

Is Gender Diversity Enforcement – Only to the Extent of Board Rooms Sufficient?

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ABSTRACT

The article discusses the importance of women in the organisations across and in leadership roles. It further discusses and analyses the relevant laws in place to deal with the same and the requirement and reasons of the Kotak Committee for introduction of even stringent laws and coming up with the recommendation that board of directors shall have an optimum combination of executive and non-executive directors with at least one woman as an independent director in the listed companies of India. The research on the board of the companies which are constituents of Nifty 50 Index (as on May 15, 2018) is conducted in order to obtain gender diversity ratio in the board rooms of those companies which set the parameters/ benchmark for our economy and are considered as the indicators of respective industry. Further, examination on the independence of women directors and their professional background is done in order to reach to the various conclusions with respect to the capability of their active and independent participation in decision making process. The article concludes with the fact that there was utter necessity of introduction and recommendation of such law in Indian scenario as participation of women in the organisational decision making process is equally important as of men.

Keywords: Women Directors, Board, Nifty 50, Gender Diversity.

INTRODUCTION:

Since inception, it has been struggle for women to make their own identity and obtain an equal footing as of men in organisations across all parts of the world. However, things have gradually improved, but has yet not reached to the desired parameters. The compassionate way of thinking of women and their ambitious nature make them participate and excel in the fields of their employment but the social taboo that women should be limited to home-making still prevails at major locations. There is a pre-conceived notion that women are not; or likely less capable of performing roles at offices. Her management skills are confined to managing a kitchen and a household. There are social paradoxes, which make the surroundings gloomy for female employees, adversely impact their mental health and bring their morale down. Kundu (2003) conducted a research by collecting primary data from 1083 employees and examined the reactions and perceptions of male and female employees across categories about workforce diversity status in Indian organisations. The results showed that male employees, rated female employees as less qualified, less competent and less productive than rated by females, themselves and the prevalence of gender discrimination in Indian organisations was seen. The results also showed that females believed that they have less chance of receiving working facilities, promotions and salary increases than males. It concluded that apart from various other social discriminations the participation of women employees constitute the significant proportion of the problem related to workforce in the Indian industry.

Women on boards today

Despite this evidence, women continue to be underrepresented on boards worldwide



Source: Women on Boards - Building the Female Talent Pipeline by International Labour Organisation (ILO)

There are various other aspects and reasons which affect the career growth chart of a woman and also keep her abstained from actively participating into the important organisational functions. The family responsibilities, dependent children etc. make it hard for them to choose to perform greater and responsible roles in the establishment, yet the hard lifestyle has not put them down to take a back seat. Thriveni et.al. (2012) conducted research on 340 women employees working in various professions in Bangalore city during the year 2010-2011 and suggested that there is a significant relationship between all demographic variables (age, experience, marital status, income, type of family, number of dependents) and perception of work-life balance of women employees. Even after countless unfavourable situations, women chose to face them and grow, setting standards and engraving milestones at various levels.

The degree of compassion which females carry in their attitude and their true nature of co-operation and adjustment in personal lives, somehow brings a successful manager out of them keeping the very problems and insignificant issues related to working environment of an organisation and employees away. Research by ILO manifests that companies who have three or more than three female members in the Board have better corporate governance and corporate social responsibility. Although, the approach of having employee friendly policies in the organisations has lately been developed which very well caters the social and personal needs of female employees but that hardly makes any difference for those who are motivated and committed to perform in any extreme conditions. Messner (2015) examined the gender moderated relationship between organisational climate, employee climate and organisational commitment where he defined the organisational commitment as a stabilising or obliging force that gives direction to behaviour. The research was conducted in 243 male and 87 female employees of various IT service providers across India between 2012 and 2014. He suggested that female employees have higher commitment levels across all three commitment factors, they do not seem to primarily derive their motivation from organisational and employee climate which leads to the conclusion that females have inherent quality of dealing with unfavourable situations and their focus do not deviate even in the extreme working conditions, making them inborn leaders.

