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## *Women Directors on Corporate Boards: An Empirical Study of Select FMCG Companies*

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*Abstract: India being a patriarchal society, considered as a male dominated society since inception. Researchers have argued that women have traditionally faced glass ceilings and more recently glass cliffs. But now, the time has changed where everyone is talking about equality and today women are standing hand to hand with men and participating equally. Studies also showed that women bring unique skills to the board and lead to improved performance of the organisation. The Companies Act 2013, incorporated a vital provision regarding women directors i.e., mandating certain class of companies to mandatorily appoint a women director which was later replicated by SEBI. The present study is descriptive and exploratory in nature covering the time period from 2011-12 to 2020-21 (10 Years), focussing on the provisions regarding women directors in Companies Act 2013 and SEBI LODR Regulation, and implementation of such provisions in the selected FMCG companies, and the composition of women directors in the board before and after the enactment of aforesaid act in the selected companies.*

*Keywords: Women Directors, Corporate Governance, FMCG, Companies Act 2013, SEBI LODR Regulations 2015.*

### I. INTRODUCTION

Today is the time of competitive and dynamic environment where, everyone is talking about equality. Political equality, Social equality, Economic equality and various other. In the present study we are going to focus broadly on the gender equality, specifically on the gender diversity in the corporate leadership. It is argued that women have traditionally faced glass ceilings and more recently glass cliffs<sup>1</sup>. Today women are not standing back in any of the area whether it be the area of education, leadership, work life balance, sports, space science, medical science, research and development or any other, they are standing hand to hand equally with the men and contributing even better than men. Gender equality can be termed as the equal ease of access to resources and opportunities regardless of gender. Over the last several decades, it has become accepted wisdom that improving the status of women is one of the most critical levers of international development.<sup>2</sup> Various studies have stated that women bring unique skills like better listening skills, more sensitivity and easily approachable which led to improved quality of interaction and improved decision making and ultimately lead to better performance of the organisation. Various countries focussed on this aspect and mandated some quotas for female board membership- Norway in 2003, mandated a 40% female quota for board membership, Italy in 2011 introduced a gender quota of 20% which was increased to 33% in 2015 also France, Spain, Belgium, Finland mandated quotas.

<sup>1</sup> Singh, D. P. D. (2022). Women on Board: A Study of Characteristics of Companies with at Least One Woman Director. Available at SSRN 4146723.

<sup>2</sup> Coleman, I. (2010). The Global Glass Ceiling: Why Empowering Women Is Good for Business. *Foreign Affairs*, 89(3), 13–20. <http://www.jstor.org/stable/25680912>

In India, first reference to women directors in Indian Corporate Boards was given by Naresh Chandra Committee but it was then dropped. Later on, after several debates and discussion in 2013, India through the Companies Act 2013 mandated certain class of companies to appoint a women director which was later replicated by SEBI. Fast Moving Consumer Goods are the non-durable consumer packaged goods featuring cheaper costs like beverages, candies, cosmetics, packaged foods, and toiletries etc. which are sold quickly. They are sold in large quantities which offsets the lower profit margin. FMCG is the fourth largest and rapidly growing sector in the Indian economy employing around 3 million people. The present study deals with the provisions regarding women directors and implementation of such provisions in selected FMCG companies and analysing composition of board of such companies.

