Women on Boards: A Gap Analysis of India vis-a-vis World

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INTRODUCTION

Diversity refers to the inclusion of different demographic dimensions like age, religion and gender in the workplace. India is at 2nd global rank position as per population census 2011, where, women constitute 48.46 % of the population with 58.7 crores in number (Census report 2011). Also, literacy rate for the women is not respectable, showing a gap of 21.59% between women and men in census year 2001 while it was 16.68% in census 2011 which denotes some increment in literacy rate of women and narrows the gap. The obvious reason for the same may be time factor and some policy implementation by government. There is an increasing trend to promote greater gender diversity within organisations due to social, cultural and legal changes adapted. It is expected that nearly 1 billion women will enter into the workforce in the next decade (Booz & Co., 2012). The present status reveals that their presence at senior positions and on boards of companies has not been significant enough. The fact is that numerically the population in societies is roughly equal but in terms of opportunities for education, employment and other development the genders are rarely treated equally anywhere in the world. Corporate board membership is no exception. Another issue of glass ceiling has also cropped up due to gender biasness which refers to barriers faced by women who attempt or aspire, to attain senior positions. Cotter et al. (2001) found that glass ceilings are strongly correlated with gender. Both white and African-American women face a glass ceiling in contrast African-American men. Individuals, organisations and governments around the world have tried to encourage an increase in the number of women who reach the upper echelons of power. Women empowerment is basically the creation of an environment where women can make decisions independently about their personal and economic developments. Corporate world is now moving to show that they care for women by making their boards more gender balanced. Some companies are recruiting women on their boards because of their talent while others are doing it for the sake of legal compliances. Several countries have introduced quotas to increase women participation on the boards particularly European Union (EU) quota, according to which at least 40% of the non-executive directors of publicly-traded European companies should comprise women by 2020; state-owned companies are expected to achieve this goal by 2018 (Ibarra, 2012). Legal mandates versus voluntary self-regulation by organization is one the issue that requires further investigation in developing countries such as India, where women's participation on boards is very low compared to the rest of the world.

NEED OF WOMEN ON BOARDS

Inclusion of more women on the boards as the responsibilities which women carry in voluntary organizations and public life will have given them a different type of experience from executives. If there were more women on the boards of companies then a larger pool of potential directorial talent would be tapped and the make-up of boards would come closer to that of society as a whole. Women take their non-executive director roles more seriously and preparing more conscientiously for meetings. Women are likely to be better than male board members with similar backgrounds and education because they are not afraid of asking the awkward questions which leads to the better decisions which are less likely to be nodded through (Izraeli, 2000). Zelechowski and Bilimoria (2004) reported that women bring different perspectives and voices to the table, to the debate and to the decisions. Balasubramanian (2011) reported the ground on which the gender agenda for boards is advocated is based on social justice and equity. While getting women on boards as a measure of fairness, equality of opportunity and social justice, such inclusion must be justified to ensure better corporate performance. Numerous arguments for the recruitment of women directors have been proposed. They include increased diversity of opinions in the boardroom and providing female role models (Catalyst, 1995), influence on decision making and leadership styles of the organizations (Rosener, 1990), insufficient competent male directors (Burke & McKeen, 1993), ensuring better board room behaviour (Bradshaw et al., 1992), women directors tend to be younger than their male colleagues on the board, so it may benefit to board with new ideas and strategies (Burke, 2000), having women in key positions is argued to be associated with long term company success and competitive advantage as well as women on boards are adding value to long term success of company through women's distinctive set of skills (Green and Cassell, 1996). A well-balanced board having women directors on boards reduce the likelihood of corporate failures.