Most of the working women of present day, carry go-getter, independent and unconventional outlook towards personal and professional lives where they tend to believe in equally sharing all the roles and responsibilities at homes and offices, both. Reddy et.al. (2010) conducted research on 90 married working women of age between 20 and 50 years and advocated the fact that nearly 70% of the women were working to support their families, 20% of the respondents were working because they were career oriented and 10% were working to fulfil their personal financial needs proving that females are as good as males in understanding and managing finance while they share the financial obligations of their family. Their attitude of sharing financial and other family responsibility and accountability equally make them worth of performing greater roles at offices too.

There is also a class of women who have entered into the entrepreneurial activities and have proven that nothing make them lesser in capabilities than their male counterparts. There has been very late entry of women in different professions yet they have been able to shatter the conventional thoughts of society and continuously propelled themselves to take progressive steps in breaking the glass ceilings of each and every field of occupation. Several concerns with respect to late working hours, working at sites, unequal wages, unequal treatment and family responsibilities have proven themselves as trivial issues in front of the dedication and

commitment shown by the women of present era. Francoeur et.al. (2008) studied the characteristics or factors that lead firms to appoint more women to their board of directors or top management team and impact of increased female representation on a firm's financial results by using three-factor Fama/French (1992, 1993) model to investigate the relationship between gender diversity and financial performance on 2001 to 2003 Catalyst censuses of female directors, and the 2002 and 2004 Catalyst censuses of women officers in the Financial Post's list of the 500 largest Canadian firms. The results indicated that firms operating in complex environments that have a high proportion of women officers, do experiment positive and significant monthly abnormal returns. Further, he also suggested that firms with a high proportion of women in both their management and governance systems generate enough value to keep up with normal stock-market returns. This is also supported by research conducted by MSCI (November 2015) which concludes that the companies that had strong female leadership generated a greater return on equity and those which are lacking board diversity tend to suffer more governance-related controversies than average. Some observations also argue that there is a dearth of qualified women to take board seats which equally holds good in case of India.

As per the report "The Female CEO Reputation Premium? Differences & Similarities" where the respondents were asked to describe their CEOs using a list of 30 leadership and personality characteristics, major differences between male and female CEOs were relatively few. It discloses that corporate and CEO reputations are largely gender-blind when it comes to contributing to overall company reputation and market value. The research concluded that once a woman makes it to the chief executive officer, business is business and gender considerations fade. It also mentioned that when women employees work for female CEOs, they are more motivated to strive to be corporate leaders, themselves.

Saxena (2014) after examining the literature and various research papers concluded that workforce diversity is the strength for any organization. Considering diversity as a problem, if managed properly, it can increase the productivity. With the same notion, the Ministry of Corporate Affairs (MCA) and the Securities and Exchange Board of India (SEBI) since introduction of the Companies Act, 2013 (CA, 2013) and Listing Obligations and Disclosure Requirements Regulations, 2015, (LODR) respectively, had mandated for the appointment of at least one women director on the board of the listed companies.¹ Although the same was fulfilled by the organisations, but it seemed a mere formality as the most of the companies had appointed female member of the family. The idea behind the law was to bring the expert opinion of a female counterpart in the board decisions which was at the end defeated because the females appointed were either the employees of the company or the family members of promoters who were at any cost incapable of enforcing their independence. The intention and spirit of the law seemed suppressed under the true letters. Therefore the Kotak Committee has come up with the recommendation that board of directors shall have an optimum combination of executive and non-executive directors with at least one woman as an independent director in the listed companies.

METHODOLOGY:

The research on the board of the companies which are constituents of Nifty 50 Index (as on May 15, 2018) is conducted in order to obtain gender diversity ratio in the board rooms of those companies which set the parameters for our economy and are considered as the indicators of respective industry. Further, analysis on the independence of women directors and their professional background is done in order to reach to the various conclusions with respect to the active and independent participation of women in decision making process. The data of directors of these companies is extracted from the "Signatory Details/ Master Data" available at the website of Ministry of Corporate Affairs (as accessed on May 15, 2018) which is duly matched with the data available on the websites of respective companies on that date only (attached as an annexure to the article). There might seem gaps in results because of non filing of relevant forms for the appointment or resignation of the directors by the company on the date of extraction of data, if any, which may have been still reflecting on the website, and must be forming part of the current data. The results might have been minimally distorted upto that extent only.

