

## **CHAPTER 6 RECOMMENDATIONS & CONCLUSIONS**

### **Recommendations**

#### **Increasing Focus on Gender Diversity Initiatives**

The research study reveals that there is a significant gender imbalance on the corporate boards in Indian listed companies, with an average of only 1.42 women directors compared to 6.56 men directors on the boards from F.Y 2018-19 to 2022-23. Proactive measures should be taken by the companies to encourage more women to join boards as women on boards bring innovative ideas and contribute constructively. Though the result doesn't show positive impact of women directors on financial performance of the organization, however inclusion of women directors does have positive impact on good corporate governance.

#### **Transparency and Disclosures**

In order to improve the gender diversity in the organization at large and on the board, it is important for the organization to understand first its current Diversity and Inclusion status. After understanding the same should be shared with its relevant stakeholders. This can be a difficult task to start with; however, with proper dedication and intent it can with proper intent, it can provide necessary motivation to start the journey to achieve the organization's diversity and Inclusion goals.

#### **Setting Targets for Women in Leadership**

Though the number of women directors have increased over the years but still it is not in big numbers. Companies should set some voluntary targets for gender diversity at the board level and at managerial level. The Companies Act 2013 mandates the appointment of at least one-woman director in certain classes of companies, but this could be further extended to other companies also in order to encourage a higher representation of women in leadership roles. Penalized by the government for not having women directors on boards, so it is a welcome move of government. Still there is long way to go. Due to mandatory requirement. Independent directors have been appointed but bringing women in executive roles is far away. Therefore, cohesive environment and mentorship programme needs to be established in the companies to bring in women in leadership roles. It is also required because women directors are a good team player, assertive, attentive, ethical, subject matter experts and workaholic.

### **Address the Gender Pay Gap**

As the five-year data showed that there is pay gap between male and female pay ratio in the executive women directors and executive men directors' role. The pay parity has to be reduced for want of natural justice and equity. The pay gap highlights a need for transparency in remuneration policies and objective performance-linked compensation structures of the directors. There should be periodic review of compensation policies of the executive directors to ensure equity, making adjustments that align women directors' pay more closely with their men counterparts for similar roles and contributions.

### **Monitoring Gender Diversity at Chairperson/CEO**

As the data revealed only 4% of companies had women as chairpersons it is recommended that each company must have a woman chairperson, CEO at least every after 5 years. The companies should consider women for leadership roles beyond directorships, such as Chairperson and CEO/MD positions, by promoting equal opportunities in the succession planning of the company.

### **Increase in Independent Women Directors**

The research analysis revealed that majority of companies favour appointing independent women directors over executive or non-executive roles. Companies should continue the inclusion of independent women directors on their boards to enhance gender diversity, while they should also explore ways to include executive women directors through mentorship programs within the companies at middle management level and encourage women to take up leadership positions in the companies.

### **Assess Gender Diversity & Inclusion Policy of the Organization**

The mentorship, training and development programmes are sparsely observed in the sample companies. It is recommended that appropriate mentoring and development programme be put in place with the aim to do succession planning for the board membership. Gender diversity and inclusion policies should be assessed at regular intervals to ensure that the policies are not only compliant with legal requirements but also effectively promote an inclusive culture from bottom to top level. This will help the companies to have more women at middle management level who could be nurtured for the future leadership roles on the company boards.

### **Nomination & Recruitment Process**

Though many of companies identify prospective women candidate for the post of directorship through nomination and selection committee (34.5%), most companies still rely on promoters, close family and friends of promoters and controlling shareholders to identify the prospective women candidate for post of directorship (38.2%). There should be complete transparent process for nomination and recruitment of women directors on boards and the same should be based on merit to attract wider pool of qualified women.

### **Maintain Regulatory Support for Mandatory Quotas**

The study revealed that many companies appointed women directors on boards only after the implementation of the Companies Act 2013 mandating of appointment at least one-woman director on boards of listed companies. Therefore, a continuous regulatory pressure may be necessary to ensure that gender diversity on boards does not stagnate, especially in private sector companies with smaller boards. Regulatory bodies may also go for higher targets for gender representation on boards of top 500 listed companies in India.

### **Mentorship and Leadership Programs**

The mean score for data was 3.60 indicating moderate agreement on mentorship provided by the companies to women at the middle-management level. Companies should develop mentorship programs to nurture women at middle management level in to the companies for future leadership roles, ensuring a stronger pipeline of women candidates for board appointments. This can also be further confirmed from the data of executive women directors which is very less in number compared to independent women directors.

### **Gender Diversity and Governance**

There is significant support by the respondents that gender diversity on boards leads to good corporate governance practices with mean value ( $\bar{x} = 4.27$ ). As the number of women directors is directly proportional to board size it is recommended that the appointment of women directors be done depending on their talent and not any other basis. Thus, the companies should look beyond legal compliance as a reason for appointment of women directors on boards and consider good corporate governance as an important factor in improving gender diversity on boards.

### **Address Cultural Barriers**

To support and retain women in the workforce, organizations should provide healthy work life balance and flexibilities like work from home options when needed. While cultural obstacles are recognized, they are not viewed as major factors for lower representation of women on boards. Companies should frame such policies that will aim in reducing these barriers, like increasing mentorship programs and networking opportunities for women, which could further improve their representation on company boards.

