

WOMEN AT BOARD IN INDIAN COMPANIES POST COMPANIES ACT 2013: A STUDY OF VARIOUS DIMENSIONS

CHAPTER 1 INTRODUCTION

India is one of the fastest growing economies in the world (Sanyal, 2024) but struggles with problems of gender bias and social inequalities. The problem of gender bias is evident prominently at company boards irrespective of sectors and types of industry whether manufacturing or non-manufacturing. Women comprises of 48.4% of the total population in India (The World Bank Group, 2022), however, the labour force participation rate of women is only 37.0% of the total women population as against 78.5% of male work force participation rate of the total men population in year 2022-23 (Employment and Unemployment Scenario of India, 2023). According to the data released by the World Bank in June 2022, India's Female labour force participation (FLFP) is among lowest in South Asia. Out of 176 countries, India's rank was 165, with only 11 countries behind India. The only countries to have performed worse than India in Female Labour Force Participation Rate, 2022 were Morocco, Somalia, Palesstine, Djibouti, Syria, Algeria, Iran, Egypt, Jordan, Iraq and Yemen. The Female Labour Force Participation of India decline from 30.3% in 1990, to 20.3% percent in 2020. The principle of gender equality is enshrined in the Indian Constitution vide its Preamble and fundamental rights (Part III, Arts. 15-16). As per the World Economic Forum report 2022, among 146 countries, India ranked at 135th position in terms of Global Gender Gap Index. While the situation in Fortune 500 companies is also not good. In fortune 500 companies out of total CEOs only 15% were women CEOs on boards in 2022 (Global Gender Gap Index Report, 2022).

In India, women have shown their talent and calibre in playing role of chairperson or members of various boards viz., Arundhati Bhattacharya – Former Chairperson State Bank of India, Vinita Bali – former MD Britannia Industries Ltd., Kalpana Morparia - CEO J.P Morgan, Kiran Majumdar Shaw - Chairman and MD Biocon Ltd. etc. Blame it on socio-economic factors (Akira, 2024) or psychological biases (Carrasco , Francoeur, Labelle , Laffarga, & Barbadillo, 2014) that lead to gender biases in making or not making woman a board member. Indian Government woke up to the issue to bring in gender diversity at corporate boards to provide equal opportunity. This can also show boards in an ethical and independent light.

In compliance with Companies Act 2013, SEBI made it mandatory to appoint at least one-woman director on board till October 2014 which was further extended to 1st April 2015. This mandate requirement resulted in boosting gender diversity in Indian boardrooms but it could not get the full intended benefits as expected since 25% of women appointed on boards were family members of the owners. As on 16 January 2018, out of 1723 NSE listed companies 1667 companies met the requirement, out of these 425 companies appointed women from promoter group, 285 had more than one-woman director and 56 companies did not have even a one-woman director (Prime Database, 2018). Kotak committee recommended appointment of atleast one independent woman director on all the listed companies and gradually should be increased to 2 or 25% of total number of board members and going upto 33% in due course (Kotak Committee, 2018; Bhattacharyya R. , 2018).

At NSE 2357 listed companies, the number of men is 5 times higher than number of women on boards (Indian Board Database, 2024). Although mandatory appointment of women directors under Sec. 49 of Companies Act, 2013 has led to increase in representation of women directors on boards, however the pay gap hasn't decreased. The study by Prime database group of BSE100 companies showed that average pay of men directors was ₹ 4.5 cr while that of women directors was ₹ 3.3 cr in 2017-18. However, the pay gap between men independent directors and women independent directors is shrinking over the period as it majorly depends on the responsibilities and committees they are appointed in (Somvanshi & Vijayraghavan, 2018).

Thus, SEBI directive and Companies Act, 2013 mandated all the listed companies to have atleast one-woman director on board w.e.f. 1st April, 2015. However, many listed companies failed to comply with these mandatory provisions until March, 2017 (Press Information Bureau Government of India, 2017). As many as 15 PSUs failed to comply with regulator SEBI's norms to appoint atleast one-woman director on their respective boards until 13 December, 2016 (The Times of India, 2016). Many companies met the requirement by appointing their women relatives or friends, therefore SEBI mandated the appointment of atleast one independent woman director in top 500 companies by April 2019, and the top 1000 companies by 2020.

Problem Statement

The principle of gender equality is enshrined in the Indian Constitution vide its Preamble and fundamental rights (Part III, Arts. 15-16), fundamental duties, and directive principles (Article

39). The Constitution of India states that – “No citizen shall, on grounds only of religion, race, caste, sex, descent, place of birth, residence or any of them, be ineligible for, or should not be discriminated against in respect of, any employment or office under the State”.

