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Critical Evaluation of the position of women directors in Corporate Boards

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The 2013 Companies Act mandates that all recognized classes of organizations include at least one woman on the board of directors. Enlisting a woman to join the board of directors can help to improve performance and business organization practices. Ladies are known to be cautious, natural, more centered around standards, ethics, and conduct, detail-driven and judicious in their audits. Ladies' chiefs are believed to be talented at get-together data; all of which makes for further developed cooperation among board individuals. The requirement for sexual orientation variety in India isn't even-handedly felt across meeting rooms. The extent of senior administration jobs held by ladies in India is amidst the most minimal in this world. Therefore, this article will give up a complete scenario on the position of women directors. This article seeks to present the Indian scenario in this regard and added a worldwide scenario. The reasons for sex imbalance in the boardroom, as well as the biggest demand for female CEOs, have been provided a roadmap to help improve sex diversity at the board level. Lastly, a critical analysis has been put forward along with some suggestions and right off the bat with a conclusion.

Keywords: *women, director, companies act, corporate board.*

INTRODUCTION

Gender diversity on corporate boards is one of India's most contentious issues. Previously, women were always viewed as second-class citizens in all parts of life, but as time has passed, The government has implemented several rules to ensure that everyone is treated equally. Women's participation in the workplace has been seen in the twentieth century. Although few women work in high-profile businesses, the government has mandated the appointment of at least one female CEO to the Board of Directors, and the influence may be seen in the company's financial performance. The conventional Indian worldview has limited the role of women in domestic tasks, family, and children from the dawn of time. It took most of the day for society to recognize that women had a role to play outside of the home as well. Section 149(1) of the Companies Act of 2013 made progressive provisions for sex balance and female portrayal on a dynamic level. The second provision of Section 149(1) refers to a select set of organizations that are required to name female leaders; this means that not all organizations are required to remember individuals for their governing board.¹

NEED FOR LADIES DIRECTOR

According to a study, having a woman on the board of directors improves results and negotiations while also assisting with the company's corporate social responsibility. It has been established that companies with a woman on the board of directors have a higher return on equity (4.4%) than companies with sole men on the board, with an average annual increase of 1.8 percent. This holds for both family-owned and privately held businesses.² Having a female director can help in a variety of ways, including: -

- Better Financial outcomes;
- Better perseverance in independent direction and hazard the board;
- Gender variety go about as a technique;
- Good administration;

¹ Company Act,2013, s 149

² 'Women on Corporate Boards (Quick Take)' (*Catalyst*, 5 November 2021)

<<https://www.catalyst.org/research/women-on-corporate-boards/>> accessed 22 November 2021

- The boost of organization execution.

After the Satyam and other comparable embarrassments, organizations should look for a capable woman who can add value to the organization and create new, novel ideas and opinions. Ladies from scholastic and research institutions have been recruited by companies like Mahindra and Mahindra Ltd and the Essar Group so that they may add value to their organizations and work hard. The catalyst did a detailed study in 2007 and found that top-ranking enterprises with more female directors on the board of directors had better financial performance and might boost the country's GDP.³ According to research published in the Harvard Business Review in 2011, female pioneers outperform male pioneers in a variety of ways, including their ability to step up, perform well, and establish more solid relationships.⁴

Diversity on the board contributes to long-term performance. CEOs tend to pick directors with a wide range of backgrounds and educational levels. They used to be dismissive of gender differences. Experts feel that a Board with a majority of female directors is more successful at managing risks. They tend to focus on consumer, employee, and shareholder interests, as well as long-term goals. Women directors are more likely to focus on the requirements of women, resulting in higher product and service quality. By enlarging the board, we increase the number of potential board members, increasing the likelihood that we will have a board member with the requisite skills, experience, and expertise to make sound decisions for our organization. Variety of thought will be energized by a diverse Board of Directors. In today's changing environment, it will have a competitive advantage. They'll have experience in the industry, as well as operational and functional knowledge. Women have aided men and society in a variety of domains, including practically all aspects of the broad economic sectors of industry and trade, professions, industries, and services, at all levels from lower to higher. Given the fact that India is one of the world's largest and fastest-growing economies, this

³ Gagandeep Singh, 'Corporate Governance: An Insight into the Imposition and Implementation of Gender Diversity on Indian Boards' (2020) 13(1) IJCG
<<https://journals.sagepub.com/doi/full/10.1177/0974686220930839>> accessed 23 November 2021

⁴ Harvard University, 2011 *Financial Report* (Cm 20110)

attempt to empower women in the world's largest and most influential corporations is highly praiseworthy.

