After the deadline, women remain underrepresented in India Inc. boardrooms. What happens next?

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On 1 April 2015, the deadline passed for public companies in India to appoint at least one female director. Kalpana Unadkat analyses the slow progress so far, and outlines the penalties that have been introduced for non-compliance.

Last year, Securities and Exchange Board of India (SEBI) mandated all listed companies to appoint at least one woman on their board of directors prior to 1 October 2014. When it became clear that the majority of public companies would struggle to meet this deadline, it was extended to 1 April 2015.

With no hope of another deadline extension, many Indian companies waited until the very last minute to comply. What is more, about 1180 of the 1456 listed companies simply didn’t bother to comply, including 32 public sector enterprises and banks.

On 8 April 2015 SEBI therefore announced a three stage penalty structure for failure to appoint a woman director through its circular.

<table>
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<tr>
<th>Compliance Status</th>
<th>Penalty Structure</th>
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<tbody>
<tr>
<td>Entities complying between April 1, 2015 and June 30, 2015</td>
<td>Rs 50,000/- (approximately USD 795)</td>
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<tr>
<td>Entities complying between July 1, 2015 and September 30, 2015</td>
<td>Rs 50,000 (approximately USD 795) + Rs 1000/- (aprx. USD 16) per day w.e.f. July 1, 2015 till the date of compliance</td>
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<tr>
<td>Entities complying on or after October 1, 2015</td>
<td>Rs 1,42,000/- (aprx USD 2257) + Rs 5000/- (aprx. USD 80) per day from October 1, 2015 till the date of compliance</td>
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As per the circular, for any non-compliance beyond 30 September 2015, SEBI may take any action against the companies, promoters and/or the directors.

Historically, India has had a low female participate rate not only in corporate boards, but also in its labour force. According to the World Economic Forum Gender Gap Index, only 5 per cent of working women in India make it to senior leadership positions. In comparison, the global average is 20 per cent. A shortage of qualified and experienced women at executive levels is often stated as one of the main reasons for their absence on boards. In addition to that, several social hindrances that Indian women have to overcome to even begin working. However, it is rather harsh to state that we cannot find 250 professionally qualified women from all over the world to fill 1500 board positions.

If Indian companies want diversity in leadership and boardroom, their succession planning programme should include steps that actively promote women for leadership opportunities and train managers to encourage diversity.

Was the last minute action by those companies that did comply with the requirement of a woman director on boards a “box ticking” exercise? Apparently, many of those that met the deadline appointed relatives of their promoters or senior executives. No doubt, there will be many sceptics of the reservation for women who will immediately call this tokenism but they fail to realise that even this brings diversity to the board room. While the idea is to get more professional women in the board room, this is still some progress towards eventually having independent women
directors.

India at LSE spoke to Kalpana Unadkat in September 2014, shortly after the deadline was extended. Read the interview for more background on the women on boards discussion, and to learn more about ideas for supporting the progression of women in Indian businesses.

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Note: This article gives the views of the author, and not the position of the India at LSE blog, nor of the London School of Economics. Please read our comments policy before posting.

About the Author

Kalpana Unadkat is a solicitor and partner of Khaitan & Co’s corporate team. Prior to joining Khaitan, she worked at Ashurst’s London office for 10 years. She is a co-author of Women on Boards: A Policy, Process and Implementation Roadmap is a joint study by Khaitan & Co. and Biz Divas. The full report can be requested here.

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