FINDINGS AND DISCUSSION:

The findings disclose that a very small portion of female members are the part of Board of the companies. Most of the companies either have one or two female members on their board in comparison to eleven to twelve members' board. However, there two to four companies out total nifty fifty companies who have three or more

¹ Second proviso to section 149 of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014 directs that every listed company shall have at least one woman director and Regulation 17 (1) (a) of SEBI LODR Regulations mandated that Board of directors shall have an optimum combination of executive and nonexecutive directors with at least one woman director.

than three female members forming the part of their board. The results also show that almost every filed of ladies have made their presence on the board of the companies and have diversified backgrounds from management, civil services, law, politics to academics.

Figure 1: Total Number of Directors, Women Directors and Independent Women Directors on the Board of the Companies constituting Nifty 50 Index (First 25 Companies)

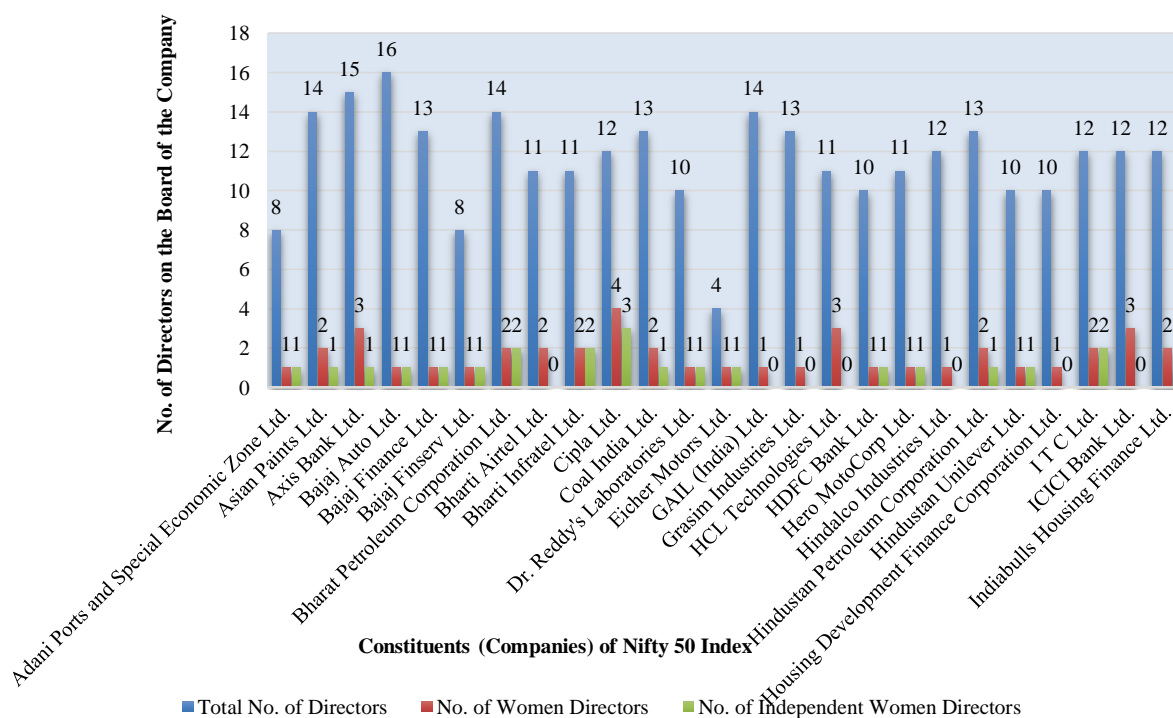


Figure 2: Total Number of Directors, Women Directors and Independent Women Directors on the Board of the Companies constituting Nifty 50 Index (Next 25 Companies)

