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WOMEN'S BOARDROOM REPRESENTATION IN FIRM'S PERFORMANCE: EMPIRICAL STUDY COMPARING INDIA AND DEVELOPED COUNTRIES

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ABSTRACT

The purpose of this paper is to explore by a comparative global perspective and highlight the issue of women facing in corporate sector directors in India compared to other developed economies. This is done by publishing data on women's labor force participation, gender diversity in business and the right now facing situation in India or identify possible helpful factors. To understand the current perspective on the representation of women in corporate boards, the paper makes a comparative analysis of developed countries (i.e. European countries the United States and the Canada) and selected emerging economies. Our study adds to research arguing that organizations with effective and gender -equal board structures have stronger governance and benefit in firm's performance. The results of the study will benefit companies in the long term and increase awareness of the value that gender diversity in the management structure can bring a high-performance management in both governance, environmental and social and (community and employee) areas factors.

Keywords: *Global Perspective, Corporate Sector, Women's Labor Force, Emerging Economies.*

Introduction

At the beginning of the century, the social and economic landscape of the world underwent a major change due to the gradual progress of women not only in industrialized countries but also in their less developed in developing countries (ILO Women in the workforce Market 2011). Women's empowerment is a crucial trendy topic right now, and access to information and education is helping rural women become educated women. Understanding the perspectives of women's leadership power and their contribution to business worldwide has attracted increasing attention. Researchers have traditionally concentrated on understanding the traits of female leaders and their contributions to business. They have also examined the traits and abilities of the "pink brigade" through the prism of the dominant gender their male counterparts (**Budhwar and others 2005, Hodson and Sullivan 2008).**

Undoubtedly, many studies have been carried out during the past decade to understand the representation of women on corporate boards around the world **(Flynn and Adams 2004, Singh and Vinicombe, 2005, Terejesan and Singh 2008)** as interest in women's empowerment, equality and gender diversity increased. However, not much research has been done on women's participation and empowerment in the Indian environment.

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Considering the slow adoption and promotion of management ideas in a country that is still figuring out how to effectively adapt western management concepts while adhering to Indian values. Research on Indian organizations has only focused on analyzing their value systems and cultural environment compared to Western countries such as the US, UK and Germany. Through a comparative global perspective, the paper aims to draw attention to this particular issue of lower women representation on Indian corporate boards by presenting data on women's participation in the workforce, the business case for gender diversity, and the country's current circumstances in an effort to identify potential contributing factors. In an effort to improve women's empowerment in decision-making roles across organizations, improve their social status, and bring this gender at parity with its male counterpart in a nation biased in gender worldview and freedom, empirical research on this very issue is being highlighted and future directions are being recommended **(Rai. S 2012)**.

Imposition of Gender Quota: Introduced in Norway Country

In 2006, the Scandinavian country of Norway passed the first ever law requiring a required quota (40 percent of all listed companies must be women). After its implementation, the percentages exploded, from 6% in 2002 to 40% in 2008. Although the percentage change indicates the success of the regulation, many researchers have documented the adverse effects and unintended changes in companies that had to adapt to comply with the regulation of quota.

Many companies left the stock market shortly after the quota was introduced to avoid hiring a female director. A different study found that while there were more women in leadership positions, this may not be because there were more women overall; rather, because the same woman was appointed to more than one board. This is called the "golden skirt" effect. The researchers also noted that more Norwegian companies were registered in the UK instead of their home country, which suggests circumvention of the law. Countries such as France, Italy and Germany have followed in the footsteps of Norway in implementing gender quotas in the boardroom**(By Swetha Somu, The CBCL Blog)**.

Imposition of Gender Quota: India

The need to break that glass ceiling was recognized when patriarchal attitudes were shown to prevail both outside and within the four walls of Indian boardrooms. Persistent gender biases limit women's opportunities to obtain important positions in the workplace, which hinders their growth. To address this issue, the government enacted the Companies Act, 2013, which states in Chapter XI, Section 149 (1) (b) that all public and listed companies with a minimum paid-up share capital of Rs. 100 million or an annual income of at least Rs. 300 crores must appoint at least one female director to its board; Failure to do so will result in a penalty. It is called a "hard quota" because failure to meet the quota leads to severe penalties, compared to a "soft quota" which is only a guideline and non-compliance only results in warnings and negative pressure company.

Some companies began to comply with the quota required by law after the enactment of the Limited Liability Companies Act 2013. In 2015, the Securities and Exchange Board of India (SEBI) required that all its top 500 NSE-listed companies include at least one independent woman on their boards by 2019 and the same for 1,000 NSE-listed companies by 2020.

