

ENSURING GENDER PARITY IN CORPORATE BOARD ROOMS- ISSUES, CHALLENGES AND OPPORTUNITIES

Dr. Neetha Kurian¹

ABSTRACT

In the era of global opportunities and cutthroat competition, corporate leadership plays an important role in shaping the growth and future of an organization. True leadership not only inspires and motivates employees to give their best to the organization but also ensures optimum utilization of resources through transparent and open communications. Women as leaders have always played a pivotal role in the success of organizations and have often been credited with better analytical skills and multitasking abilities. However, even in the 21st century, in leadership roles be it business, politics, governance or policy making, where merit should only be the criterion in deciding opportunities, gender continues to be a determinant which deprives women of the employment opportunities that they deserve. Gender disparity is a global phenomenon and not unique only to

India. While the Companies Act 2013, mandates the presence of a minimum one-woman director in listed companies, this is not followed by half of the corporates in India. This article will address this pertinent issue- of gender disparity in corporate board rooms in India. It will focus on the issues of lack of women representation in board rooms in Indian companies and the resulting lacunas in decision making and corporate governance in companies. It will analyze the advantages of having more women in corporate board rooms, highlighting the issues and challenges women of the corporate world face to break the glass ceiling. It will also give a comparative analysis of some of the advanced jurisdictions and suggest recommendations in bringing higher female representation in corporate board rooms. It will highlight the correlation of the women representation in corporate decision making and the value enhancement it brings to organizations.

1. Assistant Professor, School of Law, Christ University, Bangalore

Keywords: Gender disparity, board rooms, women directors, corporate governance

INTRODUCTION

The presence of women in leadership roles has been a case of debate across multiple platforms in India, for the past many years. Whether in politics, entertainment industry, bureaucracy or in corporate leadership, women have always found it difficult to break the glass ceiling. Bringing reservations for representation of women in Indian parliament continued to be a myth², until recent times.³ With organizational needs over the last few decades undergoing a paradigm shift due to digital transformation, innovative technology, demographic and macro-economic factors, demand for dynamic leaderships, new jobs and new skills has surged. This necessitated the need for bringing better participation and decision-making roles for women, in the corporate world where regardless of merit, qualification and experience, gender disparity continues to be a dominant factor. A study on corporate women leadership is futuristic in nature and is essential for fostering inclusive societies. By examining the challenges, obstacles and barriers women face in corporate leadership roles, organizations can adapt strategies that promote equal opportunities and inclusive board rooms. It will also allow organizations to harness multiple talents leading to better decision making and amplified growth.

The objective behind this article is to highlight the need of bringing gender parity in corporate board

rooms in India, by analyzing the role of women directors in ensuring better corporate governance in companies. The article will focus on the lack of women representation in board rooms in Indian companies and the resulting corporate governance issues in such companies. It will analyze the rules, regulations and guidelines in India related to this and the commitment and compliance of listed companies to abide by the relevant statutory provisions. It will also look into the advantages of having more women directors in board rooms and the issues and challenges faced by women leaders. It will conclude by giving a comparative analysis of some of the advanced jurisdictions and suggest recommendations as to how better female representation in corporate board rooms result in enhanced performance for the companies.

WHY WOMEN REPRESENTATION IN BOARD IS IMPORTANT?

Multiple researchers have found a direct correlation between female presence in boards and strong financial performances in organizations.⁴ A study conducted from the period 2018-2023, on 2452 listed companies from five European countries revealed that the presence of women directors in corporate boards significantly improved the performance of firms and brought better corporate governance in companies.⁵ The study highlights the need of having higher percentage of female presence in corporate boards and emphasizes that firm performance is enhanced when there are three to four female directors present in company

