

# WOMEN DIRECTORS A PERSPECTIVE

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## Abstract:

The new Companies Act, 2013 through its provision 149(1) stipulates prescribed class or classes of companies to have at least one Woman Director for companies with certain turnover. This paper is an attempt to understand the white and grey sides of having women directors on the boards of companies for effective corporate governance.

**Key Words:** Companies Act 2013 , Women Directors, Independent Directors

## THEROTICAL FRAMEWORK

The word corporate governance is the latest buzz and has been attracting attention from various stakeholders. It relates to corporate decision making and other activities undertaken by organizations affecting various stakeholders. The company as an institution is composed of two organs, namely the general body of the shareholders and the 'Board of Directors'. Through, the powers of management and administration vest in the general body of members, exercising such powers in day to day administration is not practicable. Hence such organizations are required to be functioned through some human agency which are termed as directors and collectively termed as board of directors.

Most of the Indian companies have family members on board and they influence board decision making, even though they enjoy using the public money raised through issue of shares. The number of small investors is more in India and hence they don't have any say in any of the decision making in the companies.

It is the articles of the company which grant powers to the directors. The powers of management of all the activities of the company are vested in the Board of Directors. Being directors they are binded by powers restricted within the scope of the Act , Memorandum ,articles of the company and the laws prescribed from time to time.

Diversity on boards is critical to sustaining performance. Broadening the composition of the board increases the size of the candidate pool and, more importantly, helps expand perspectives at the top. While most CEOs recognize the importance of appointing directors of different ages and with different kinds of educational backgrounds and functional expertise, they tend to underestimate the benefits of gender diversity.

The Companies Act 2013 has opened the doors for the women headed for board in India. The new act has made several noteworthy changes which hunt for to redefine the board governance in India. Proviso to Section 149(1) stipulates prescribed class or classes of companies to have at least one Woman Director. As per Rule 3 of Companies (Appointment and Qualification of Directors) Rules, 2014 notified by the

Ministry of Corporate Affairs, every listed company and public companies having paid up share capital of Rs.100 Crore or more should have at least one Woman Director on their Board. It will be also applicable to public companies with a minimum turnover of Rs. 300 Crore.

There are several benefits to appointing more women on boards. When Fortune-500 companies were ranked by the number of women directors on their boards, those in the highest quartile in 2009 reported a 42% greater return on sales and a 53% higher return on equity than the rest, according to a recent study conducted by Lois Joy, Nancy Carter, Harvey M. Wagner, and Sriram Narayanan.

As per the data published by Ministry of Corporate affairs in 2013, only 7 percent of total board seats in India were chaired by women directors in India when compared it with the top 25 countries this share ranges between 8 to 36 percent. Women directors in the board are expected to act as catalyst for the objectives of achieving governance for the benefits of the shareholders through this act.

Women are considered to be good in anticipating risk much earlier than men that would facilitate organizations to incorporate good risk management practices, topped with good listening skills comes an added advantage of rationale decision making process.

In the area of corporate social responsibility, women directors are contributing significantly to their organizations, right from initiating CSR initiatives, setting priorities and choosing projects to organizing the work plan, deploying management personnel and monitoring progress against aimed achievements.

Women are known for their patience and perseverance, which is a prerequisite for these initiatives as they are sometimes challenging and demand long-drawn action to reach the required milestones and make the desired impact.

A study conducted by Catalyst and Harvard Business School states that companies with more women corporate officers donated significantly more funds, and for each percentage point increase in women corporate officers, yearly donations increased by \$5.7 million -- which proves that more women leaders means a higher level of corporate social responsibility contribution.

The role of women directors in implementing the national voluntary guidelines on the social, environmental and economical responsibility of business is phenomenal. Managing ethics in the workplace, overseeing the sustainability reporting mechanism and initiatives on consumer awareness by companies could also be useful areas of supervision by women directors.

Women directors can add value in recruitment and human resource policies to ensure gender diversity, better work-life balance, and the creation of a special and harassment-free workplace for women. They can lead their companies to develop strong human-focussed operating plans that would contribute to the sustainability of all business operations and the health and welfare of their employees. They are better placed to supervise mechanisms in respect of assessing and managing human rights and developing avenues for the differently-abled. Likewise, they can review and assess the adequacy of grievances to address customer concerns and feedback on products from service by companies.

Various survey results have proved that boards and managements with gender diversity have experienced enhanced corporate performance, higher return on equity, return on sales and return on capital employed. The New Companies Act , 2013 would pave the way for experienced and exceptionally skilled/talented women candidates on Company Boards. But it also poses challenge for companies to ensure that their Boards have women representatives who are appropriately skilled and experienced to govern the company. Selection on the board should be done purely on the basis of merits, and no reservation should be given to gender, regional, or religion background etc. Some times in want of a competent women candidate, companies may have to compromise with a less competitive one. Women are generally considered emotional but in corporate world it is more about diplomacy and being practical in approach; the area where women lacks behind. Woman if married and have kids then she might not be able to manage the affairs of the company, potentially due to other commitments as well, or if participate then do not get herself fully involved.

### **Conclusion:-**

Companies Act, 2013 have opened the restricted door of board for Womens as per its recent provisions which brings in discussion various key strengths that could be utilized to make the board more diversified capitalizing on skills of Women as decision makers along with several challenges that may come up.

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