LEGAL COMPLIANCES

The Companies Act 2013 aims to make the corporate sector more transparent, lays emphasis on corporate social responsibility, improved corporate governance standards and empowerment of women by adding several new provisions. The focus of the study lies on women and so attention goes to section 149 sub-section (1) of Companies Act 2013 which describes that every public company shall have a minimum number of three directors, the number are two in the case of a private company and one director in the case of a One Person Company. Further the companies (Appointment & Qualification of Director) Rules, 2014 which come into force on 1st April 2014 provides that every listed company, and every other public company having paid–up share capital of one hundred crore rupees or more or turnover of three hundred crore rupees or more as on the last date of latest audited financial statements, shall appoint at least one woman director. Proviso added to the rule is providing that a company, which has been incorporated under the Act and is covered under provisions of second proviso to sub-section (1) of section 149 shall comply with such provisions within a period of six months from the date of its incorporation. There are also some amendments in Listing Agreement i.e. Clause 49 made by SEBI to increase the women participation on boards. Revised Clause 49 provides various provisions related to Corporate Governance to align with the relevant sections of the New Companies Act 2013; the deadline would remain unchanged at October 1, 2014, except for requirement of a minimum one woman director on the boards of listed companies. The listed companies would have time till April 1, 2015 year to comply with the woman director-related provision. SEBI has also exempted smaller companies those having equity share capital of up to Rs 10 crore and net worth not exceeding Rs 25 crore, and companies listed on SME platforms of the stock exchanges from the mandatory compliance to the new Code for the time being.

No doubt the introduction of a very comprehensive New Companies Act, 2013 and Revised Clause 49 is a milestone but the main concern here is to investigate whether the companies will seriously appoint competent women director or the women director will be coming out of family linkages or promoter groups. Even provision is not clear about the independence of the women director. Appointing independent women director will be more beneficial for the companies because by doing so they will be complying two provisions of section 149 i.e. sub-sections 1 and 4. The second proviso to the rule 3 is further providing that if there is intermittent vacancy of a woman director, it shall be filled-up by the board at the earliest but not later than immediate next board meeting or three months from the date of such vacancy whichever is later. If this provision would not have been made, the companies will be appointing a woman director and after appointment, they will try her removal and overcome law. But this provision has ensured the enforcement of the appointment of women on boards.

Table 1: Comparison between Companies Act 1956 and New Companies Act 2013

Basis of Difference	Companies Act 1956	New Companies Act 2013
Woman Director	No such provision existed	Prescribed Companies shall have a woman director.
Maximum number of Directors	Section 259 provided for max. 12 and beyond 12 required prior Central Govt. Approval.	Clause 149(1) provides for max 15 and beyond 15 by passing a special resolution.
Independent Directors	No such provision existed	Every listed company to have 1/3rd of total no. of Directors as independent directors. Tenure of such directors not exceeding two consecutive term of 5 years.
Directorship	As per this act the maximum number of directorship is 15.	As per new act no person shall hold office as a director including any alternate directorship, in more than 20 companies at the same time further provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed 10.

