Does the Impact of Firm Performance Vary Owing to Changing Compensation Figures: Evidence from India

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The compensation paid to the top-level executives in the Indian corporate sector has led to a spotlight debate in recent years owing to its visible disparity when compared to the average pay of employees. Meanwhile, the current global scenario demands the firms to address issues related to the environmental, social and governance aspects for the well-being of the community at large. The purpose of this paper is to examine the impact and sensitivity of performance indicators across different compensation levels of large as well as socially responsible companies or ESG firms, post implementation of Companies Act 2013 legislation in India. Taking NSE Nifty 100 ESG Index as the data sample, a panel of 69 firms for the period of 2014-2019 has been analyzed using the conventional panel regression model initially, followed by Two-step System GMM and the QRPD (Quantile Regression for Panel Data) Model after sample splits. Both past pay (lagged compensation) as well as current accounting-based measures of firm performance dominate the market-based measures with respect to it's impact on remuneration drawn by the executives. To the best of the authors' knowledge, this empirical paper is first in India to shed light on the impact of firm performance on remuneration paid with respect to ESG firms.

Keywords: *Executive Compensation, Firm Financial Performance, India, Pay-performance Concept, Socially Responsible Companies*

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