

# COMPANIES ACT 2013 – A BIG STEP TOWARDS WOMAN EMPOWERMENT IN THE CORPORATE WORLD: A STUDY WITH REFERENCE TO THE BANKING INDUSTRY

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**Abstract:** The Indian Society has travelled from equal status to a male dominated one, reflecting the women as the weaker section. With the passage of time the society has progressed and now we have a number of rules and regulations established for providing security and special status to women. The Indian judicial system and financial system are also maintaining special provisions of law for betterment of women. August, 2013 has brought in a new era in the history of company law in India. The history of corporate India witnessed a landmark action by the introduction of the new Companies Act on 29th August, 2013. The new Act introduces a new provision relating to Women Directors. This noble act instils a new outlook on boardroom management. The new Companies Act 2013 enacts that every listed company and every other company having paid-up share capital of one hundred crore rupees or more or having a turnover of three hundred crore rupees or more, shall have at least one women director. This mandatory requirement to appoint women on the board is expected to bring diversity as well as women potentials.

The present paper focuses on the issue of representation of women directors on the board of some selected private sector and public sector banks prior to and after the introduction of the new Companies Act. It highlights the comparative situation regarding composition of the board of these banks and position of women directors on the board of those selected banks as an impact of the vast changes in corporate laws.

**Keywords:** Woman Directors, Companies Act 2013.

## **Introduction**

Women in India have come across a tremendous change in their socio-economic status over the past few decades. From equal status with men in ancient times, through the decline in

position in the medieval period, to the promotion of equal rights by many reformers, the history of Indian women has been eventful. In modern India, women have held high offices in India

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including that of the President, Prime Minister, Speaker of the Lok Sabha and Leader of the Opposition. Though we also have women CEOs in banking, IT, media and hospitality industries – and yet this is more the exception than the rule. The number of women reaching top management positions is still low. This number falls to a paltry figure of few percent when it comes to top management or board positions.

The new Companies Act is a landmark in the history of Corporate India. The 1956 Act was passed in the first decade of Free India; the business landscape has changed radically in the last 60 years. The new Act is appropriate for the 21st century scenario and its present challenges. The Act replaces the existing Companies Act, 1956, which has been amended at least 25 times in the past 57 years of its lifetime still many of its provisions are found to be out-dated and inadequate in the present day scenario.

The new Act introduces a new provision relating to Women Directors. It stipulates at least one woman director's appointment on the Board of a company. This is a progressive step to establish women potentials in corporate world or boardrooms. All over the world, many women professionals have succeeded in eliminating the invisible glass ceiling – and Indian women are not far behind. This makes the case for balancing masculine and feminine traits. A recent study by Booz & Company estimates that if Indian women could achieve employment rates equal to men, the country's GDP would increase by 27

percent. In addition, emerging research from the Center for Talent Innovation has strongly correlated diverse boards and diverse leadership with innovation and growth in market share. Thus we can say that the best way to create androgynous boards is by having a good mix of men and women on them.

### **Companies Act**

The long awaited amendments in the Companies Act have been performed by adopting the New Companies Act, 2013 in the Parliament. The basic intention of the legislation behind the changes incorporated in the New Companies Act is to consolidate and amend the laws relating to companies in India in such a way that the companies can be managed and monitored in an effective and transparent manner.

On 29 August 2013 the new Companies Bill was finally approved by the President of India and that made it into a law, thereby replacing the almost sixty years old regulations under the Companies Act, 1956. The Companies Act, 2013 allows for a contemporary legislation for regulation of the corporate sector in India. The Act, amongst other aspects, provides for business friendly corporate regulations, better corporate governance, focus on corporate social responsibility, enhanced disclosure norms, investor protection, introduction of class action suits, one-person companies, capped auditors' tenures and increased the number of independent directors on the boards of listed companies in an effort to improve governance etc. One of the most

interesting features of the law is that, it seeks to ensure more female oversight on how companies are run in the world's largest democracy that is facing the worst sex ratio scenario since independence in 1947. For the first time in the history of India the bill mandates at least one woman on the board of a certain class of companies – to be determined by the rules that are being framed potentially based on market cap. This is an effective step that carries forward the move to increased discipline and innovation in governance. The focus of the study lies on women and so attention goes to section 149 sub-section (1) of Companies Act 2013 which describes that every public company shall have a minimum number of three directors, the number are two in the case of a private company and one director in the case of a One Person Company. Further the companies (Appointment & Qualification of Director) Rules, 2014 which come into force on 1st April 2014 provides that every listed company, and every other public company having paid-up share capital of one hundred crore rupees or more or turnover of three hundred crore rupees or more as on the last date of latest audited financial statements, shall appoint at least one woman director. Proviso added to the rule is providing that a company, which has been incorporated under the Act and is covered under provisions of second proviso to sub-section (1) of section 149 shall comply with such provisions within a period of six months from the date of its incorporation.

There are also some amendments in Listing Agreement i.e. Clause 49 made by

SEBI to increase the women participation on boards. Revised Clause 49 provides various provisions related to Corporate Governance to align with the relevant sections of the New Companies Act 2013. The listed companies had time till April 1, 2015 year to comply with the woman director-related provision. SEBI has also exempted smaller companies those having equity share capital of up to Rs10 crore and net worth not exceeding Rs 25 crore, and companies listed on SME platforms of the stock exchanges from the mandatory compliance to the new Code for the time being.

