ISSN 2230 9241

RESEARCH BULLETIN

Volume 42 • No. III • October 2016

RESEARCH BULLETIN The Institute of Cost Accountants of India Volum 42 No: III October 2016

www.icmai.in

The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)

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The CMA professionals would ethically drive enterprise globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.

Vision Statement

The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally.

ISSN 2230 9241

Volume 42 • No. III • OCTOBER 2016

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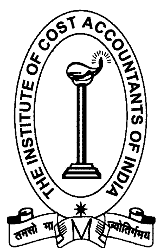

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Price of Single Copy: ₹ **400.00** only
Annual Subscription (for four volumes): ₹ **1200.00 p.a.**
Courier Charges: ₹ **200.00 p.a**. for four volumes
Month of Publication: **October, 2016**
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Printed and Published by
CMA Avijit Goswami
Chairman - Research, Journal & IT Committee
The Institute of Cost Accountants of India
12 Sudder Street, Kolkata 700016

Foreword

"Knowledge is power, and getting one you get the other. By knowledge you can even banish the material world".

- Swami Vivekananda

Greetings !!!

The Companies Act 1956 required a substantial revamp for quite some time now to make it more contemporary and relevant to corporate, regulators and other stakeholders in India. The changes in the Companies Act 2013 have far-reaching implications that are set to significantly change the manner in which corporate houses operate in India. The 2013 Act introduces significant changes in the provisions related to governance, e-management, compliance and enforcement, disclosure norms, auditors and mergers and acquisitions. Also, new concepts such as one-person company, small companies, dormant company, class action suits, registered valuers and corporate social responsibility have been included. The Companies Act 2013 has also widened the scope for professionals like CMAs.

Thus, it gives me an immense pleasure to present before you the esteemed Research Bulletin of the Institute, Vol.42, No. III, October, 2016 issue. This issue is based on the theme "Companies Act 2013".

The central aim of this publication is to contribute to scholarly understanding of knowledge and practice in organizational and policy settings, through a blend of conceptual and empirical discussion. The book is intended for practitioners and researchers to inform and update the latest developments in the cost and management accounting principles and practices, consequently can incorporate such changes for sustained vitality of their industry and other economic activities.

Wish you all a happy reading and hope you would find it to be an extremely useful tool to enrich your knowledge base.

CMA Manas Kumar Thakur
President
The Institute of Cost Accountants of India

Chairman's Communiqué

Greetings !!!

It gives me a distinct honour to announce the release of Research Bulletin, Vol.42, No. III, October, 2016 issue. This time it is based on the theme: "Companies Act 2013". Our Research Bulletin mainly accentuates on pragmatic research articles and has a much wider reader base consisting of academicians, researchers, professionals and practitioners.

The Indian Companies Act 2013 replaced the Indian Companies Act, 1956. The Companies Act 2013 makes comprehensive provisions to govern all listed and unlisted companies in the country. The Companies Act 2013 implemented many new sections and repealed the relevant corresponding sections of the Companies Act 1956. This is the landmark legislation with far-reaching consequences on all companies incorporated in India.

This publication brings you in-depth research insights on a wide range of topics on Companies Act 2013 like Corporate Governance, Corporate Social Responsibility, Integrated Reporting, Women Empowerment, etc. well-written by researchers, academicians and professionals.

I take this opportunity to express my sincere gratitude to my fellow members of the Research, Journal and IT Committee, esteemed members of the Editorial Board, the eminent contributors and the entire research team of the Institute for their sincere effort to publish this volume in time.

The readers are invited to put forward their valuable feedback towards enrichment of Research Bulletin. Suggestions for improvement of this Bulletin shall be highly cherished.

CMA Avijit Goswami
Chairman, Research, Journal & IT Committee
The Institute of Cost Accountants of India

Editor's Note

Greetings !!!

The Companies Act 2013 is aimed at easing the process of doing business in India and improving corporate governance by making companies more accountable. The 2013 Act also introduced new concepts such as one – Person Company, small company, dormant company and corporate social responsibility (CSR) etc. The Act brought in significant changes in the provisions related to governance, e-management, compliance and enforcement, disclosure norms, auditors, mergers and acquisitions, class action suits and registered valuers.

Our present volume of Research Bulletin, Vol.42, No.III, October 2016 issue comprises of various blazing topics like Corporate Governance, CSR, Integrated Reporting, Women Directors, etc. on Companies Act 2013 would surely improve and inform the readers.

We publish both theme based and non theme based articles on the contemporary issues. Inputs are mainly received both from academicians and the corporate stalwarts. Our attempt is to draw attention towards environmental, social, economical and market-related issues, so that the researchers and decision-makers can enrich their knowledge base and can take strategic decisions deliberately.

We are extremely happy to convey that our next issue of Research Bulletin, Vol.42, No. IV would be published in January, 2017.

We look forward to constructive feedback from our readers on the articles and overall development of the Research Bulletin. Please send your mails at *research.bulletin@icmai.in.* We express gratitude to all the contributors and reviewers of this important issue and wish our readers get plenty of academic inputs from the articles.

