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Inclusion of Women in Reducing Corporate Crimes in India- An Empirical Study

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Abstract

The report has emphasized the inclusion of women in leadership positions in India and how their presence can reduce corporate crimes. In this particular case, a primary and secondary analysis has been conducted. The questionnaire is used for drawing inferences from the research participants and the responses have been substantiated in the Likert Scale. Thereafter, a regression analysis is conducted which has shown that women leaders may not be highly successful in reducing crimes in the corporate world. The secondary analysis has also painted a somewhat similar picture in this regard. It shows that higher levels of literacy and equality of opportunities on the part of women are needed for getting better results in the future.

Keywords: Women, leadership, corporate crimes, literacy, opportunities

Introduction

The world today is distressed with a mammoth rampant in the form of corporate crimes and financial deception. The motivation for calling it rampant is that if one revision the effects of the same on the economies of the countries in which such atrocities took place then he or she would find out that it did not slaughter lesser people than the current ongoing pandemic covid-19 (Fernando, 2016). Be it India or the United States of America, corporate crimes have infested the economies of the respective countries and stakeholder's safeties to a great extent across the world (Gowthaman, 2019). A huge step was taken in 2013 when the Companies Act 2013 came into actuality and a commendation of keeping at least one woman board member was made obligatory in the composition of the Board of Directors. Subsequently, in 2017 the Kotak committee also made analogous recommendations regarding the inclusion of women into the board of the companies. This central to the question, can the inclusion of women into the board of directors lead to prolific elucidations to the ongoing delinquent of corporate corruption? Does this further engender the query that is women less prone to frauds and crimes than men? The research in hand attempts to discover answers to the same and also tries to gather in-depth scrutiny of whether the inclusion of women in the organizational hierarchy has an upshot on corporate white-collar crimes.

Research Objectives

The concerned research article aims to attain the following objectives:

- To furnish particulars regarding the corporate crimes that have been committed in India in the recent past.
- To ornately illuminate the recommendations of the Companies Act 2013 and the Kotak Committee 2017.
- To determine the snags and challenges that the inclusion of more women in the corporate hierarchy would face; and
- To establish how operative will the inclusion of more women into the composition of the Board of Directors to do away with corporate frauds considerably.

Review of Literature

Literature Review is an integral part of the whole research process and provides a valuable contribution to the particular study. It creates a relationship between the own knowledge of findings with the existing body of knowledge.

According to Steffensmeier, Schwartz, and Roche (2013), in recent years the participation of women in the corporate world has widely risen. It was noticed that the involvement of females was minimal and marginal in the corporate criminal networks. If there is a comparison between the woman and male corporate personnel regarding conspiracy, then it can be observed that women were not generally part of the conspiracy group. Rather if female counterparts were involved, that also had an insignificant role and involvement in making little profit than the male co-conspirators. Corresponding gendered labor market segmentation processes that the condition and the restriction of women's entry into economic character and sex separation are pervasive in nature. There is a subtle shift in opportunities for women for significant white-collar crimes.

According to Adhikari, Agrawal, and Malm (2015), firms with a higher number of female representatives in the top management faceless corporate litigation. There was a positive relationship between the proportion of female executives in top management and the number of lawsuits a firm faces. Higher female representations indicate higher corporate litigation risk and that finally leads to higher market valuation of the firm's cash holdings.

According to Lenard, Yu, York, Wu (2017), in financial reporting fraud litigation, females as executives or directors of companies are less likely to be involved. As per the report, if the company consists of at least one female in an executive position or on the board of directors then the probability of financial fraud reporting was lessened. Women were likely to be more risk-averse and were more committed to moral strategies.

Research Methodology

The concerned research article uses both primary as well as secondary data. The primary data has been composed through online questionnaires that were dispersed via mail to the respondents. The study takes into consideration, the opinion of 20 respondents from the corporate turf. The primary data hence retrieved has been analyzed using descriptive statistical measures. The data has been evaluated using multivariate regression analysis. Such analysis has been performed using the Statistical Program for Social Sciences (SPSS). The

researchers have also created a null hypothesis (H_0) that states that women possess more power to solve managerial problems and are less prone to committing fraud. That is;

$$(H_0) \Rightarrow y = f(x_i, x_{ii}) \text{ or;}$$

(H_0) \Rightarrow Women are more competent in managing corporate frauds = f (Women are less prone to committing crimes; women have better leadership and management traits than men).

The responses have been taken using a 5 point Likert Scale. As far as the Secondary data is concerned, the study uses online repositories to gather information regarding the disparity between literacy rates across genders in India in the last few decades to establish the fact that women literacy has always been an issue in India and that more competent women leaders can come up only if proper education is provided to them.

Findings and Discussions

India has perceived several colossal financial crimes in the recent past (The Economic Times 2018). Be it the famous Harshad Mehta scam of 1992 that completely contracted the economy of the country while diminishing the Sensex to 12.7%, the least it ever fell to date or the much talked of Satyam scam in 2009. The amount of money laundered in these crimes will make even the calculators reluctant for an instance. Below stated is a timeline of the most vital corporate crimes committed in India in the last few years and their net worth for an enhanced consideration of the readers.

