CORPORATE GOVERNANCE AND GENDER EQUALITY

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ABSTRACT

This assignment explores the intersection of corporate governance and gender equality, emphasizing their evolution, principles, and impact within corporate establishments. It encompasses accountability, transparency, responsibility, and fairness, ensuring the minimization of societal corruption and the inclusion of minority perspectives. The study examines how gender equality initiatives influence corporate performance, decision-making, and governance standards. An empirical analysis highlights the current state of gender equality among employees in various companies and the challenges faced in implementing these policies.

INTRODUCTION

Brief Overview

There are many different definitions of corporate governance. "Governance" is not a brand-new idea. As old as human civilization is this. To put it simply way "governance" refers to the process of making decisions and the method by which they are carried out (or not carried out). Despite a long history of corporate practices, the term "corporate governance" only gained prominence in 1993. Its emergence was driven by a series of corporate scandals that followed the initial wave of economic liberalization.[1]There are various situations in which governance finds application, including corporate, national, international, and local government. It is accountable, transparent, responsive, inclusive, equitable, and focused on reaching a consensus. It also abides by the law. It guarantees that societal corruption is minimized, minority perspectives are considered, and the voices of the most marginalized members of society are heard during the decision-making process. Additionally, it adapts to the demands of society both now and later and takes care of the needs too.

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[1] Omkar Goswami, *Prevention: What Businesses Can Do — Corporate Governance and Compliance Schemes*, Corporate Governance in India.

Statement of Problem

To know the impact of gender equality, to understand how these concepts can enhance corporate performance and integrity. Firms face challenges in achieving gender equality under corporate governance due to insufficient support structures for female employees. Despite the existence of gender equality policies in many organizations, their implementation often lacks consistency and effectiveness. This results in inadequate representation of women in leadership roles and limited progress in achieving true gender parity.

Relevance of Study

This study is relevant as it addresses the critical need for robust corporate governance and gender equality within corporate establishments. The goal of this study is to offer important insights into how corporate governance and gender equality might improve company performance and integrity by examining the development of corporate governance, its tenets, and its effects. It also draws attention to the difficulties in putting gender equality into practice.

Objective Of Study

- To explore the evolution of corporate governance over time, understand why we need corporate governance, and examine its principles and examples.
- To evaluate the impact of gender equality in a corporate establishment

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- To provide an empirical analysis of gender equality among different company's employees and analyze the challenges faced in implementing gender equality.

Hypotheses Statement

Firms face challenges in achieving gender equality under corporate governance due to insufficient support structures for female employees, weak implementation of policies, and a lack of clear accountability mechanisms.

Research Questions

- How has corporate governance evolved over time? Why is corporate governance necessary, what are its core principles and examples?

- How has gender equality evolved What is the impact of gender equality in a corporate establishment?
- What is the current state of gender equality among employees in different companies, and what challenges do firms face in implementing gender equality?

Research Methodology

This study employs a blend of doctrinal and non-doctrinal research methodologies. The doctrinal aspect draws from an extensive array of secondary sources, ensuring a comprehensive and robust theoretical foundation. In contrast, the non-doctrinal component leverages empirical data collected through meticulously designed and circulated Google Forms, ensuring real-world relevance and applicability.

REVIEW OF LITERATURE

- Corporate Governance in India-Evolution and Challenges-importance of corporate fairness, transparency, and accountability in managing risks and ensuring the integrity of financial reporting. Effective corporate governance is crucial in addressing accounting scandals and enhancing the quality of financial statements.
- Gender Diversity on Boards: A Cause for Multilateral Organizations- This chapter examines the evolving focus on gender diversity in corporate governance and its implications for decision-making and organizational performance.
- Diversity in Corporate Governance and Top Management This article investigates the impact of women's participation in a firm's board of directors and senior management on financial performance
- Legislating a Woman's Seat on the Board: Institutional Factors Driving Gender Quotas for Boards of Directors-this study explores the impact of gender quotas on boards of directors, highlighting the diverse legislative approaches and their implications for corporate governance.

