

ROLE OF WOMEN DIRECTORS IN A COMPANY

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The principle of gender inequality has been incorporated in the Indian constitution in its preamble, fundamental rights, and fundamental duties, but despite such equal rights given to both men and women. Indian society is always male dominated. Revolutionary initiative has been taken by government is appointment of at least one women directors in certain class of companies. Section 253-322 of the Companies act 1956 concern with appointment of directors and other aspects. Various reforms have been made in the framework of Board. Their focus lies on studying women position and so their attention goes to Clause 149(1) of Companies Act 2013. The clause 149(1) states that: Every corporation shall have a Board of Directors consisting of individuals as directors and shall have- At least three, two, one directors in the public, private and person company respectively and; A company may appoint maximum of fifteen directors after passing special resolution and shall have at least one women director. India is not the first country to do so many other countries like France, Spain, etc. have already implemented it. Psychotically, it can be stated that where women are involved, company seems to have positive energy and employees are more focused toward their respective work. In a last decade more than 500 company showed noticeable change in their profit and further expansion in their business. The absence of women on corporate boards is embarrassingly observable. Only 4% of women directors are listed in Indian companies. This insufficiency of women at peak level in business is now termed as a 'brain drain' and a crisis of talented retention. The authorities as well as government should understand the necessity and capability of women and promote gender equality. This paper includes various recommendations for insuring noticeable representation of women on boards. It also considers necessities of having a gender balanced board.

KEYWORDS: *women directors, company, employees, board members.*

INTRODUCTION

Women who cover more than 48% of our total population were to be the most dormant segment of society, have now become the vital participants in every walk of life. Now, women are not only significant unit of society but also a cause of noticeable change in the society. For better development of world at good pace women have to take initiative for development and have to come forward to work and to participate in every walk of life. Despite of being major element of our society women are not given equal opportunities and faculties to develop their skills and express themselves according to their own choices. Women are not only ambitious, talented, confident, educated, but also more career oriented which help them to juggle with the task management but also help them to

maintain a fine balance between personal and professional profile. Their skill of being patience, negotiating, budgeting and good foresight helps them to accept challenges and to overcome barriers which help them to discover their own identity.

The principle of gender equality have been enshrined has been incorporated in Indian constitution¹ in its preamble, fundamental rights, fundamental duties, directive principle of state policy, but despite such equal rights given to both men and women. Article 14 of Indian constitution enshrined with the basic rule that there should not be inequality among the citizens of India. But despite these equal opportunities Indian society is always male dominated. The working sector are the place where gender based inequalities can be easily noticed. It is really unfortunate that India rank lowest in women representation.

POSITION OF DIRECTORS IN A COMPANY²:

The laws concerning with the companies in India is contained in the Companies Act, 1956 The Companies Act, 1956 consist of existing laws and certain principle laid down by the courts of England and India. A company³ is defines as, a company formed and registered under the Companies Act, 1956. The word company is used to denote association of persons who have come together to carry out business in order to gain profit. It does not consist of body and mind. It acts under the instructions of human agency. Directors are the person through which a company act. These persons are collectively known as Board of directors. Section 252 - 323 of the companies act 1956⁴ consent with appointment of directors and other aspects such as remuneration of directors, meeting of Board of directors vacations of directors and their disqualification. A director has a control over management, conduct, superintendence and other affairs of the company. A company can appoint only single directors. Director of a company can never be a employ or a servant to the company. Directors are experts who are hired by the company to manage its affairs.

However, according to the guideline of the companies act 1956 there is no restriction that director cannot be employed to the company. In Lee vs. Lee's Air Farming Ltd, It was stated that a director may employed in different capacity. There is no specific definition for the directors in the Companies Act, 1956. Director comprises any person who is holding the position of director. In order to understand the better definition of a director in a company let us look over the decided cases.

In Judhah vs. Rampada⁵ Gupta, it was stated that directors of a company registered under the Companies Act, 1956 are persons officially appointed by the company to manage and director the business and affairs of the company. Director is a person who acts as agent, managing partner, trustees, etc.

¹ See Dr. J. N. Pandey pg. 77, 405-416

² Corporate Governance book by AC Fernando chapter 7 page 202

³ www.Quara.com

⁴ Refer Companies Act 1956 from section 252-323

⁵ AIR 1959 CAL 715

In *Ferguson vs. Wilson*⁶ court held that the directors are the agent of the company in the eyes of law. Court also held that the company acts only through their directors. When the directors contract on behalf of the company, it is a company who will be liable not the directors.

APPOINTMENT OF WOMEN DIRECTORS

The Government of India has enshrined multiple laws for the empowerment of women. The notion of 'diversity' is predominantly used to refer to the addition of various demographic groups in the workplace. A dimension of diversity encompasses age, gender, religion, etc. They comprise groups that have been systematically disadvantaged especially in the higher levels of workplace. Women representation on senior level of workplace is much eminent talked issue around the globe. The corporate world is now getting more concerned about women and their participation in boards in order to make general balance. While some corporate sectors are recruiting women on their boards due to their talent, others are just following legal standards.