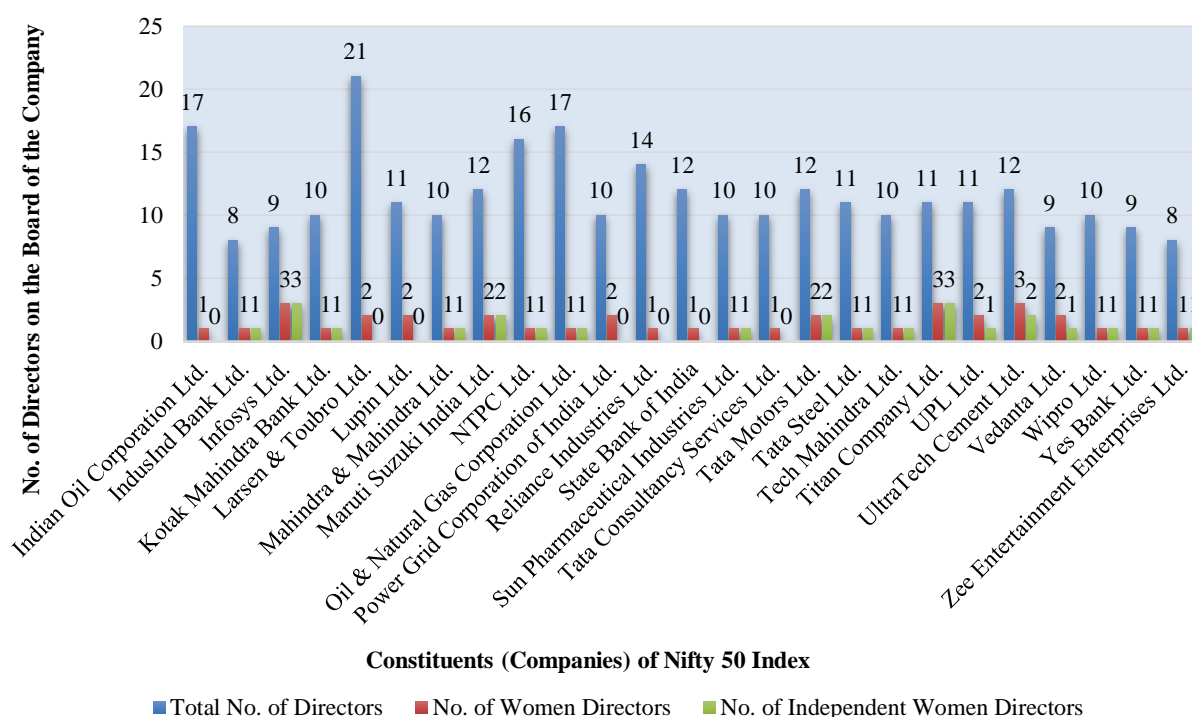
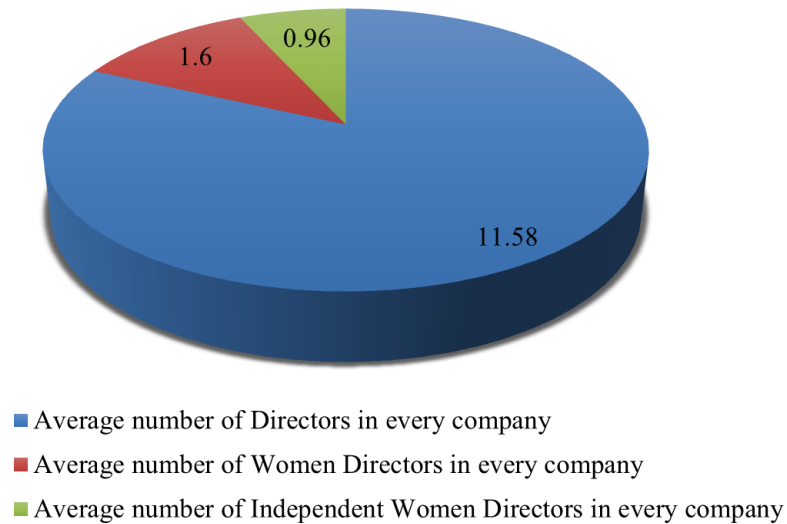