LITERATURE REVIEW

Dalton and Dalton (2010) found that few aspects of corporate board diversity have generated the focused attention on the participation, position and promise of women's service on the boards. Steady increases in the overall participation of women on corporate boards show their presence on key board committees. Authors also reported that increases are particularly noteworthy in the post Sarbanes-Oxley period. In 1987, 13.3% of female directors had backgrounds in large scale and profit organisation; in 1996 the percentage had increased to 37.6%; where as in 2009 the percentage of women with these backgrounds was 70.1%. Kurup et al. (2011) understood and interpreted the patterns of cross linkages between the directors on the boards of these 166 Indian companies for the period 1995-2007. Women are less represented on Indian corporate boards as compared to other countries. India is the lowest with 5.4% of the directorships being held by women where as Canada (15%), USA (14.5%), the U.K. (12.2%), Hong Kong (8.9%) and Australia (8.3%) have higher percentages. The major sources of directorships for women are public sector employment, family ties and private sector banks only. Balasubramanian (2011) reported that out of 1112 directors on the BSE-100 boards in 2010 just 59 or 5.3% were women. Only 4 of the 13 of the BSE-100 family based boards companies have women on their boards. Banks record the highest at 11.0% while several other sectors including renewable energy and health sectors trail at the bottom with 1.0%. Author observed that gender diversity on corporate boards can be approached from perspectives that women on boards are good for business since it contributes to better decision making & justifies a social equity issue. Black (2011) documented that women comprise slightly more than one-half of the U.S. population and control 76% of U.S. consumer purchasing power. Yet women held only 14.4% of executive officer positions and 15.7% of board seats on Fortune 500 companies in 2010. Sixty Fortune 500 companies had zero women directors in 2010. Only 57% of S&P 500 companies had at least two female directors, and only nineteen percent had more than two. Only seventy-two Fortune 500 companies had 25% or more women directors. Adams and Ferreira (2009) reported that women directors have a significant impact on board inputs and firm outcomes. Women directors have better attendance records and are more likely to join monitoring committees than men directors. Women constitute 8.11% of directors, holding 8.87% of directorships. Women act as inside directors in 6.64% of female board positions, as independent directors in 84.07% of female board positions, and as affiliated directors in the remainder. Female directors behave differently than male directors, even after controlling for observable characteristics. Authors further reported that the gender composition of the board is positively related to measures of board effectiveness. Kilday et al. (2009) documented the representation of women on the boards of Norway's publicly-listed companies was at 3% in 1992. By the end of 2008 women held over 40 percent of directorships in Norway, the highest proportion in the world. The major source for this radical change was government intervention. At the time the quota was introduced in 2002, a gain of only 3 % had been achieved in Norway's boardrooms in one decade, with women holding 6 % of directorships. It seemed that without active legislative interference, Norway would require many more decades before any semblance of equality would be reached in the business world. Many companies had to gradually decrease the no. of male board members throughout the transition period, while other firms simply expanded the size of their board in order to bring in the compulsory no. of women on boards. Rovers (2013) documented the status of women on boards and also investigated the financial performance of Dutch companies both with and without women on their boards. The study consists of 99 Dutch companies listed on the Amsterdam Euronext stock exchange on June 30, 2008. Out of 99 companies, 68 companies (69%) have no female directors and 31 companies (31%) have one or more female directors. Most companies with female directors have only 1 woman on the board and most of these are non-executive directors. He found that firms with women directors perform better than those without women on their boards. Julizaerma and Sori (2012) found that percentage of women on boards was decreasing from year 2005 to year 2007 in Malaysian public listed companies. It was 10.2% in year 2005, 7.6% in year 2006 and 5.3% in year 2007. However, it was slightly increased in 2008 to 7.41%. Author found that cultural and social attitude towards job and ability to manage the organisation are the main reasons behind the low women representation on boards. There is a perception about women that they are meticulous, fussy and emotional. So, glass ceiling factor is one of the concerns of women underrepresentation at decision making level. Bianco et al. (2013) examined the presence of women in Italian corporate boards before the introduction of Law 120/2012. Though, Italy is one of the lowest-ranking countries in the EU as for the size of the gender inequality gap. The percentage of women on boards in Italian companies is the lowest with only India, Japan, Turkey and Austria, which are performing worst. Authors investigated the potential determinants of having boards with gender-diverse representation & reported that most of the women were on boards due to having family connection with the controlling shareholder in smaller companies. Wellalage and Locke (2013) reported the issue of gender diversity in boardrooms. Authors conclude that due to high existence of family businesses in Sri Lankan listed companies, the founder includes all family members on the board. So, most of female family member on boards are inactive. Female directors are chosen merely because of tokenism, their impact is likely to be minimal. The reason for lowest women participation on boards is that education has not adequately empowered women to be aware of and assert their rights. Therefore, the probability of unspecialised female directors serving on boards is higher than for males. Kahle and Lewellyn (2011) reported that board gender diversity did negatively impact the decision to specialize in subprime lending in the context of the global financial meltdown during 2008-09. With the greater percentage of women on the boards, firms are less likely to specialize in subprime lending. Torchia et al. (2011) documented that most of corporate boards have only one woman director or a small minority of women directors. Therefore they can still be considered as tokens. Authors suggested that attaining critical mass going from one or two women to at least three women (consistent minority) makes it possible to enhance the level of firm innovation. Carter et al. (2002) examined the relationship between board diversity and firm value for Fortune 1000 firms. Authors presented that board diversity is associated with improved financial value. After controlling for size, industry and other corporate governance measures, it was found that there is a significant positive relationship between the fraction of women/minorities on the board and firm value. Walt and Ingley (2003) described diversity in the context of corporate governance as the composition of the board and the combination of the different qualities, characteristics and expertise of the individual members in relation to decision-making and other processes within the board. Authors further stated that gender of the board members is the easiest distinguished demographic characteristic compared with age, education, nationality or cultural background. Elstad and Ladegards (2012) investigated the relationship between increasing ratio of women on boards and decision making dynamics (i.e. perceived participation and influence of women on boards). They found that women possess high level of information sharing, low level of self-censorship and a high level of influence across the different ratios of board membership held by them as directors. The results support the notion of women directors as significant influencers. The results also show that women receive more information and engage in more informal social interaction when the ratio increases. Finkelstein and Hambrick (1996) suggested reasons for why the composition of the board might affect the performance of a firm. The board has maximum influence on a company's strategic decision making and also has a supervisory role as it represents the shareholders and monitors the total value of the company. Larcker and Tayan (2013) found that gender balance can enhance board independence by encouraging healthy debate among diverse perspectives. Women might have different insights to evaluate information and consider risk than men which leads to better decision making. Women may also exhibit higher levels of trustworthiness and cooperation, thus it improve the boardroom dynamics.