## II. REVIEW OF LITERATURE

- **Soyoung Han Et al. (2020).** In their study- “Women, Leadership and Asian Economic Performance”, stated that female executives are better able to assess the productivity of female employees also the presence of women in the corporate leadership position is associated with higher firm efficiency. According to a survey conducted on 35000 listed firm in 58 countries in 2017, nearly 46% firms had no women on their board. The study revealed that women representation in the corporate leadership position in the Southeast Asia is better than the world average.
- **Salim Darmadi (2011).** In his paper- “Board Diversity and Firm Performance: The Indonesian Evidence”, conducted a study in 2007 on 169 firms listed in Indonesia Stock Exchange taking Gender Diversity, Nationality and Age of Board Members as independent variable and ROA and Tobin’s Q as dependent variable. The study revealed negative association of gender diversity with firm performance and no influence of nationality on firm performance. The young people on board room are associated with improved financial performance.
- **Divyarajsinh Zala (2018).** In his paper- “Corporate Governance- Women Director on Boards”, conducted a study on secondary data of 10 companies which include listed as well as unlisted companies. This study discussed about women talent pool available in India and revealed that 70% of the companies expect expertise from women director, 20% expect willingness to contribute to company and only 10% expect capabilities to provide solution to the situational problems
- **R Ranju and KM Vineeth (2018).** In their study- “Women in Board: An Enquiry into the Women Participation in Boards of Major Real Estate Companies in India”, conducted a study on 10 real estate companies forming part of NIFTY REALTY index with an objective of assessing the quantum of women representation in board of selected companies. The study revealed that the average female representation in the selected companies stands at 13% with only 1 company having more than 1 women director and 1 company with no women director. They stated that the selected companies seem to be serving the minimum statutory limit in respect of women directors.
- **Ruchita Dang (2015).** Her paper entitled- “Women Director: A move towards Woman Empowerment in Corporate world”. She discussed the provisions regarding appointment of women director under Companies Act, 2013 and highlighted some of the leading women directors in India in her paper. She stated that companies having women directors achieved better financial performance.
- **Daehyun Kim and Laura T Starks (2016).** Paper Entitled- “Gender Diversity on Corporate Boards: Do Women Contribute Unique Skills?” Women directors contribute additional expertise and bring unique skills to corporate boards. The findings of the study suggest that women director can enhance advisory effectiveness of the board by contributing diverse skills.
- **Supach Rishi.** Paper Entitled- “Women Director: Corporate Governance and Gender Diversity in India, A Critical Analysis.” The study discussed about need for appointment of women director and also the barriers for the same. The study concluded that improvement can be seen in many companies in respect of appointment of women director in time

following the provision. Further suggestions were provided by the author which are, to organise training programmes, assistance from the senior colleagues and going beyond the mandate regarding appointment of women directors, for improvement of the prevailing conditions.

- **Subhanker Yadav and Anindita Chakraborty (2020).** In their paper- “Impact of Female Director on Financial Performance in Emerging Economy”, conducted a study for the period of 2007-2018 on 60 listed companies forming part of BSE500. In the selected companies during the period of study average percentage of women directors is 7.11%, maximum percentage of women directors is 33.33% and also there exist boards with no women directors. The study revealed that women possess better listening skills and are more sensitive towards others. Hence, presence of women directors in the board lead to improved quality of interaction in the board room and improved decision making and ultimately lead to improved firm performance.
- **Dr. Preet Deep Singh.** Paper Entitled- “Women on Board- A study of characteristics of Companies with at least One Woman Director.” He conducted a study for 2012-13 on 305 companies listed on BSE and concluded that companies with women directors on their board reported higher net profit.
- **Lela Hindasah and Mugi Harsono (2021).** In their paper- “Gender Diversity on the Board of Director and Firm Performance: Agency Theory Perspective”, presented a review of literature on the effect of board gender diversity on financial and non-financial performance using content analysis of 50 articles published during 2017-2020. The study states that female directors bring new skills to the board and lead to better decision making and problem solving. Also, presence of female directors has negligible effect on performance of the firm where there is concentrated ownership, or a male-dominated culture or where associated females are appointed as directors.

### III. OBJECTIVES

Following are the objectives of the study-

- To analyse the provisions regarding women directors in the Companies Act 2013 and SEBI LODR Regulations of 2015.
- To evaluate the implementation of such provisions in the selected FMCG companies during the study period.
- To analyse the composition of women directors in the board before and after the commencement of aforesaid provisions in the selected FMCG companies.

### IV. RESEARCH METHODOLOGY

The present study is descriptive and exploratory in nature. Descriptive as it aims to provide description of the provisions relating to women directors and exploratory in the sense that it aims to analyse the composition of women directors in the board of selected companies before and after the amendment of Companies Act 2013 and SEBI LODR Regulations.

#### 4.1 Scope and Sample of the Study

The study covers the time period of 10 years, from F.Y. 2011-12 to F.Y. 2020-21. Population for the study is the NIFTY FMCG index of NSE comprising 15 FMCG companies. Out of which 5 companies with the highest weightage in the index were chosen, which are ITC Limited, Hindustan Unilever, Nestle India, Britannia Industries and Dabur.

#### 4.2 Sources of Data

Secondary sources of data has been used for the study, which were collected from the books, journals, blogs on women directors and corporate governance, research papers, articles, newspapers, official website of the companies, NSE and annual reports of selected companies.

## V. LIMITATIONS OF THE STUDY

- The study is based on the secondary data, so limitations of secondary data shall apply to this study too.
- The sample is limited to only 5 FMCG companies and covers a time period of 10 years.

