

A Study of Women Representation on Boards of Listed Banks in India



Dr. S K Gupta, FCS
Group CEO – AIHP Gurgaon
cbst.skgupta@gmail.com

THE PERSPECTIVE

Corporate governance frameworks defining the way corporate are managed and controlled have taken root globally. One of the areas of focus is women representation on the Board as a step towards better governance and creating an appropriate dynamic to challenge group-thinking with an eye towards enhancing shareholder value. It's a remarkable anomaly that with women representing 50% of most geographic population groups, they are under-

It is a remarkable anomaly that with women representing 50% of most geographic population groups, they are under-represented in the boardrooms. The interest in the gender diversity of boards has increased in recent years. The percentage of women employees in Banks in India is 24% which is among the highest ratios in female to male workforce in any industry. This paper examines the extent to which listed Banks in India have responded to the legal requirement of appointing a woman director on the board.

represented in the boardrooms of their nations.

Women represent a resource that is still greatly underutilized. Their presence at the top managerial and executive ranks not only introduces benefits such as higher business competitive advantage, but also results in better quality decisions and consequently the better financial performance of the firms. Women's increased representation on the corporate boards can result in more innovative and creative board deliberations and better decisions. Encouraging women on the board is no longer just the right thing to do based on gender equality arguments but also the smart thing to do.

QUALITIES THAT WOMEN BRING TO THE BOARD

In an era when productivity puzzles persist and economies trade within globalized markets, facilitating female participation at the Board level might just give the companies a competitive advantage. Company boards benefit greatly from the contribution women members bring.

- » Women bring to the boardroom, a different set of perspectives, experiences, angles, and viewpoints than their male counterparts
- » Female directors are "more likely than their male counterparts to probe deeply into the issues at hand" by asking more questions, leading to more robust intra-board deliberations
- » Female directors tend to have a different style of engagement, seeking the opinions of others and trying to ensure that everyone in the boardroom takes part in the discussion
- » Women make decisions taking the interests of multiple stakeholders into consideration so as to arrive at a fair and moral decision
- » Women as compared to men are better at conveying their expectations and ideas
- » Women bring positive changes to the boardroom environment and culture
- » Women have more emotional intelligence
- » Women think about the people behind the numbers
- » The board becomes more relaxed, making the atmosphere less aggressive. A more open culture allows all board members to give their opinions and benefit of their expertise.

WOMEN DIRECTORS – LEGAL FRAMEWORK IN INDIA

The business world has for long experienced inequality in gender representation at the work place. However, in the modern era the status of women is changing. The Government of India has propagated many laws for the empowerment of women. One such revolutionary initiation taken by the Government is the appointment of at least one woman director in certain class of companies' board under the land mark legislation The Companies Act 2013. The second proviso to section 149 (1) of the Act makes it mandatory for every listed company to appoint

at least one woman director. Every other public company having paid up share capital of Rs. 100 crores or more or turnover of Rs. 300 crore or more as on the last date of latest audited financial statements, is also required to appoint at least one woman director. SEBI vide its circular dated 17th April, 2014 made it mandatory for all the listed companies to appoint at least one woman director on their Boards in alignment with the requirement of section 149 of the Companies Act, 2013, under corporate governance norms.

It has been a valuable intervention to accelerate the process as demonstrated by increase in women directors on Boards. After implementing it grudgingly in some cases, most companies have now become believers and some are active champions. As on 26 January, 2019 out of 1,723 NSE listed companies, 1,667 companies had met the mandate of one woman director on board, according to data from Prime Database. Out of this, 425 companies have women from promoter group or family. Data showed that 285 companies had more than one woman on board while 56 companies did not even have one woman director. The companies with the highest number of women directors are Apollo Hospitals Enterprise, Indraprastha Medical Corp, and Monte Carlo Fashions — each with four women directors. The inclusion of women directors on boards has not found its full value, simply because even today, many appointees are family members of the owners, whose one qualification of being a woman does not really add value to the organization.