Figure 3: Average Number of Directors, Women Directors and Independent Women Directors on the Board of each Company constituting Nifty 50 Index (50 Companies)



The figure 1, 2 and 3, above, collectively shows that the major part of the board of each company is formed of male directors only. Figure 3 demonstrates that every company has average 11-12 directors on their board, of which only 2 or less than 2 directors are females. There are many companies which do not have any independent female directors. Although, there is no such mandatory requirement under the present laws, however there still are few companies which have considered appointing independent female members as part of their boards.

Figure 4: Sum of Total Number of Directors, Women Directors and Independent Women Directors on the Board of the Companies constituting Nifty 50 Index (50 Companies)

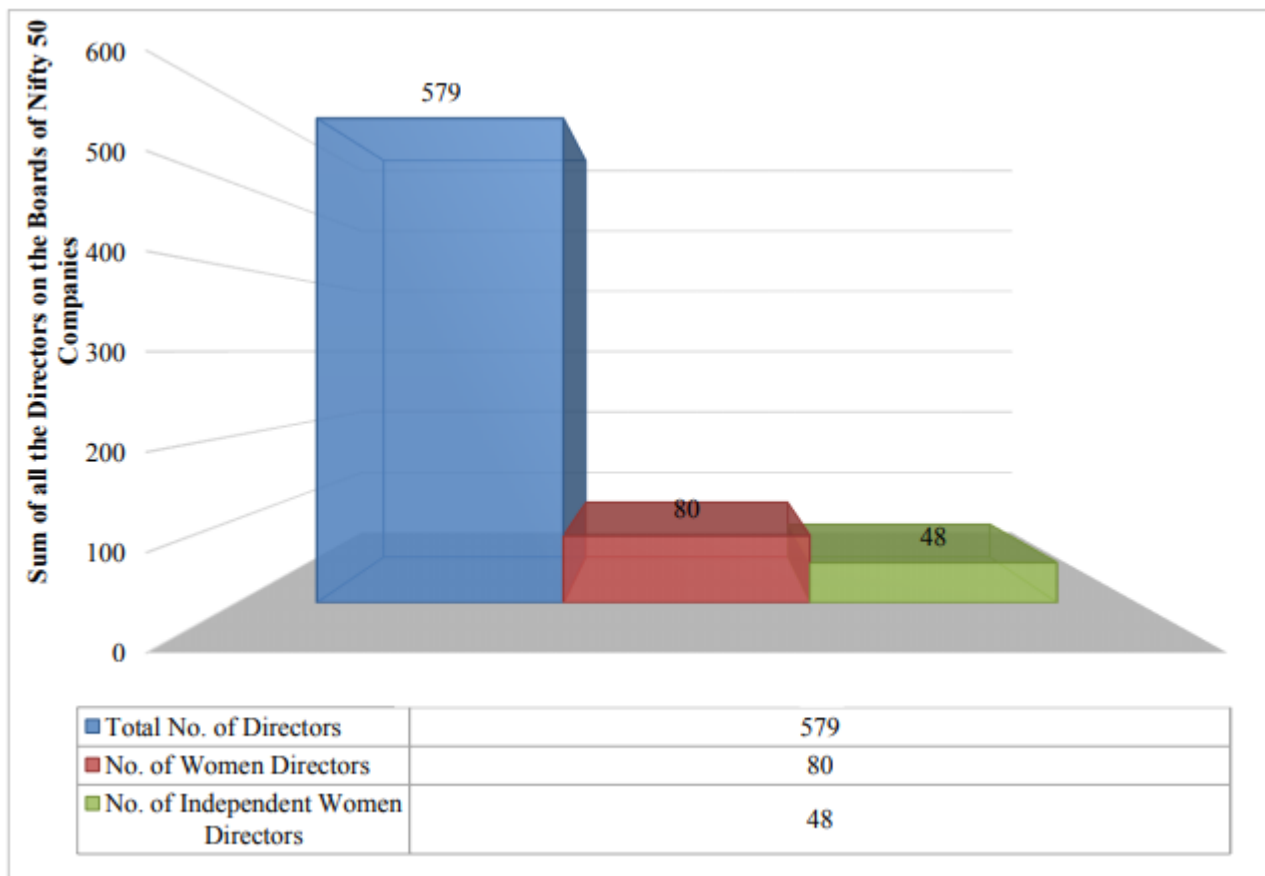


Figure 5: Percentage of Women Directors in the Companies constituting Nifty 50 Index (50 Companies) out of Total Number of Directors