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FINDINGS

Evolution Of Corporate Governance

Considering the evolution it is generally accepted to have begun in the United States during the 1970s. Its importance was increased to reduce economic crashes and scandals in business. Legislation around corporate governance has coalesced into national "codes" that act as corporate governance rulebooks.

The UK was the first country to introduce a detailed corporate governance "code", and it has been copied and adopted in many countries across the globe since. A series of corporate scandals in the early 1990s led the government to commission the Cadbury Report, which provided the guidelines for new regulations. In 1998 this code served as a template for others and pioneered essential principles like "comply or explain".[2]

Indian associations and corporate formations were subject to colonial guidelines, many of which were shaped by the whims and preferences of their British employers. After being passed in 1866, the Companies Act was revised in 1882, 1913, and 1932. In 1932, the Partnership Act was passed. These laws focused on the managing organization concept, whereby individuals or businesses entered into a valid agreement with business entities to oversee the latter. This was a time of dispersed and incompetent proprietorship, which led to the mishandling and exploitation of resources and the aversion of managing professionals to their duties.

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The concept of good governance in India dates back to the third century B.C. with Chanakya's principles for a king: Raksha (protection), Vriddhi (growth), Palana (maintenance), and Yogakshema (safeguarding interests). These principles translate to modern corporate governance as protecting shareholders' wealth, enhancing it through proper asset utilization, maintaining it through profitable ventures, and safeguarding shareholders' interests.

Corporate governance gained importance in India only in the early 1990s, driven by the fiscal crisis of 1991 and subsequent economic liberalization. This period revealed systemic weaknesses like poor disclosure practices, lack of transparency, and inadequate fiduciary responsibilities among directors. The government responded by amending the Companies Act in 1999, with further amendments in 2000, 2002, and 2003. Key reforms were led by the

[2] Dan Byrne, "*WHAT IS THE HISTORY OF CORPORATE GOVERNANCE?*" Corporate Governance Institute. visited at, 20th July)

Security and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs (MCA) to improve governance standards and practices.[3]

Companies Governance Provisions in The Companies Act

The new Act replaces the Companies Act 2013, 1956, and aims to improve corporate governance standards, simplify regulations, and enhance the interests of minority shareholders.[4]

i. Board of Directors (Clause 166): The new Act provides that the company can have a maximum of 15 directors on the Board;

ii. Independent Director (Clause 149): The concept of independent directors (IDs) has been introduced for the first time in the Company Law in India.

iii. Related Party Transactions (RPT) (Clause 188): The new Act requires that no company should enter into RPT contracts pertaining to the sale, purchase, or supply of any goods or materials

iv. Corporate Social Responsibility (CSR) (Clause 135): The new Act has Amanda that the profitmaking companies spend on CSRCSR-relativities

v. Auditors (Clause 139): A listed company cannot appoint or reappoint (a) an individual as auditor for more than one term of five consecutive years,

vi. Disclosure and Reporting (Clause 92): In the new Act, there is a significant transformation in non-financial annual disclosures and reporting by companies as compared to the earlier format in the Companies Act, 1956.

vii. Class action suits (Clause 245): For the first time, a provision has been made for a class action under which the order passed by the Tribunal shall be binding on all the stakeholders including the company and all its members, depositors, and auditors.

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[3] Dr. M. Madhumathi, "*CORPORATE GOVERNANCE IN INDIA-EVOLUTION AND CHALLENGES*" 2011 IJCRT, Volume 1.
[4] Companies Act ,2013

Need of Corporate Governance

The spectacular collapse of international giants like Enron, WorldCom, Tyco, and AOL, along with massive financial scams such as Satyam, have served as stark warnings to the corporate world. These high-profile failures have dramatically underscored the urgent necessity for robust Corporate Governance principles. Company management, owners, and stakeholders have been forced to recognize that without stringent governance, they risk facing colossal corporate criminal liabilities in the future. These corporate behemoths paid a steep price for their neglect of sound governance practices and the corrupt policies adopted by their management teams and financial consultants.