BOARD EXPERIENCES OF WOMEN DIRECTORS

Though boards say they want diversity, what happens once women get on them? listed below are examples of the types of comments heard the most:

- » I often feel that I'm not heard and that I need to put more effort into making sure that others hear and understand my point of view.
- » I have to yell for them to hear me.
- » It's been a challenge earning respect and being treated as an equal member, particularly with older board members.
- » As a woman, you have a longer road to build credibility.
- » I have to establish my credentials over and over; it never stops.
- » I'm always seen as 'the voice of women'.
- » I'm expected to hold the ethical compass for the board and lead on women's initiatives.

BANKING INDUSTRY IN INDIA

The Indian banking system consists of 26 public sector banks, 25 private sector banks, 43 foreign banks, 56 regional rural banks, 1,589 urban cooperative banks and 93,550 rural cooperative banks, in addition to cooperative credit institutions. Public-sector banks control nearly 80 percent of the market, thereby leaving comparatively much smaller shares for its private peers. Of these 24 Public sector and 18 Private sector banks are listed on BSE. Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks. The central bank granted in-principle approval to 11 payments banks and 10 small finance banks in FY 2015-16. RBI's new measures may go a long way in helping the restructuring of the domestic banking industry.

Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to the growth of banking industry in India. The banking sector is laying greater emphasis on providing improved services to their clients and also upgrading their technology infrastructure, in order to enhance the customers' overall experience as well

as give banks a competitive edge. The percentage of women employees in Banks in India is 24% which is among the highest ratios in female to male workforce in any industry. This is due to the work culture in banks being suited to female candidates, pay and perks, banking professionals are viewed at a higher pedestal than all the other working classes especially female bank employees, and the growth prospects that banks offer to female employees.

OBJECTIVE OF STUDY

The study has been conducted to assess and analyze the representation of woman directors on Board of Directors of listed Indian Banking companies in response to the legal mandate of Companies Act, 2013 that each listed company must have at least one woman on the board.

DATA AND METHODOLOGY

For the purpose of study, the list of all the public and private sector banks listed on (BSE), was drawn. There are 24 public sector and 18 private sector banks which are listed in India. The details of the board of directors of these 42 banks were accessed from the websites of the selected banks and the details of top 15 Banks of the world by market capitalization were accessed from the websites of the respective banks. The information was examined and analyzed to determine the number and proportion of total number of directors and women directors among them. The results were also analyzed to study whether variation in women representation



“ The business world has for long experienced inequality in gender representation at the work place. However, in the modern era the status of women is changing. The Government of India has propagated many laws for the empowerment of women. One such revolutionary initiation taken by the Government is the appointment of at least one woman director in certain class of companies' board under the land mark legislation The Companies Act 2013.

on the Board of listed Public sector and Private sector banks in India, and Top 15 Indian and top 15 banks of the world (by market capitalization) is statistically significant.

ANALYSIS AND FINDINGS

The results of the study have been shown in Table 1, 2 and 3 attached as Annexure I. The findings relating to women representation on the Board emanating from the analysis of data pertaining to women directors on the boards of Indian Banks listed on BSE, and top 15 Indian banks, and top 15 banks (by market capitalization) of the world are summarized herein below:

Table 4

		0 Woman Director	1 Woman Director	2 Women Directors	3 Women Directors	Total
Indian Listed Banks	No. of Banks	2	28	10	2	42
	%	5	67	24	5	100
Indian Listed Public Sector Banks	No. of Banks	1	16	7	0	24
	%	4	67	29	0	100
Indian Listed Private sector Banks	No. of Banks	1	12	3	2	18
	%	6	67	17	11	100

- It is observed from Table 4 that 95% of the listed banks in India have complied with the legal requirement of having at least one woman Director on the Board. Two banks, one each in public and private sector is yet non-compliant with the stipulated legal mandate. However, 28 banks (67%) have just one woman Director, whereas 10 banks have 2 women Directors, and 2 banks have 3 Women Directors on their Board. Thus two third of the listed banks have only tended to merely comply with legal provisions by inducting just one Woman Director on the Board
- It is observed that there is no difference between Public sector and Private sector banks in India so far as minimum level of women representation on the Board is concerned as in both the groups 67% of the entities have a minimum of one Woman Director. However, a higher percentage (29%) of Public sector banks have two Women Directors as compared to just 17% of the private sector banks who have two Women Directors. Further none of the public sector banks has three or more Women Directors, whereas 2 banks in private sector have three Women Directors
- 5(21%) public sector banks have a Woman Chairman and / or Managing Director as against 4(22%) amongst the private sector banks.