According to a survey by the All-India Management Association, 303 of the 2013 NIFTY 500 largest companies had no women, which is approximately 60.6% of the companies that must meet the new quota immediately. Of those 303 companies, 82.8% had one woman on the board and 13.6% had more than one woman, which exceeded the norm. Before we analyze the performance scenario after so-called women in power, these huge percentages look promising and are going well.

According to a 2018 version of the same analysis, closing the gender wage gap in the Indian economy could increase the country's GDP by $750 billion, or about 18% of GDP at the time. According to the World Bank, India has one of the lowest labor force participation rates in the world. Less than a third of women of working age are working or actively looking for work. The scenario for entrepreneurs is not much better. A NITI Aayog study released last year, "Moving the Needle: Creating an Enabling Environment for Women-Led Enterprises," noted, "However, the participation of women entrepreneurs in this ecosystem remains low.

To increase board diversity in Indian corporations, SEBI mandated that companies provide a matrix reflecting board skills, knowledge, and competences in their annual reports. Boardrooms are becoming increasingly conscious of and tolerant of sustainability efforts **(Grayson et al., 2008)**. Assuming that sustainability requires a change of perspective, objective is also to investigate managers' opinions on the participation and importance of women in the board and on corporate responsibility.

Literature Review

This section examines the pertinent perspectives on gender diversity on boards and how it affects businesses' performance. The study of gender diversity is a valuable topic that has received and continues to receive attention. Due to the lack of gender quota laws, many countries have introduced the appointment of women to company boards, which increases the number of women on company boards. Gender diversity has been studied a lot, especially since the proportion of female managers is constantly increasing. This part of the research explores the development of gender diversity literature in, for example, management and finance. As a result, the study concentrates on research that clarifies how gender diversity is represented on corporate boards. Few research has been conducted on the potential impact of certain specific board characteristics, such as the number of female directors, on the development of corporate sustainability. However, in recent years, GD and board composition have become important trends in modern companies **(Kang et al., 2007)**. Several justifications in their earlier literature supported a correlation between the number of female directors on the board and corporate sustainability. The stakeholder and resource dependency theory also states that GD tends to pressure the company to perform various socially and environmentally responsible actions to satisfy stakeholders' expectations **(Elmagrhi et al., 2018)**. According to the hypothesis of resource dependence, gender diverse governments benefit from different resources that improve its performance and social performance **(Ali et al., 2014).**

Moreover, legitimacy and neo-institutional theories contend that having female board members enhances a company's reputation and goodwill, as well as its responsibilities and commitment to society and the environment as a whole **(Soobaroyen and Ntim, 2013)**. Hence, numerous models support the notion that improving a company's GD in terms of its environmental and social performance can have positive economic, wider public, and societal effects. The significance of GD in corporate performance in the areas of economy, society, and environment as well as value creation has also been underlined in a number of empirical research **(Chapple and Humphrey, 2013; Abdullah et al., 2016; Eulerich et al., 2014; Elmagrhi et al. 2018).**