Revolutionary step taken by the government of India regarding company, which is registered under Companies Act 2013. The second proviso of section 149(1)⁷ of the companies' act 2013 makes it compulsory to appoint at least one women director in a company within one year after the commencement of the specific proviso of section 149(1) of the companies' act 2013. Every other company who have paid share capital of one crore or more turnover of rupees three crore shall appoint at least one women director within given time period of one year after the commencement of second proviso to section 149(1) of the companies act 2013. More ever if there is any vacancy of women director still to be filled then it shall be filled by board of directors within the period of three months.

RELEVANT PROVISIONS IN THE INDIAN COMPANIES ACT 2013

In Section 149 (1) of Companies Act 2013 deal with the appointment of women directors. It states that every company shall have the board of directors who are individuals with: Minimum no of three directors in the case of public company and two directors in the case of private companies. Further it is also stated that class or classes of companies as mention above shall have at least one women director. Rule 3 of Companies Rule 2014 deals with women director on the board with regard to section 149.

The clause 149(1) states that: Every corporation shall have a Board of Directors consisting of individuals as directors and shall have-

a) at least three, two, one directors in the public, private and person company respectively and;

⁶1866 chapter two 77:15LT 230

⁷ In Companies Act 2013

b) a company may appoint maximum of fifteen directors after passing special resolution and shall have at least one women director.

NEED FOR WOMEN DIRECTORS

Various practices which were made in past such as Sati, Child marriages, Female infanticides, etc reminds the ill treatment faced by women in past. These ill treatments and practices cannot be stopped only by spreading awareness about women empowerment. But this cannot be attained unless we make her understand about herself and reason behind why she is on the earth. This can be done by appointing and giving her various responsibilities according to this capability and performance. Still women have proved themselves in numerous fields such as science and technologies, space, army, politics etc. Psychologically, it can be proven that the companies where women are employed, atmosphere seems to be full of positive energy in the form of having more focus as well as diversity in exploring new ways to do work. A woman on board makes more financial return. Financial return means that the return on equity increases. The study⁸ reveals that company run by male and females CEO's members made a rise of 4.4 % in 2014 over the last year. In contrast a similar company who have only male men as CEO who made only 1.8 % return on equity in the same period of time.

In today's condition it is the main question for women employment that why women should be appointed in a workplace and how can they be helpful in management. Why in the country like India do we have to discuss about women employment not about men work. A prime reason according to me is that women are always at work whether in homes or in the office. Although of many commitments they choose to get educated, take challenges and to compete with men. In this process of responsibility at work and home get translated into stress. Today women have established their multitasking abilities. And they have archived a respectful position in the Indian corporate unit.

- **Emotional Intelligence:** Women possess higher emotional intelligence then men and have good interpersonal skills which are essential for building support and to frame strategies then even have capacity to handle multiple tasks at the same time like reading their mails talking on phone scheduled what else needs to be finished for rest of the day and giving excellent result. They also have capability of balancing their families and career simultaneously effectively.
- **Self-branding Attitude:** Women have a quality of been extremely passionate by nature and very conscious about their choices and sharing their space. The ability to wait and see a key in order to valuable outcome and women has it naturally. They also have a power to see the best side of a person, decision, projects, and other valuable things.
- **Confidence:** Women have an insight confidence to compete in a business market. They do their work with full enthusiasm. They also have ability to empower their

⁸see Andri Schleifer and Robert w. Vishny, 'A survey of corporate governance' 1996

fellow employs. Despite they face many huddles they find their ways to overcome and prosper. They can even work in a stressful condition without facing much problem.

WOMEN ON BOARD OF INDIAN COMPANIES

Indian legislature after amendments includes one women director on board. The companies act 2013 aim to make corporate laws stronger in order to improve standard of corporate governance. Various changes have been made in the act related to composition of board of directors as per according to GMI rating India lags behind women representation on board. As Indian Oil Corporation Ltd., and HCL Technologies Ltd. have received the award for best governed companies. And other five companies also received certificate of recognition for excellence in corporate governance. Companies such as CMC Ltd., Power Grid Corporation of India Ltd., ONGC Ltd., etc 14.28 %, 16.67 %, 7 %, respectively have women employed as board of directors. None of the above given companies have women chairmen. It is interesting to note that Ms. Kalpana Morparia is a director of CMC Ltd. and also a independent director on the board of Dr. Reddy's Lab Ltd. In according to data of study⁹ conducted in 2013 it was found that only about 7.3 % of board's seats at public companies are occupied by women. With the effect of law in 2015 companies are supposed to appoint at least one woman in their board of directors.

