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ROLE OF WOMEN DIRECTOR ON BOARD TO ENHANCE CORPORATE GOVERNANCE

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ABSTRACT

Women plays important role in decision making of board which lead to earning opportunity and more profit. Founders and other board members should increase efforts to maximise women representation on board. Women director on board should not look as only compliance requirements but important tool for welfare of company and society. The appointment of women directors on corporate boards is increasingly recognized as a pivotal strategy for enhancing corporate governance. This article explores the significance of gender diversity in decision-making roles, particularly the positive impact of female board members on organizational transparency, accountability, and overall governance. A diverse board brings different perspectives, which can lead to more comprehensive risk management, improved strategic decisions, and enhanced corporate social responsibility practices. The study examines global trends and regulatory frameworks aimed at promoting female representation on boards, while highlighting the challenges, barriers, and benefits that arise from such initiatives. Furthermore, it discusses the correlation between gender diversity and improved financial performance, innovation, and stakeholder trust. The article concludes by advocating for a continued push for gender-balanced boards as a means to foster stronger, more sustainable corporate governance structures across industries.

Introduction

The Ministry of Corporate Affairs, with a view to encourage women participation in decision making at various levels in companies, has included the following provisions in the Companies Act, 2013.

- All listed companies
- Public companies with a paid-up share capital of at least Rs 100 crore
- Public companies with a turnover of at least Rs 300 crore

The consequence of non-compliance would be The company and all officers who are in default may be liable for a penalty under Section 172 of the Companies Act, 2013.

Regulation 17(1) of the Securities and Exchange Board of India (Listing Obligation Disclosure Requirements), Regulations 2015, requires that the composition of board of directors of the

listed entity shall have an optimum combination of executive and non-executive directors with at least one-woman director and not less than fifty per cent of the board of directors shall comprise of non-executive directors.

However, the Board of directors of the top 500 listed entities shall have at least one independent woman director by April 1, 2019 and the Board of directors of the top 1000 listed entities shall have at least one independent woman director by April 1, 2020.

Explanation: The top 500 and 1000 entities shall be determined on the basis of market capitalisation, as at the end of the immediate previous financial year.

There are more benefits to onboarding women directors on board such as

- Diversified perspective for important decision making.
- Balanced representation bring more clarity in strategic investment.
- Increase reputation of company in the eyes of all stakeholders.
- Eventually it will bring growth and Prosperity.

Any intermittent vacancy of a woman director shall be filled up by the Board at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy whichever is later.

The cumulative number of women directors in listed companies, un-listed public companies and private companies as on 30 November 2024 are as follows:

Category	Count of women directors associated
Listed Public companies	8,672
Unlisted public companies	46,939
Private companies (including OPCs)	11,11,040

Skill sets required to become women director

- **Financial literacy:**

Financial literacy consists of several financial components and skills that allow director to gain knowledge regarding the overall performance of company. Also helps to make informed decisions about financial as well as non-financial matters. the ability of a director within a company to strategically manage the organization's finances by analysing performance, making informed decisions based on financial data, communicating financial insights to stakeholders, and guiding the company towards sustainable financial growth, often involving proactive risk management and strategic planning

- **Leadership and team building:**

Leadership is influencing people – by providing purpose, direction, and motivation – while

operating to accomplish the mission and improving the organization. Effective leaders are able to manage relationships with others and create positive outcomes. Good leaders are responsible for managing conflict, exert thorough decision making.

- **Communication skills:**

As a director, you are often in constant communication with others in leadership roles and employees across the company. Strong written and verbal communication skills can be critical when training new employees, discussing business strategies and providing directions on tasks. Clearly communicating not only helps to build rapport with your team but also ensures everyone understands the company's short- and long-term goals and what's expected of them. So, the communication skill need to be sharp like sword of the king which give you extra edge over your competitors and create positive perception in organisation.

- **Industry knowledge:**

For any prospective director, experience can be critical. Corporate directorships can be very competitive, and employers usually mention experience as a key distinction between candidates. Directors are responsible for supervising many projects concurrently and ensuring that they all function well. It is essential to begin managing projects to prepare for the responsibilities associated with the director's position. It is vital for company directors to be good leaders and motivators to their workforce. Volunteering on the board of a non-profit organisation can be an excellent opportunity for future directors to acquire expertise and experience.

- **Governance expertise:**

Corporate boards have many duties and responsibilities. In every decision the board makes, they must consider how it will affect their employees, customers, suppliers, communities and shareholders. Best practices for corporate governance encourage boards to offer the majority of board seats to independent

directors. A diverse approach to board composition is essential, bringing a range of expertise, perspectives and knowledge that adequately reflect the broader concerns of various stakeholders, shareholders and local communities. Board directors act as stewards of the company that governs the present times and provide guidance and direction for the future.