CMA (Dr.) Debaprosanna Nandy
Director (Research & Journal and Examination) & Editor, Research Bulletin
The Institute of Cost Accountants of India
rnj.director@icmai.in

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Editor: CMA (Dr.) Debaprosanna Nandy
Director (Research & Journal and Examination)

Associate Editor: Shri Pradipta Gangopadhyay
Dy. Director (Research & Journal)

Our Contributors in this Issue

Dr. Amit Majumder
Assistant Professor (St. III) of Commerce, Bijoy Krishna Girls' College, Howrah
amitmajumder1@gmail.com

Dr. Ashish B. Gorvadiya
Assistant Professor, Lt. Shree M. J. Kundaliya English Medium Mahila Commerce & B.B.A. College, Rajkot
ashish91.gorvadiya@gmail.com

Ms. Ezhilarasi G
Research Scholar, Dept of Commerce, North-Eastern Hill University, Shillong
ezhila18@gmail.com

Dr. K. C. Kabra
Associate Professor, Dept. of Commerce, North-Eastern Hill University, Shillong
kabranehu@gmail.com

Dr. Manish B. Raval
Assistant Professor, Lt. Shree M. J. Kundaliya English Medium Mahila Commerce & B.B.A. College, Rajkot
manishraval810@gmail.com

Ms. Meenu Gupta
Company Secretary, Noida
guptameenu90@gmail.com

CMA (Dr.) Mohit Kumar Kolay
Professor, School of Business, Al Yamamah University, Riyadh, Saudi Arabia
kolaymohit@gmail.com

Our Contributors in this Issue

Ms. Pallavi Julasaria
Research Scholar, Calcutta University
pallavijulasaria@gmail.com

Ms. Rachana Vishwakarma
Assistant Professor, Department of Commerce, Rajiv Gandhi South Campus, Banaras Hindu University
rachana.v88@gmail.com

Shri Santanu Mallick
Research Scholar, Calcutta University
mallick_santanu12@yahoo.com

CMA (Dr.) Subhash Chandra Das
Former Director (Finance), HPC Ltd. Kolkata and Former Guest Faculty, The University of Calcutta
scdas_47@yahoo.com

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A Cross-Country Study on Women Directorship with a special emphasis on Indian Corporate Governance Scenario

Amit Majumder

Abstract

Across the ages the focal point of all the organization irrespective of their frontiers of operations is towards achieving optimum utilization of available workforce by ensuring equal opportunity and providing fair and unbiased treatment to all. A diversified workforce not only indicates the principle of 'equal opportunity employer' in favour of firms but also gives the female population a winning edge. It is no longer a man's world where boardrooms will only have the exclusive representation of male directors but also be opened for pink collar directors engaged into brain storming on a topic and reaching a consensus. Across the World inclusion of women directors in board became a legal imperative. Countries like Norway, France had passed a law in favour of inclusion of at least 40% women directors in the board. India is not far behind. The new Companies Act 2013 [Section 149 (1)] clearly says the category of companies required to comply having at least one woman director in the board by 1st April, 2015. Against this backdrop, the present study is envisaged to make an exhaustive study on the legal provisions and practices towards promoting gender diversity in boardroom in various developed, developing and emerging nations across the World. Moreover, the present study is also aimed towards identifying the state of affairs relating to the women directorship and the corporate governance practices of selected major listed companies in India. After studying the governance structure as well as the gender diversity pattern of the S&P BSE-SENSEX companies in India, it has been found that there exists no statistically significant difference in their corporate governance disclosure practices due to the inclusion of women directorship. However, it may be very early to make such a comment since the law has just passed less than two years ago and we have to patiently observe a few more years to have conclusive evidence on the role of gender diversity in board and corporate governance affairs of the entities.

Key Words

Corporate Governance, Equal Opportunity, Women Directorship

Section-I

1.1 Introduction

Across the world the much debated issue in the literature of corporate governance in recent time is about the inclusion of women directorship in the boardroom which is popularly refereed by the nomenclature '*Gender Diversity*'. The gender diversity in management is said to provide a number of benefits,

including new ideas and improved communication (*Milliken* and *Martins, 1996*), insights into female market segmentation (*Daily, Certo* and *Dalton, 1999*), and transformational management style (*Rosener, 1990*). While the importance of women in corporate boards has been long acknowledged (*Burke, 1997*; *Bilimoria* and *Wheeler, 2000*), females have made only modest gains in terms of directorships on corporate boards (*Daily, Certo* and *Dalton, 1999*; *Arfken, Bellar* and *Helms, 2004*). In common parlance, gender diversity stands for the distinction between the physical characteristics that identify one either as male or female or even both and the individual sense of being either man or women or even both. But the term is generally used to identify the rise of pink collar employees in an organisational set up at various levels with different capacities. Although women are joining the labour force in increasing numbers around the world (*Economist, 2006*), they remain proportionately underrepresented in the top echelon of management (*ILO, 2004*).

In particular, the lack of female representation on corporate boards of directors is a global phenomenon. Women comprise less than 15 percent of the corporate board members in the USA, the UK, Canada, Australia and many European countries, and as low as 0.2 percent in some Asian countries. A growing body of research on business ethics has tried to explore the relationship between gender diversity and corporate governance, focusing on the micro-level studies on the characteristics of female board members, boards and firms they are serving and the effects of gender diversity. While the importance of women in corporate boards has long been acknowledged (*Burke, 1997*; *Bilimoria* and *Wheeler, 2000*), females have made only modest gains in terms of directorships on corporate boards (*Daily, Certo* and *Dalton, 1999*; *Arfken, Bellar* and *Helms, 2004*). However, it has been observed from time to time, through different researches, that higher proportion of female members in a board helps them positively contribute towards the organizational value. In 2007, both *Catalyst* and *McKinsey* have shown a correlation between gender-diverse boards and greater company performance.

A recent *McKinsey* publication has reported measurement of organizational excellence across 231 companies worldwide, revealing that the companies with three or more women in the senior management functions have more high score for each organizational criterion than the companies with no women at the top level. The study has shown that performance increases significantly once a critical mass of 30% women at the board level is attain, noting, however, no significant difference in the performance of the companies below that limit. Recently the Government of India has adopted an appropriate measure for inclusion of, at least, one women director in the boards of the listed companies, public sector companies and other special classes of companies vide Section 149 (1) of the Companies Act, 2013. Against this backdrop, the present study has been undertaken to make a cross-country study on the present status of women directorships across the developed and developing nations followed by the Indian practice regarding inclusion of women directorship in boardroom and its relationship with the corporate governance practice.