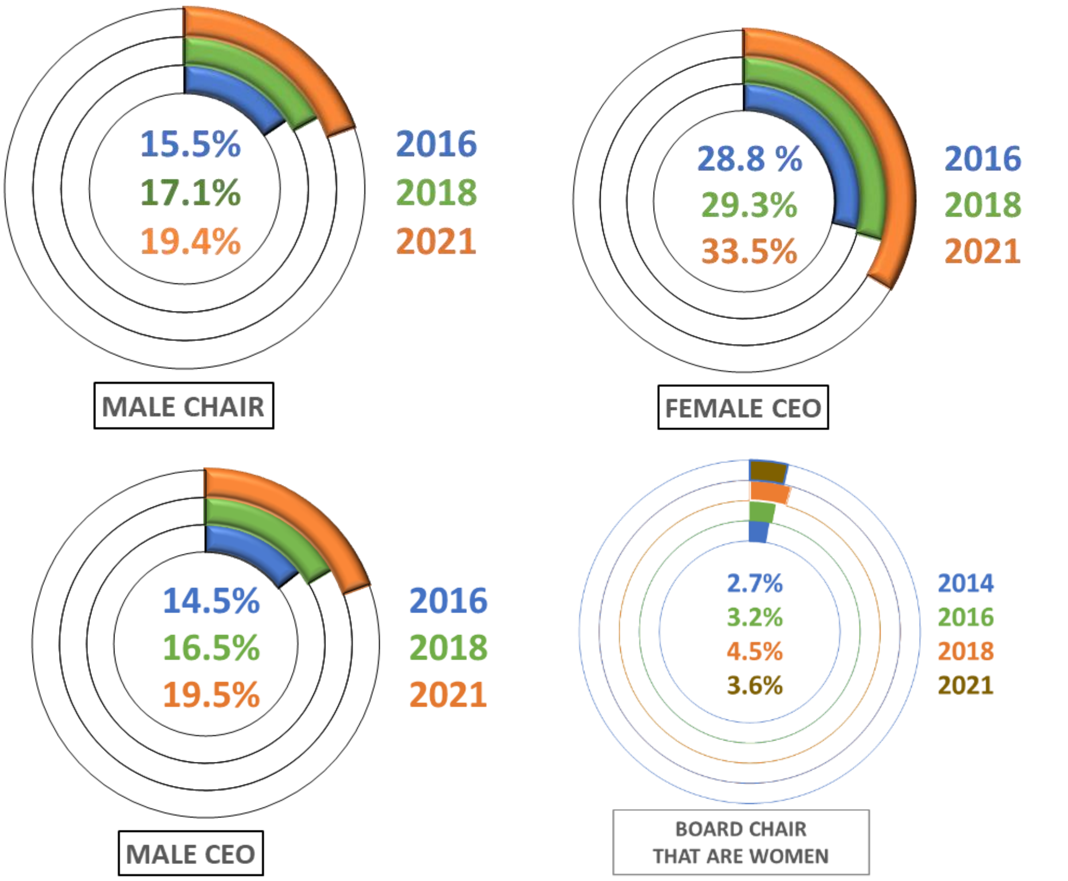
Ben-Amar et al. (2017), GD among Canadian firms improves stakeholder management performance and promotes sustainable operations through increased disclosure of greenhouse gas (GHG) emissions and climate change. It is abundantly clear that a higher proportion of women on boards increases investor confidence by promoting greater accountability, effective oversight and transparency **(Galbreath, 2011)**. Another study by **Fernandez-Feijoo et al. (2012)** of KPMG countries shows that boards with at least three female directors are said to produce better CSR disclosures and other affirmative statements. Women respond more quickly and effectively to the needs of different stakeholders in the firm, and they are more concerned about the social and ethical issues that the business faces, claim **Hillman et al. (2002), (Huse et al., 2009; Huse and Solberg, 2006; Bear et al., 2010**). Similar to **(Kassinis et al. 2016),** which discovered that the presence of female directors on boards has a favourable impact on the performance of 296 US listed companies. Similar conclusions are reached by **AlShaer and Zaman (2016)**, who discover that among 333 businesses listed in the UK FTSE350, the proportion of female board members is positively connected with sustainability reporting.

Some literature pinpoints the abilities that underlie their observations, such as risk aversion, rationalism, greater ethical convictions, meticulous decision-making, and more sophisticated interpersonal abilities. More evidence is obtained from additional research that shows how corporate social behaviour improves when the number of female executives on the opportunity to shape. **Bernard and Threadgill (2011)** include volunteering, giving back to the community, and recognizing employee perks as more "socially responsible" components. Yet, other studies found no evidence of a relationship between the proportion of female board members and the performance of either financial or non-financial organizations **(Amran et al., 2014; Boulouta, 2013; Glass et al., 2015)**. Most men provide the reason that women are underrepresented on boards compared to men **(Amran et al., 2014; Galbreath, 2011)**.

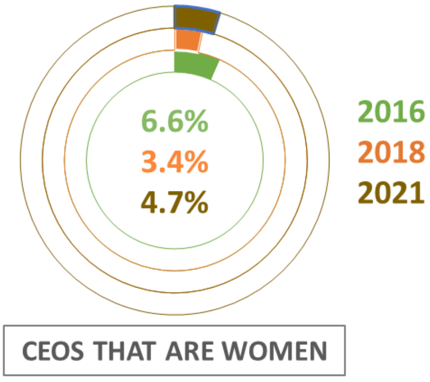
Female leaders are said to endure stereotypical biases due to their gender, which prevents them from influencing government elections. Another aspect to mention is the low representation of women on boards, as women's leadership is a recent phenomenon in government **(Khan, 2010)**. Nevertheless, they lack the power or resources essential to influence the organization's decision-making process **(Kagzi and Guha, 2018)**. The relationship between government GD and corporate sustainability provided us with a mixed bag of results and perplexing conclusions based on a number of national and international environmental literature studies. Moreover, earlier study has only examined corporate annual reports as a source of information, ignoring various auxiliary and extra reports such sustainability reports, executive reports, etc**(Galbreath, 2011).**