RESEARCH METHODOLOGY

For the present study, descriptive research design has been used. The study is purely based on secondary data which is collected from NSE INFOBASE (Indian Boards Database) and Catalyst Reports on women on boards. Total twenty countries are selected for the study to check the global representations of women on boards. Out of twenty, four countries are taken from the Asia-pacific Stock Index companies segment, fourteen from the European Stock Index companies segment, Canada from Canadian Stock Index companies and remaining one country, US from US Stock Index companies. Data has also collected from 1466 NSE listed companies and 217 unlisted financial sector companies in India to investigate the women representation on these companies.

Table 2: Selected countries with respective stock indices

1.) US Stock Index	2.) Canadian Stock Index	3.) Asia-Pacific Stock indices	4.) European Stock Indices	
United States-S&P 500 index	Canada- S&P/TSX 60 index	Australia-S&P/ASX 200 index	Austria-ATX index	Ireland-ISEQ Overall index
		Hong Kong-Hang Seng index	Belgium-BEL 20 Institutional index	Netherlands-AEX index
		India-BSE 200 index	Denmark-OMX Copenhagen 20 index	Norway-OBX index
		Japan-TOPIX Core 30 index	Finland-OMX Helsinki 25 index	Portugal-PSI 20 index
			France-CAC 40 index	Spain-IBEX 35 index
			Germany-DAX index	Sweden-OMX Stockholm 30 index
			Switzerland-SMI index	United Kingdom-FTSE 100 index

OBJECTIVES OF THE STUDY

1. To investigate the global gap of women representation on the boards.
2. To reveal the present status of Indian women directors of NSE listed companies (1466) and unlisted financial sector companies (217).

ANALYSIS & INTERPRETATION

An inspection of **Table 3** depicts the representation of women and men on boards at global level. Top five countries with highest percentage of women on boards are European countries. Norway is able to bag the first position with 35.5 percentage women representation, followed by Finland (29.9%) and then by France (29.7%), whereas Japan has lowest 3.1 percent women participation on boards followed by Portugal (7.9%) and then by India (9.5%). India is at 18th position. Even world most powerful economy United States also lags behind at 10th position with 19.2 percent women on boards. **Figure 1** shows the global analysis of gap between men and women representation on boards whereas Japan having maximum gap of 93.8 percent followed by Portugal (84.2%) and then by India (81%).