Women on the board of directors, according to research, not only improve an organization's sales and production but also has a favorable impact on its corporate social responsibility. As previously stated, a corporation with women directors has more equity than one with just men on the board. As a result, it is apparent that having a female director benefits not just financial results, excellent governance, and more diligence in making decisions or dealing with risks, but it also leads to the maximization of performance by fostering gender diversity as a strategic act. Customer satisfaction is another advantage of gender diversity in firms. Customers have been reported to be focused on organizations that maintain an ethical and responsible atmosphere as well as accountability. Companies must analyze and adjust their tactics in response to changes in consumer demand to maintain their market position. Several firms, like Amazon, Nike, and IBM, have implemented similar improvements in their boardrooms, recruiting processes, and talent recruitment efforts, and have seen favorable results in their earnings. If sexual orientation diversity is banned, businesses will fight to maintain a competitive system in the global market. The business sector's fiscal production and GDP contribution is known as a major source in the nation's economy. Gender equality will have a long-term positive impact on the economy as it progresses. As a result, it's critical to analyze and comprehend the economic growth's reliance on the organization's productivity and efficiency. By excluding women, a corporation is claimed to have been unable to engage in the most sustainable operations to maximize profits.

WOMAN DIRECTORS ON THE CORPORATE BOARD PER THE ACT

Brinda Jagirdar: Jagirdar has been filling in as a free chief on the sheets of Capital First and Rane Engine Valve since September 2014. After a stint in the State Bank of India, Jagirdar resigned as a senior supervisor and chief financial analyst. While freely counseling, Jagirdar met Arun Duggal, Chairman of ICRA and the FicciCenter of Corporate Governance, who invited her to join the program "women on corporate sheets." She stated that she was acknowledged for her topic knowledge and that she had a great deal of learning freedom.

Hiroo Mirchandani: As a free chief, Mirchandani has worked with Tata Teleservices (Maharashtra), Tata Communications Payment Solutions, Religare Health Insurance, DFM Foods, and Premium Transmission sheets. She prepared for executive meetings by learning about the company, its business, industry, financials, the board, and the board of directors. She also paid a couple of clients a visit.

Sudha Ravi: Since June 2014, Ravi has served as an extra chief for independent directorship on Goodyear India's leading group. She is also a top contender for four separate organizations. She claimed to be valued for her opinions and for sharing her thoughts about the organization's show. She had never been separated as a lady and had sought out various people to value her commitments and assessments.

Neera Saggi - Former chief executive, L&T seawoods: Swaraj Engines, RPG Life Sciences, TRF, Tata Projects, TATA Reality, Maithon Power, Tata Consulting Engines, ILFS Financial Services, CARE India (non-profit), and Mahindra Heavy Engines all added Saggi to their boards in September 2014.⁵

INDIA'S CURRENT STATUS OF WOMEN DIRECTORS ON THE CORPORATE BOARD

474 women have been appointed to 546 directorship posts in 522 organizations as of February 2015. 487 organizations have met the new legal requirements, with 35 of the 522 enterprises having a female leader locally available before the need of segment 149 on the SEBI round. On the 3rd of February 2015, 526 of the 1471 females' chief jobs in recorded organizations have remained vacant. By June 30, 2014, 74 women had been relegated to 80 directorship positions, with 78 organizations bringing women to their heaps for the first time. Despite this, one-fourth

⁵Siri Terjesen, Ruth Sealy and Val Singh, 'Women Directors on Corporate Boards: A Review and Research Agenda' (2009) 17(3) Corporate Governance: An International Review, (Research Gate)<https://www.researchgate.net/publication/227541616_Women_Directors_on_Corporate_Boards_A_Review_and_Research_Agenda> accessed 24 November 2021

of the women identified as bosses (19 out of 80) are unmistakably linked to advertisements. Certain organizations have not made the necessary changes to comply with the Act.⁶

WORLD SCENARIO

Slowly but steadily, women are winning positions on company boards, and the target level that once appeared impossible to achieve is increasingly becoming a reality. Various organizations have established targets ranging from 20% to 40%, which are being met in a variety of countries. Varying nations have set different necessary percentages for female participation on boards, such as 40 percent in Iceland, 1 person on boards in Israel and India, 33 percent in Italy, and 40 percent or higher in Norway, depending on the size of the board. Several countries, including France, Germany, and Malaysia, have fully phased these ratios. The only question is whether or not these percentages can be followed and whether or not they will result in good change. For more than a decade, the ratio of women on boards in the United States has been stagnant.