2. Amendments to bring reservation of seats for women in parliament and state assemblies were introduced in 1996, 1998, 1999 and 2008, RAJYA SABHA SECRETARIAT, RESERVATION OF SEATS FOR WOMEN IN LEGISLATIVE BODIES: PERSPECTIVES, (Occasional Paper Series, No 1, 2008). http://164.100.213.102/RSCMSNew/UploadedFiles/ElectronicPublications/reserv_women_pers2008.pdf accessed 25 May 2024.
3. Rhea Mogul, 'India agrees to Reserve a Third of Parliament Seats for Women, but the change could still Take Years', CNN, (Sept 21, 2023, 10:50AM), <https://edition.cnn.com/2023/09/21/india/india-women-parliament-bill-intl-hnk/index.html>
4. HUNT ET. AL., WHY DIVERSITY MATTERS, THE CS GENDER 3000: WOMEN IN SENIOR MANAGEMENT, 37-45, Credit Suisse Research, (McKinsey & Company, 2015).
5. Omri N et.al., 'The Effects of Boardroom Gender Diversity on Corporate Performance: Empirical Evidence from a sample of European Listed Companies', 10, BUS ECON, 311-325, (2024) <https://doi.org/10.1057/s11369-024-00351-9> accessed 22 May 2024.

boards.⁶ Another study from Europe reveals that gender disparity in corporate boards negatively affects firm's market value and companies have started prioritizing this.⁷ A study from US revealed that firm's performance and the presence of female women directors in boards are directly related and there is better monitoring by committees and more equity based compensation in gender diverse boards.⁸ Gender diversity in boards is also one of the eleven mandatory requirements under the EU Sustainable Financial Disclosure Regulation for financial institutions.⁹ There are also statistics which establish that women directors prioritize more on social issues like climate change¹⁰ and helps organization to consider multiple perspectives resulting in better creativity, decision making¹¹, understanding of customer base and business environment.¹²

THEORIES RELATED TO GENDER DIVERSITY

There are much empirical research conducted on the positive impact of gender diversity in Companies. This research developed multiple theories about gender diversity, including the human capital theory¹³, social identity theory¹⁴, resource dependence theory¹⁵, agency theory¹⁶ and gender role theory.¹⁷ Out of the theories discussed, resource dependence theory and agency theory are the most widely discussed theories, connected with gender diversity. While the resource dependency theory affirms that a gender diverse board can utilize its resources more beneficially for the organization, the agency theory argues that as managers and shareholders have divergent objectives, managers may not always resort to measures in the interest

6. *Ibid.*

7. Liliana Marques Pimentel et.al., *Influence of Gender Diversity of Boards and Gender of CEO on Financial Performance: The European Case*, Crowther. D and Seifi (eds), *Governance and Sustainability. Approaches To Global Sustainability, Markets, and Governance*, 201-239 (SPRINGER, SINGAPORE 2020) accessed 22 May 2024. https://doi.org/10.1007/978-981-15-6370-6_11.
8. Renée B. Adams and Daniel Ferreira, *Women in the Boardroom and Their Impact on Governance and Performance*, 94(2), *Jrn .Fin Eco*, 291,(2009)
9. Tanya Matanda and others, *Women on Boards : Progress Report 2022, 12*, MSCI ESG Research LLC, 111-125, January 2022 https://www.msci.com/documents/10199/36771346/Women_on_Boards_Progress_Report_2022.pdf/ accessed 20 May 2024.
10. Christina Milhomem, *Women on Boards: Sustaining Board Gender Diversity Beyond the Tipping Point*, MSCI Research Insight, March 2021 https://www.msci.com/documents/10199/36771346/Women_on_Boards_Progress_Report_2022.pdf/ accessed 20 May 2024.
11. Jared Landaw, *Maximizing the Benefits of Board Diversity: Lessons Learned from Activist Investing*, HARVARD LAW SCHOOL FORUM ON CORPORATE GOVERNANCE, July 14 2020, accessed 20 May 2024. 10:45 PM, <https://corpgov.law.harvard.edu/2020/07/14/maximizing-the-benefits-of-board-diversity-lessons-learned-from-activist-investing/>
12. Deborah E. Arfken Et. Al, *The Ultimate Glass Ceiling Revisited: The Presence of Women on Corporate Boards*, 50(2), *J. BUS. ETHICS*, 177,2004.
13. Promoted by Becker in 1985, this theory examines the cognitive ability of an individual in contributing to a firm's productivity; Reddy and others, 'Gender Diversity in Board Rooms- Literature Review', (2019) 7: 1644703 *Cogent Economics & Finance*, <https://doi.org/10.1080/23322039.2019.1644703> accessed 19 May 2024.
14. Popularised by Turner and Tajfel in 1986, this theory examines the role of social groups in shaping an individual's identity, Reddy and others (refer supra note 13)
15. Promoted by Pfeffer and Salancik in 2003, the theory argues that link to corporate board provide legitimacy and open communication channels, Reddy and others (refer supra note 12)
16. Agency theory propounded by Berle & Means in 1932, exposes the information asymmetry and diverse objectives of managers(agents) and shareholder's (principal) in a company. Reddy and others(refer supra note 12)
17. ALICE H. EAGLY, *SEX DIFFERENCES IN SOCIAL BEHAVIOUR: A SOCIAL-ROLE INTERPRETATION*, (Lawrence Erlbaum Associates 1987).