Table 3: Country-wise representation of women on boards with ranks and year of enactment

Country	Women (in percentage)	Men (in percentage)	Rank	Year of enactment of women quota on Boards	Type of Quota
NORWAY	35.5	64.5	1	2003	Legislative
FINLAND	29.9	70.1	2	2004	Legislative
FRANCE	29.7	70.3	3	2010	Legislative
SWEDEN	28.8	71.2	4	2004	Voluntary
BELGIUM	23.4	76.6	5	2011	Legislative
UNITED KINGDOM	22.8	77.2	6	2010	Voluntary
DENMARK	21.9	78.1	7	2013	Legislative
NETHERLAND	21	79	8	2012	Legislative
CANADA	20.8	79.2	9	-	-
UNITED STATES	19.2	80.8	10	2010	Voluntary
AUSTRALIA	19.2	80.8	11	2011	Voluntary
GERMANY	18.5	81.5	12	2014	Legislative
SPAIN	18.2	81.8	13	2007	Legislative
SWITERZERLAND	17	83	14	-	-
AUSTRIA	13	87	15	2011	Legislative
IRELAND	10.3	89.7	16	2004	Legislative
HONG KONG	10.2	89.8	17	2011	Voluntary
India	9.5	90.5	18	2013	Legislative
PORTUGAL	7.9	92.1	19	2012	Legislative
JAPAN	3.1	96.9	20	-	-

Source: Catalyst Census: Women Board Directors (2014), Corporate Women Directors International (2013 & 2014), European Commission Gender Equality Newsroom (2013)

Figure 1: Gap Analysis of women and men on boards in different countries

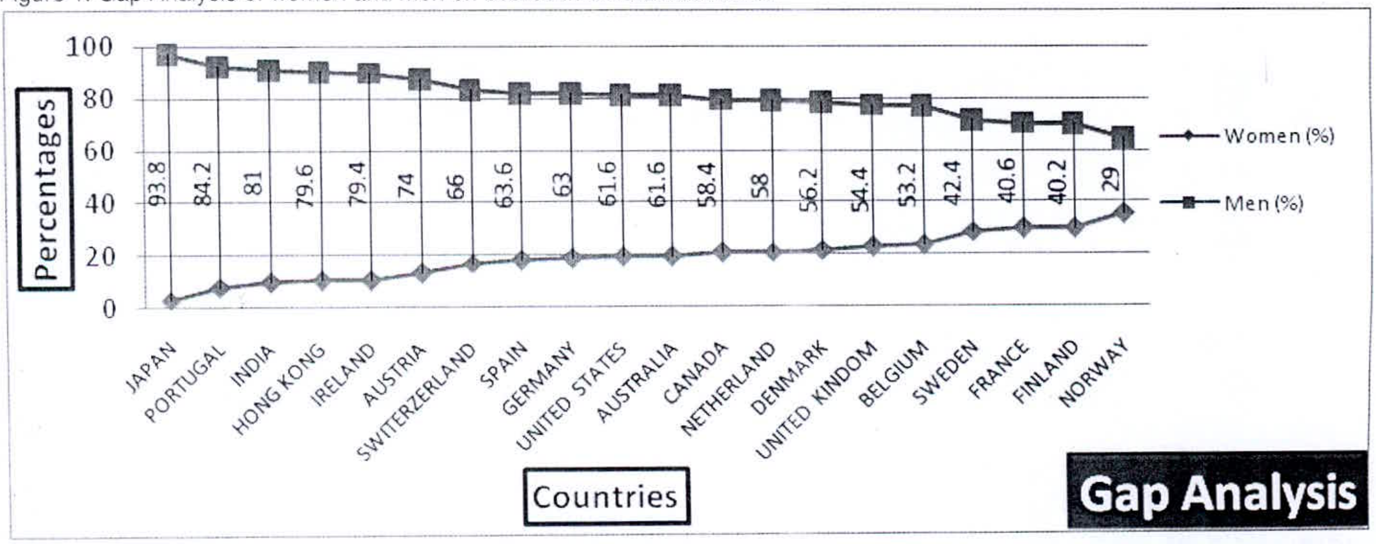

Table 4: Average percentage of men and women representation on boards

Companies	Women (Avg. Percentage)	Men (Avg. Percentage)
US Stock Index Companies (United States only)	19.2	80.8
Canadian Stock Index Companies (Canada only)	20.8	79.2
European Stock Index Companies (14 Countries)	21.29	78.71
Asia-Pacific Stock Index Companies (4 Countries)	10.5	89.5