Corporate Frauds & Scandals	Year of Discovery	Net Worth of the crime (in INR)
Harshad Mehta Scam at BSE	1992	4000 Crore INR
Ketan Parekh Securities Scam	2001	Not Available
Stamp Paper Scandal by Abdul Karim Telgi	2002	10283 crore INR
Satyam Computers Scam	2009	14162 crore INR
Sahara Scandal	2012	24000 crore INR
Vijay Mallya money laundering case	2017	9000 crore INR
Punjab National Bank Case	2018	11356.84 crore INR

Table 1: List of Corporate scandals and their net worth in the last few years.

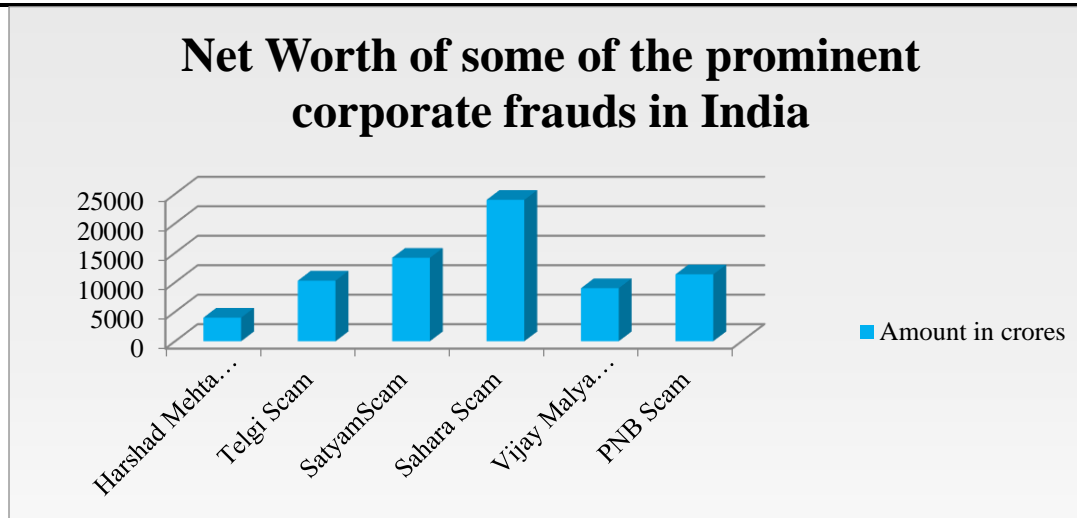


Figure 1: Graphical representation of the net worth of corporate crimes in India.

Inclusion of women with the arrival of the Companies Act 2013 and Kotak Committee 2017

In 2013, the amendments made to the Companies Act first engrossed notice of the entire corporate fraternity regarding the inclusion of women in the management of Companies to exterminate financial frauds to some extent. Later in 2017, the introduction of the celebrated Kotak committee made sure that the inclusion of women to maintain good corporate governance is well established across the Country. Before advancing head first it is compulsory to recognize the recommendations made by the two concerned tenacities.

The Companies Act 2013 (2013)

The Companies Act 2013 had proposed certain recommendations to ensure good corporate governance in the corporate world. Some of the recommendations are given below:

- I. It proposed certain new definitions of terms such as, 'interested directors', 'voting rights, 'financial statements, etc.
- II. It proposed certain changes regarding the constituents of the Board of Directors. According to it, a company can afford a maximum of 15 directors (Act, 2013).
- III. The perception of 'Independent Directors' was brought forward in this Act.
- IV. It was made mandatory for public listed companies to appoint at least one woman director in its composition of the Board.
- V. It mandates the formation of various committees such as, 'CSR Committee', 'Remuneration Committee', etc.
- VI. It introduced the perception of Corporate Social Responsibility (CSR).
- VII. The concerned Act has bestowed more authority to the "(SFIO) to investigate serious frauds.
- VIII. Filing of complaints against the Tribunal has also been made possible by this Act if the depositors or members of the company want to make claims of compensation.

Kotak Committee (2017)

SEBI introduced the committee on Corporate Governance under the chairmanship of Uday Kotak on 2nd June 2017 (P. Pandey, Agarwal & P. Pandey, 2017). The Kotak Committee lays down recommendations in the following aspects of Corporate Governance:

- I. *Structure of the Board of Directors*: Contradicting the recommendations of the Companies Act 2013, the committee recommended the minimum number of Board members to be 6. At least one woman board member is recommended by the committee and the quorum is one-third of the total strength of the board.
- II. *Liberated Directors*: The committee defines an independent or liberated director. It also emphasizes the duties and responsibilities of the same.
- III. *Board Committees*: Various committees and their roles have been mentioned in the recommendations of the Kotak Committee.
- IV. *Heightened Observing*: Certain specific obligations have been levied on the board of directors as far as monitoring of the activities of its subsidiaries is concerned.
- V. *Related Party Transactions*: The term has been defined in the recommendations of the committee. It has also mentioned that such a definition shall not be applicable in the field of mutual funds.
- VI. *Partaking of Shareholders in meetings*: The committee viewed that it was important for the enhanced partaking of shareholders in the meetings of the listed companies. It also made recommendations regarding the use of virtual presence if physical presence is not possible.