Table 5

% of Women Directors	No. of banks in India		
	Public Sector	Private Sector	Total
0 - 5%	1	1	2
6 - 10%	10	10	20
11 - 15%	8	4	12
16 - 20%	3	3	6
21 - 25%	2	0	2
Average	12%	11.27%	11.7%

- It is observed from Table 5 that women representation on Board is up to 15% in approximately 80% of the listed public sector banks, and 83% in case of listed private sector banks in India. 5 (out of 42) banks in public sector, and 5 (out of 18) banks in private sector each have women representation on Board in excess of 15%. The average of women Directors in Public Sector listed banks in India is 12% and in private sector listed banks in India is 11%. It should however be seen in the context of the divergent size(s) of the Board of various listed public and private sector banks as the law mandates appointment of minimum one woman Director on the Board of certain class of companies irrespective of the total number of Directors on the Board. Accordingly a company having 3 (minimum required as per law) or may be 15 Directors on its Board need to appoint just a woman Director to comply with the legal provisions.

Table 6

Variation between Private v. Public Sector Banks

	Sum of Squares	DF	Mean Square	F-value	p-value
Between Groups	5.24	1	5.236	0.21	0.652
Within Group	1013.06	40	25.326		
Total	1018.29	41			

- It is observed from Table 6 that the value of p is >0.05 thus there is no significant difference between the means of the women Directors on the Board of listed Public sector and Private sector banks in India.

Table 7

Variation between top 15 Indian v. top 15 International Banks (by market capitalization)

	Sum of Squares	DF	Mean Square	F-value	p-value
Between Groups	30	1	30	12.09	0.002
Within Group	69.47	28	2.481		
Total	99.47	29			

- It is observed from Table 7 that the value of p is <0.05 thus there is a significant difference between the means of the women Directors on the Board of top 15 listed banks in India and top 15 banks of the world by market capitalization.

IMPROVING WOMEN REPRESENTATION ON THE BOARDS OF INDIAN LISTED BANKS

Companies around the world are taking a variety of approaches to address the lack of women on corporate boards. Singh, Vinnicombe and Terjesen (2007) compared the strategies for women advancing onto corporate boards in the United States of America, Scandinavia and the United Kingdom. The USA was described as taking a "liberal" approach (e.g., Catalyst's regular census of Fortune 500 countries), which is rather passive insofar as it does not actively promote a concerted effort to change. In contrast, in 2003, Norway's government adopted a quota system, which was described by Singh et al. (2007), as a "coercive" approach; and The United Kingdom embraced a "consensus" approach. The latter involved engaging the stakeholders and encouraging them to work together in innovative ways to create momentum (Singh

et al., 2007). It is interesting to note that a number of European governments including Spain and the Netherlands have joined Norway, and decided that quotas are the best option (Clark, 2010). Other countries such as Australia and Malaysia have also decided to introduce quotas (Jhunjhunwala, 2012). While North America has yet to follow suit, in Canada, the federal government recently announced the establishment of an advisory council to redress the under-representation of women on corporate boards, which stands at 10.3 percent (Ottawa Citizen, 2013). Institutions could play a larger role in increasing the participation of women on corporate boards of directors. For example, the US government could fund training and development for these women. As well, universities and colleges could include in their curriculum the importance of women participating on corporate boards, as well as education and training for women to be more successful in securing these positions.