1.2 Arguments in favour of Inclusion of Women Directorship

Fresh Perspectives

Boards with a balance between men and women tend to consider a wider range of issues and options, resulting in commercial decisions that are more in touch with the customer needs.

The fact that women drive more than 80 per cent of the consumer decisions in the households indicates the depth of customer understanding that women can bring in to the commercial boards. (*Hudson, A.* [2007], Women flunk finance, New Zealand Herald, November,18).

Effective Leadership

The McKinsey Report, *Women Matter 2*, has found that women are more likely to express five of the top nine leadership behaviours that correlate with organisational excellence like people development, expectations and rewards, role modelling, inspiration, and participative decision-making. Of the four remaining behaviours, women use two in the same amount as men (intellectual stimulation and efficient communication) and men use two more than women (individualistic decision-making and control and corrective action). (McKinsey & Company [2008], *Women Matter 2: Female leadership, a competitive edge for the future, McKinsey & Company*, Paris).

Role Models

Research by Catalyst (Catalyst [2007], *The Bottom Line: Corporate performance and women's representation on boards*, Catalyst, New York) shows that having women on boards leads to more women in senior management. Women in corporate leadership provide positive role models for other

women entering the workforce, giving them a goal to aspire for. A richer mix of people at the board level sends a message both to the market and to the staff that the company is focused on performance and talent and is open to change and innovation.

A Competitive Edge

Whether it is a time of growth or contraction, there will always be need for the best possible talent in company leadership ('Melting the marzipan layer provides entrée to boardroom', in Independent Financial Review, November, 27, 2008). In the late 2008, a group of 17 chief executives and heads of the FTSE 100 companies in the UK wrote an open letter to the Daily Telegraph, calling for gender equity in the country's boardrooms because 'extraordinary times call for innovative solutions'.

Investor Confidence

Increasingly, shareholders and the rating agencies are factoring into, while assessing company performance, the number of women on boards. Two major investment funds, *Calpers* in the USA and *Amazone* in Europe, include a gender-balance indicator among their investment criteria and the rating agencies, *Innovest* and *Vigeo*, among others, are developing tools to measure gender balance. The focus of those organisations is on performance and organisational excellence and it is significant that they see gender issues as pivotal to investment decision-making.

1.3 Objectives of the Study

In this paper an attempt has been made to study:

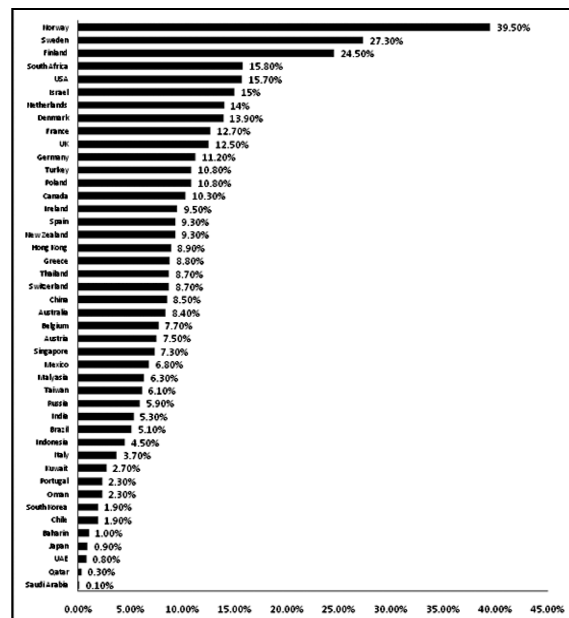
(I) the present practice of inclusion of women directorship across the major listed companies around a few developed and developing nations
(ii) the present status of women directorship in boards across the selected major listed companies in India and
(iii) the relationship between gender diversity and the corporate governance practices across the selected major listed companies in India.

Section-II

2.1Women Directorships- A Cross-Country Study

Very small number of women on boards is, in part, a symptom of insufficient numbers of women at the top of the management structure and under-representation of women at the senior management levels in general. However, a research by the *Cranfield School of Management* has identified that across Europe, female representation is low amongst the executive board members. Out of the 323 executive directorships in the FTSE 100 companies only 18 posts (5.5%) are held by women. In the top 101 US companies', women comprise just 15% of the executive committee members and in the top 101 European companies; women comprise only 7% of the executive committee members. In Asia that is a mere 3%.

Chart#1: Global Board Seats Held by Women



Source: *Catalyst*, 2011

The status of women representations in the board of the prestigious Fortune 500 companies is not an encouraging one. They occupy only 3 % of the CEO positions of the Fortune 500 companies and 15% of the boards are being held by women.