The importance of good corporate governance has significantly expanded due to the ever-increasing conflicts between ownership and management disciplines. The failure of auditors to comply with financial reporting standards has led to devastating losses for investors. Furthermore, the absence of a fair and transparent culture within companies has eroded investor trust in both the financial stability and ethical standards of these businesses. This loss of confidence in corporate integrity highlights the critical need for adherence to rigorous governance standards.

Principles Of Corporate Governance

Accountability

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Everyone in the organization needs to be held accountable in order to meet its goals and objectives. Workers ought to answer to management, which in turn ought to answer to the board of directors, which in turn ought to answer to shareholders and investors. If managers, directors, and employees are held accountable, they will learn from their mistakes and improve the way that the resources that are available are used. The company will expand more quickly in this fashion since there will be fewer opportunities for error. Directors have an obligation to promote responsibility inside the company.

Transparency

Transparency in a company is crucial for fostering trust and confidence among all stakeholders. Clear communication about the company's activities, financial health, and overall performance ensures that stakeholders are well-informed and reassured about the investment. Accurate and

precise information for shareholders is particularly important, as poor transparency can significantly impair a company's ability to attract new capital. Investors rely on transparent reporting to make informed decisions, and any lack of clarity can lead to distrust and hesitation in providing financial support.

Responsibility

Directors are accountable to shareholders, employees, and society. They must act in the company's and employees' best interests, ensuring proper responsibility and accountability from management and staff. Shareholders expect directors to meet their needs and enhance the company's value.

Fairness

Fairness boosts corporate value and resource efficiency. All shareholders and investors should be treated equally, and directors must avoid conflicts of interest. Companies should ensure fairness in transactions, including getting shareholder approval for related party deals, and maintain effective communication to keep shareholders informed about policies and financial statements.

The Impact Of Gender Equality on a Corporate Establishment

"If Lehman Brothers had been a bit more Lehman Sisters … we would not have had the degree of tragedy that we had as a result of what happened" --Christine Lagarde

Corporate governance plays a crucial role in promoting gender equality within companies by establishing frameworks and practices that support fair and equitable treatment of all employees. Gender equality in the workplace is not only a fundamental human right but also a critical aspect of achieving sustainable business success. Corporate governance and gender equality are interrelated in several significant ways, influencing both the structure and culture of organizations. Gender diversity initiatives on corporate boards in Asia are emerging but remain limited, with only a few countries actively pursuing policies to increase female board representation. In Asia, only India and Malaysia have introduced mandatory gender quotas where the Companies Act, of 2013 in India mandates that every listed company have a minimum of one female board member. As a result, during the previous two years, the percentage of women on boards has climbed by 4per percent, from percent to 1 2. per cent.

The region has significant potential for growth in this area. In Europe, the conversation concerning gender diversity on boards has progressed significantly, with several nations setting high goals. It appears that the trend has stopped in the US.[5] A study by Harvard University found that the imposition of quotas has resulted in greater gender diversityBoardad diversity

A diverse board can provide a range of perspectives and experiences, leading to better decision-making. The gender-balanced boards boost the performance of companies and companies with greater female representation on their boards are less likely to be affected by governance scandals involving bribery, fraud, and other negative factors likely to depress business confidence. The push for gender equality in corporate boardrooms, driven significantly by investors, has led to substantial changes in board diversity. Major asset managers like Legal & General Investment Management (LGIM) and Aviva Investors have adopted aggressive voting policies, such as opposing all-male boards and pushing for gender diversity in their investment portfolios. These policies have reflected a growing recognition that gender-diverse boards can enhance governance and corporate performance. Through the establishment of guidelines and the exercise of their voting power, these investors have successfully encouraged expo and the number of women on their boards which led to good corporate governance. Female directors often bring different educational backgrounds, professional experiences, and personal networks, which enrich the board's understanding of issues and lead to better decision-making outcomes

Performance Improvement

Greater female representation on corporate boards correlates with improved company performance. For instance, MSCI found that companies with more women on their boards delivered a 36% better return on equity since 2010 compared to those lacking gender diversity. Additionally, the Peterson Institute for International Economics' analysis of nearly 22,000 firms across 91 countries indicated that the presence of women in leadership roles can enhance firm performance, with greater gains linked to a higher proportion of female executives. Companies with the representation of women exceeding 30 percent (and thus in the top quartile) are significantly more likely to financially outperform those with 30 percent or fewer. Similarly, companies in our top quartile for ethnic diversity show an average 27 percent