Indian constitution also states about gender equality but in reality, from childhood the society differentiates the roles and responsibilities of men and women. This is the reason that women do not have equal status and opportunities as men in our paternalistic society and in world at large. Men have continuously enjoyed decision-making power in every field and the same reflects in boardrooms as well. Indian Boards Database evinced that out of 17756 directorships on 2267 NSE listed companies, directorships held by women directors account for only 3594 directorships i.e. 20.24% (Indian Board Database, 2024). This clearly shows that gender diversity in Indian corporate boardrooms is skewed.

Elsewhere in the world, things are improving slowly and steadily. Many countries like Norway, France, Italy, Spain, and Germany have taken the issue of gender diversity at boardroom seriously and have passed mandatory quota of having women directors whereas other countries like Britain, Australia and Belgium have initiated in having voluntary quotas for women in boardroom. In India, section 149 of Companies Act, 2013 mandates appointment of one-woman director in every listed company.

After Companies Act, 2013, there has been steady increase in number of women on board of directors. From 5.5% in 2010 to 12.4% in 2016 (Economic Times. 2017), and 18% in 2022 (Rathore, 2024) appointment of women on board shows an increasing trend. This is very much needed for India in order to keep its pace with other countries in the world, as gender diversity on board has become a global issue in recent time.

The United Nations is dedicatedly working towards providing support to women and girls for equal access to women and girls in education, healthcare, decent work and representation in political and economic decision-making processes and assumes that such support to women will fuel sustainable economies and benefits to the societies and humanity at large.

Some of the major reasons as to why there are fewer women at corporate boards in Indian companies are:

Stereotypes Against Women

Orthodox mentality behind girl's education, fatalism, inequality and burden of getting her married are major stereotypes against women (Yadav, *Women on Boards: Challenges. Impacts of Glass Ceiling & Opportunities*, 2015). Due to family demands women often have lot of interruptions in their career resulting in fewer years of professional experience and slow progress in their career and reduced earnings compared to men (Eagly & Carli, 2007). Most of the organization structures are categorized as masculine creating both conscious and unconscious gender biases against women at the entry of the organization. There are majorly two types of gender stereotypes that occurs against women i.e. descriptive and prescriptive. Descriptive gender stereotype suggests that women are misfit for leadership positions, while prescriptive gender stereotypes suggest that women themselves promote and contribute towards gender biases by imposing certain restrictions on themselves (Galsanjimed & Sekiguchi, 2023).

Women are not considered or looked upon as leader in many cases because as a society we have seen men take all the important decisions, whether it is as a KING in KINGDOM or as CEO in board room. Due to gender stereotype it is often assumed that women lack competency to hold the authoritative and leadership positions. This biasness creates obstacles for the women at middle management level for future promotios to leadership positions in the organizations (Parikh & Kollan, 2003). Women leaders often face a dilemma with regards to leadership style: if they display strong communal traits—such as warmth, kindness, and empathy—they may be seen as lacking the assertiveness and control that is usually associated with an effective leadership. On the other hand, if they display highly agentic qualities like aggression, ambition, and self-confidence, they may be criticized for not being nurturing or collaborative enough. In either case, women are being perceived as not possessing the "right" qualities for leadership roles (Eagly & Carli, 2007). Women leaders often face difficulties in balancing work and family, it creates a double burden for women (Powell & Greenhaus, 2017).

Social Aspects of Women Employees

Dual roles and responsibilities of family and job make it difficult for women to continue their job. At times women themselves have inner battles in form of low confidence, skills and attitudes to deal with the situation (Parik & Kollan, 2003). Women in their early career stages takes more time in understanding the larger perspective of business and take more time

developing rapport with their bosses. They seek it as series of temporary jobs and long-term commitment is missing (Koekemoer, Olckers , & Schaap, 2023)

Women often switch their jobs compared to men due to various reasons like marriage, family, children etc (Parker, 2015). As a result, they do not get much of opportunities to rise to higher level. Indian women post marriage relocates to their husband's home town especially in small cities and neglects the chances of networking that can help in their career prospects (Barhate, Hirudayaraj, Dirani, Barhate, & Mehrangiz, 2021). Women do not invest in their careers the way men do, as investing in a career is not their priority the way it is for men, on the contradictory note woman who takes strategic decisions to build their career and works with same focus as men are branded as non-family type (Eagly & Carli, 2007). Patriarchy setting is a social and ideological construct that defines specific roles for men and women (Ye, 2023). It is a power play to fit men and women into straight jackets. It is the patriarchy that dictates that it is sole responsibility of women to take care of the child and family, while designing the workplace around clock work of men careers and meant that if you took break you are out of the race (Heilman, 2012).