The status of women board directors across the world depicted a gloomy picture towards workplace equity as revealed by "2014 Catalyst Census: Women Board Directors" conducted by Catalyst in partnership with The Data Morphosis Group. The brief findings of the survey is presented here-

2014 Catalyst Census: Women Board Directors			
Country Name	**Continent**	**Representation By**	**Degree Of Gender Diversity**
Canada	Canadian	S&P/TSX 60 Index	20.80%
United States	US	S&P 500 Index	19.20%
Australia	Asia - Pacific	S&P/ASX 200 Index (202)	19.20%
Hong Kong	Asia - Pacific	Hang Seng Index (50)	10.20%
India	Asia - Pacific	BSE 200 Index (200)	9.50%
Japan	Asia - Pacific	TOPIX Core 30 Index (29)	3.10%
Norway	Europe	OBX index (24)	35.50%
Finland	Europe	OMX Helsinki 25 index (22)	29.90%
France	Europe	CAC 40 index (40)	29.70%
Sweden	Europe	OMX Stockholm 30 index (29	28.80%
Belgium	Europe	BEL-20 Institutional index (20)	23.40%
United Kingdom	Europe	FTSE 100 index (101)	22.80%
Denmark	Europe	OMX Copenhagen 20 index (19)	21.90%
Netherlands	Europe	AEX index (27)	21.00%
Germany	Europe	DAX index (30)	18.50%
Spain	Europe	IBEX 35 index (35)	18.20%
Switzerland	Europe	SMI index (20)	17.00%
Austria	Europe	ATX index (20 companies)	13.00%
Ireland	Europe	ISEQ Overall index (48)	10.30%
Portugal	Europe	PSI-20 index (19)	7.90%

Source: *Catalyst* (2014)

It can be observed from the survey of the Catalyst that average women representations in the board of European countries (21.28%) is higher than North-American countries (20%) and is almost twice than that of Asian nations (10.50%).

2.2 Legal initiatives across the World towards inclusion of Women Directorship

However, a lot of initiatives have already been taken across the world, especially in the European countries to enhance board diversity. Here, brief presentation of those initiatives are furnished-

Norway – in February 2002, the government gave a deadline (i.e., July 2005) for the private listed companies to raise the proportion of women on their boards to 40%. In fact, Norway was the first country in the world to insist on female quotas for company boardrooms. In the last six years, women's representation as the leaders of Norwegian business has risen from 6% to 44%. In order to find the willing and able women to be placed in the directorship positions, the Norwegian firms often have to look beyond the traditional sources. The new legislation has led to the germination of a plethora of new women-focused executive search firms, training and mentoring programme as well as networking organizations. Examples of these include the *Professional Board Forum* and another similar organization *CMi*, a mentoring program based in Brussels, where executives are prepared for the director and chief executive positions.

Spain – A gender equality law was passed in 2007, obliging the public companies and the IBEX 35-quoted firms, with more

than 250 employees, to attain a minimum 40% share of each sex on their boards within eight years i.e. 2015.

Iceland – A quota law was passed in 2010 (suggesting 40% from each sex by 2013) applicable to the publicly-owned and public limited companies with more than 50 employees.

Finland – From 2008, the 'comply or explain' code requires that every board should have, at least, one man and one woman.

France – A bill has been passed applying a 40% quota for female directors by 2016.

Netherlands – Proposals have been made to apply a 30% quota for men and women for larger companies which will have to explain any non-compliance.

2.3 Women Directorship in Developing Nations: Present Status

A brief presentation is made here relating to women directorship in top 5 companies of emerging nations based on Fortune Global 500 companies of 2014-

Brazil				
Sl no.	Name of the company	Total Directors (1)	Women Directors (2)	Degree of Gender Diversity [(2)/(1)*100]
1	**Petrobras (FG 28)**	**16**	**2**	**20%**
2	Banco do Brasil (FG 125)	7	1	14.28%
3	Itau Unibanco Holding (FG 138)	8	0	0%
4	Banco Bradesco (FG 203)	10	1	10%
5	Vale (FG 218)	12	0	0%
	TOTAL	**53**	**4**	**7.55%**

Source: *Computed by the researcher through Corporate Disclosure Practices, 2014-15*

Russia				
Sl no.	Name of the company	Total Directors (1)	Women Directors (2)	Degree of Gender Diversity [(2)/(1)*100]
1	Gazprom (FG 17)	11	0	0%
2	Lukoil (FG 43)	11	0	0%
3	Rosneft Oil (FG 46)	9	0	0%
4	**Sberbank of Russia (FG 186)**	**17**	**2**	**11.76%**
5	Sistema (FG 339)	6	0	0%
	TOTAL	**54**	**2**	**3.70%**

Source: *Computed by the researcher through Corporate Disclosure Practices, 2014-15*

China				
Sl no.	Name of the company	Total Directors (1)	Women Directors (2)	Degree of Gender Diversity [(2)/(1)*100]
1	Sinopec Group (FG 3)	14	1	7.14%
2	China National Petroleum (FG 4)	8	0	0%
3	State Grid (FG 7)	11	1	9.09%
4	**Industrial and Commercial Bank of China (FG 25)**	**14**	**2**	**14.28%**

cont..

China				
Sl no.	Name of the company	Total Directors (1)	Women Directors (2)	Degree of Gender Diversity [(2)/(1)*100]
5	**China Construction Bank (FG 38)**	**14**	**2**	**14.28%**
	TOTAL	**61**	**6**	**9.84%**

Source: *Computed by the researcher through Corporate Disclosure Practices, 2014-15*

South Africa				
Sl no.	Name of the company	Total Directors (1)	Women Directors (2)	Degree of Gender Diversity [(2)/(1)*100]
1	Sasol (FG CIVETS 4)	14	3	21.43%
2	**The Bidvest Group (FG CIVETS 7)**	**7**	**2**	**28.57%**
3	MTN Group (FG CIVETS 8)	14	3	21.43%
4	Steinhoff International Holdings (FG CIVETS 10)	9	1	11.11%
5	Imperial Holdings (FG CIVETS 11)	18	3	16.67%
	TOTAL	**62**	**12**	**19.35%**

Source: *Computed by the researcher through Corporate Disclosure Practices, 2014-15*

From the above tables of four emerging nations of BRICS league (Indian scenario will be elaborated later on) it becomes clear that average gender diversity scenario of top companies of South Africa(19.35%) is far better than that of the average status of women representations in the board of top 5 companies of China (9.84%), Brazil (7.55%) and Russia (3.70%).