of shareholders.¹⁸It advocates independence of boards for promoting independent decision making and transparency with female representation on boards.¹⁹Another set of signalling theorists, argue for female representation in boards as according to them it improves reputation and value appreciation of the company.²⁰Propounders of gender role theory, believes that attitude and effectiveness of individuals vary according to gender and observe that female directors risk aversion, help firm's improved performance.²¹

REGULATIONS AND GUIDELINES IN INDIA RELATED TO GENDER DIVERSITY IN BOARDS

The first step in Indian corporate environment towards ensuring gender parity in boards was the SEBI (LODR) Regulations, 2015²² in line with Companies Act, 2013,²³ which mandated all listed companies in India, to appoint one woman director in their boards. This directive also subjected companies to heavy penalties²⁴ for non-compliance. Though there was a steady improvement in the number of women directors in corporate boards after this directive, many

corporates started appointing female relatives of promoters to their boards, to avoid fines.²⁵ This resulted in appointment of women who did not have the merit, interest, nor the requisite qualification and resulted in mere box ticking. To address this issue SEBI formulated the (LODR) Regulations, 2018²⁶ based on the recommendations of Kotak Committee²⁷ which stipulated the top 1000 listed companies to appoint a women independent director to their boards. Though this was a step in the right direction, this resulted in over boarding, as there were limited number of female directors who qualified as Independent Directors. Another notable step by SEBI in 2021, known as the Business Responsibility and Sustainability Report (BRSR) framework, directed companies to report on work force compensation, gender parity, pay scales, and attrition.²⁸

CURRENT STATISTICS OF GENDER PARITY IN INDIA

A study conducted in 2022, states that out of the NIFTY-500 Company directors, only around 17.5% were women, though around 48.5% of them had 2 or more women directors on board.²⁹ While there

18. *Ibid.*

19. Eugene F. Fama and Michael C Jensen, *Separation of Ownership and Control*, 26 (2), JLE, 301, (1983).

20. Ferdinand A Gul Et.Al., *Does Board Gender Diversity Improve the Informativeness of Stock Prices?* 51(3), J.ACCOUNT. ECON,314, (2011).

21. Alexa A. Perryman Et.al., *Do Gender Differences Persist? An Examination of Gender Diversity on Firm Performance, Risk, and Executive Compensation*, 69(2) J.Bus.Res.579, (2015).