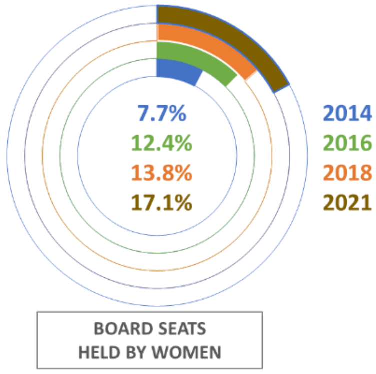
Geography	Percentage	Geography	Percentage	Geography	Percentage	Geography	Percentage	Geography	Percentage
France	43.2	Denmark	29.6	USA	23.9	Singapore	17.6	Taiwan	12.2
Norway	42.4	Australia	29.6	UAE	5.3	India	17.1	kuwait	4
Ita y•	36.6	Germany	28.9	Poland	22.9	Luxembourg	15.5	Brazil	10.4
Belgium	34.9	Netherlands*	28.6	Switzerland*	22.5	Saudi	1.7	Egypt	10
Sweden	34.7	Austria	28.2	Israel	22.4	Colombia	15.1	Mexico	97
Finland	32.7	Canada	27.8	Nigeria	21.7	Hong Kong	13.9	Pakistan	8.7
New Zealand	31.9	Ireland	27	Bermuda	19.1	Greece	13.3	Morocco	8.7
South Africa	31.8	Spain	26.3	Thailand	17.8	Peru	13.2	Indonesia	8.3
UK	30.1	Malaysia	24	Philippines	17.7	China	13.1	Qatar	1.2

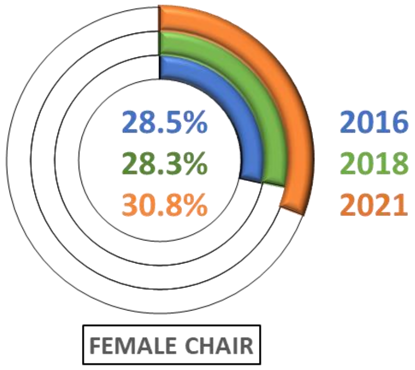
Women's Boardroom Analysis - Global



Women's Boardroom Representation - India







Source: Women's Boardroom Represenation Deloitte - 7Th Edition

Discussion

Just 2.6% less than the global average of 19.7%, or 17.1% of Indian company boards, are made up of women. According to Deloitte's global Women in The Boardroom report, the proportion of women holding board positions has actually climbed by 3.3% since 2018.

Of course, that survey was a sample, but samples do show trends. Only six out of every hundred start-ups, according to a pilot survey conducted by the RBI in 2019, were formed exclusively by women. If you include start-ups with co-founders who are both men and women, that percentage drastically increases to over 38%. In fact, the make-up of Indian boardrooms is changing more drastically and quickly than ever before as a result of the start-up boom. According to the research, the number of women working in boards of directors has increased by 9.4% since 2014. If it's any consolation, India performs better than its close neighbor China, where women make up 13.1% of board positions. In the list of nations with a larger percentage of female members of corporate boards, France (43.2%), Norway (42.4%), and Italy (36.6%) are at the top shows in Deloitte Global Boardroom Progress Report (2021).

Deloitte Global Boardroom Progress Report (2021) shows that board chairs were on average 59.2 years old, while female board members' ages ranged from 57.4 to 59.4. The report notes that the median ages of male board members and chairman were 61.1 and 63.9, respectively. "Although the Indian authorities have established a comprehensive framework to promote the presence of women in important roles at corporates, the data suggest a huge gap between the ideated policies and ground reality," says **Atul Dhawan, Chairperson, Deloitte India.**

It is indeed interesting to note that, despite an increase in female board members, fewer women are now serving as board chair. The research notes that this year's figure is down from 4.5% last year to 3.6%. Women now make up 4.7% (up from 3.4%) of CEOs and 3.9% (up from 2.5%) of CFOs over the same time period. For the India research, 413 women served on the boards of about 340 companies.

Deloitte Global Boardroom Progress Report (2021) shows the stretch factor, which refers to women who occupy multiple board positions, has slightly increased to 1.30, which is also noteworthy.

The stretch factor is rising, which implies that there are more women needed on boards of directors than there are available, according to Sachi Paranjape, partner at Deloitte India. The stretch factor for men is 1.20, in contrast.

Women currently make up 21.5% of the sector's membership, up from 15.8% in 2018, as the life sciences and healthcare sector made great advances towards boosting the proportion of female board members. Making up the bottom five are consumer business (18%), technology, media, and telecommunications (18.4%), manufacturing (16.6%), and manufacturing. Only 15.5% of directors are female, which is a small percentage compared to the higher proportion of female leaders in the financial services industry. This surprised us because, according to **Paranjape Deloitte, India,** we would have anticipated a higher proportion of female directors in the financial sector, but it somehow isn't reflected in this study.