Source: Compiled by authors

Table 4 depicts that EU countries have maximum 21.29 percentage women representation on boards and the lowest rank is of Asia-pacific region stock index companies (10.5%) whereas United States has 19.2% and Canada has 20.8% women on boards without any legislative quota.

Table 5: Directorship status of NSE listed companies

	NSE Listed Companies (1466)				
	Men	Percentage	Women	Percentage	Total
No. of Directors	8288	90.48	872	9.52	9160
No. Directorship Positions Held	12202	91.3	1162	8.7	13364
No. of Independent Directors	4007	91.11	391	8.89	4398
No. of Directorship Positions Held by Independent Directors	5410	91.23	520	8.77	5930

Source: Indian Boards Database

A glance at **Table 5** indicates the percentage of men and women on boards of NSE listed companies. The total no. of directors on the boards is 9160, whereas only 9.52 percent are women with absolute figure of 872. As far as directorship positions are concern, women lag behind representing 8.7 percent. Out of total 13364 only 1162 directorship positions held by the women. The total no. of independent directors on the boards is 4398, whereas only 8.89 percent are women with absolute figure of 391. Major portion i.e. 91.23 percent with total of 5410 number of directorship positions is held by men in companies whereas women held only 520 directorship positions (8.77%) as independent directors.

Table 6: Directorship status of Unlisted Financial sector 217 companies

	Unlisted Financial Sector Companies (217)				
	Men	Percentage	Women	Percentage	Total
No. of Directors	955	95.88	41	4.12	996
No. Directorship Positions Held	1464	94.39	87	5.61	1551
No. of Independent Directors	91	100	0	0	91
No. of Directorship Positions Held by Independent Directors	1711	94.79	94	5.21	1805

Source: Indian Boards Database

Table 6 depicts that there are 996 directors on boards of 217 unlisted financial sector companies out of which only 41 are women representing 4.12 percent. The numbers of directorship positions held by 41 women are 87 out of 1551 representing 5.61 percent. There are 91 independent male directors. No woman is on the boards of unlisted financial sector sample companies as independent director. Men hold total 1711 directorship positions as independent directors representing 94.79 percent while only 94 directorship positions are held by women constitute 5.21 percent.

Table 7: Directorship status of Indian companies

	Total Companies Covered (1466+217=1683)				
	Men	Percentage	Women	Percentage	Total
No. of Directors	9243	91.01	913	8.99	10156
No. Directorship Positions Held	13666	91.63	1249	8.37	14915
No. of Independent Directors	4098	91.29	391	8.71	4489
No. of Directorship Positions Held by Independent Directors	7121	92.06	614	7.94	7735

Source: Indian Boards Database

Figure 2: Gap Analysis of women and men on boards of selected companies (absolute figures)