No doubt the introduction of a very comprehensive New Companies Act, 2013 and Revised Clause 49 is a milestone but the main concern here is to investigate whether the companies will seriously appoint competent women director or the women director will be coming out of family linkages or promoter groups in turn making them puppets rather than actively functioning directors.

Appointing independent women director will be more beneficial for the companies because by doing so they will be complying two provisions of section 149 i.e. sub-sections 1 and 4. The second proviso to the rule 3 is further providing that if there is intermittent vacancy of a woman director, it 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. If this provision would not have been made, the companies will be appointing a woman director and after appointment, they will try her removal

and overcome law. But this provision has ensured the enforcement of the appointment of women on boards.

The long awaited amendments in the Companies Act have been performed by adopting the New Companies Act, 2013 in the Parliament in the Sixty-fourth Year of Republic of India. The basic intention of the legislation behind the changes incorporated in the New Companies Act is to consolidate and amend the laws relating to companies in India such that

the companies can be managed and monitored in a transparent manner while functioning efficiently and effectively.

Study on some selected banks:

For analysing the effect of new Companies Act 2013, 8 leading banks both from public and private sector are taken for the study period from 2008-09 to 2017-18. These eight banks represent 4 banks from public sector and 4 banks from private sector.

**Table- 1: Sowing average strength of woman directors before and after introduction of Companies Act 2013 on some selected public and private sector companies during the period from 2008-09 to 2017-18**

Name Of the Companies	2008-09	2009-10	2010-11	2011-12	2012-13	Mean from 2008-09 to 2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Mean from 2013-14 to 2017-18
State bank of India	1	1	2	1	0	1	1	1	2	2	3	1.8
Punjab National Bank	1	1	1	1	1	1	1	1	1	1	0	0.8
Bank of India	2	1	1	0	1	1	1	1	2	2	2	1.6
Bank of Boroda	0	1	1	1	0	0.6	1	1	2	2	3	1.8
HDFC Bank Limited	0	1	1	1	1	0.8	1	1	2	2	1	1.4
AXIS Bank Limited	1	1	2	2	2	1.6	3	3	3	3	3	3
ICICI Bank	1	1	1	2	2	1.4	1	1	2	2	3	1.8
YES Bank Limited	0	1	0	2	1	0.8	1	1	1	0	2	1

Source: Annual Reports of selected Banks from 2008-09 to 2017-18

Table 1 highlighted the effect of new Companies Act 2013 on composition of woman director in the board of directors of the leading banks of India.

It is clearly seen from the above table that out of 8 banks under study 7 banks had positive impact of Companies Act 2013 on composition of woman directors in the board.

- Punjab National Bank is the only bank which have the negative result though the

bank is very much consistent in maintaining woman director in the board except 2017-18.

- Highest impact of new Companies Act has been found in Bank of Baroda (average composition of woman directors increased from 0.6 to 1.8).

- 2nd highest impact has been found in Axis Bank Limited (average composition of woman directors increased from 1.6 to 3.0).

**Table - 2 : Showing ranking on the basis of consistency of strength of woman directors in the Board of Directors of selected Banks during the study period from 2008-09 to 2017-18**

Name Of the Companies	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	standard deviation	Ranking on the basis of standard deviation
State bank of India	1	1	2	1	0	1	1	2	2	3	0.84	7
Punjab National Bank	1	1	1	1	1	1	1	1	1	0	0.32	1
Bank of India	2	1	1	0	1	1	1	2	2	2	0.67	3
Bank of Boroda	0	1	1	1	0	1	1	2	2	3	0.92	8
HDFC Bank Limited	0	1	1	1	1	1	1	2	2	1	0.57	2
AXIS Bank Limited	1	1	2	2	2	3	3	3	3	3	0.82	6
ICICI Bank	1	1	1	2	2	1	1	2	2	3	0.7	4
YES Bank Limited	0	1	0	2	1	1	1	1	0	2	0.74	5

Source: Annual Reports of selected Banks from 2008-09 to 2017-18

Table 2 focused on the consistency of consuming woman directors in the Board of Directors in India's leading banks during the study period from 2008-09 to 2017-18.

- From the above table it is found that PNB reflects the most consistent situation in reference to abiding by rules of the Companies Act 2013 regarding appointment of women directors. Though in 2017-2018 they did not appoint any women directors which is a violation of the Companies Act (as amended in 2013). But even before the new act came into operation they had been consistently appointing women directors.
- Bank of Baroda ranks the lowest in the above table. Before the amendment of the said Act they had been intermittently having women directors but after amendment in 2013 they have steadily increased their number of women directors.
- Bank of Baroda though achieved 8th position but they had consistently increased their number of women directors after 2013 amendment.
- HDFC bank who ranks 2<sup>nd</sup> in the table, also shows a consistent appointment of women directors on their board for the last 10 (ten) years prior to and after the amendment of the Companies Act.
- From an overall view of the table we find that most of the banks have had women participation in their board regularly from 2009-2010 onwards. We also observe that most of them have increased women participation on the

board after the amendment of the Act in 2013.

### Conclusion

From the above discussion it can be concluded that new companies Act 2013 had a positive effect on composition of woman directors in the board of directors of leading banks of India. Not only the private sectors banks under study but also the public sector banks are positively affected by the new Companies Act 1913. The results also highlighted that the aim of Companies Act 2013 to increasing woman directors in board has been achieved to some extent during the study period.

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