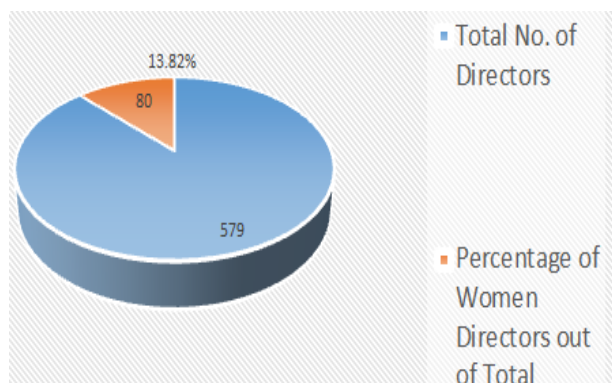


Figure 6: Percentage of Independent Women Directors in the Companies constituting Nifty 50 Index (50 Companies) out of Total Number of Directors

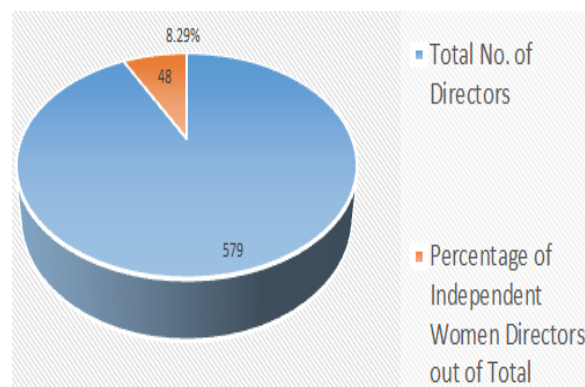


Figure 7: Percentage of Independent Women Directors in the Companies constituting Nifty 50 Index (50 Companies) out of Total Number of Women Directors

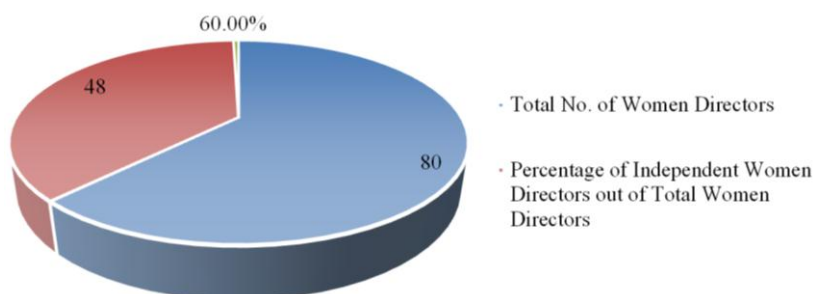


Figure 4 shows that there are total 579 directors in the companies constituting Nifty 50 Index, out of which only 80 directors are females and out of those 80, there are only 48 female directors who are independent in nature. In terms of sharing the board room space, only 13.82% stake pertains to women directors, out of which 8.29% goes to independent women directors (Figure 5 & 6). Figure 7 gives a positive image by demonstrating that 60% of all the women directors in these companies are independent in nature.