[5] Marie-Anne Birken and Gian Piero Cigna, *Gender Diversity on Boards: A Cause for Multilateral Organizations*, Brill (last visited om 20th July)

financial advantage over others.[6] Countries with strict quotas, such as Norway and France, have seen a substantial increase in female board members, which has been linked to enhanced governance and financial outcomes. For example, Norway's early adoption of a 40% gender quota led to a higher percentage of women on boards and demonstrated positive effects on corporate performance. Overall, mandatory quotas have proven more effective in advancing gender diversity, which, in turn, correlates with better financial performance. Companies with a greater focus on gender and diversity more broadly tend to perform better in relation to their environmental and governance policies. The Credit Suisse Gender 3000 report also assesses diversity within management teams. The proportion of women in senior management roles has increased, with the percentage of female executives rising from 17.6% in the 2019 report to 19.9% in 2021[7]. This improvement underscores the ongoing progress in gender diversity and corporate governance It is encouraging to observe a steady rise in boardroom diversity in our most recent Gender 3000 report, highlighting the positive link between gender diversity and improved corporate performance.

CSR Awareness

Female directors tend to be more aware of and committed to corporate social responsibility. Their presence on the board can enhance the company's CSR initiatives and improve its reputation among stakeholders.[8]

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Financial Performance

The initial sample of 500 firms, including public, private, crown corporations, and co-operatives, was narrowed to approximately 230 publicly held firms based on data availability. The firms were divided into tiers based on the proportion of female representation. Univariate and multivariate analyses, along with non-parametric tests, were conducted to compare financial performance, risk, and complexity across firms with varying levels of gender diversity. Women represent 10.8% of officers and 7% of board members in FP500 firms, with

[6] Report on *Diversity matters even more: The case for holistic impact, Mc kinsey and Company, December 5,2023.*

[7] https://www.credit-suisse.com/about-us-news/en/articles/media-releases/credit-suisse-gender-3000-report-shows-women-hold-almost-a-quart-202109.html(last visited on 22nd July ,2024)

[8] Suwongrat Papangkorn, Pattanaporn Chatjuthamard and Pornsit Jiraporn, *Gender Diversity and Corporate Governance*, 25 November 2021, 10.5772/intechopen.101189 (last visited on 22nd July, 2024)

an average combined participation of 9.1%.[9]To assess the variation in female representation and its relationship with performance, the sample was divided. This allows comparison between firms with low and high proportions of women. firms with higher female representation in both officers and directors tended to perform better overall. Gender-diverse boards tend to exhibit better risk management. Diverse groups are more likely to avoid groupthink and consider a wider range of risks and opportunities.

The presence of women on boards introduces diverse perspectives, which can enhance the quality of decision-making. Countries with strong welfare states, left-leaning governments, and a legacy of gender equality initiatives are more likely to implement gender quotas. The absence of the "Queen Bee syndrome" among female business leaders in countries like Norway suggests that women in positions of power are more likely to support gender quotas, promoting a collaborative and inclusive approach to corporate governance[10]. This collective support helps in building a more diverse leadership, enhancing the breadth and depth of decision-making processes. These environments are conducive to policies that support gender diversity, creating a framework where diversity is not just encouraged but institutionalized. This supportive framework can foster better decision-making by ensuring that diverse perspectives are valued and integrated into corporate governance. The integration of gender equality in corporate governance not only promotes fairness and inclusivity but also enriches decision-making by incorporating a wider range of perspectives and experiences. This holistic approach to governance aligns with the principles of effective and responsible business practices.

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Gender equality encourages a diverse workplace where all workers are inspired and feel important. It adds a variety of viewpoints, experiences, and approaches to problem-solving, which improves the level of excellence of the board's decisions. Gender equality positively impacts corporate performance, and decision-making, particularly in firms with higher representation of women in governance and management roles. This reinforces the value of gender diversity in enhancing corporate governance and financial success.