22. Listing Obligations and Disclosure Requirements, §17(1)(a), No.5, SEBI Regulations, 2015

23. Companies (Appointment and Qualification of Directors) Rules, 2014, §149(1) of the Companies Act, 2013 read with Rule 3, mandates every listed company and every public company with either paid up share capital of ₹1 billion or more or turnover of ₹3 billion or more to appoint minimum one-woman director to their boards.

24. Companies Act 2013, §173 prescribes a fine of ₹50,000 to ₹5 lakhs for violation.

25. Vinod Kothari, *Gender Diversity in the Board Room*, VINOD KOTHARI CONSULTANTS, 21 August 2023, accessed 21 May 2024, 11:30PM, <https://vinodkothari.com/2023/08/gender-diversity-in-the-boardroom/>

26. SEBI (Listing Obligations and Disclosure Requirements) Regulations 2018.

27. Uday Kotak Committee on Corporate Governance, Gender Diversity on Board, (Kotak Committee Report, 2017). <https://www.nfcg.in/KOTAKCOMMITTEREPORT.pdf>

28. Ministry of Corporate Affairs, Business Responsibility Reporting (MCA Report, 2020) https://www.mca.gov.in/Ministry/pdf/BRR_11082020.pdf

29. INSTITUTIONAL EYE, CORPORATE INDIA: WOMEN ON BOARDS, (Institutional Investor Advisory Services, 22 Nov 2022) <https://www.iiasadvisory.com/institutional-eye/corporate-india-women-on-boards-1> (accessed 23 May 2024).

has been a steady increase in the representation of women on boards from 2020 to 2022, in public sector undertakings this is poor, as many of them do not comply with regulations.³⁰ Another recent report says that even after a decade of bringing the one woman director rule, only half of the NSE listed firms have complied with this. The only comforting factor here is that the representation of women directors has increased by 20% of the total directorship.³¹ These figures show a pressing need for action from the government, the regulators and all other stakeholders.

INTERNATIONAL APPROACHES TO GENDER PARITY IN CORPORATE BOARDS

One of the first countries to address the issue of women representation in corporate boards was Norway in 2003, which recommended a forty percent quota for women in corporate boards.³² This was followed by several countries like Spain, Finland, Iceland, France, Israel, Kenya, Italy, Belgium, Portugal, Germany, and Austria announcing mandatory presence of women in corporate boards. Europe got a boost in its gender parity initiatives when the European Commission in 2020,

announced its strategic approach to reach a fifty percent women representation in its management structure by the end of 2024.³³ In United States, California, became the first state which mandated the presence of women representatives in publicly traded company boards, by imposing heavy fines for any violation.³⁴

CHALLENGES AND WAY FORWARD

A global study in 2024 conducted by Deloitte, about the representation of women in corporate boards, claims that women hold less than twenty three percent of board seats globally.³⁵ The report reveals interesting statistics and states that though with consolidated global efforts, gender disparity in board rooms was reduced, without increased momentum in the coming days, it is unlikely to produce desired outcomes of gender parity in board rooms, even by 2038.³⁶ The report also raises concerns on the dismal percentage of women CEOs in companies.³⁷ The report analysed 18000 companies in 30 geographies and the social, political and legislative trends that led to the number of female representation in company boards. Another fact that emerged out of the study was that gender disparity is surprisingly lower in financial

30. *Ibid.*

31. Rica Bhattacharyya and Kala Vijayaraghavan, *Decade After Mandate, Indian Companies Struggle with Gender Diversity; Only Half Meeting One-Woman Director Requirement*, ECONOMIC TIMES (ET, 18 January 2024) <https://economictimes.indiatimes.com/news/company/corporate-trends>.

32. Ruth V. Aguilera and others, *What Happened When India Mandated Gender Diversity on Boards*, HARV.BUS.REV, 98, (2021), <https://hbr.org/2021/02/what-happened-when-india-mandated-gender-diversity-on-boards> accessed 21 May 2024.