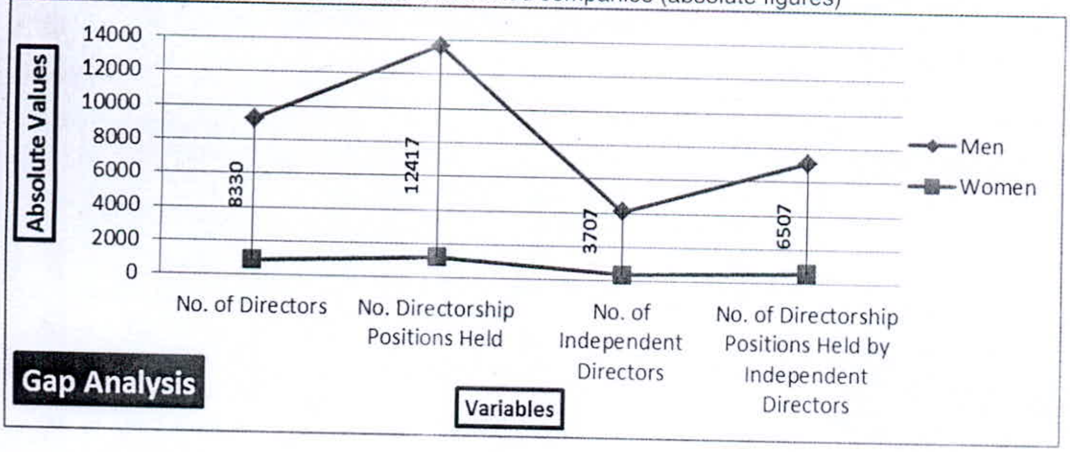

Table 7 shows the gender diversity on boards of total 1683 Indian companies out of which 1466 are NSE listed companies and 217 are unlisted financial sector companies. Total number of directors on the boards of sample companies is 10156 in which 91.01 percentage are male directors (9243) while only 8.99 percentage are women directors (913). There is a huge gender gap of representation on boards **(See Figure 2)**. 913 women hold 1249 directorship positions on boards while 13666 positions secured by men. There are 4489 total independent directors out of which only 8.71 percent are women (391) and remaining 4098 are men with 91.29 percent. This gap of 3707 individuals is representing the women at backstage. Men hold total 7121 directorship positions with 92.06 percentage whereas women hold only 614 directorship positions (7.94%) as independent directors.

FINDINGS & CONCLUSIONS

The gender gap emanating from centuries of exclusion and gender inequalities is not only disadvantageous to women, but it is also throwing challenge on competitiveness of their countries. As literature describes that gender diversity on the board may provide a basis for a success for the organizations. While the gaps between women and men are closing down with respect to education, still there is wide gap found in participation on boards. Norway (35.5%), Finland (29.9%) and France (29.7%) are having first, second and third ranks in women representation on boards on global footing. Sweden (4^{th} rank), United Kingdom (6^{th} rank) and United States (10^{th} rank) are performing well in this respect even without having any legislative quotas for women on boards. Even after legislative quotes by different countries, still this gap is not filled. In Norway, legislative quota 40 percentage women representation on companies' boards is available from year 2003, but still 4.5 percentage gap is to be filled to achieve the target quota. India is at 18^{th} position having 81% of gender gap representation on boards. European Stock index companies (14 countries) are having highest 21.29 percent women representation on global footing. There are 539 companies listed on NSE India having no woman on the board (Indian Boards Database, 2015). There is 80.96 percentage of gender gap found in no. of directors in NSE listed companies (1466) where as this gap is 82.22 percentage in number of independent directors. There are only 41 women directors having 4.12 percentage representations whereas 100 percentage gap lies in case of independent directors of on boards of unlisted financial sector companies (217). We observed that women are taken as tokenism and their impact in decision making still minimal. Due to existence of impact of glass-ceiling, women are very less on senior positions specially director on companies' boards in India. Mere introduction of legislation is not sufficient for empowerment of women; companies should understand the benefits of gender diversity on their boards. The findings of the present study are mainly in tune with studies by Balasubramanian (2011), Kurup et al. (2011), Adams and Ferreira (2009), Bianco et al. (2013) and Torchia et al. (2011).

IMPLICATIONS OF THE STUDY

Present study describes the gender gap in companies' boards. Even, many countries including India have setup legislative quotas for women on boards, but still there is huge gap as described in analysis part. The study is helpful to know the current status of women on Indian companies' boards and to analyse reasons why women are very less represented on boards as well as their minimal impact in decision making. The study can be taken as the base to describe the impact of women directors on performance of companies. Further study can be conducted to analyze sector-wise women representation on boards.