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WOMEN DIRECTORS IN LISTED COMPANIES: INDIAN EVIDENCE

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ABSTRACT

Presence of women directors in Indian listed companies bringing significant positive changes by way of their efficient working skill, commitment and well behavioural nature to take adequate output from work force of a company. Gradually, companies are looking more women directors equipped from every sector.

Keywords: *Women Director, Listed Company, India, Companies Act, 2013.*

Introduction

Section 149 of the Indian Companies Act, 2013 read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 prescribes for *every listed company and every public company having paid-up share capital of not less than Rupees one hundred crore or turnover of Rupees three hundred crore or more to appoint* ***at least one woman director***. There is no prohibition for appointment of a female relative of a director on the board of a company. The penalty for non-compliance of provision extends to a fine of Rs. 10,000 with a further fine of Rs. 1000 per day if the contravention continues. Hence, Indian listed companies having women directors in their Board of Directors. Although number of women directors vary company-to-company due to different factors.

More women in Board of Directors does not only mean the mode to attract sales and production but also create some public image. It does increase financial return as well rather than mere media attention. In terms financial returns means that the return on equity (ROE) increases. The study reveals that the board of a private sector company, run by a professional CEO with a mix of both men and women, helped ROE rise by 4.4% in 2014 over the last year. In contrast, a similar company with a men-only board saw its ROE rise by a mere1.8% in the same period. There are certain examples e.g., Kiran Mazumdar Shaw, director of Biocon Limited has shown a positive difference on return on equity.

There has been an increase in women participation on the boards and also the highlight of the entire legislation is that gender diversity has been addressed through initiating a move towards women on board. Failure to address such gender diversity would lead to serious economic consequences in future. Moreover, there are so many countries which leave women unrepresented. Change gets accelerated only when there is dynamism in the mind set of people. It sounds as a warm welcome by stating that “such class or classes of companies as may be prescribed, shall have at least one women director”. These words mean to say no restriction being imposed in having number of women directors on the board.

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In a country like India where the scope for litigation is likely to be booming in the field of corporate and IP litigation where the future would rest, such legislation would bring in more clarity in specifying the rights of different genders and thereby avoiding unamicable issues. This improves corporate transparency. However certain companies such as Essar Group, Mahindra and Mahindra Ltd, are among the large conglomerates who are looking at bringing in women from government agencies, academic and research institutions, non-profit organizations, and audit firms, as most of the eligible women in the corporate world are already part of many boards. All listed companies must have at least one woman director on their board, according to new corporate governance norms finalized by capital market regulator Securities and Exchange Board of India (SEBI).

Review of Literature

Melsa Ararat and B. Burcin Yurtoglu (2020) studied the relationship between female representation on boards and firm value and profitability in Turkey from 2011 to 2018, relying on hand-collected data covering the vast majority of listed firms. The authors build several proxies of female representation on boards and find no evidence that female directors predict firm value and profitability using broad measures that are typically required or mandated by regulators. However, it was found that female directors predict higher firm value when they have a more active role in board governance through board committee memberships and when they are represented in these committees in relatively large numbers. The presence of female directors, who are members of controlling families are associated with higher firm value. The presence of female independent directors is associated with higher profitability. Authors also studied three potential channels through which female directors might influence firm outcomes and find that the presence of female directors on boards and board committees (i)facilitates the production of financial statements of higher quality; (ii) may lead to lesser incidence of violations of capital market laws and regulations, and (iii) reduces the hoarding of negative news and the related stock price crash risk. The study also compared female directors to their male counterparts and find limited evidence for systematic differences.

Yonghong Liu, Lijun Lei and E. Holly Buttner (2020) by integrating social role theory and stakeholder theory with group diversity literature and using data from a sample of S&P 1500 firms from 2007 to 2015, examined the boundary conditions under which female board representation increases firm performance through their positive influence on corporate social responsibility (CSR). Specifically, the effects of female board representation on firm performance through CSR is most pronounced when female directors have a greater power to promote CSR and when the firm has the motivation (i.e., being innovation intensive) to engage in CSR. Moreover, this moderated mediation model holds especially for three dimensions of CSR (e.g., environment, community, and employee relations), shedding light on the nuances of what women bring to the table.

Sorin Ovidiu Daniliuc, Lingwei Li and Marvin Wee (2020), examined the impact of busy directors on firm performance in Australia. The authors done so by exploiting the exogenous reduction in board appointments generated by mergers that terminate target boards, replicating Hauser (2018)'s U.S. study. When using the entire sample of Australian publicly listed firms, the study do not find significant changes in firm performance for firms that experience a reduction in board appointments. However, when partitioning the sample by firm size, it was found increased in return on assets and Tobin's q for large Australian firms where their directors lose seats on acquired boards. The results show director appointments influence the performance of large Australian firms via a workload channel, in a similar way to S&P1500 U.S. firms. However, there is a need to consider the negative effects of board connections lost for the smaller Australian listed firms.

Joshua Livnat, Gavin Smith and Martin Tarlie (2021), in their research work assumed director tenure as an indicator of a firm's stability. Longer board tenure indicates that shareholders are satisfied with their director appointments, that the board has the relevant mix of capital, that it is effective at monitoring and advising management, and that the firm is unlikely to face operational and strategic problems that require drastic changes to its board. Using a broad sample of up to 3800 firms over a 20-year period, the study showed that firms with longer board tenure have higher future abnormal returns. Its evidence suggests that investors misprice board tenure: longer board tenure is associated with higher market valuations but not with higher expected returns as measured by analysts' target prices.