## VI. PROVISIONS REGARDING WOMEN DIRECTORS IN INDIA

- 1) **COMPANIES ACT 2013-** Second provision of Section 149(1) of the Act and Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 requires certain class or classes of companies to mandatorily appoint a women director
- Every listed company
  - Every other public company having paid-up share capital of Rs. 100 crore or more, or turnover of Rs. 300 crore or more as per the last date of latest audited financial statement.

Time Limit -

- Existing company shall within 1 year from the commencement of this act, appoint women director.
- Company incorporated under this act shall within 6 months from its incorporation, appoint women director.

**Note-** In case of vacancy of position of women director before the expiry of her tenure known as intermittent vacancy must be filled within the period of three months from the date of vacancy or in next board meeting whichever is later.

In case of non-compliance of the provision, section 172 of the act lays down that the company and every officer in default can be punished with a fine of not less than Rs. 50,000 and may extend upto Rs. 5,00,000.

- 2) **SEBI LISTING OBLIGATION AND DISCLOSURE REQUIREMENT REGULATIONS 2015-** As per Regulation 17 (1)(a), the composition of board of directors of the listed entity shall be optimum combination of executive and non-executive director with at least one-woman director and minimum 50% of directors should be non-executive directors.
- Board of Directors of top 500 companies shall have at least one independent women director by April 1, 2019.
  - Board of Directors of top 1000 companies shall have at least one independent women director by April 1, 2020.

## VII. COMPOSITIONS OF BOD AND IMPLEMENTATION OF AFORESAID PROVISION IN THE SELECTED COMPANIES

TABLE 1.1 – YEAR WISE DETAILS OF WOMEN DIRECTORS IN SELECTED FMCG COMPANIES

YEAR	ITC			BRITANNIA			NESTLE INDIA			DABUR			HUL		
	W D	BO D	% OF WD	W D	BO D	% OF WD	W D	BO D	% OF WD	W D	BO D	% OF WD	W D	BO D	% OF WD
2011-12	0	16	0.00	1	12	8.33	1	8	12.50	0	12	0.00	0	8	0.00
2012-13	1	18	5.56	1	12	8.33	1	9	11.11	0	12	0.00	0	9	0.00
2013-14	1	14	7.14	1	13	7.69	1	10	10.00	0	12	0.00	0	8	0.00
2014-15	1	16	6.25	1	13	7.69	1	8	12.50	1	12	8.33	1	9	11.11
2015-16	2	15	13.33	1	13	7.69	1	9	11.11	1	12	8.33	1	9	11.11
2016-17	2	14	14.29	1	14	7.14	2	9	22.22	1	12	8.33	1	10	10.00
2017-18	2	12	16.67	1	14	7.14	3	10	30.00	1	12	8.33	1	10	10.00

<b>2018-19</b>	2	14	14.29	2	14	14.29	3	9	33.33	1	13	7.69	1	10	10.00
<b>2019-20</b>	2	14	14.29	1	12	8.33	3	9	33.33	1	13	7.69	1	10	10.00
<b>2020-21</b>	2	14	14.29	1	12	8.33	3	9	33.33	1	13	7.69	1	9	11.11
<b>TOTAL</b>	<b>15</b>	<b>147</b>	<b>10.20</b>	<b>11</b>	<b>129</b>	<b>8.53</b>	<b>19</b>	<b>90</b>	<b>21.11</b>	<b>7</b>	<b>123</b>	<b>5.69</b>	<b>7</b>	<b>92</b>	<b>7.61</b>

(Source- compiled from the annual reports)

