adopted by Hindustan Unilever, ITC Ltd., and Dabur India Ltd. during the study period. To analyze the relationship between CGI and EPS in the selected FMCG companies using Spearman’s Rank Correlation. To study the relationship between CGI and ROA in the selected companies using Spearman’s Rank Correlation.

Hypotheses of the Study: The following null hypotheses are formulated: H01: There is no significant relationship between Corporate Governance Index and Earnings Per Share in Hindustan Unilever. H02: There is no significant relationship between Corporate Governance Index and Earnings per Share in ITC Ltd. H03: There is no significant relationship between Corporate Governance Index and Earnings per Share in Dabur India Ltd. H04: There is no significant relationship between Corporate Governance Index and Return on Assets in Hindustan Unilever. H05: There is no significant relationship between Corporate Governance Index and Return on Assets in ITC Ltd. H06: There is no significant relationship between Corporate Governance Index and Return on Assets in Dabur India Ltd.

Research Methodology

The study adopts a descriptive and analytical research design. Secondary data has been collected from annual reports, corporate governance disclosures, sustainability reports, and financial statements of Hindustan Unilever, ITC Ltd., and Dabur India Ltd. for the period 2019–20 to 2024–25. A Corporate Governance Index (CGI) was developed by incorporating key governance dimensions, including Board Structure and

Independence, Board Committees, Disclosure and Transparency, Shareholder Rights, and Ethics and Compliance. The index served as a measure to assess the annual governance standards of the selected companies over the study period. For evaluating financial performance, indicators such as Earnings Per Share (EPS) and Return on Assets (ROA) were considered for analysis.

To examine the association between CGI and financial performance indicators, Spearman’s Rank Correlation was employed. This statistical method is appropriate due to the ordinal nature of CGI scores and the relatively small sample size. It measures the strength and direction of monotonic association between two variables without assuming normal distribution.

The study is comparative in nature and focuses exclusively on three major Indian FMCG companies, enabling firm-level interpretation of governance–performance dynamics.

Data Analysis and Interpretation

Corporate Governance Index (CGI) for CGI-EPS Analysis and CGI-ROA Analysis: To examine the relationship between CGI-EPS and CGI-ROA, Spearman’s Rank Correlation was applied between the CGI and EPS, ROA for each selected company. Also CGI table was constructed wherein the CGI score was assessed on a scale of 25 points.

Table-1: CGI Scores.

Financial Year	Hindustan Unilever	ITC Ltd.	Dabur India Ltd.
2019–20	21	20	19
2020–21	22	21	20
2021–22	23	21	21
2022–23	24	22	22
2023–24	24	23	23
2024–25	24	24	24

Table-2: CGI and EPS – Hindustan Unilever¹⁰.

Financial Year	CGI	EPS (₹)	CGI Rank	EPS Rank
2019–20	21	31.13	1	1
2020–21	22	33.85	2	2
2021–22	23	37.53	3	3
2022–23	24	42.40	5	4
2023–24	24	43.05	5	5
2024–25	24	45.30	5	6

Hypothesis Tested: H01: There is no significant relationship between Corporate Governance Index and Earnings Per Share in Hindustan Unilever.

Spearman’s Rank Correlation Result: Spearman’s $\rho = +0.941$ $p = 0.0051$, Decision: Reject H01.

Interpretation: The correlation coefficient of +0.941 indicates a very strong positive relationship between CGI and EPS. The p-value is less than 0.05, indicating statistical significance. This suggests that improvements in governance quality are strongly associated with increased earnings per share in Hindustan Unilever.

Table-3: CGI and EPS – ITC Ltd.¹¹.

Financial Year	CGI	EPS (₹)	CGI Rank	EPS Rank
2019–20	20	12.33	1	3
2020–21	21	10.59	2.5	1
2021–22	21	12.22	2.5	2
2022–23	22	15.15	4	4
2023–24	23	16.39	5	5
2024–25	24	28.15	6	6

Hypothesis Tested: H02: There is no significant relationship between Corporate Governance Index and Earnings Per Share in ITC Ltd.

Spearman's Rank Correlation Result: Spearman's $\rho = +0.812$
 $p = 0.0499$, Decision: Reject H02.

Interpretation: The coefficient of +0.812 indicates a strong positive relationship between CGI and EPS. The p-value is less than 0.05, indicating statistical significance. This implies that enhanced governance practices in ITC Ltd. are positively associated with shareholder earnings in ITC Ltd.

Table-4: CGI and EPS – Dabur India Ltd.¹².

Financial Year	CGI	EPS (₹)	CGI Rank	EPS Rank
2019–20	19	6.62	1	1
2020–21	20	7.82	2	3
2021–22	21	8.11	3	5
2022–23	22	7.75	4	2
2023–24	23	8.52	5	6
2024–25	24	7.92	6	4

Hypothesis Tested: H03: There is no significant relationship between Corporate Governance Index and Earnings Per Share in Dabur India Ltd.

Spearman's Rank Correlation Result: Spearman's $\rho = +0.600$
 $p = 0.2080$, Decision: Fail to Reject H03.

Interpretation: The coefficient of +0.600 indicates a moderate positive relationship between CGI and EPS of Dabur India Ltd. However, the p-value exceeds 0.05, suggesting that the relationship is not statistically significant. While governance improvements appear to be positively associated with EPS, the effect is not sufficiently strong to establish statistical significance.