2.4 Women Directorship in Developed Nations: Present Status

After the discussion of gender diversity situation of emerging nations, a brief discussion is furnished here relating to women directorship in top 5 companies of developed nations based on Fortune Global 500 companies of 2014-

USA				
Sl no.	Name of the company	Total Directors (1)	Women Directors (2)	Degree of Gender Diversity [(2)/(1)*100]
1	**Walmart (FG 1)**	**16**	**4**	**25%**
2	ExxonMobil (FG 5)	12	2	16.67%
3	Chevron (FG 12)	14	2	14.28%
4	Berkshire Hathaway (FG 14)	7	1	14.28%
5	Apple (FG 15)	15	3	20%
	TOTAL	**64**	**12**	**18.75%**

Source: *Computed by the researcher through Corporate Disclosure Practices, 2014-15*

UK				
Sl no.	Name of the company	Total Directors (1)	Women Directors (2)	Degree of Gender Diversity [(2)/(1)*100]
1	BP (FG 6)	14	2	14.28%
2	Tesco (FG 63)	10	1	10%
3	**HSBC Holdings (FG 77)**	**18**	**6**	**33.33%**
4	Lloyds Banking Group (FG 94)	13	3	23.08%
5	Prudential (FG 95)	11	3	27.27%
	TOTAL	**66**	**15**	**22.73%**

Source: *Computed by the researcher through Corporate Disclosure Practices, 2014-15*

Canada				
Sl no.	Name of the company	Total Directors (1)	Women Directors (2)	Degree of Gender Diversity [(2)/(1)*100]
1	Suncor Energy (FG 282)	14	3	21.42%
2	Royal Bank of Canada (FG 296)	15	4	26.67%
3	Alimentation Couche-Tard (FG 329)	12	2	16.67%
4	Magna International (FG 337)	11	3	27.27%
5	**Toronto Dominion Bank (FG 361)**	**16**	**5**	**31.25%**
	TOTAL	**68**	**17**	**25.00%**

Source: *Computed by the researcher through Corporate Disclosure Practices, 2014-15*

Italy				
Sl no.	Name of the company	Total Directors (1)	Women Directors (2)	Degree of Gender Diversity [(2)/(1)*100]
1	ENI (FG 22)	10	3	30%
2	EXOR Group (FG 24)	15	2	13.33%
3	**Assicurazioni Generali (FG 48)**	**11**	**4**	**36.36%**
4	Enel (FG 56)	6	2	33.33%
5	Intesa Sanpaolo (FG 200)	15	0	0%
	TOTAL	**57**	**11**	**19.30%**

Source: *Computed by the researcher through Corporate Disclosure Practices, 2014-15*

France				
Sl no.	Name of the company	Total Directors (1)	Women Directors (2)	Degree of Gender Diversity [(2)/(1)*100]
1	TOTAL (FG 11)	14	5	35.71%
2	AXA (FG 16)	14	5	35.71%
3	**Société Générale (FG 33)**	**14**	**6**	**42.85%**
4	BNP Paribas (FG 40)	15	6	40%
5	GDF Suez Engie (FG 44)	11	3	27.27%
	TOTAL	**68**	**25**	**36.76%**

Source: *Computed by the researcher through Corporate Disclosure Practices, 2014-15*

Japan				
Sl no.	Name of the company	Total Directors (1)	Women Directors (2)	Degree of Gender Diversity [(2)/(1)*100]
1	Toyota Motor (FG 9)	11	0	0%
2	Japan Post Holding (FG 23)	11	0	0%
3	Honda Motors (FG 45)	7	0	0%
4	**JX Holdings (FG 51)**	**11**	**2**	**18.18%**
5	Nippon Telegraph & Telephone (FG 53)	9	0	0%
	TOTAL	**49**	**2**	**4.08%**

Source: *Computed by the researcher through Corporate Disclosure Practices, 2014-15*

Germany				
Sl no.	Name of the company	Total Directors (1)	Women Directors (2)	Degree of Gender Diversity [(2)/(1)*100]
1	Volkswagen (FG 8)	9	0	0%
2	E.ON (FG 18)	6	0	0%
3	Daimler (FG 20)	20	5	25%
4	**Allianz (FG 31)**	**12**	**4**	**33.33%**
5	Siemens (FG 58)	20	6	30%
	TOTAL	**67**	**15**	**22.39%**

Source: *Computed by the researcher through Corporate Disclosure Practices, 2014-15*

From the above tables of gender diversity in the board of the top five companies (according to Fortune Global 500 listing, 2014) of developed nations league of G-8 countries it can be observed that average women representations in the boards

of top companies of France (36.76%) is highest followed by Canada (25%), UK (22.73%), Germany (22.39%), Italy (19.30%) and USA (18.75%). However, situations of women directors in boards of top five companies of Japan (4.08%) and Russia (3.70%) had less women representations in board are very poor.