- In order to attempt to improve the representation of women on the Board the following myths need to be dispelled:
 - * Women don't have the right leadership style. According to a study by Cranfield University, once women are appointed onto FTSE 100 boards, they are more likely to be appointed to subsequent directorships and to hold multiple directorships (15% compared with 11% held by men).
 - * Women haven't got the right experience. Many male CEOs frequently chalk up women's absence from boards to a lack of general management experience, and too many of them not being in the pipeline long enough. Female directors, on the other hand, say there aren't more women on boards due to male stereotyping.
 - * Women don't take risks. In fact, women are more likely than men to be appointed onto corporate boards in precarious circumstances (Ryan & Haslam, 2005). There is also evidence to suggest that women who pursue a career path leading to directorship are less risk averse than "typical" women (Adams, 2014).
- Infusing gender diversity in corporate boardrooms is one of the most effective ways of ensuring boards truly add value. Companies in search of true diversity should look beyond the relatively small inner circle of familiar corporate boardroom faces to find equally qualified individuals who can offer fresh perspectives.
- Bank executives in India must address gender disparity in the boardroom as a business imperative. There is a wider need to recognize that "unconscious bias" often exists in boardroom meetings. This calls for a change in mind set and recognition of women Director as a facilitative resource for progressive enhancement in organizational value.
- Banks need to develop and implement training modules for women at key points in their career progression to groom them for Board positions
- Nomination and Remuneration Committee should ensure that the Board selection process is non-discriminatory / gender neutral and should actively explore the options of inducting progressively more women in the Board
- Women need to build up knowledge and skills required for Board position, be open-minded, and build facilitative network. It is very interesting to be a part of the company decision making. It is worth it
- Opportunities for Board membership for women are growing. Women need to understand the process, expectations, benefits and need to believe in themselves and be confident that they can achieve Board position
- It is also apparent that not all professional women are interested in attaining board membership. It is reasonable to

“Infusing gender diversity in corporate boardrooms is one of the most effective ways of ensuring boards truly add value. Companies in search of true diversity should look beyond the relatively small inner circle of familiar corporate boardroom faces to find equally qualified individuals who can offer fresh perspectives.

assume that this is as true for men as for women. However, while for some women the decision not to seek board-level positions is linked to their own personal goals in life, for others, this decision has more to do with perceptions of the likely impact that taking up such a role would have

- Mentoring and Coaching for women could be useful in helping them to make progressive transition to the Board. The process will take some time, but it largely depends on individual motivation. When women are ready, "their performance will speak for them". In addition it is also recommended that coaching be also offered to men – as key to board-level positions – should focus on what they can do to help move more women into corporate Board.

REFERENCES

1. Adair, C. K. (1999). Cracking the glass ceiling: Factors influencing women's attainment of senior executive positions: Dissertation.com USA.
2. Bryant, A. (1998, October 18). Few signs of advances for women on boards. The New York Times, p. 3.6.
3. Burke, R. J. (1994a). Women on corporate boards of directors - forces for change? *Women in Management Review*, 9(1), 27-31.
4. Campbell K. and Vera A. (2008). "Gender diversity in the boardroom and firm financial performance", *Journal of Business Ethics*, Vol. 83, pp. 435-451.
5. Carter, D. A., Simkins, B. J., & Simpson, W. G. (2003). Corporate governance, board diversity, and firm value. *The Financial Review*, 38(1), 33-69.
6. Dalton D. and Dalton C. (2010). "Women and corporate boards of directors: The promise of increased, and substantive, participation in the post Sarbanes-Oxley era", *Business Horizons*, Vol. 53, pp. 257-268.
7. Forbes, J. B., Piercy, J. E., & Hayes, T. L. (1988). Women executives: Breaking down barriers? *Business Horizons*, November-December, 6-9.

Annexure I

Table 1

Women Directors in Indian Banks listed on BSE						
S. No.	Name of the Bank	Total no. of Directors	Chairman/ MD M/F	No. of Women Directors	No. of Male Directors	% of Women Directors
	Public Sector Banks					
1	State Bank of India	14	F	1	13	7
2	Bank of Baroda	13	M	2	11	15