It ranges from 11% to 12%. The percentage of women on sheets of health-related companies varies greatly, ranging from 9.7% for biotech companies with fewer than 1,000 employees to 27% for medical clinic sheets. Although women make nearly half of the employees at Fortune 500 healthcare organizations, only 21% of their board members are female. Norway was urged in 2002 to change its policy of appointing solely male directors, or a quota system would be imposed. Within a year, legislation requiring 40 percent of public firm board members to be women was enacted, with non-compliance resulting in the company's dissolution. Based on GMI data, it is assumed that Europe has made the most modest progress in terms of female representation on boards of directors. India, on the other hand, has seen a 1.3 percent increase in the number of female chief executives since 2011, a faster rate than nearly equivalent

⁶ Press Trust of India, 'At 17.3%, India Inc badly lags presence of women board members: Report' (Business Standard, 28 September 2021) <https://www.business-standard.com/article/companies/at-17-3-india-inc-badly-lags-presence-of-women-board-members-report-121092801142_1.html> accessed 24 November 2021

countries. In the following years, this increased from 1.3 percent to 6.5 percent, demonstrating India's severe need for female directors.⁷

It's not just about the numbers when it comes to diversity. While numbers can be profitable, having women or minorities on our board of directors while ignoring their commitments and opinions does not add value to our organization. It may take some time and effort to change people's perspectives, but paying attention to and considering the perspectives of our various board members can provide a fresh perspective and new ideas to help our organization thrive. "The profile of the average woman director has transformed as women's operational and management experience drives them into the top executive ranks," Catalyst President Sheila Wellington said.⁸ The pool of qualified applicants is there if a board wishes to include a woman now." Ms. Wellington, on the other hand, raised concern about the slowing rate of increase among female directors. It is evident which companies are dedicated to the progress of women. They've added two, three, and four women to their boards of directors, respectively.

THE CURRENT SCENARIO IN INDIA

Following the adoption of new legislation in the Company Act 2013, women on corporate boards have sparked a lot of interest in the last year. The percentage of India's publicly traded corporations with no female board members. The corporate culture is influenced by the composition of the board of directors. The Indian board cosmetics have changed as a result of the SEBI rule requiring all registered firms to have at least one female chief executive officer. However, many corporations continue to fail to include women on their boards of directors. SEBI's newly enacted law is the most significant contribution to gender equality. The legislation is not being applied correctly by large corporations. As a result, Corporate India has

⁷ Gagandeep Singh, 'Corporate Governance: An Insight into the Imposition and Implementation of Gender Diversity on Indian Boards' (2020) 13(1) IJCG

<<https://journals.sagepub.com/doi/full/10.1177/0974686220930839>> accessed 25 November 2021

⁸ 'Women and men in U.S corporate leadership: Same Workplace, Different Realities?' (*Catalyst*, 15 June 2004)

<https://www.catalyst.org/wpcontent/uploads/2019/01/women_on_corporate_boards_the_challenge_of_change.pdf> accessed 25 November 2021

a long way to go before adopting best practices in corporate governance. The presence of women on a board of directors may indicate that a company is more concerned with good corporate governance. Ladies who apply for high-ranking positions are frequently denied because they are perceived to have less competence, experience, and ability to handle the assignment. In India, Section 149 of the Company Act 2013 mandates that every recorded organization and public organization with a settled-up share capital of at least Rs. 100 crore or a turnover of at least Rs. 300 crores appoint at least one woman to the governing body. Because clause 49 of the value posting understanding stipulates that a female leader be appointed. India is frequently portrayed as a country with bad corporate governance. This is a broad belief.⁹ In India, companies such as Reliance Industries named Nita Ambani, the administrator Mukesh Ambani's wife, as chief after this arrangement was deemed mandatory under section 149(1) of the Companies Act, 2013.