Section-III

3.1 Women Directorship: The Indian Experience

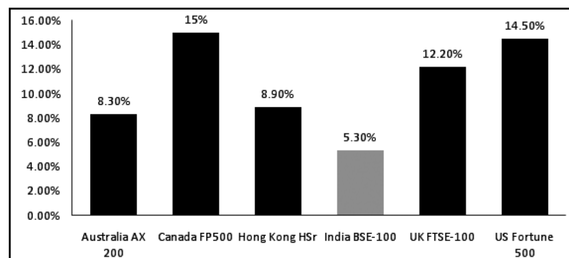
Gender diversity scenario of Indian corporate sector can be analyzed in two parts-before the introduction of mandatory women representation in boards vide the new Companies Act, 2013 era and the present situation after the implementation of the said Act. A survey conducted by the Standard Chartered Bank in the year 2010 enquired the representation of women on the boards of India's leading companies listed on the Bombay Stock Exchange (BSE-100 Companies). It ranked the companies in terms of the gender diversity of their boards, with those with the highest percentage of women on their boards appearing at the top. The report also examined the general topic of gender diversity on the boards of the BSE-100 companies by presenting the findings of interviews with 18 female directors of the BSE-100 companies. At the top of the list was JSW Steel Ltd which has 3 women (23.1%) on its board of 13. Oracle Financial Services Software Ltd was the second with 2 women (22.2%) on its board of 9 and Piramal Healthcare Ltd was the third with 2 women (20.0%) on its board of 10. Axis Bank Ltd was in the fourth place with 2 women (18.2%) on its board of 11. Lupin Ltd and Titan Industries Ltd were both in the fifth place, each with 2 female directors (16.7%) on their boards of 12. Looking at the overall findings, the first year of this research revealed that out of a total of 1,112 directorships in the BSE-100 companies, 59 directorships are held by women, representing just only 5.3%. These directorships are held by 48 different women. Out of top100 companies of BSE more than half of the companies (54 companies) had no women representation on their boards. Of a total of 323 executive directorships on the BSE-100 companies, only 8 are held by women, representing just 2.5%. However, 2 women (Chanda Kochhar and Shikha Sharma) hold CEO positions of two of India's leading banks, ICICI Bank and Axis Bank Ltd and Arundhuti Bhattacharrya, on the other hand, endows the chair of the SBI, the largest public sector bank in India.

Table #1: Gender Diversity of Boards of BSE-100 Companies

S.N.	Key Gender Diversity Number in 2010	No.	%
1.	Total number of directorships	1,112	
2.	Total female held directorships	59	5.3%
3.	Total number of executive directorships	323	
4.	Female executive directorships	8	2.5%
5.	Total number of non-executive directorships	789	
6.	Female non-executive directorships	51	6.5%
7.	Number of women holding BSE-100 directorships	48	
8.	Companies with female executive directors	7	7.0%
9.	Companies with at least one female director	46	46.0%
10.	Companies with multiple female directors	12	12.0%
11.	Companies with no female directors	54	54.0%

Source: *Standard Chartered Bank: Women on Corporate Boards in India 2010 Report*

Chart#2: Percentage of Women on Boards - An International Comparison



Source: *Standard Chartered Bank: Women on Corporate Boards in India 2010 Report*

The status of gender diversity in the board of top 100 companies of BSE was 5.3%.This percentage stated not so promising when compared with other countries like Canada (15.0%), the US (14.5%) and the UK (12.2%), Hong Kong (8.9%), Australia (8.3%) etc.

3.2 Women Directorship in India: Recent Changes in the new Companies Act, 2013

In one of the significant attempt to provide new direction to the corporate India and to cope with changing socio-economic scenario, the Indian Parliament had passed new Companies Bill, 2013, on 8th August, 2013, which subsequently received the consent of Honourable President of India on 29th August, 2013 to become Companies Act, 2013, replacing the age-old Companies Act, 1956. Among a lot of things, prescribed in the new Act, the provision that has a paramount role to change the tradition of the board structure of the corporate India is none other than the gender diversity provisions of the Section 149 (1). According to the Section 149 (1) of Companies Act, 2013, every listed company shall have to appoint, at least, one woman director within one year as per the second proviso to the Section 149 (1). Moreover, every public company, having paid-up capital of Rs.100 crore or more, and turnover of Rs.300 crore or more, have to compulsorily appoint, at least, one woman director within three years as per the second proviso to the Section 149 (1). However, nowhere in this Act, the qualification, the eligibility criteria as well as the status of the women directors have been prescribed.

3.3Hypothesis of the Study

Keeping the objective of studying the relationship between Women Directorship and Corporate Governance practices of major listed companies in India the following hypothesis have been formulated.

H_0: the Corporate Governance Scores of the surveyed companies are same across the gender diversity

3.4 Research Methodology

The present study has been conducted on the S&P BSE-SENSEX companies, a major indicator of the Indian economy's performance. Hence, the sample size of the study has been 30 major listed Indian companies considered for constructing the S&P BSE SENSEX as on 31.03.2014.

For the purpose of developing the basic understanding of the corporate governance practices of the surveyed companies, the variables mentioned below have been considered:

board structure; separation of dual responsibility of Chairman and CEO; frequency of meetings of board; nature; formation and effectiveness of different board committees, e.g., Audit Committee, Remuneration Committee, Investors' Grievance Redressal Committee, Nomination or Corporate Governance Committees; Employees' Grievance Redressal mechanism; existence of Whistle Blowing mechanism, etc.

Based on the 95 significant recommendations of 22 nationally- and internationally-accepted codes of Corporate Governance like *Cadbury Report* (The UK, 1992),*Greenbury Report* (The UK, 1995), *Viénot II Report* (France, 1999), *Commonwealth Association of Corporate Governance (CACG) Guidelines / Principles for Corporate Governance in the Common wealth* (Commonwealth, 1999), Combined Code of London Stock-Exchange (The UK, 2000), Euroshareholders Guidelines (Europe, 2000), *Code of Corporate Governance for Listed Companies in China* (China, 2001), *TIAA-CREF Policy Statement on Corporate Governance* (The USA, 2000), *NØrby Committee's Report on Corporate Governance* (Denmark, 2001), *Sarbanes-Oxley Act* (The USA, 2002), *Hermes Principles* (The UK, 2002), *King II Report* (South Africa, 2002), *The Cromme Code* (Germany, 2002 & 2003), *NYSE Listing Standard* (The USA, 2003), *Securities Exchange Commission Listing Rules* (The USA, 2003), *Higgs Report* (The UK,2003) , Smith Report (The UK, 2003), *International Corporate Governance Network (ICGN) Statement on Global Corporate Governance Principles* (ICGN, 2005), *Revised Combined Code of London Stock-Exchange* (The UK, 2006), etc. have been used.

