

The Role of ESG (Environment, Social, Governance) in attracting Foreign Portfolio Investment: A Study in Indian Firms

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Abstract:

Foreign Portfolio Investment (FPI) is a vital component of India's capital market, reflecting the confidence of global investors in the country's corporate and regulatory environment. Among the three pillars of Environmental, Social, and Governance (ESG), corporate governance plays a central role by ensuring transparency, accountability, and ethical management practices—factors that strongly influence foreign investors' perceptions of risk and long-term value. This study examines the impact of corporate governance, as the "G" component of ESG, on FPI inflows in Indian listed firms during the period 2015–2025. Using panel data regression techniques, the research analyses key governance dimensions, including board independence, audit quality, ownership concentration, and disclosure practices. The results indicate that firms with stronger governance structures attract higher and more stable FPI inflows, suggesting that effective governance mechanisms reduce information asymmetry and enhance investor confidence. The study underscores the importance of strengthening corporate governance reforms within India's ESG disclosure framework to promote responsible and sustainable foreign investment.