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Corporate India needs to have an unwavering commitment towards gender diversity

Corporate India has absorbed the benefits of gender diversity. More companies now have one woman on their boards, and several boards have more than one. Regulations, it appears, have rejuvenated the focus on gender diversity in boardrooms. Yet, progress is slow compared to global benchmarks. Having more women in the workforce and at leadership levels requires a focussed effort from corporate India.

There is enough research that suggests that diversity and inclusion factors correlate with better financial performance of companies. A [2018 McKinsey](#) study shows that companies in the top quartile for gender diversity on executive teams were 21% more likely to outperform on profitability and 27% more likely to have superior value creation. Yet, while correlations are not necessarily causation, the correlation does indicate that quality of earnings and performance improves when leadership commits itself to diversity.

Having more women in the workforce is widening the talent pool and enabling a more sensitive work culture. To quote Mao Zedong, if “women hold up half the sky”, then including them consciously in the workforce makes practical sense for organizations. While there is enough being said about India’s demographic dividend – with a large working age population – there are constraints of skill development. Empirical evidence seems to suggest labour market tightness – even when jobs are available, there are not enough skilled workers to fill them. In an age where the #MeToo campaign raised testing questions, having a better gender balance also tends to result in a more sensitive work culture.



A modified version of this blog by Hetal Dalal was published on 18 March 2020 by www.moneycontrol.com

In India, regulatory changes continue to drive the dialogue on gender diversity in boardrooms. Recent regulatory changes make it mandatory to have at least one independent director on board for the top 500 companies from 1 April 2019. The effects of the regulatory push are clearly visible – NIFTY 500 companies have 16% of board directorships held by women (769 of the total 4,667 directorships) on 30 November 2019. This is significantly higher than five years ago, when women held just 6% of directorships in NIFTY 500 companies on 31 March 2014.

The tone of every organization is set at the top. Therefore, the drive towards gender equality rests with the boards. There are positive signals for gender diversity at the board level. A 2016 [MSCI study](#) suggests that three or more women on a company’s board of directors helps companies perform better financially. For India, of the NIFTY 500 boards, 223 boards have exceeded the regulatory requirements – these boards had two or

more women directors on 30 November 2019 (against [106 boards on 31 March 2017](#)). The impact of gender diversity is also a function of the size of the board – having one woman in a board size of 15 is not the same as one in six. Here too there has been considerable improvement over the past 30 months. 136 of the NIFTY 500 companies had women comprise over 20% of the overall board size on 30 November 2019, against just 59 on 31 March 2017.

Despite the considerable progress, corporate India with 16% board representation of women in NIFTY 500 companies, remains behind the curve. In the UK, the [30% Club](#) that was launched in 2010 had set out an extended goal to achieve a minimum of 30% women on the FTSE-350 boards by 2020, which has been achieved. The 30% Club has several chapters across the globe today including [USA](#), [Canada](#), [Australia](#), [Japan](#) and [Malaysia](#). Others like Brazil, France, Norway, and Spain are more resolute and have set a target of 40% board representation by women.

The challenge for gender equality is probably greater at the rungs below the board - especially at senior levels. This is likely a function of the gender pool in the workforce itself. [IiAS'](#) assessment of the NIFTY 100 companies on their ESG factors shows that 55 companies claim to be equal opportunity employers and 41 have articulated gender parity in remuneration. Yet, this does not seem to be demonstrated in the statistics. Of the NIFTY 100 companies, only 8 companies¹ have women comprising more than 30% of the workforce – 5 of these are in the Information Technology industry. Other services businesses – including financial services – tend to have lower strength of women in the workforce. Women, on an average, tend to form about 10% of the workforce of the NIFTY 100 companies.

Given the correlation between performance and diversity, there is a compelling case for investors to push the gender diversity agenda. [BlackRock, in its voting guidelines](#), encourages its investee companies to have at least two women directors on boards. At the World Economic Forum 2020 held in Davos, David Solomon, CEO of Goldman Sachs, announced that effective 1 July 2020, [Goldman Sachs will only underwrite IPOs in the US and Europe of private companies that have at least one diverse board member](#). Starting in 2021, it will raise this target to two diverse candidates for each of its IPO clients. With stewardship codes becoming mandatory for almost all Indian asset managers, this is an agenda that must be focused on.

The [World Economic Forum, based on a McKinsey Global Institute report, suggests that India could add upto USD 770 bn](#) – more than 18% - to its GDP by 2025 simply by giving equal opportunities to women. The same

¹ INFY, WIPRO, TCS, TECHM, OFSS, INDIGO, PAGE, GICRE

applies to corporate India – that having more women in the workforce will perhaps widen the appeal of their product and service offerings, and possibly result in improved financial performance. While there has been an improvement in gender parity for corporate India and the economy as a whole, a lot more needs to be done.

A modified version of this blog by Hetal Dalal was published on www.moneycontrol.com, which can be accessed here: <https://www.moneycontrol.com/news/india/policy-corporate-india-must-have-an-unwavering-commitment-towards-gender-diversity-5044971.html/amp>

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The attached article explains the general trends on board diversity prevalent in listed companies in the Indian market.

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