3.5 Data Source

Data have been collected from the secondary sources. Different versions of PROWESS (Prowess 2.6, 3.0, 3.1 and 4) and

Corporate Database (prepared by the Center for Monitoring Indian Economy [CMIE], Mumbai) have been made use of. Moreover, annual reports of those companies; electronic disclosures; relevant research publications, books, journals; reports in newspapers; materials in electronic newsletters of different professional institutions as well as corporate houses; and corporate rankings by different Indian and foreign agencies have been consulted as and when necessary.

3.6 Study Period

For the present study, data relating to the current financial year (2014-15) have been considered and analysed keeping in mind the application of the Section 149(1) [focussing on gender diversity] of the new Companies Act, 2013.

3.7 Statistical Tests Used

In order to test the relationship between gender diversity and the corporate governance practices of major listed companies of India, Mann-Whitney U test for 2 independent samples and Kruskal-Wallis test for n independent samples have been used. The Mann-Whitney U test is used to compare differences between two independent groups when the dependent variable is either ordinal or continuous, but not normally distributed and the Kruskal-Wallis H test (sometimes also called the "one-way ANOVA on ranks") is a rank-based nonparametric test that can be used to determine if there are statistically significant differences between two or more groups of an independent variable on a continuous or ordinal dependent variable.

3.8 Summary of the Findings

The state of affairs relating to gender diversity in the S&P BSE-SENSEX companies is not at all encouraging. Only 3 out of the top 30 companies have, at least, more than 2 women directors and 6 out of the 30 companies have no female directors. Out of a total 357 directors, representing the boards of those companies, the female directors are only 29, i.e., 8.12%. However, that is definitely an improved position as compared to the findings of the survey made by the Standard Chartered Bank in 2010 (only 5.3%), thanks to the Section 149 (1) of the new Companies Act, 2013. Here, a concise picture of gender diversity in the board of S&P BSE-SENSEX companies is presented below:

Table#2: Women Directors in the Board of the S&P BSE-SENSEX Companies

SL. No.	Name	Total No. of Directors	Total No. of Women Directors	Status of Women Directorship	Degree of Gender Diversity in the Board (No. of Women Directors/Board Size)
1	Axis Bank Ltd.	14	3	One CEO, One Independent Director, One Nominee Director	21.43%
2	Bajaj Auto Ltd.	16	1	One Independent Director	6.25%
3	Bharat Heavy Electrical Ltd.	8	1	Part Time Non-Official Director	12.5%
4	Bharti Airtel Ltd.	15	3	Two Non-Executive Directors, One Independent Director	20%
5	Cipla Ltd.	12	0	Nil	0*
6	Coal India Ltd.	13	1	One Govt. Nominee Director	7.69%
7	Dr. Reddy's Laboratories Ltd.	10	1	One Independent Director	10%

cont..

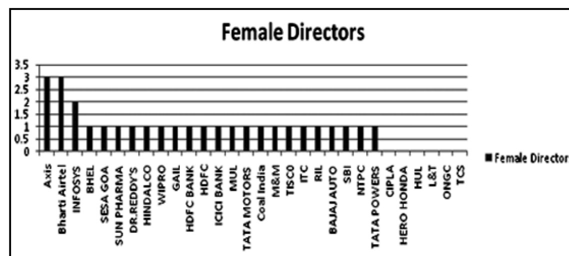
8	GAIL (India) Ltd.	11	1	One Govt. Nominee Director	9.09%
9	Housing Development Finance Corporation Ltd.	12	1	One Managing Director	8.33%
10	HDFC Bank Ltd.	11	1	One Nominee Director	9.09%
11	Hero Motor Corporation Ltd.	11	0	Nil	0*
12	Hindalco Industries Ltd.	10	1	One Non-Executive Director	10%
13	Hindustan Unilever Ltd.	8	0	Nil	0*
14	ICICI Bank Ltd.	12	1	One CEO	8.33%
15	Infosys Ltd.	11	2	Two Independent Directors	18.18%
16	ITC Ltd.	14	1	One Non-Executive Independent Director	7.14%
17	Larsen and Toubro Ltd.	15	0	Nil	0*
18	Mahindra and Mahindra Ltd.	13	1	One Independent Director	7.69%
19	Maruti Suzuki India Ltd.	12	1	One Independent Director	8.33%
20	NTPC Ltd.	17	1	One Independent Director	5.88%
21	ONGC Ltd.	15	0	Nil	0*
22	Reliance Industries Ltd.	14	1	One Non-Executive Director	7.14%
23	SBI Ltd.	16	1	One Chairman and Executive Director	6.25%
24	Sesa Sterlite (Goa) Ltd.	9	1	One Non-Executive Independent Director	11.11%
25	Sun Pharmaceutical Industries Ltd.	9	1	One Non-Executive Independent Director	11.11%
26	Tata Motor Ltd.	12	1	One Non-Executive Independent Director	8.33%
27	Tata Power Co. ltd.	11	1	One Independent Director	9.09%
28	Tata Steel Ltd.	13	1	One Non-Executive Independent Director	7.69%
29	TCS Ltd.	11	0	Nil	0*
30	Wipro Ltd.	10	1	One Independent Director	10%