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[9] Claude Francoeur, Réal Labelle and Bernard Sinclair-Desgagné, Diversity in Corporate Governance and Top Management, Springer, Vol. 81, No. 1 (Aug., 2008). https://www.jstor.org/stable/25482199 (last visited 20th July ,2024)

[10] Siri Terjesen, Ruth V. Aguilera and Ruth Lorenz*, legislating a Woman's Seat on the Board: Institutional Factors Driving Gender Quotas for Boards of Directors*, Springer, Journal of Business Ethics, May 2015, Vol. 128, No. 2 (May 2015). https://www.jstor.org/stable/24702867, (last visited on 20th July ,2024)

An Empirical Analysis Of Gender Equality Among Different Company's Employees-

The survey conducted on gender equality policies and initiatives within various companies yielded insightful responses from 27 participants. An overwhelming majority, 85.2%, confirmed the existence of specific policies or initiatives aimed at promoting gender equality, with only 11.1% indicating uncertainty. This positive perception extends to the workplace environment, where 85.2% of respondents believe there is gender equality within their companies, though 7.4% remained unsure.

When assessing the effectiveness of these policies and initiatives, 77.8% of participants found them to be very effective, while 22.2% maintained a neutral stance. The gender distribution among respondents was 48.1% female.

Additionally, 81.5% of employees felt they had a voice in shaping corporate governance policies related to gender equality, with 18.5% indicating only a partial influence. Among those who felt involved, 88.9% cited employee surveys as the primary method for gathering input, while other methods included focus groups, employee resource groups, and other means at 11.1%.

Regarding satisfaction with their companies' efforts in promoting gender equality through corporate governance, participants rated their satisfaction on a scale from 1 to 10. The majority rated it highly, with 61.5% giving a perfect score of 10, 15.4% rating it at 9, and 7.7% at 8. Lower satisfaction scores were less common, with 7.7% rating it at 6, and 3.8% each at 3 and 7. Overall, these results reflect a strong commitment to and perceived effectiveness of gender equality initiatives within the surveyed companies. Also when asked personally they wanted changes in policies and they think women are represented as considered under the Companies Act, which says at least one woman has to be a director. Considering the part even if organizations have gender diversity policies, their implementation may be weak, inconsistent, or lack proper accountability mechanisms. This means that despite having policies in place, they may not be effectively enforced, leading to little real change that says insufficient support was also under the employee’s point of view and they wanted more training surveys and discussions which would implement gender equality in corporate establishments.

Other Challenges Faced:

- Many organizations lack structured programs to mentor and sponsor women. This

absence can hinder women's career advancement and leadership development. Mentorship provides guidance and advice, while sponsorship involves actively promoting someone's career. Without these, women may struggle to reach higher positions

- Inadequate support for balancing work and personal life, such as flexible working hours or sufficient parental leave, can disproportionately affect women. These challenges can impede their career progression, as they may need to prioritize family responsibilities over career growth.

- Women are sometimes appointed to leadership positions during times of crisis or poor performance, a phenomenon known as the glass cliff. This can be a double-edged sword, as it may set female leaders up for failure while also highlighting their capabilities in managing difficult situations.

- Weak Implementation: Even when gender diversity policies are in place, their implementation might be weak, inconsistent, or lacking in accountability mechanisms.

- Without clear metrics and benchmarks to measure the effectiveness of gender equality initiatives, it's challenging to track progress or identify areas needing improvement. This lack of measurable goals can result in poor enforcement and follow-up of these initiatives.

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- Women may be placed in token positions or roles without real influence, which undermines the effectiveness of gender diversity efforts.

- Lack of critical mass, where there are too few women in leadership positions, can result in their voices being marginalized and their impact being limited

CONCLUSION

The impact of gender equality on corporate performance is substantial. Gender-diverse boards and leadership teams contribute to better decision-making, risk management, and overall financial performance. Survey results from various companies reveal a strong commitment to gender equality initiatives, yet highlight the need for more effective implementation and support mechanisms. the integration of gender equality within corporate governance frameworks not only promotes fairness and inclusivity but also enhances corporate

performance and decision-making.

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