Can the inclusion of women in the top-level management of companies diminish corporate frauds and failures?

The researchers surveyed 20 corporate personnel and the primary data collected was analyzed with IBM SPSS and Microsoft Excel. The results derived have been listed below:

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.525 ^a	.275	.190	.64630

a. Predictors: (Constant), VAR00002, VAR00001

Table 2: Regression model

The above-mentioned model states that the R square value is 27.5% which is not satisfactory. R square is that segment by which the variance of the dependent variable is higher than the variance of the error. It indicates that the inclusion of more women as board members will not eradicate the problem of corporate fraud significantly. The standard error is around 64.6% which is quite an extreme value. Now, the study would focus on why the research revealed such negative results by comprehending the constraints that hit the inclusion of women in the corporate turf, especially in high positions.

Constraints to the inclusion of Women in the Board of Directors of companies

- **The disparity in education:** The earlier part of the study showcased how the inclusion of women can hardly make any difference in the current scenario as per the survey conducted by the researchers (Chandra, 2019). However, it is to be understood that the core reason behind such results is the disparity in the availability of quality education across the nation.

Rate of literacy & Gap	2007-2008	2017-2015	2017-2018
Rate of literacy among males	76.6%	80.3%	81.5%
Rate of literacy among women	54.9%	61.8%	64.5%
The gap in the rates of literacy	21.7%	18.5%	16.9%

Table 3: Literacy rates across the country since 2007-08

It is quite evident that there remains a gap between the literacy rate of males and women. It is because that woman gets fewer opportunities to receive formal education in India in comparison to men.

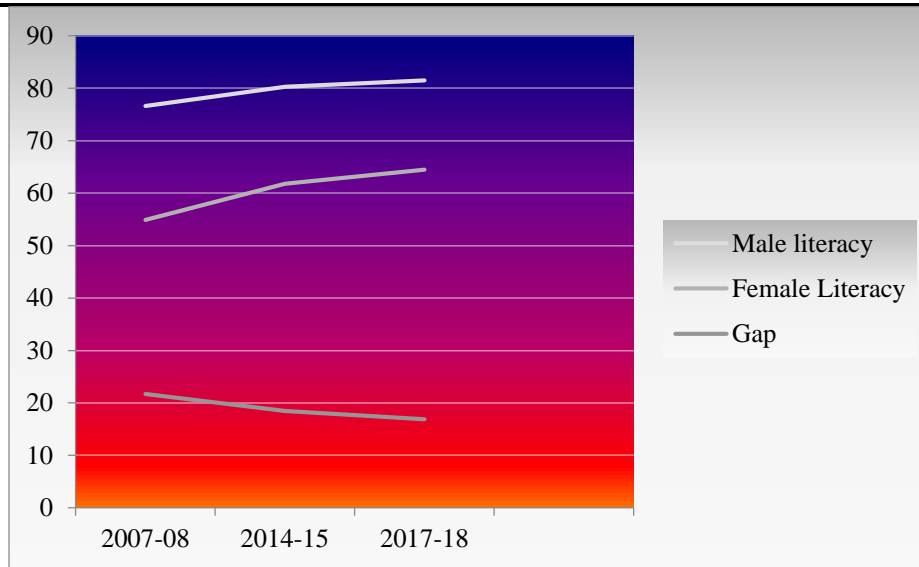


Figure 2: Graphical Presentation of gender inequality in terms of education in India.

Though the curve signifying the gap in between the literacy rates between men and women is negatively sloped, still the gap in 2017-18 is almost 17% which is quite huge if compared to other developed economies.

- Lower participation of women in India in the top-level management:** As far as Europe is concerned, the continent does exceedingly well in the inclusion of women as board members. The statistics suggest that it has hugely improved over the last few years. Currently, 29.7% of board members across Europe are women. However, the scenario is quite disquieting in the case of India. At present in India, only 8.5% of total high-level managerial roles are held by women.



Table 3: Percentage of total high-level managerial positions held by women as per CS Gender 3000 Report.

India goes marginally ahead of Japan and South Korea as per the CS Gender 3000 Report 2019.

Conclusion

The analysis has been conducted on whether the inclusion and participation of women leaders in directorial positions will help in the reduction of corporate crimes. Several corporate crimes have badly affected the corporate world such as Satyam, Enron, and others. The report has focused on if the representations of women leaders on the board can help reduce such scams and scandals. It is evident from the analysis that in a developing country like India rate of women literacy is very low. There are very few women who aim at holding responsible positions in society. The lack of accessibility of recent infrastructures has also made women far from being empowered. Hence, the primary analysis has clearly shown that women have a long way to go for becoming leaders in India. The scope for women's leadership is vast but it cannot be rightly said that the inclusion of the concerned gender will bring about an overall reduction in corporate crimes.

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