The study carried out by **Jayati Sarkar and Ekta Selarka (2021)**, provided empirical evidence on the effect of woman directors on performance of family firms in the context of an emerging economy. Using data from India covering periods prior to and post institution of gender quotas, the study found evidence that the presence of woman directors on board leads to higher firm performance. However, this positive effect is driven by independent woman directors. Further this effect gets attenuated when family members occupy key management positions in the firm. The study concluded that governance structures of firms in emerging economies matter for the impact of woman directors on firm performance.

According to **Hyoung Ju Song, Seoki Lee and Kyung Ho Kang (2021)**, given the strategic importance of resources and service that interlocking directors bring to a firm, authors aimed to examine the influence of board interlocks on financial performance in the restaurant industry based on the resource dependence theory. Further, as the primary purpose, this study incorporates geographic diversification as a pivotal contingent factor, playing a moderating role on the board interlocks-firm performance relationship. This study found not only a positive main effect of board interlocks on financial performance, but also a positive moderating effect of geographic diversification on the relationship between board interlocks and firm performance. These findings contribute to the corporate governance literature by providing a unique dimension that geographic diversification is a salient factor adjusting the effect of board interlocks on firm performance in the restaurant industry. The results further offer implications for managers and shareholders of restaurant firms when electing directors as representatives of shareholders.

Women Directors in Indian Listed Companies

The present study conducted having 124 Indian listed non-banking companies for the period from 2012 to 2021. The following Table 1 shows year wise total number of Women Directors in all 124 companies.

Table 1: Women Directors in Indian Listed Companies: Year wise Numbers

Women Directors (2012-21)				
	Year	**Total Numbers**	**Percent**	**Cumulative Percent**
Valid	2012	4122	9.98	10.0
	2013	4101	9.93	19.9
	2014	4107	9.94	29.8
	2015	4096	9.91	39.8
	2016	4168	10.09	49.8
	2017	4166	10.08	59.9
	2018	4134	10.01	69.9
	2019	4125	9.98	79.9
	2020	4141	10.02	89.9
	2021	4157	10.06	100.0
	Total	41317		

It can be visualized from Table 1 that total number of Women Directors had a fluctuating trend during the period under study. The total number was 4122 in 2012 which decreased slightly to 4101 in 2013, increased marginally to 4107 in 2014 but came down to 4096 in 2015. Then, it increased to 4168 in 2016, declined slightly to 4166 in 2017, 4134 in 2018 and further decreased to 4125 in 2019. Afterwards, it increased to 4141 in 2020 and reached finally to 4157 in 2021. It can be concluded from this analysis that women directors are continuously showing their presence and the number of women directors is in increasing trend shows their importance and power in Board of Directors. Presently, it is approximately 10% women Directors on an average in Indian Listed companies as can be seen from this Table.

Table 2: Women Directors Frequency in Indian Listed Companies

Women Directors (2012-21)				
	Number in a Company	**No. of Companies**	**Percent**	**Cumulative Percent**
Valid	<= 1.00	33	26.6	26.6
	2.00 - 4.00	77	62.1	88.7
	5.00 - 7.00	10	8.1	96.8
	8.00+	4	3.2	100.0
	Total	124	100.0	

Now, Table2 having frequency of Women Directors in the listed Indian companies during 2012 to 2021. The number of Companies having less than or equal to 1 woman director was 33 (26.6%) whereas maximum 77 (62.1%) companies having 2 to 4 women directors, 10 (3.2%) companies having 5 to 7 women directors and remaining 4 (3.2%) companies having maximum i.e. 8 or more number of women directors. It can be concluded from this analysis that listed companies are not limited to the minimum number of women directors ligally required but they are increasing women directors strength gradually.

Table 3: Women Directors in Indian Listed Companies: Meetings Attended

Total meetings attented (2012-21)				
	No of Meetings	**Frequency of No of companies**	**Percent**	**Cumulative Percent**
Valid	<= 300	9	7.3	7.3
	301 – 600	74	59.7	66.9
	601 – 900	25	20.2	87.1
	901 – 1200	7	5.6	92.7
	1201 – 1500	6	4.8	97.6
	1501+	3	2.4	100.0
	Total	124	100.0	

Table 3 shows frequency of Board of Directors' meeting attended annually by Women Directors in the listed Indian companies during 2012 to 2021. The number of meeting attended by women directors was 300 or less in 9 (7.3%) companies, 301-600 meetings attended in 74 (59.7%) companies which was the maximum. Then 601-900 meeting were attended by women directors in 25 (20.2%) companies, 901-1200 meetings attended by 7 (6.6%) women directors, 1201-1500 meetings attended in 6 (4.6%) companies and finally, in 3 (2.4%) listed companies, more than 1500 meeting annually attended by women directors that shows their presence and commitment about respective company.

Conclusion

It can be concluded from the study that from Government, the compulsion is of at least one woman director in a listed company having turnover more than 100 crore of rupees but number of women directors is well above this norm about 10% in last 10 years or so and this will hopefully increase in future as women directors' contribution in the overall output financially and socially is significant.

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