Figure 8: Professional Background of Women Directors in the Companies constituting Nifty 50 Index

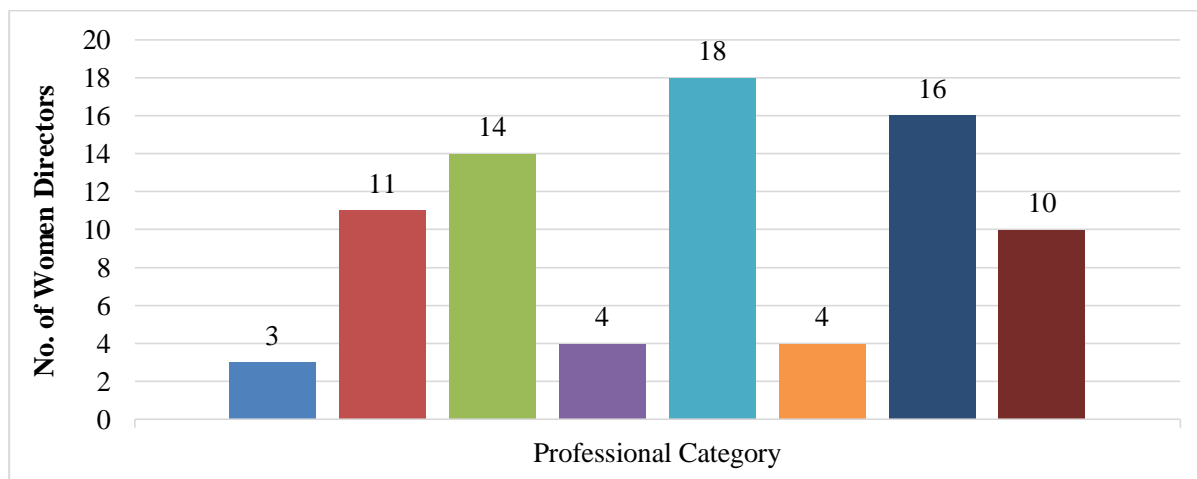
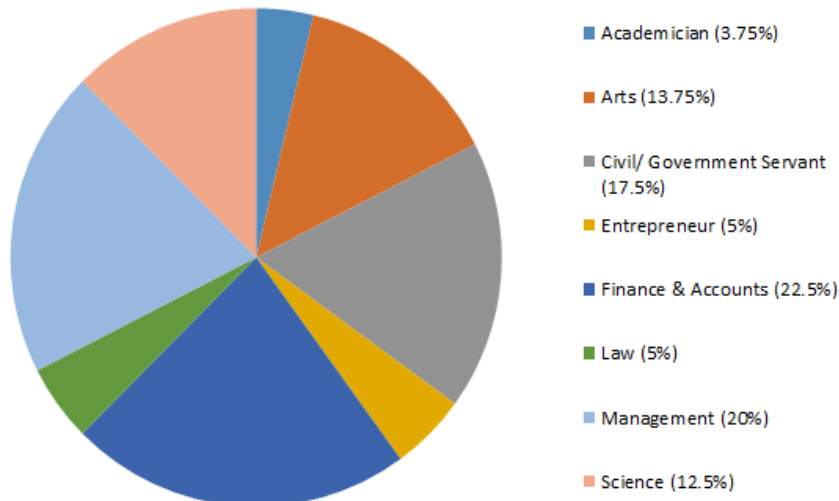


Figure 9

**Percentage of different Professions pursued
by Women Directors**



By analysing figure 8 and 9, it is concluded that of all the professions, the women from finance background are most preferred for directorship in these companies having the share of (18 females) 22.50% followed by the management professionals from reputed management institutes which is (16 females) 20% of all. This pattern is further followed by the civil servants and other government officials (14 females) 17.50%, as they are appointed as nominee directors in various public sector undertakings in the companies of Nifty 50 Index. The women from the field of arts (11 females) 13.75% and science (10 females) 12.50% are also been considered by the companies to be appointed on their boards. There is least involvement found in the board rooms by the women members from the field of law (4 females) 5% and academics (3 females) 3.75%. There also seemed very few entrepreneurs (4 females) 5% only, on the boards of these companies.