Biases and Discrimination at Companies

Even after Equal Remuneration Act, 1976 and Directive Principles under article 39 of Indian Constitution, still there are discrepancies in salaries of men and women employees. As per analysis done by Prime database women executive directors earned 45% less then their male counterparts in FY 2019. There are no proper programs for training and mentoring women at managerial level for such leadership position (Parik & Kollan, 2003). Women directors do not get equal recognition as men directors for their valuable contribution to firm value (Terjesen, Sealy , & Singh, 2009). Women directors often face isolations in hostile environment while trying to plan any strategy (Thelma & Ngulube, 2024). Just one women director is often considered as token and therefore their opinions are hardly considered by the board (Bear, Rahman, & Post , 2010). Lack of flexible work environment, company policies and dominant masculine work culture do not help growth of women in corporate (Sharma & Gupta, 2015). Average pay gap was ₹. 1.5 crore between man and women directors in BSE 100 companies. While average 412 men directors earned around ₹ 4.5 crore in comparison to 52 women directors earning ₹ 3.3 crore in 2017-18 as per analysis done by Prime Database (Somvanshi & Vijayraghavan, 2018).

Benefits of Women directors on Boards of Companies

Gender diversity has positive impact on performance in firm having weak governance (Adams & Ferreira, Women in the Boardroom and Their Impact on Governance and Performance, 2009). There is strong correlation between women's empowerment and national GDP growth, business growth, environmental sustainability and human health (Haan, 2017). DDI's Global Leadership Forecast study (2019) found that the organization that have good gender diversity has stronger financial performance compared to once that do not.

Women directors play a vital role in motivating and inspiring other women. With more women on top management, women employees feel more open and pleasant (Terjesen, Sealy & Singh, 2009). Corporate image and reputation in front of stakeholders becomes positive with more women directors on board (Bear, Rahman, & Post , 2010). Women directors deal more effectively with risk and take appropriate decision considering all aspects (Dang & Sharma, 2015). Women tend to focus on long term prospects compared to their men counterparts (Dang & Sharma, 2015). Women can better address the grievances of customers, employees, shareholders and other stakeholders (Dang & Sharma, 2015), overall, the Governance, ethical behaviour and shareholder value is enhanced (Patel & Patel, 2013).

After knowing about the stereotypes against women, social aspect, and discrimination of women and benefits having women director on boards of companies, this study tries to find an answer to a million-dollar question- how we can bring more women into mainstream of boardrooms in India. In the light of the Companies Act, 2013 and newly developing environment in favour of women in the corporate world it is required to understand that whether companies are ready to accept women in the future role of directors and what steps they take to motivate women at middle management to develop them for the role of a director, whether women in India are ready to take up the position of directors and justify their presence on the board for improvised corporate governance system. Whether presence of women on the board guarantees sufficient participation of women directors for sustainable development of companies?

Rationale of the Study

India is considered as a land of one of the finest laws in the world and continuing with its exemplary Legislation. Legislation of India mandated presence of one woman in the board of directors vide section 149 of Companies Act, 2013. However, the letter of law may not guarantee the spirit of execution of the mandatory requirement. Therefore, it is necessary to

understand whether the Indian corporate are ready to grab the opportunity to show gender diversity at boardroom as per the letter and spirit of law. It is necessary to understand whether the internal and external business environment is apt for inculcating work culture where women are considered equal to their men counterparts while providing progressive opportunities. The need was also felt to understand how the other board members look at women board members for their inputs in decision making process and are these women really contributing in decision making at board vis-a-vis their men counterparts. Hence, this study is quite contemporary and necessary to undertake at this point of time.

Scope and Objectives of Research

The scope and main objective is:

To study various dimensions of women at board in Indian Companies Post Companies Act 2013.

To achieve the main objective the sub objectives focusing on various dimensions were as under:-

- To study the process of nomination and appointment of women directors on board.
- To study whether the mandate of Companies Act 2013, for compulsory appointment of at least one-woman director in listed company has been effective with respect to bringing gender diversity and performance of the company.
- To understand the type of participation a woman director does at board meetings.
- To find out challenges and opportunities for women directors while working on boards.
- To explore company environment that is conducive to prepare future women leaders and attitude of women at middle management level to take up future director's role.
- To recommend government and companies on increasing gender diversity to bring in talented women as director for sustainable success of companies through corporate governance.

Research Hypothesis

Following is the null hypothesis that were drawn to test the association between dependent and independent variables on the basis of previous studies and considering the objectives of the study.

