

# Women Participation in Corporate Governance

Greater Kashmir

In the coming decade, one billion women around the world could enter the mainstream economy

Srinagar, Publish Date: Mar 8 2019 12:08AM | Updated Date: Mar 8 2019 12:08AM



Representational pic

It is universally acknowledged that a society cannot prosper without making women educated and empowered. A nation's competitiveness in the long run, inter alia, depends significantly on how it educates and trains half of its talent base. Hence, in recent years, the focus of many countries has shifted from equipping women for their traditional roles of housewives and mothers to recognizing their worth as producers, partners and partakers making a major contribution to the family income and welfare. Research evidence reveals that women reinvest up to 90 per cent of their earnings in their families and communities leading to the realization that increasing women's economic participation contributes to the improved health and well-being of future generations. With the advent of women's economic empowerment and changes in socio-cultural aspects today, women have proved their strength of managerial and entrepreneurial skills. They have played and continue to play vital roles in society and economy- from family matriarch to caregiver, to wage earner, to political leaders, to policy and decision-makers. International Trade FORUM reports that, in the coming decade, one billion women around the world could enter the mainstream economy as producers, consumers, employees and entrepreneurs. Pertinently, corporations like Goldman Sachs, Coca Cola and Google have established initiatives to promote women's economic empowerment.

**The Global Scenario:** The women of the world have been affected more by poverty, lack of opportunities and facilities owing to the innate discrimination prevalent in almost all societies. They do not have an equal status with men. The disparity between men and women is reported to be so glaring that women perform about 60 per cent of world's work; they earn just 30 per cent of the world's income. On an average, women all over the world are paid 30 to 40 per cent less than men for same work. According to a study while women are joining the workforce in increasing numbers in many countries, their wages are between 70 per cent and 90 per cent of men's wages in most cases. There continues to be growing recognition that in the economic and job creation arena women represent one of the last pillars of untapped potential. Reportedly, more than 80 per cent resources of the world are accessible to only 25 per cent of the world population, that is, the developed countries. On the contrary, 75 per cent of the world population has access to only 20 per cent of the resources. The main reason behind this disparity is the disparity of access to knowledge. This is more so because, over the years, many regions across the globe have failed to promote the participation of women as equal partners with men in achieving educational progress and access to knowledge.

During the past four decades, there has been a global effort with a strong support from the world bodies like the UNO to understand and eliminate discrimination against women and restore a status to them. The United Nations General Assembly declared 1975 as the International Year of Women, which brought about a great renewal of interest in women's status and development. It also organized four International Women's Conferences-- in 1975 at Mexico, in 1980 at Copenhagen, in 1985 at Nairobi and the last one in September 1995 at Beijing; this was followed by a series of five-year reviews. All these conferences have sharply brought to the focus the gender issues. However, the Beijing Conference emphasized that no enduring solution to the society's most threatening social, economic and political problems can be found without the full participation and full improvement of the issues concerning women like economy, governance, human rights, peace, security, science, technology, religion and education. It may be noted that the review held in the year 2005 studied progress made in the 20 years since the adoption of the Beijing Declaration and Plan of Action; concluded implementation of the Millennium Development Goals and crafted a new development agenda--the Sustainable Development Goals. In 2015, while drawing on data provided by 164 UN member states, the report of the UN Secretary General to the omission on the Status of Women identified four major trends in government action to address gender inequalities since 1995:

- Increasing gender equality in employment through law and practice;
- Supporting women farmers and other women living in rural areas;
- Addressing the needs of self-employed women and women entrepreneurs; and
- Enhancing women's voice in economic governance.

Notably, in 2015, world leaders participated in the Special Summit on Sustainable Development at the UN and were as determined as the delegates in Beijing were in 1995. They agreed and put women's rights and empowerment at the centre of the new global development agenda.

Despite such laudable efforts on the part of the world-body, it is distressing that the declared policies and programmes are not implemented and a good majority of women, especially in the developing countries, are not aware of the benefits conferred on them by these declarations. However, it is gratifying that since the Fourth World Conference on Women in Beijing 23 years ago; many countries have taken significant steps to advance women's rights and empowerment. New laws, initiatives and campaigns are helping to curb discrimination and violence against women and girls. Most countries have achieved or are close to achieving gender parity especially in primary education. Many have gone further laying the ground for women's equal participation in government, economies and societies. The Beijing Conference and the Platform for Action it established, have inspired many more to act. That outcome marked a significant turning point for even the global companies for gender equality agenda. Indeed, there is now a strong business case for Women in Corporate Governance. Several countries such as Norway, Belgium, France, Iceland, Italy, Germany, Spain, Malaysia, United Arab Emirates, Netherlands, Austria, Israel and Finland have made it mandatory for induction of women directors on corporate boardrooms. However, many countries are yet to have any gender quota systems.