3	Punjab National Bank	9	F	2	7	22
4	Central Bank	10	M	1	9	10
5	Canara Bank	14	M	1	13	7
6	IDBI Bank	9	M	1	8	11
7	Bank of India	11	M	2	9	18
8	Indian Bank	11	M	1	10	9
9	Union Bank	11	M	0	11	0
10	Syndicate Bank	8	M	1	7	13
11	Allahabad Bank	12	M	1	11	8
12	IOB	9	M	2	7	22
13	UCO Bank	8	M	1	7	13
14	State Bank of Bikaner & Jaipur	10	F	2	8	20
15	Corporation Bank	12	M	1	11	8
16	Oriental Bank	11	M	1	10	9
17	Andhra Bank	10	M	1	9	10
18	Vijaya Bank	12	M	2	10	17
19	State Bank of Travancore	9	F	1	8	11
20	Bank of Maharashtra	9	M	1	8	11
21	Dena Bank	12	M	1	11	8
22	State Bank of Travancore & Mysore	13	F	2	11	15
23	United Bank	9	M	1	8	11
24	Punjab & Sind Bank	9	M	1	8	11
Private Sector banks						
25	HDFC Bank	11	F	2	9	18
26	ICICI Bank	13	F	2	11	15
27	Kotak Mahindra	10	M	1	9	10
28	Axis Bank	15	F	3	12	20
29	IndusInd Bank	9	M	1	8	11
30	Yes Bank	10	F	1	9	10
31	IDFC Bank	9	M	1	8	11
32	Federal Bank	10	M	2	8	20
33	RBL Bank	11	M	1	10	9
34	City Union Bank	10	M	1	9	10
35	Karur Vysya Bank	11	M	1	10	9
36	JK Bank	9	M	0	9	0
37	DCB Bank	13	M	1	12	8
38	South Bank	10	M	1	9	10
39	Karnataka Bank	11	M	1	10	9
40	Lakshmi vilas Bank	11	M	1	10	9
41	Dhanlaxmi Bank	11	M	1	10	9
42	Standard Chartered Bank	21	M	3	18	14

Source: Compiled from the website of BSE and web sites of respective banks as on 22nd February, 2018

Table 2

Women Directors In top 15 banks (by market capitalization) in India						
S. No.	Name of the Bank	Total no. of Directors	Chairman/ MD M/F	No. of Women Directors	No. of Male Directors	% of Women Directors
1	HDFC Bank	11	F	2	9	18

2	State Bank of India	14	F	1	13	7
3	ICICI Bank	13	F	2	11	15
4	Kotak Mahindra	10	M	1	9	10
5	Axis Bank	15	F	3	12	20
6	IndusInd Bank	9	M	1	8	11
7	Yes Bank	10	F	1	9	10
8	Bank of Baroda	13	M	2	11	15
9	Punjab National Bank	9	F	2	7	22
10	IDFC Bank	9	M	1	8	11
11	Central Bank	10	M	1	9	10
12	Canara Bank	14	M	1	13	7
13	IDBI Bank	9	M	1	8	11
14	Federal Bank	10	M	2	8	20
15	Bank of India	11	M	2	9	18

Source: Compiled from the website of BSE and web sites of respective banks as on 22nd February, 2018

Table 3

Women Directors in top 15 Banks (by market Capitalization) in the world						
S. No.	Name of the Bank	Total no. of Directors	Chairman/ MD M/F	No. of Women Directors	No. of Male Directors	% of Women Directors
1	Wells Fargo	15	M	6	9	40
2	Industrial & Commercial Bank of China	6	M	2	4	33
3	JP Morgan Chase	12	M	2	10	17
4	China Construction Bank	12	M	1	11	8
5	Agricultural Bank of China	14	M	1	13	7
6	Bank of China	11	M	0	11	0
7	Bank of America	14	M	4	10	29
8	HSBC	20	M	6	14	30
9	Citigroup	16	M	5	11	31
10	Commonwealth Bank of Australia	12	M	4	8	33
	Westpac Banking Corp	9	M	2	7	22
12	Royal Bank of Canada	15	M	5	10	33
13	Toronto- Dominion Bank	14	M	7	7	50
14	Lloyds Banking Group	13	M	3	10	23
15	Bankco Santander	16	F	5	11	31

Source: Compiled from www.Relbanks.com- statistics on largest banks in the world (by market capitalization) and web sites of respective banks as on 21st February, 2018.