33. EUROPEAN COMMISSION, *Gender Equality Strategy, Striving for a Union of Equality*, EUROPEAN COMMISSION, March 2020, https://ec.europa.eu/commission/presscorner/detail/en/IP_20_358 accessed 21 May 2024, 10:00AM.

34. Corporations: Boards of Directors Bill (2017-2018) [SB-826] https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB826

35. DELOITTE, *Women in the Boardroom-A Global Perspective*, DELOITTE, 10 March 2024, 9:30 AM <https://www.deloitte.com/global/en/about/press-room/deloitte-global-latest-women-in-the-boardroom-report.html> accessed 21 May 2024 (The Report reveals some momentum in gender parity, but suggests that without greater focus and action its unlikely to be achieved before 2038 and calls for an accelerated momentum in this regard.)

36. From 2022 the number of women on corporate boards has increased to 3.6% and the anticipated time to achieve gender parity in boards have reduced to seven years, DELOITTE GLOBAL, *Ibid.*

37. Globally only 8.4% of boards are chaired by women and only 6% of global CEOs are women, DELOITTE GLOBAL, *Ibid.*

sector compared to other industries.³⁸ The report also emphasized that government actions have resulted in increased presence of women in boards, as is evident from Belgium, Netherlands³⁹, France, Norway and Italy.⁴⁰ The report further accentuated the need for continued actions like bringing targets and disclosures for a better outcome.⁴¹ Another pertinent aspect is the effective dealing of related issues like gender pay parity and sexual harassment at work place. Unless these issues are promptly addressed, sustaining vibrant women leaders in corporate world would be a herculean task.

RECOMMENDATION AND CONCLUSION

In progressive societies the gap of gender disparity is narrowing and in an emerging market like India, where there is a continuous endeavor to enhance corporate governance with emphasize on transparency, accountability and disclosure, embracing gender equality in board rooms, is a need of the hour. However, this task should not only be fixed on governments but there must

be a consolidated approach by all stakeholders. Institutional and retail investors have a higher role to play and can set the momentum by emphasizing its importance on companies. Today when organizations are faced with new challenges the role of an equitable, balanced and divergent board room becomes more relevant. Organizations must not only spread awareness on the benefits of female representation in boards but also nudge aspiring women to transcend these barriers. They must organize seminars, trainings, workshops and other leadership programs that can enhance leadership skills, strategic thinking and decision making among future managers.⁴² Initiating mentoring programs that can assist and guide young women to navigate challenges in balancing their career and personal responsibilities can go a long way in ensuring gender parity in organizations.⁴³ While gender diversity in corporate boards is an issue that needs immediate action, gender parity in board rooms will also act as a catalyst in bringing systemic societal changes that will empower women to lead in all contours of life.

38. Alison Rogish and others, *Women in the C-suites*, DELOITTE, 03 March 2020, accessed 22May 2024, 11:00 PM, <https://www2.deloitte.com/us/en/insights/industry/financial-services/women-in-the-c-suite.html>

39. Legislations with fixed quota was found to be beneficial to bring better women representation in corporate boards as in Belgium & Netherlands which is 33% ; DELOITTE REPORT, *Women in the Boardroom-A Global Perspective*, DELOITTE, 10 March 2024, accessed 22 May 2024, 12:00 AM, <https://www.deloitte.com/global/en/about/press-room/deloitte-global-latest-women-in-the-boardroom-report.html>.

40. Legislations with fixed Quota was found to be beneficial to bring better women representation in corporate boards as in France, Norway and Italy, which is 40 % ; DELOITTE REPORT, *Ibid*.

41. In UK & Australia, women hold more than one third of board seats; DELOITTE REPORT, *Ibid*.

42. KPMG Report, *Women Leadership in Corporate India*, (KPMG Report, April 2024) <https://assets.kpmg.com/content/dam/kpmg/in/pdf/2024/04/women-leadership-in-corporate-india-2024.pdf> accessed 22May 2024.

43. *Ibid*.