NEED FOR WOMAN DIRECTOR ON THE BOARDS

As a portrayal of ladies' chiefs on the board, the Companies Act and SEBI stated and mandated that each recorded substance in India have at least one lady on the top managerial staff, either autonomous or leader. The SEBI-designated Uday Kotak advisory committee, which consists of 21 people, has advised that free chiefs make up a share of a recorded element's governing board, including at least one-woman autonomous chief. The Committee recommends that 637 of the 1,670 companies listed on the National Stock Exchange (NSE) hire a female free chief executive. To comply with the law, companies such as Apollo Paints, Asian Paints, and Reliance Industries have appointed a woman from their families to the board of directors. To avoid this, the advisory group recommended that the board appoint a female autonomous chief.¹⁰

⁹ Suman Layak, 'The push to appoint women directors has brought diversity to an all-boys club' (*The Economic Times*, 8 February 2020) <<https://economictimes.indiatimes.com/news/company/corporate-trends/the-push-to-appoint-women-directors-has-brought-diversity-to-an-all-boys-club/articleshow/74034033.cms?from=mdr>> accessed 25 November 2021

¹⁰ *Ibid*

CRITICAL ANALYSIS

Because of moderate laws, there has been a significant increase in the contribution of female professionals in Indian corporate meeting rooms. The law went into effect quickly, increasing female cooperation from 6% in 2014 to 17% in 2015. The Companies Act of 2013 challenges long-standing male-dominated practices and strengthens the sacrosanct ideal of parity by allowing women to participate in decision-making at all levels. Corporates are more than just a unit of private enterprise; they are a body that should bring about both financial and cultural reforms, and this should begin at the top by elevating and empowering women. Before the new Act, India was ranked 120th in the world in terms of female labor participation by the International Labour Organization.¹¹ This demonstrated the urgent need for authoritative engagement in the corporate sector to increase female investment, and that such activity should begin at the top and flow down to the bottom.

The parliament's goal was to broaden portrayal and viewpoint in the meeting room, but the corporate attitude of limiting access to the seat where decisions are made leads to corporate pioneers appointing female family members to the Board of Directors, defeating one of the goals of expansive portrayal and viewpoint in the meeting room. The connected female leaders' strong male-centric background would prevent them from having an independent individual viewpoint, making them just another component in the conference room rather than a new perspective. As a result, the efficiency of the SEBI (LODR) Regulation's requirement of an Independent Woman Director would better serve the objective of upliftment and representation. This eliminates any pressure or hesitation on the part of the female director in expressing her point of view and asking to be heard. The Ministry of Corporate Affairs has been considering adopting punitive sanctions for non-compliance with the mandated conditions under Section 149's second proviso but has yet to do so.

However, before attending Board Meetings, these female directors should bear the following considerations in mind:

¹¹ Revathi, 'Women Directors' (*India Filings*) <<https://www.indiafilings.com/learn/women-directors/>> accessed 26 November 2021

- They should prepare for Board Meetings by studying hard and making sharp observations.
- If they require any information when preparing for the meeting, they should not hesitate to request it.
- To be more effective in boardroom meetings, she has to undertake a peer evaluation of the organization.
- Women directors should research the company's regulatory requirements.
- She should go over the organization's annual reports carefully, including the Balance Sheet, Profit, and Loss Account, Corporate Governance reports, Fund Flow Statements, and other Balance Sheet Schedules. This will assist her in identifying monetary irregularities in the statement, which she can bring up at a Board meeting. All of this will help to prevent financial extortion.
- Before attending the Board Meetings, she should familiarise herself with the other directors. Women from one company's board of directors should meet with women from other companies as well. So that they can share information about many elements of businesses.
- Women directors with backgrounds in the arts, sciences, or engineering must gain financial literacy to comprehend the financial complexities of financial statements. Women directors will be able to comment on financial issues in this way. If there is any kind of manipulation or fraud going on, it can be detected and halted.
- If female executives are properly prepared before executive meetings, they will feel confident in sharing their unique perspectives. They'll have to figure out how to work together as a team. Female executives should concentrate on system administration, organization, and organization.¹²
- Only when a woman director investigates the entire company, its directors, goodwill, ethics, and principles can she be effective on the Board.