In Deloitte Global Boardroom Progress Report (2021) similar trends were observed in committees when female chairs predominated. In the workplace, the gender gap still has to be closed. In the first 20 years of the 21st century, India made considerable strides towards closing the gender gap and fostering gender diversity. In India, the Millennium Development Goals (MDG) and Sustainable Development Goals (SDG) have made it a priority to advance gender equality and women's empowerment. To completely close the gender gap and advance gender diversity in India, there is still work to be done publish Deloitte Global Boardroom Progress Report (2021).

India is ranked 135th out of 146 nations in the Global Gender Gap Index 2022. Although this is an improvement over India's 2021 position of 140 out of 156 countries, it still shows that much work has to be done. India performs poorly in terms of economic participation, which includes the percentage of women in the workforce and income equality for equivalent labor, coming in at 143rd out of 146 countries, according to the Index, which measures many aspects of gender equality.

Key Findings

The key findings of the study are following:

- Women directors were found to have improved the firm's accounting performance, which indicated better corporate governance.
- The market performance of the company was determined to have suffered because the markets undervalued the influence of female directors.
- As would be expected, government ownership had a detrimental impact on the association between female directors and the financial health and performance of the company.
- Ownership concentration turned discovered to be considerably impacting the connection; family ownership, however, was not found to have any adverse effects. Because of this, major public shareholders considered women directors to be important assets to the company's corporate governance.
- Independent and racial diversity on the board, as well as other board features, did not appear to have any significant effects.

Flaws and Failures

Although it was a overall success, India's mandated quota system did have some unexpected downsides. **First** of all, the enforced quota led to "tokenism," in which businesses pick a woman director from their own family in an effort to comply with the law and avoid penalties. Despite 425 of the compliant firms appointing a woman from their family or promoters' group, the NSE announced that 1667 of the 1723 listed companies had met the required quota.

Second, it is harder for businesses to appoint and keep women in challenging roles like board members due to a dearth of skilled women ready to do so. India ended itself at the bottom of the list in Egon Zehnder's 2020 Global Board Diversity Tracker as a result. Just 17% of women had senior positions in businesses, while 11% of women held leadership positions.

Third, the quota falls short of reaching the so-called "critical mass." The underrepresented gender does not have enough representation and cannot meaningfully contribute to boardroom discussions with the minimum threshold of one woman on the board.

Recommendation for Improving Women Representations

It needs to be made clear that diversity and inclusion are two distinct concepts in order to overcome the shortcomings and drawbacks of this mandated quota. Diversity is expanded upon through inclusivity. Due to its strict regulations and imposing authority, the law has undoubtedly succeeded in achieving the diversity component, but the boardroom still lacks inclusive. Although these nations introduced the quota in an effort to give worthy women the chance to participate in decision-making alongside their male counterparts in high-ranking positions, it has since evolved into a form of obligation that businesses reluctantly accept. Several of them are appointing members of their families in an effort to fill the seats with women, although few women with high skill levels are occupying multiple boardrooms. None of them have been addressed by the legislation.

The Reserve Bank of India's "Fit and Appropriate Criteria" (which applies to all Indian banks) should be used to nominate women to boards of directors in order to boost efficiency. This will ensure that these women are actually respected for their aptitude and skill set. To achieve 30% or 40% of the boardroom like Norway, France, and Italy, the quota must alter from mandating the appointment of one-woman director to that level. As a result, female directors will become more powerful and reach a critical mass, making it more difficult to silence their views.

Last but not least, there ought to be rewards and rankings for companies that maintain the greatest boardrooms for gender diversity which will significantly impact on Firm's Performance.

Conclusion

In conclusion, the law should prioritize gender inclusiveness as well as gender diversity. The advancement of women in corporate boardrooms will not be aided by simple representation of women to demonstrate compliance with the law. In order for the quotas to be effective, businesses should practice inclusion because it improves gender parity.

It has been and will continue to be a long and arduous road for women to achieve board membership and acceptance in decision-making positions across organizations globally. Along the way, there will be roadblocks in the form of vociferous arguments against gender bias against women at all societal levels. Since this specific gender has long been denied its proper status in society and has been ignored in economic progress, relegating their potential to that of meagre "care givers," the majority of debates on gender equality and female empowerment centre around the idea of providing substantial benefits to the "fair sex" through reserved quotas and pools through mandatory legislation and policies.

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