H₀₁: There is no significant difference in the total experience of men and women directors

H₀₂: There is no significant difference between the education qualification of men and women directors

- H₀₃: There is no significant difference in the board meeting attendance of men and women directors
- H₀₄: There is no significant difference between the number of directorships held by men and women directors
- H₀₅: There is no significant association between type of Industry and support for mandatory quotas
- H₆: There is no significant association between type of Sector (ownership) and support for mandatory quotas
- H₇: There is no significant association between age of the organization and support for mandatory quotas
- H₈: There is no significant association between gender of respondents and support for mandatory quotas
- H₉: There is no significant association between board size and support for mandatory quotas
- H₁₀: There is no significant association between type of Industry and no. of women director on company board
- H₁₁: There is no significant association between type of Sector (ownership) and no. of women director on company board
- H₁₂: There is no significant association between Age of the organization and no. of women director on company board
- H₁₃: There is no significant association Board size of the organization and no. of women director on company board
- H₁₄: There is no significant difference in the reasons for appointment of women directors on board
- H₁₅: There is no significant difference in contribution by women directors on boards in different areas
- H₁₆: There is no significant difference in the roles of independent women directors on the corporate boards
- H₁₇: There is no significant difference between the financial performance i.e. ROA, ROE and ROCE of companies with less than 2 women directors and companies with 2 or more women directors on board

Research Methodology

Research Design

In order to achieve the research objectives appropriate research design was used. The research design was descriptive as well as exploratory in nature.

Source and Method of Data Collection

Sample: To conduct the research study, 55 listed companies at National Stock Exchange and Bombay Stock Exchange were considered. The sample size was determined by pooled data to do in depth analysis. Hence, the sample size was decided 100 listed companies, but only 55 companies responded to the questionnaire. Therefore, the response rate was 55%.

The samples for the research study considered were the company secretaries of the 55 sample companies. Expert interview of Council member of ICSI Mr. Rajesh Tarpara, various existing independent director of companies and various company secretaries was carried out for in depth understanding of the subject.

Data: Data sources were primary and secondary. Secondary data was collected from journals, newspapers, business weekly magazines, websites and annual reports of companies. Primary data was collected by surveying existing company secretaries through structured questionnaire. Expert interview of selected women directors of companies and council member of ICSI was carried out by structured interview.

Instrument Validation Procedure

Validity: Data Collection Instrument was validated by taking expert opinion in addition to guiding teacher. Since, this study is about women directors on company boards, industry experts (CS Hiren Dalwadi, CS Sandeep Kumar, CS Ravi Pareek) were consulted. All the validity criteria i.e., content, construct and criterion are fulfilled by this instrument.

Reliability: The reliability of test score measures the consistency across different occasions, different editions or different raters. George and Mallery (2003) suggested a rule of thumb for reliability as “ $\alpha > 0.9$ - Excellent, $\alpha > 0.8$ -Good, $\alpha > 0.7$ - Acceptable, $\alpha > 0.6$ - Questionable, $\alpha > 0.5$ -Poor and, $\alpha < 0.5$ -Unacceptable”. Table 1 reflects the internal consistency of constructs used in instrument.

Table 1*Validity Construct*

Construct	Items	Score	Max/ Min Score
Reason for appointment of women directors	1. Legal requirement 2. Innovative Ideas 3. Trust worthy 4. Financial Acumen 5. Constructive Contribution	5: SA 4: A 3: N 2: D 1: SD	No. of items* Score 5*5=25/ 5*1=5

Data Analysis: Quantitative analysis of data was done by descriptive analysis of the data. Since the data was not normally distributed as per the results of normality test, non-parametric tests were used for analysing the data. Scales like nominal, ordinal and interval were used to get responses from respondent. The results were been tested using statistical tool such as Mann-Witney U Test, Wilcoxon signed-rank test, Chi-square test, Fisher’s Exact test, Friedman Test, Spearman’s Rank correlation coefficient, etc. for inferential analysis of data.

Chapter Scheme

Chapter I is an Introductory chapter that gives brief description about the problem statement of the study, rationale of the study, research objectives, research met about the problem statement, rationale of the study, research objectives, methodology and research hypothesis of the study.

Chapter II covers Review of Literature considering various keywords like women directors, gender diversity on boards, glass ceiling, Companies Act 2013, SEBI listing agreement, compliance in India for mandatory appointment of woman director on board and other countries. Role and impact of women directors on corporate governance and financial performance of the companies at large.

Chapter III is about the Research Methodology which includes research design, sampling frame, sample size, data collection methods, questionnaire development, description of measurement of variables, validity and reliability of the instrument, different statistical tools and techniques for analysis, limitation and future scope of the study.

Chapter IV is all about the Data Analysis; Observations and Discussion It covers descriptive and inferential statistics used for data analysis. This Chapter covers data collection and data analysis, hypothesis testing to check the association between different independent and dependent variables.

Chapter V is on Summary of Findings of the study.

Chapter VI on Recommendation and Conclusion. The chapter gives description about the contribution of the research study and recommendations to various bodies and Government Institutions at large to increase gender diversity on board in Indian companies

Chapter VI is followed by Bibliography section and annexures.