¹² Rama Bijapurkar, 'Lessons for women directors in corporate boards' (*The Economic Time*, 12 June 2011) <<https://economictimes.indiatimes.com/news/company/corporate-trends/lessons-for-women-directors-in-corporate-boards/articleshow/8817784.cms?from=mdr>> accessed 26 November 2021

- Women executives should also look into the organization's recent presentation. She should be fully prepared for executive meetings, having a thorough understanding of the organization's core ideas, as well as its most important and strategic plans. As a result, they can successfully express themselves and raise questions in board meetings.
- Women directors should strive to be the best in their fields and broaden their perspectives to gain a more holistic perspective. The board members must sense her presence in the meeting.
- Women in positions of leadership should take their responsibilities seriously. She should rely on her intuition to help her get around. She should have self-assurance. There's no need to feel out of place because it's not rocket science.

If women directors remember the above guidelines before joining the Board, they will successfully change their director's responsibilities and increase the company's efficiency and profitability. Countless cheats and record controls can be exposed, and unquestionable levels of transparency can be maintained. Advertisers should reconsider their assumptions. For this arrangement to be effective, ladies' chiefs must also adjust their mindset.

SUGGESTIONS

In terms of women's empowerment and corporate governance, Section 149(1) of the Companies Act 2013 is a significant step forward; nevertheless, there are still a few improvements that need to be made. The following proposals should be made to improve the performance of women directors and governance: -

- It is necessary to modify the law to allow for the onboarding of free female leaders. This will provide the association with the benefit of an expert lady's knowledge and abilities. Women should be prepared for board roles, and businesses should invest in this. Studios and training programs for developing women should be available. Experience has proven that groups with a variety of viewpoints can make more informed decisions that result in innovative and risk-free solutions. People on sheets can use their differences to help build company management standards.

- One of the board members is deficient. It is recommended that the number be increased.
- Companies should look beyond order as merely a requirement for consistency to maximize the benefits of a diverse and highly qualified board of directors. Sex diversity is a crucial step for organization sheets to take, but it's also critical that it's backed up by a certified desire to professionalize the load and advance general administration concepts.
- Why Companies should hire qualified female executives, and if they don't, the law should be modified to allow for the onboarding of unpaid female executives. This will provide the organization with the benefit of expert women's knowledge and skills.
- Ladies should be included in nomination advisory committees that value sexual orientation diversity. It can help with the development of a different administrative pipeline as well as a company culture. This is especially true for women who work in crucial positions or corner suites.
- Women from trade unions should also be nominated by the government so that they can interact at a grassroots level.

CONCLUSION

However, it is too early to predict the outcome of the pertinence of section 149(1) of the Companies Act 2013. However, the purpose of this article is to determine whether or not firms have appointed women to their corporate boards of directors. According to the article, some large corporations have appointed female relatives to company boards. The Firms Act of 2013 mandates the addition of a single-lady leader to the sheets of India's registered businesses. Companies must, however, invest in the preparation of women for board positions when using this clause. According to research, organizations with more female directors have better financial results. "Experience has shown that groups with different opinions can make more balanced judgments with de-risked inventive solutions."

On boards, women can and do have a good impact. There is a need for diversity of viewpoints in boardroom meetings, which is impossible to achieve without the participation of women. Women are believed to be more cautious, methodical, perceptive, and attentive on ethics and

conduct. They are also more detail motivated and circumspect in reviews. They have unrivaled multitasking ability as well as unrivaled attention to detail. Ladies' chiefs are thought to have more grounded data gathering abilities, are less hesitant to ask questions, and have better relational abilities, all of which contribute to increased board part commitment. Women, on the whole, contribute to a more balanced boardroom conversation by bringing varied perspectives. They're essential for striking the correct balance between immediate gratification and long-term viability. After some time has passed, it is difficult to say whether adopting section 149(1) of the organization's demonstration 2013 has resulted in any improvements in organization benefit, deals, clarity, or viability. Another type of research focus that might be done is to see if female chiefs have aided in improving the overall picture of the organization where they have been named as female chiefs.