### **Capitalize Strengths in Governance and CSR**

From the research analysis it was found that women directors are highly regarded for their roles in corporate governance and CSR. Companies should leverage these strengths by involving women directors in decision-making process in these areas, and providing leadership roles for governance initiatives in the organizations. Women directors improve the corporate governance of the organizations was further confirmed by the characteristics where ethical behaviour was regarded as one of the highest traits of women directors along with professionalism and attentiveness.

### **Independent Women Directors & their Role**

The study suggests that independent women directors are considered majorly for their role in corporate governance, companies should highlight and promote their role in improving governance structures in the companies, which will be useful in long-term.

### **Conclusions**

Various dimensions about the women directors on boards of Indian companies post Companies Act 2013 have been covered in the research study. Gender diversity on boards have become an important topic of discussion across the world at large. Gender diversity plays an important role in promoting good corporate governance practices and enhancing creativity and innovative idea in the board discussions.

Existing women directors serves as a role model for women at middle management level who aspire to take up future leadership roles in the companies. Many countries across the world have implemented regulations and quotas on boards to improve gender diversity on company boards. Thus, there is growing shift towards recognizing the importance of gender diversity on

boards. There are still some countries like Hong Kong, Singapore, Luxembourg who have opted for voluntary quotas on boards to improve gender diversity.

The research study found that only 1/3<sup>rd</sup> companies had 2 or more women directors rest 2/3<sup>rd</sup> companies had less than 2-women directors on boards. It means that still companies have not adopted gender diversity by letter and spirit.

Majority of women directors appointed in the year 2015 reveals that letter of law was instrumental for unprecedented increase in the number of women directors to 18.3%, however, it is still lower than the world average of 23.3%. The situation is worst when it comes to appointment of woman as chairperson or CEO. The appointment of women director as chairperson is rare.

Women directors are perceived to enhance good corporate governance and contributed in decision making it is a strong case for appointment of women directors on the boards of the company. Women directors' traits like ethical, attentiveness, independency, professionalism and subject matter expert make them eligible to get their seat on the board.

The experts opined that though the companies are ready to give the women their seat on the board, the women themselves do not accept the opportunity due to family commitment or women are highly qualified but their number is still low due to family commitments. However, the data revealed that there was no difference between men and women directors with respect to education qualification with most of them have professional degrees like Post graduate, Ph.D., CA, CS, ICWA or Law. The study revealed that there exists statistically significant level of difference in the experience levels of men and women directors on the boards. The results are in line with frequency distribution analysis which clearly represents that men directors have higher level of experience compared to their female counterparts especially with experience level of more than 40 years, number of men directors are more than women directors. This indicated that appointment of women directors is the recent thing.

The study revealed that respondents perceive independent women directors' role in improving corporate governance of the company more positively than their roles like monitoring behaviour of management or controlling shareholders, their role as a strategic advisor to boards and their role as doing vigilance on behalf of minority shareholders of the company. There is positive correlation between board size and independent women directors indicating that with increase in board size, number of independent women directors also increase.

The mentorship programmes are less prevalent in the companies. Even the outside agencies are not conducting programmes on regular basis to develop women managers to take up future directorship roles. Hence, it is recommended that government agencies like SEBI, Indian Institute of Corporate Affairs (IICA) and National Skill Development Corporation (NSDC) must conduct special programmes for women and register them with Director Identification Number (DIN).

The study revealed that there is no difference in financial performance of the companies with less or more women directors. Hence, it can be concluded that women directors be appointed for the reason of enhancing corporate governance and not to expect better financial performance of the company. Thus, there is very strong evidence that respondents believe gender diversity leads to better corporate governance practices, overshadowing cultural obstacles leading to less representation of women directors on board. While cultural obstacles are considered as a factor resulting in under representation of women directors on boards, however the results also indicate that respondents perceive quota on board as good measure for enhancing women representation on boards.

Thus, there is lot of room for improvement in terms of gender diversity on boards in Indian companies, as the number of women directors is still very low mostly limiting to one-woman director, majorly fulfilling the criteria of regulatory framework of Companies Act 2013 and SEBI's guidelines. As the findings show that most of the women directors are appointed in the independent roles, it means that companies are indeed appointing qualified and experience women on boards rather than appointing from family members.

Respondents perceived women directors are more risk averse compared to men directors which is indeed a good sign as it favours long term stability of the company rather than focusing on short term gains. Findings revealed that women directors are considered to be more ethical and professional which further helps in enhancing good corporate governance practices. The study revealed that there is higher pay gap in executive roles of men and women directors. This gender pay gap issue should be considered and addressed properly. Pay structure should be exclusively based on the qualification and contribution of the directors rather than gender, and the companies should equity pay for women and men leaders.

Study reveals that respondent often related women directors with ethical standards, compliance and corporate social responsibility (CSR). These ethical standards further reinforce the trust of

shareholders and other stakeholders. Though the number of women directors have increased over past few years, the representation is still low resulting in tokenism. It is time that Indian companies understand the benefits of gender diverse boards and take the advantage of the same to its fullest rather than just fulfilling the compliance requirement.