

Gender Diversity on Boards of Indian Companies: A Descriptive Study

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ABSTRACT:

The Companies Act 2013 gave corporate governance (CG) top priority. Among the various GC-related provisions, the law requires the appointment of at least one female board member. The Securities and Exchange Board of India (SEBI) has revised Clause 49 to align with the Act to add appropriate provisions on board composition. Diversity on supervisory boards is also given the highest priority worldwide. However, the position of women Board membership the world over is dismal. The paper analyzed the present position of the women in the Board of Directors of randomly selected 10 companies. The main focus of this paper is to find out the percentage of women directors on the board, their average age, tenure, business, presence of women directors in various committees of the board. The results of the study show that the percentage of women on the boards of Indian Companies is 22 percent whereas the minimum is 10 percent and maximum is 32 percent.

Keywords: Board diversity, Gender Diversity, Women on Board, Board of Directors

I. INTRODUCTION

The corporate boards around the globe are dominated by male. The presence of female on corporate boards is very dismal. The percentage of female on corporate boards is hardly 20 – 30 percent. Women directors are under-represented and in response, several countries have enacted the gender quota legislation to mandate appointment of women directors on corporate boards. Rising concern about gender-diversity on corporate boards led policy makers around the globe to implement gender-based quotas. Norway is one of the first countries to implement gender-based quota in 2003. Most of the European countries followed this with their own quotas for gender-diversity on corporate boards. Following other countries India also legislated its gender quota policy in 2014. The

quota policy mandates at least one female director for listed companies, effective since 1 October 2014. Accordingly, every listed company or public companies with equity capital of INR 1000 million or more or turnover of INR 3000 million or more come under the new quota policy in India.

Gender diversity is far and wide recognized as a purposeful constituent of the business as it carry more of modernism, vigilance and aligning the business meeting the requirements of the customers (Cox & Blake, 1991). Initiatives to increase the number of female directors on boards are built upon the premise that this will not only improve social justice, but also governance and firm performance, by introducing more skills, ideas, discussions and perspectives to corporate boards' decision making (Shamsul et al., 2015; Adams & Ferreira, 2009). An increase in the number of female directors has garnered significant research on board gender diversity. Presence of women can benefit the firm economically rather than being considered as a social phenomena. The objective of this study is to make an assessment of top 10 Indian Companies regarding gender diversity and related prospective.

The remainder of the paper is organized as follows: Section 2 gives a review of the literature. Section 3 describes the data and methodology used. Section 4 presents and discusses the main empirical results. Finally, in Section 5, we conclude our study.

II. LITERATURE REVIEW:

Using panel data from 243 listed firms during the period 2012–2018, the authors found that BGD in Latin American companies does not lead to any change in firm performance, mainly because the underrepresentation of women on boards in the region compared to their male counterparts. (Valentina et al. 2022).

External factors, such as firm size, board size, industry, type of ownership, customer base,

and social and cultural characteristics influence gender diversity on corporate boards. Brammer, Millington, and Pavelin (2007) focus on a firm's external business environment and its customer base to explain board gender diversity. The authors examine firms that represent corporate boards of 243 firms listed on the London Stock Exchange to analyze board diversity, size, and composition. They find significant cross-sector variation in gender diversity, with a higher representation of women directors in industries such as Retail, Utilities, Media, and Banking that predominantly serve end-consumers.

Hillman, Shropshire, and Cannella (2007) study US firms and find that large firms have a significantly greater likelihood of women director membership. They also find that when a firm is linked to other firms with women directors, it is more likely to have women representation on its own board of directors.

De Cabo, Gimeno, and Nieto (2012) study European banks to examine if organizational characteristics affect board gender diversity. They focus on factors, such as riskiness of the bank, size of the boards, and growth orientation. Banks with lower risk, larger boards, and growth orientation tend to include women on their boards.

Family ownership has a positive impact on board gender diversity. Nekhili and Gatfaoui (2013) study French corporate boards and find that family ownership and board size strongly influence board gender diversity.

Apart from establishing a strong influence of family connection on women director membership in Italian boards, Bianco, Ciavarella, and Signoretti (2015) also find that majority of the gender-diverse boards tend to have at least one women director who is connected to the controlling stakeholder.

Ruigrok, Peck, and Tacheva (2007) examine firms listed in SWX Switzerland and find

evidence that women directors are less likely to be independent and more likely to be affiliated to firm management through family ties.

Bear, Rahman, and Post (2010) argue that female directors improve financial reporting quality, corporate reputation and give confidence to shareholders and stakeholders.

A second trend delves into the input female board directors bring to board decisions and its direct effect on firm performance. Findings suggest that females have higher meeting attendance rates than male directors (Adams and Ferreira 2009). Also, female board directors are more risk-averse (Price 2012). They also tend to have an open mind and bring new perspectives to the board (see The Economist Intelligence Unit 2019).

Data and Methodology:

This section discusses research methodology, the choice of companies and extraction of data, development of hypotheses and simultaneous set of equations. It presents the descriptive statistics of the variables.

Objective of the study:

The objective of the study is to have a descriptive analysis of the variables related to gender diversity.