Comparative Interpretation of CGI–EPS Analysis: The comparative results reveal that governance quality exhibits a positive association with EPS across all three companies. Hindustan Unilever demonstrates the strongest relationship, followed by ITC Ltd., both of which show statistically significant positive correlations. Dabur India Ltd., although positively associated, reflects a weaker and statistically insignificant relationship. This indicates that the influence of corporate governance on shareholder earnings is stronger in Hindustan Unilever and ITC Ltd. than in Dabur India Ltd.

Table-5: CGI and ROA – Hindustan Unilever¹⁰.

Financial Year	CGI	ROA (%)	CGI Rank	ROA Rank
2019–20	21	34.37	1	6
2020–21	22	11.68	2	1
2021–22	23	12.64	3	2
2022–23	24	13.87	5	5
2023–24	24	13.12	5	3
2024–25	24	13.59	5	4

Hypothesis Tested: H04: There is no significant relationship between Corporate Governance Index and Return on Assets in Hindustan Unilever.

Spearman's Rank Correlation Result: Spearman's $\rho = +0.030$
 $p = 0.9545$, Decision: Fail to Reject H04.

Interpretation: The correlation coefficient indicates a very weak relationship between CGI and ROA. The relationship is statistically insignificant as the p-value exceeds 0.05. This suggests that while governance quality improved over the study period, operational efficiency measured through asset returns did not improve correspondingly in Hindustan Unilever.

Table-6: CGI and ROA – ITC Ltd.¹¹.

Financial Year	CGI	ROA (%)	CGI Rank	ROA Rank
2019–20	20	20.12	1	3
2020–21	21	18.21	2.5	1
2021–22	21	20.05	2.5	2
2022–23	22	22.80	4	4
2023–24	23	23.39	5	5
2024–25	24	41.89	6	6

Hypothesis Tested: H05: There is no significant relationship between Corporate Governance Index and Return on Assets in ITC Ltd.

Spearman's Rank Correlation Result: Spearman's $\rho = +0.812$
 $p = 0.0499$, Decision: Reject H05.

Interpretation: The coefficient of +0.812 indicates a strong positive relationship between CGI and ROA in ITC Ltd. The relationship is statistically significant as the p-value is less than 0.05. This indicates that improvements in governance quality are strongly associated with higher operational returns in ITC Ltd.

Table-7: CGI and ROA – Dabur India Ltd.¹².

Financial Year	CGI	ROA (%)	CGI Rank	ROA Rank
2019-20	19	19.19	1	6
2020-21	20	18.41	2	5
2021-22	21	16.68	3	4
2022-23	22	14.68	4	3
2023-24	23	14.33	5	2
2024-25	24	12.75	6	1

Hypothesis Tested: H06: There is no significant relationship between Corporate Governance Index and Return on Assets in Dabur India Ltd.

Spearman's Rank Correlation Result: Spearman's $\rho = -1$
 $p < 0.001$, Decision: Reject H06.

Interpretation: The correlation coefficient indicates a perfect negative relationship between CGI and ROA in Dabur India Ltd. This statistically significant result implies that while governance quality consistently improved, Return on Assets declined steadily during the same period. This suggests that governance improvements alone may not guarantee operational efficiency and that other managerial and market factors influence asset returns.

Comparative Interpretation of CGI-ROA Analysis: The analysis of the relationship between CGI and ROA across the selected FMCG companies presents mixed results. ITC Ltd. shows a strong positive and statistically significant association, indicating that improvements in governance practices are accompanied by better utilization of assets and enhanced profitability. In contrast, Hindustan Unilever records a very weak relationship that is statistically insignificant, suggesting that governance improvements do not have a clear influence on asset-based returns. Meanwhile, in the case of Dabur India Ltd., a perfect negative and statistically significant relationship is observed, implying that higher governance scores correspond with lower ROA during the period under study. Overall, the findings indicate that the impact of corporate governance on asset efficiency varies across firms, depending on company-specific operational, strategic, and financial factors.

Major Findings

Corporate governance quality improved steadily across all three selected companies during the study period. A very strong positive and statistically significant relationship exists between CGI and EPS in Hindustan Unilever while a strong positive and statistically significant relationship exists between CGI and EPS in ITC Ltd. Dabur India Ltd. shows a moderate positive but statistically insignificant relationship between CGI and EPS. ITC Ltd. demonstrates a strong positive and statistically significant relationship between CGI and ROA. Hindustan Unilever exhibits a very weak and statistically insignificant relationship between CGI and ROA. Dabur India Ltd. reflects a perfect negative and statistically significant relationship between CGI and ROA, indicating divergent governance-performance dynamics.

Conclusion

The study examined the relationship between CGI and selected financial performance indicators - EPS and Return on Assets (ROA), in Hindustan Unilever, ITC Ltd., and Dabur India Ltd. using Spearman's Rank Correlation. The results indicate that corporate governance is positively associated with shareholder profitability, particularly in Hindustan Unilever and ITC Ltd., where CGI demonstrates very strong positive and strong positive correlations with EPS respectively. Similarly, ITC Ltd. exhibits a strong positive relationship between governance quality and operational efficiency measured through ROA.

However, contrasting results are observed in Dabur India Ltd., where CGI shows a perfect negative association with ROA despite moderate positive association with EPS. Hindustan Unilever exhibits a very weak positive association between CGI and ROA. These findings suggest that while governance is an important determinant of financial performance, its effectiveness varies across firms.

Overall, the study concludes that robust corporate governance enhances financial performance, but its magnitude and direction differ across organizations. Strengthening governance frameworks, aligning governance with operational strategy, and improving managerial effectiveness can contribute significantly to sustainable corporate growth and shareholder value creation.

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