**The Indian Scenario:** As stated earlier, in recent years, momentum has been gathering all over the world demanding gender equality and push for equal representation of women in all spheres of activity including political, cultural, educational, economic and corporate governance. In India too, women's active participation in varied and numerous social, political, economic and business activities has been of interest for several years. This has been reflected in the reports of various Commissions, Committees, Missions, Policies and Acts. The Indian constitution enshrines with provisions which deal with the importance placed for women in workplaces too and that women do have equal means of livelihood as compared to that of men. Other recognition includes provision for equal pay for equal work carried out by a woman, maternity relief and such other provisions. In spite of these concerted and policy proclamations, the country has low female participation in all spheres of social and economic activities especially in giant business and corporate houses. However, it is a matter of great satisfaction that there are now an increasing number of national and multinational corporations exploring how their policies and programmes can empower women as a core part of their business strategy/policy. This being so, an important development in recent times has been to empower women in Indian 'Listed Corporations' by ensuring their sufficient participation in decision-making and governance at Board levels. Gender diversity in boardrooms is being strongly advocated by many simply because of the difficult economic climate of financial crisis, corporate scandals/scams and poor corporate governance that plagued the financial sector's reputation in recent past and adversely affected our corporate houses. There is ample research evidence that women are more assertive on corporate governance issues. Studies have found that companies run by women outperform others. The other reported benefits of talent/thought diversity in the Corporate Boards are:

- ☐ Better business results;
- ☐ Strong financial performance;
- ☐ Ability to attract and retain top talent;
- ☐ Heightened innovation;
- ☐ Enhanced client insight;
- ☐ Strong performance on non-financial indicators; and
- ☐ Improved board effectiveness and efficiency.

Promoting better gender representation at board level is expected to go a long way in bringing transparency, accountability, efficiency, effective governance and improved business performance thus curbing corporate frauds, scandals and contain Non-performing Assets (NPAs) to a larger extent. The US-based management consultancy 'Catalyst' reported that companies with a significant participation of women in top management achieved 34 percent higher returns. Studies have also shown that women tend to be more risk aware than men and are also the primary decision makers for consumer goods in 85 percent of households. A study about the 'Return on Equity (ROE)' data of 100 top Indian Companies has shown that companies with women on their boards have a positive impact on their ROE. It is also argued that greater board diversity increases a company's competitive edge when compared to those with less diversity in their boardrooms.

The Regulatory Framework: India is perhaps the first country among the developing nations that has chosen to make representation of Women on Company Boards mandatory through the regulators- the Ministry of Corporate Affairs (MCA) and the Securities and Exchange Board of India (SEBI).

In an effort to improve corporate governance and correct imbalance in the boardrooms, the Ministry of Corporate Affairs (MCA) in the Companies Act, 2013 (Chapter XI, Section 149) introduced the concept of appointment of a Woman Director in the Company Boards. The Act requires that one-third of a company's board comprise independent directors, and that atleast one board member be a Woman.

According to Companies (Appointment and Qualification of Directors) Rules, 2014 (Rule 3), the following class of company shall appoint atleast One Woman Director:

☐ Every listed company;

☑ Every other public company having (a) paid up share capital of Rs 100 Crores or more; and (b) turnover of Rs 300 Crores or more.

The Securities and Exchange Board of India (SEBI), in February 2014, announced that all listed companies to have mandatorily at least one Woman Director on the Board as early as September 1, 2014. Subsequently, the time limit was extended to March 31, 2015 and again later to September 30, 2015 (now under the Kotak Committee Report and new norms by April 1, 2019 the top 500 companies and by April 1, 2020, the top 1,000 companies will have to appoint at least One Woman Independent Director). According to Clause 49 of the Listing Agreement the Board of Directors of the company shall have an optimum combination of executive and non-executive directors with atleast One Woman Director and not less than 50 per cent of the Board of Directors comprising non-executive directors.

Thus, the law has obliged Indian listed companies to put Women into Directors' seats previously occupied by men. This is evident from the report of Indian Boards Database (<http://indianboards.com/pages/index.aspx>), a joint initiative of Prime Database and NSF, according to which there are 11,227 persons occupying a total of 15,178 directorships in NSE-listed companies. Of these, 2,426 positions are held by women, a significant 15.98 per cent compared to December 2014, when it was only 8.9 per cent. Thus, the diversity position seems to have improved over the last four years.

The J&K Scenario: In our State, J&K Bank till recently being the only listed company, has already instated a 'Woman Director' on Bank's Board thus complying with the provisions of the Section 149 of the Companies Act 2013 and in pursuance to Clause 49 of the Listing Agreement governing Corporate Governance. In fact, while conducting the Secretarial Audit for the financial year 2014-15, the issue of appointing a Woman Director was raised and taken up by the auditors with the key managerial personnel of the Bank. Naturally, the Bank Management woke up to the issue and fulfilled the statutory requirement. It may be indicated here that many women in banking entities have risen to the top by dint of their hard work essentially because the banking sector is conducive for growth of women executives. The same is true of J&K Bank. Many competent and professional females are currently associated with this Bank. In future, therefore, while making the appointment of a 'Woman Director', the purpose should be to find the best, most capable, dynamic, committed and qualified woman, especially female chartered accountant/company Secretary, who could help bring the organization to greater heights.

Recently, another Jammu-based company 'Sarveshwar Foods Ltd' (registered in 2016 and engaged in the business of processing and marketing basmati rice among other products) also became the first small and medium enterprise (SME) from the state to make its debut on the capital market by getting listed on the National Stock Exchange. The Company reportedly is also having Woman Director/s on its Boardroom.

In short, numerous policies and enactments during the past few years have guaranteed meaningful representation to women at all levels of decision-making: educational, social, political, financial and now in corporate governance. The objective of incorporating 'Women Directors' in Indian Companies is a means to empower them by ensuring sufficient participation of women in decision-making and governance at Board levels.

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