CONCLUSION:

The participation of women is equally important not only in the Board but otherwise too, in the organisations, which seems to be increasing with the time. There are number of organisations who have employee friendly policies like transportation facilities, over time compensation, work from home, flexible hours of working, menstrual cycle leaves, baby cares or crèches at office premises etc. which attract more females to the organisations. The females today are also motivated to take tasks at field. Maternity laws and anti-sexual harassment laws has made it even easier and comfortable for a female employee to work in an organisation without any undue pressure and fear of married life management and gap in a career due to having a child. Women are pursuing their desired professions willingly and actively contributing to the growth of the economy. However, the question remains staring straight at our eyes that is the enforcement of a law for participation of women (only one) merely in the board room decisions enough for our country to claim itself as gender diverse nation and economy?

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Table 1

Sr. No.	Company Name (Constituents of Nifty 50 Index)	Total No. of Directors	No. of Women Directors	No. of Independent Women Directors
1	Adani Ports and Special Economic Zone Ltd.	8	1	1
2	Asian Paints Ltd.	14	2	1
3	Axis Bank Ltd.	15	3	1
4	Bajaj Auto Ltd.	16	1	1
5	Bajaj Finance Ltd.	13	1	1
6	Bajaj Finserv Ltd.	8	1	1
7	Bharat Petroleum Corporation Ltd.	14	2	2
8	Bharti Airtel Ltd.	11	2	0
9	Bharti Infratel Ltd.	11	2	2
10	Cipla Ltd.	12	4	3
11	Coal India Ltd.	13	2	1
12	Dr. Reddy's Laboratories Ltd.	10	1	1
13	Eicher Motors Ltd.	4	1	1
14	GAIL (India) Ltd.	14	1	0
15	Grasim Industries Ltd.	13	1	0
16	HCL Technologies Ltd.	11	3	0
17	HDFC Bank Ltd.	10	1	1
18	Hero MotoCorp Ltd.	11	1	1
19	Hindalco Industries Ltd.	12	1	0
20	Hindustan Petroleum Corporation Ltd.	13	2	1
21	Hindustan Unilever Ltd.	10	1	1
22	Housing Development Finance Corporation Ltd.	10	1	0
23	I T C Ltd.	12	2	2
24	ICICI Bank Ltd.	12	3	0
25	Indiabulls Housing Finance Ltd.	12	2	1
26	Indian Oil Corporation Ltd.	17	1	0
27	IndusInd Bank Ltd.	8	1	1
28	Infosys Ltd.	9	3	3
29	Kotak Mahindra Bank Ltd.	10	1	1
30	Larsen & Toubro Ltd.	21	2	0
31	Lupin Ltd.	11	2	0

Sr. No.	Company Name (Constituents of Nifty 50 Index)	Total No. of Directors	No. of Women Directors	No. of Independent Women Directors
32	Mahindra & Mahindra Ltd.	10	1	1
33	Maruti Suzuki India Ltd.	12	2	2
34	NTPC Ltd.	16	1	1
35	Oil & Natural Gas Corporation Ltd.	17	1	1
36	Power Grid Corporation of India Ltd.	10	2	0
37	Reliance Industries Ltd.	14	1	0
38	State Bank of India	12	1	0
39	Sun Pharmaceutical Industries Ltd.	10	1	1
40	Tata Consultancy Services Ltd.	10	1	0
41	Tata Motors Ltd.	12	2	2
42	Tata Steel Ltd.	11	1	1
43	Tech Mahindra Ltd.	10	1	1
44	Titan Company Ltd.	11	3	3
45	UPL Ltd.	11	2	1
49	Yes Bank Ltd.	9	1	1
50	Zee Entertainment Enterprises Ltd.	8	1	1
	Total	579	80	48