In India the addressing of the board of directors hold by women is acute yet significant. Women seem to be good manager but a poor stake when it comes to the core management of the companies. But in present seen numbers of female participation in board and other top managing position is increasing at noticeable rate. The amendment in Companies law in India after 2015 had proven to be more efficient law ever made in comparison of previous companies' law before amendment. According to prime database on 2015 March 245 of the 1475 firms listed on NSE did not have any women on their board. According to the instructions of SEBI the companies that missed the deadline must have to appoint or had to pay fine of rupees Fifty thousand and an additional fine of rupees One thousand per day will be added for companies that comply between 1st July and 30th September and the fine will be increased by rupees One Lac Forty- two Thousand and plus rupees five thousand for every day on the failure of such instructions.

With the effect of the act many changes in company's director has been noticed and many women has been appointed as the director of the company. Pallavi Shroff, a director on the board of automobile manufacturer Maruti Suzuki India Ltd., Niharika Vohra an independent director on the board of Zee entertainment enterprises Ltd., Rekha Shetty, a director on the board of Sun Pharmaceutical Industries Ltd., Ekta Kapoor, chairperson of Balaji production Ltd., Arundhati Bhattacharyya CEO State Bank of India, Chanda Kochhar MD of ICICI Bank, are some of the examples of leading ladies who are doing a brilliant job in their respective fields. According to McKinsey¹⁰ report female participation

⁹ International corporate governance by Thomas Clarke page 203 chapter Asia Pacific corporate governance.

¹⁰ Corporate Governance book by AC Fernando chapter 3 page 84 McKinsey survey.

rate is 35 %, which seems to be one of the world's lowest participation of women in corporate sector.

GLOBAL ROUNDUP¹¹

The appointment of more women on corporate board has boost up in recent year. India is not the first country who has implemented the laws regarding empowerment of women and appointment of women directors. Many other countries like Europe, Australia, Canada, Belgium, France, etc have already introduced many laws and quota regarding women empowerment and their appointment in boards. In MSCI ESG research global director universe which is a assembly of companies from all over the world which include 4218 companies. The percent of women working on board globally stood about fifteen percent in 2015 which was earlier it was about twelve percent. They are still many companies and markets who have not taken such steps. Here we summarize the progress made in different countries.

- Europe: Study done in Europe found that the percentage of women working in corporate and other private organizations has almost double over the past five years from 13.9 % to 25 % . This is all due to laws which were implemented for the upliftment of women towards corporate sectors. According to reports¹² only 3.5 % of European CEO's in universe is women, compared with 3 % in 2011. The reports also highlighted that number of companies without female director has fallen consistently over the years, which was 5.4 % in 2015 down from 21 % of companies in 2011.
- Australia: The Australian Council of Superannuation Investors (ACSI) in October 2015 announced that it will consider recommending against the re-election of directors in companies that perform badly on gender diversity. It also announced target of 30 % women on each ASX 200 board by the end of 2017. In 2015 when the announcement was made there were only 20 % women on ASX 200 companies.
- Canada: The Canadian Security Administrators published staff notice on October 2015 which describes the review of corporate governance disclosures of 772 non venture capital issuers short listed on Toronto stock exchange. The Canadian Security Administrators inquired that 62 % of issuer with market capitalization less than rupees one billion Canadian Dollar had no women on their board. 60% and more issuers in mining technology, oil, Industries, gas, etc had no women directors on their boards. Even though retail and utility Industries which consist of 43 % and 57 % issuers had no women directors. The report reveals that 20 % of board members are consists of women as compared to nearly 23 % in UK, 35 % in Norway, and 29 % in Sweden.

¹¹ See Article women director board global roundup by Matt.Orsagh, CFA, CIPM, published date- 7oct 2016

¹² According to Catalyst.org 2016 New York, statistical over view of given in workplace

- France: According to CAC guidelines French companies should meet quota of 40 % women on boards by 2017. In the beginning of 2016 CAC 40 recorded 35 % of female representation. Companies those have not fulfilled the guidelines and do not follow the legislation will not be allowed to make any board level changes.

CONCLUSION

This paper analyses the importance of having gender balance board. While empirical work on subjects of women directors' workplace contribution has been undertaken over the past two decades, over all this research has limited impact on improving the representation and status of women at apex level of corporation. It also includes benefit of associated with placing women on corporate leadership positions indicates the positive impact is associated with an increase in women on the board of corporate sectors. Various research and survey related to study of women participation on board have been studies and analyzed. The paper concludes with recommendations for ensuring greater representation of women on boards and creating gender balance board. Study done by McKinsey in year 2007 and 2010 confirms that women are under-represented in the board of companies, though some countries have shown some improvement but still a lot more to be done for empowerment of women. Studies also found that larger companies have more women employed as directors as in compared to smaller companies.

A gender balance board is able to consider the issues in a rounded holistic way and attract an attention to detail not seen on all male boards which often think the same way, and sometimes make poor decisions. The companies should be proactive and create a Gender balanced-board rather than sex based biased boards. It can be only achieved by giving a fair chance to eligible female without been biased, which in result will not only just ensure equality but also be beneficial for corporate sectors and country in long run. This paper focuses on exploring the participation of women on board with special reference to India.