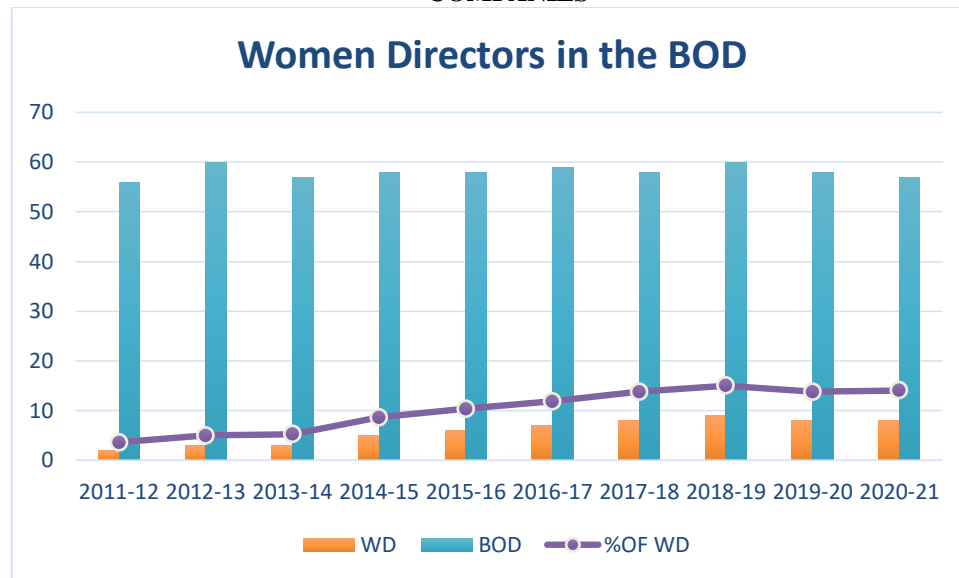
From the above table 1.1 it can be observed that HUL and DABUR in 2014-15 appointed a women director in their board, which was not appointed before the mandate by the Companies Act 2013 while ITC, BRITANNIA and NESTLE INDIA are having a women director on their board from the time prior to commencement of provision of mandatory appointment of women director. Throughout the study period the selected FMCG companies have complied with the provisions of Companies Act and SEBI LODR Regulations. However, Dabur, Britannia and HUL are fulfilling mere the provisions by appointing single women director to the board while, Nestle India and ITC are doing beyond the mere requirement by appointing more the one women director to their board, whose percentage of average women directors to board of directors throughout the study period stands at 21.11% and 10.20% respectively.

The selected companies fall in the category of top 500 companies and as per the SEBI LODR Regulations 2015, they all require to have an independent women director by 1 April, 2019. After examining, it is found that every company is complying with the said provision.

**TABLE 1.2 – COMPOSITION OF WOMEN DIRECTORS IN BOARD OF DIRECTORS OF SELECTED FMCG COMPANIES PRE AND POST COMPANIES ACT 2013**

<b>YEAR</b>	<b>WD</b>	<b>BOD</b>	<b>%OF WD</b>
<b>2011-12</b>	2	56	3.57
<b>2012-13</b>	3	60	5.00
<b>2013-14</b>	3	57	5.26
<b>TOTAL</b>	<b>8</b>	<b>173</b>	<b>4.62</b>
<b>2014-15</b>	5	58	8.62
<b>2015-16</b>	6	58	10.34
<b>2016-17</b>	7	59	11.86
<b>2017-18</b>	8	58	13.79
<b>2018-19</b>	9	60	15.00
<b>2019-20</b>	8	58	13.79
<b>2020-21</b>	8	57	14.04
<b>TOTAL</b>	<b>51</b>	<b>408</b>	<b>12.50</b>

(Source- compiled from the annual reports)

**Fig. 1.2 – COMPOSITION OF WOMEN DIRECTORS IN BOARD OF DIRECTORS OF SELECTED FMCG COMPANIES**

From the above table 1.2 and fig 1.2 it can be observed that the average percentage of women directors to board of directors in selected FMCG companies in period prior to Companies Act 2013 (2011-12 to 2013-14) stands at 4.62% with highest in year 2013-14 at 5.26% and lowest in year 2011-12 at 3.57%. After the commencement of Companies Act 2013, a massive change can be observed with average percentage of women directors as 12.5% with highest in year 2018-19 (15%) and lowest in year 2014-15 (8.62%). Thus, it is revealed that the composition of women directors in the board of directors of selected FMCG companies, pre and post Companies Act and SEBI LODR Regulations, differs significantly by inclusion of women directors in the board.

### VIII. CONCLUSION

The aim of the study is to gain insight into the concept of women directors in the corporate boards. Past studies have shown mixed results on the effect of women directors on firm financial performance. Studies also showed that women bring unique skills to the board and lead to improved performance of the organisation. The Companies Act 2013, incorporated a vital provision regarding women directors i.e., mandating certain class of companies to mandatorily appoint a women director which was later replicated by SEBI. The present study discussed the provisions regarding women directors in Companies Act 2013 and SEBI LODR Regulations 2015. Talking about the implementation of such provisions in selected FMCG companies, all the companies have complied with the said provisions. However, Nestle India and ITC are doing great by including more than one women director to their board while, others are mere fulfilling the requirements. Last objective of the study was to analyse the composition of BOD before and after the commencement of Companies Act 2013. We have 3 years of data for pre and 7 years of data for post companies act and the results reveal that composition of BOD before the act have average of 4.62% of women directors while after the act have 12.5% of women directors. Thus, the composition of BOD is significant different in both the periods.

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