• **Strategic Decision making:**

Company directors make critical decisions that impact the current state and future of an organization.

Strategic decision-making includes evaluating your organization's objectives and assessing potential risks that come with each decision. Making well-informed and strategic decisions can lead to opportunities for growth and continued success. If something about a certain process isn't producing the desired results, a company director must be able to act decisively and make prompt decisions accordingly. Strategic decision making is ability to analyse complex situations, consider various alternatives, and choose the best course of action to achieve long-term organizational goals.

Examples of successful Indian Directors on boards of top company

1. Chitra Nayak (Independent Director at Infosys)

She has over 25 years of experience in go-to-market, general management, and operations leadership roles at various organizations. Chitra holds an MBA with Honors from Harvard Business School, an MS in Environmental Engineering from Cornell University, and a B. Tech in Engineering from the Indian Institute of Technology. Chitra has a passion for empowering women in the workplace. She is the co-founder of Neythri.org, which supports South Asian professional women. She was also the co-founder of the Salesforce Women's Network initiative. She has co-created and taught an MBA class on 'Women in Leadership' at California State University, East Bay.

2. Usha Sangwan (Managing Director at Life Insurance Corporation of India)

She is an Indian business executive and entrepreneur currently Managing Director at Life Insurance Corporation of India, India's biggest life insurance company. She is the first woman to reach this position in 2013. She has now been appointed as an Independent Director at LIC of India. Earlier she has also handled LIC Housing Finance which is a subsidiary of LIC. She played an important role in turnaround of this company by raising \$29.85 million through global depository receipts in 2004. She segregated marketing and underwriting divisions and introduced risk-based pricing. She has worked in almost all core areas of Life Insurance including Marketing, Personnel, Investment, CRM, Information Technology, Corporate Planning, Regulatory Compliance, Actuarial, Housing Finance, Group Business, Direct Marketing, International Operations and Corporate Communications. She has Board level experience of almost 30 years, as she has been on multiple Boards simultaneously.

3. Arundhati Bhattacharya (an Independent Director and a Member of the Stakeholders' Relationship Committee and Environmental, Social and Governance Committee.)

She is an Associate Member of the Indian Institute of Bankers, with more than 40 years of rich and varied experience coupled with thorough insights of banking industry and its related technology. Ms. Bhattacharya is a postgraduate degree holder in English. She is an internationally acclaimed banker who has won many international awards and recognitions, including 'World's 100 Most Powerful Women' by Fortune and Forbes; Fortune's 'World's Greatest Leaders'. She is credited with upscaling the Bank's technology initiatives in order to give this 212-year-old largest bank of India (22% market share) a digital edge that has been acknowledged by Industry as path breaking. She introduced a two-year sabbatical leave policy for the bank's female employees to use

either for maternity or elder care. On Women's Day, she announced free vaccination against cervical cancer to all the bank's female employees.

4. Ms Aarthi Subramanian (Non-executive director with TCS)

She is the Group Chief Digital Officer at Tata Sons Limited reporting to the Group Executive Chairman. A professional with over 28 years of experience in the global technology sector, Ms Subramanian started her career with Tata Consultancy Services (TCS) and worked in diverse roles in India, Sweden, the US and Canada, thereby gaining rich experience in consulting engagements and management of large-scale technology programs as well as operations. She holds a B. Tech in Computer Science from National Institute of Technology, Warangal (India) and a master's degree in engineering management from University of Kansas (USA).

5. Ms. Neelam Dhawan (Independent Director, ICICI Bank Limited)

She has over 38 years of experience in the information technology industry. She also has a MBA degree from Faculty of Management Studies, University of Delhi, India. Starting from 1982, she has held various positions across HCL, IBM, Microsoft and Hewlett Packard. She has been Managing Director and leader of the Country businesses for 11 years for Microsoft and later Hewlett Packard in India. Her last executive assignment was that of Vice President for Global Industries, Strategic Alliances, and Inside Sales for Asia Pacific and Japan, for Hewlett Packard Enterprise till March 2018. Forbes and Business Today have recognized her as one of the Most Powerful Women in Business. Her main area of expertise is managing complex technology businesses in highly matrixed organizations. Her career span covered the industry's major milestones and had the opportunity to work alongside the key architects of the sector in India. She was on the NASSCOM Executive Council from 2009 to 2017 and made

significant contributions to the industry strategy and public policy frameworks.

Special Efforts to increase women representation on Board

• Build a Pipeline of Female Talent:

Women need to be equipped with the skills and knowledge needed for executive roles. Specialized training programs focusing on leadership, financial strategy, corporate governance, and risk management will help women understand what is required to be effective directors. When women acquire these critical skills early in their careers, they are better positioned to pursue board roles as they gain experience. Building a robust pipeline of female talent is essential for enhancing corporate governance and increasing the representation of women on boards. By implementing targeted strategies, organizations can cultivate and promote women leaders, ensuring a diverse and effective leadership team.