Sample Selection:

The authors have selected 10 companies randomly from the list of Sensex-30/Nifty-50 companies depending on the availability of data. Data of these companies have been collected for a period of 5 years from financial year 2016-17 to 2020-21. The authors collected data manually from the Annual Reports of the respective companies from the website of BSE. Table – 1 shows the industrial classification of sample companies. It comprises of variety of industries such as consumer goods, software, pharmaceuticals, oil & gas, etc.

Table - I

Sl. No.	Company	Industry
1.	Reliance Industries	Oil & Gas
2.	Hindustan Unilever	Consumer Goods
3.	ITC Limited	Consumer Goods
4.	Colgate Palmolive	Consumer Goods
5.	TCS	Software
6.	HCL	Software
7.	Infosys	Software
8.	Cipla	Pharmaceutical
9.	Ultratech Cement	Cement
10.	TATA Motors	Automobile

Various parameters the authors have considered for the study are percentage of women directors on the board, their average age, tenure, busyness, presence of women directors in various

committees of the board. List of concept and measurement tools used in the study is explained in table-II.

Table - II

Women Directors	WD	Ratio of women directors to total no. of directors.
Age	AGE	Average age of women directors.
Non-independent women directors	NID	Ratio of non-independent women directors to total no. of women directors.
Independent women directors	ID	Ratio of independent women directors to total no. of women directors.
Nationality	NAT	1 if the women director is a foreigner otherwise 0.
Busyness	BUSY	Number of women who are directors in 4 or more Indian public listed companies.
Tenure	TEN	Average time period of women directors from their date of appointment.

III. RESULTS AND ANALYSIS

Table - III

COMP	WD	AGE	NID	ID	Nationality	Busyness	Tenure	BSIZE
RIL	0.11	57	0.5	0.5	0	0	4.2	14
HUL	0.1	69	0	1	0	0	4	10
ITC	0.145348	68	0	1	0	0	5	14
TCS	0.163434	51	0.5	0.5	1	0	3.2	10
INFY	0.262626	60	0	1	1	0.67	4	9
HCL	0.269091	56	0.33	0.67	1	0	4	11
CIPLA	0.316061	54	0.3	0.7	0	0.75		11
ULTRATECH	0.32	64	0.3	0.7	0	1		11
COLGATE	0.27	65	0	1	0	1		10
TATAMOTO	0.24	53	0	1	1	1		9
Mean	0.22	60	0.19	0.81		0.44		11
Min	0.10	51				0		9
Max	0.32	69				1		14

The percentage of women on the boards of Indian Companies is 22 percent whereas the minimum is 10 percent and maximum is 32 percent. In our sample companies CIPLA and Ultratech is having highest number of women on their boards. On the other hand RIL and HUL have least number of women directors. On an average 20 percent of the women present on the board are non-independent directors whereas 80 percent of the women are independent directors. 50 percent of the women are non-independent

directors in RIL and TCS. In HCL, CIPLA and Ultratech 1/3rd of the women present on the board are non-independent directors. Half of the sample companies are having women as non-independent directors. Mostly these organizations are family run business. Four companies in our sample are having foreign national as women director. These are IT companies having global presence. 44 per cent of the women directors are busy (having multiple directorships in Indian listed companies).

Table: IV

COMP	AC	NRC	CSR	SHC	RMC
RIL				M	
HUL			M		
ITC		M	M		-
TCS	M		M		M
INFY	M	C	C/M	M	M
HCL	M	M	C	M	M
CIPLA	M	C	M	M	C/M
ULTRATECH	M		C	M	
COLGATE	M	M	C	C	M
TATAMOTO	M	-	M	C/M	C

M:- Member, C:- Chairman, C/M:- Chairman and member.

Table – IV explains about the presence of women in different committees. We have taken into consideration only five major committees that are generally present in every organization viz; Audit Committee (AC), Nomination and Remuneration Committee (NRC), Corporate Social Responsibility Committee (CSR), Stakeholders’ Relationship Committee (SHC), Risk Management Committee (RMC). In 70 percent of sample companies women are members in audit committee but there is no representation of women as chairperson of the audit committee. 50 percent of the companies have women as member or chairperson in NRC. CSR committee has highest representation of women. 90 percent of the sample companies have women representation in CSR. In 40 percent of the companies women are chairperson in CSR. In SHC women are present in 70 percent of the companies. 60 percent of the companies have women as chairperson or member in RMC. Four companies i.e.; Infosys, CIPLA, Colgate and HCL have women in all the committees.

IV. CONCLUSION:

Efforts are being put in order to bring about the gender diversity of the board in the Indian companies. We have taken the data from multiple industries and the result at the end is what we can say is a positive sign. With the proportion at 22 percent as compared to the worldwide benchmark we have not yet reached the desired spot. Still, we can see development in multiple dimensions like on the basis of age women are given opportunity just like male members as the average age of females in most of the companies are above 55. They are also given the preference irrespective of the geographical aspect.

The results show that female directors have a remarkable say in the business decision making process and on the board structure. Also, we found out that as compared to male members the female members are staying in the boards for a very short span of time. Very few companies have women directors in all of the committees required to operate efficiently. But this does not support the fact that their contributions have made some significant contribution to the business process which can be found out through a detailed survey.

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