• Introduce Transparent Appointment Processes:

Implementing a transparent appointment process for board positions is essential for enhancing corporate governance and promoting gender diversity. Such transparency ensures that all candidates, regardless of gender, are evaluated based on merit and suitability, fostering trust and accountability within the organization. Implement standardized evaluation methods to assess candidates against the established criteria. This may include structured interviews, skills assessments, and reference checks. Objective assessments minimize subjective biases and ensure that the selection process is fair and consistent.

• Create Networking and Mentoring Opportunities:

Creating networking and mentoring opportunities is essential for enhancing corporate governance and promoting gender diversity on boards. These initiatives provide

women with the support, guidance, and connections necessary to advance into leadership roles. Diverse mentorship can help women navigate different challenges and broaden their professional networks. Create platforms where women from various sectors can exchange experiences, share best practices, and support each other's professional journeys. Cross-industry forums can foster innovation and broaden perspectives.

- **Encourage Corporate Cultural Change:**

Encouraging corporate cultural change is pivotal for enhancing corporate governance and increasing the representation of women on boards. A culture that values diversity and inclusion fosters an environment where women can thrive and ascend to leadership positions. Offer policies that accommodate diverse needs, such as flexible working hours and remote work options, to support employees with varying responsibilities. This approach can help retain female talent and reduce the "maternity penalty" that often affects women's career progression. Offer ongoing education on diversity and inclusion to reinforce the importance of an unbiased workplace culture. Define and communicate clear criteria for promotions and leadership roles to ensure that all employees understand the pathways to advancement.

- **Support Women's Leadership in Senior Executive Roles:**

Supporting women's advancement into senior executive roles is crucial for enhancing corporate governance and fostering a diverse leadership team. Implementing targeted strategies can help organizations break down barriers and create pathways for women to reach top executive positions. Highlight the achievements of successful women leaders within the organization to inspire others and challenge prevailing stereotypes about women's capabilities. Showcasing female role models can motivate other women to pursue leadership roles and demonstrate the organization's commitment to diversity.

Current Scenario

This statutory applicability for appointment of women directors brought the notion that the growth in women's representation was driven primarily by regulation rather than a real acceptance of the fact that diversity in company boards creates value and improves the spectrum of viewpoints – which is going to be beneficial for the company in the long run. India is a market where voluntary norms usually don't move the needle that much." Many listed but also unlisted companies in India are family managed. It's usually the sons that come into the company and take over the important roles, like the position of the CEO or chair. The daughters really don't get involved in the business that much, even if they are qualified to do so. Typically, board rooms in India tend to be an old boys club and they often question the need to increase diversity when they have done quite well with the current mix of directors for years. There is a general reluctance to change a particular pattern or way of working. Companies suggest, the availability of educated and qualified women is not the issue – it is the desire to maintain the status quo which is a greater barrier."

Type of directorship position held by women on board

The total directorship (men and women) positions held in NSE-listed companies. The proportion of non-independent (51%) directors is slightly higher than the proportion of independent directors (49%) on Indian boards. In contrast, 58% of the women are independent directors and 42% are non-independent directors. 50 women hold both independent and non-independent positions on different boards. Very few hold executive leadership positions among boards. Among the 928 non-independent directorship positions held by women, 577 are promoter-directors and 531 hold non-executive positions. Only 465 women directors are executive directors of their boards with functional responsibilities, out of which 63 are promoter chairpersons; another 55 hold

nominee director positions. Only 106 non-independent women directors are professionals who had held executive positions (such as CFO, CHRO, CTO) within their companies. The women on boards who hold functional roles within their organizations occupy leadership positions in their companies. The fact that this number is less than 10% indicates that, within the organization, very few women are coming through the ranks to occupy senior management roles in their companies.

Conclusion

the women directors who are being appointed to the board, are to merely meet the mandate and do not fulfil the purpose of the legislation in its essence and more concrete effort which can show tangible results is required. Hence, we suggest that the threshold of appointment of women directors must be kept at an equal pedestal to that of independent directors. This will ensure that only genuine candidates, who are not related to the directors of the company and the company itself, are appointed in the role of women directors. Enhancing corporate governance through the appointment of women directors on boards is not only a matter of equity but also a strategic imperative. Research indicates that gender-diverse boards contribute to improved decision-making, increased innovation, and better financial performance. To further enhance corporate governance, organizations should focus on building a pipeline of female talent, implementing transparent appointment processes, creating networking and mentoring opportunities, encouraging cultural change, and supporting women's leadership in senior executive roles. These efforts collectively contribute to a more inclusive and effective governance framework.