Source: *Worked out by the Researchers based on Corporate Disclosures, 2014-15*

** Recently Cipla, L&T have appointed a female Non-Executive Director in their Board, HUL, Hero Motocorp have appointed a woman Independent Director in their Board, ONGC has appointed a female Govt. Nominee in Board, and TCS has appointed a woman Executive Director in the Board . But no retrospective effect is considered in the present survey which is based on the published corporate disclosures for the F.Y.2014-15.*

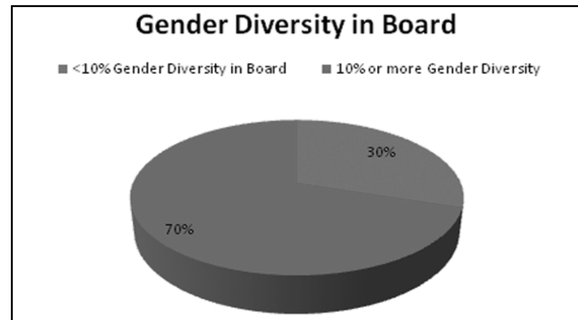
It can be observed from the above table that 6 out of 30 BSE-SENSEX companies there is no place for women in the boards. Companies Like Bharti Airtel, Axis Bank, Infosys Ltd. have registered greater degree of gender diversity in their boards as compared to other fellow S&P BSE-SENSEX companies with, at least 20% of the boards represented by the pink collar directors. However, out of the 333 directors of all the 30 BSE SENSEX companies, only 21 are women directors (i.e., only 6.31%).

Chart#3: Female Directors in the Boards of the S&P BSE-SENSEX Companies



Source: *Worked out by the Researchers based on Corporate Disclosures, 2014-15*

Chart #4: Degree of Gender Diversity in the Boards of the S&P BSE-SENSEX Companies



Source: *Worked out by the Researchers based on Corporate Disclosures, 2014-15*

3.9 Corporate Governance Practices of the Surveyed Companies

Based on the texts relating to the companies available in Prowess and corporate disclosures, the state of affairs of corporate governance practices of the major listed Indian companies (considered for constructing the S&P BSE-SENSEX) has been assessed by using the binary scale, i.e., assigning '1' for compliance and assigning '0' for non-compliance. The relative 'corporate governance scores' for each of those companies have been worked out and presented below.

Table#3: Corporate Governance Score of S&P BSE SENSEX Companies

Name of the Company	Corporate Governance Score
INFOSYS	91.57895
RIL	84.21053
DR.REDDY'S	83.15789
TATA POWERS	80.00000
WIPRO	78.94737
Bharti Airtel	76.84211

Name of the Company	Corporate Governance Score
HDFC	76.84211
L&T	76.84211
HDFC BANK	75.78947
TISCO	75.78947
M&M	74.73684
Axis	73.68421
TCS	73.68421
TATA MOTORS	73.68421
ONGC	72.63158
ITC	71.57895
SESA GOA	71.57895
ICICI BANK	70.52632
NTPC	70.52632
HUL	69.47368
SUN PHARMA	69.47368
HERO HONDA	67.36842
MUL	66.31579
BAJAJ AUTO	64.21053
HINDALCO	64.21053
BHEL	63.15789
GAIL	62.10526
Coal India	57.89474
SBI	57.89474
CIPLA	51.57895

Source: *Worked out by the Researchers based on Prowess and Corporate Disclosures, 2014-15*

3.10 Statistical Testing and Results

Hypothesis: Gender Diversity and Corporate Governance Practices

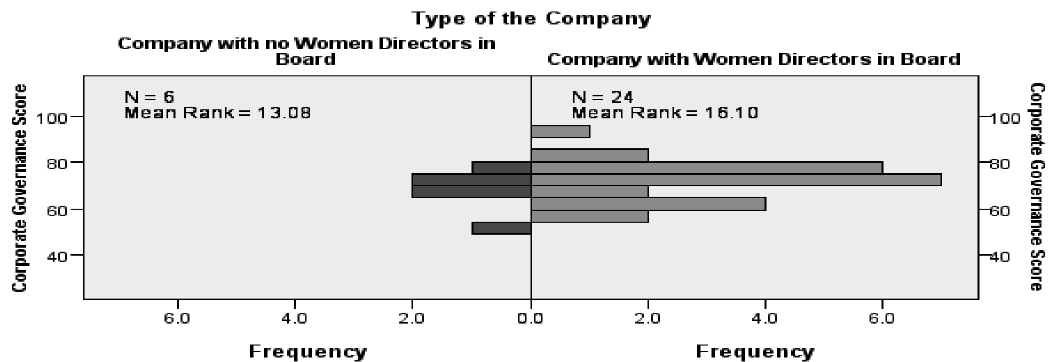
In order to test the validity of relationship between the degree of gender diversity in the board and the corporate governance practices (as reflected by the disclosure practices) of the S&P BSE-SENSEX companies, Mann-Whitney U Test has been used [H_0: $CGS_{\text{gender diversified board}} = CGS_{\text{gender non-diversified board}}$ against H_1: $CGS_{\text{gender diversified board}} \neq CGS_{\text{gender non-diversified board}}$]. It has been observed that p value is greater than 0.05 (p=0.462), so the *null hypothesis* cannot be rejected and the conclusion is that degree of gender diversity has no statistically significant impact on corporate governance practices.

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Corporate Governance Score is the same across categories of the company.	Independent-Samples Mann-Whitney U Test	.462[1]	Retain the *null hypothesis.*

Asymptotic significances are displayed. The significance level is .05.

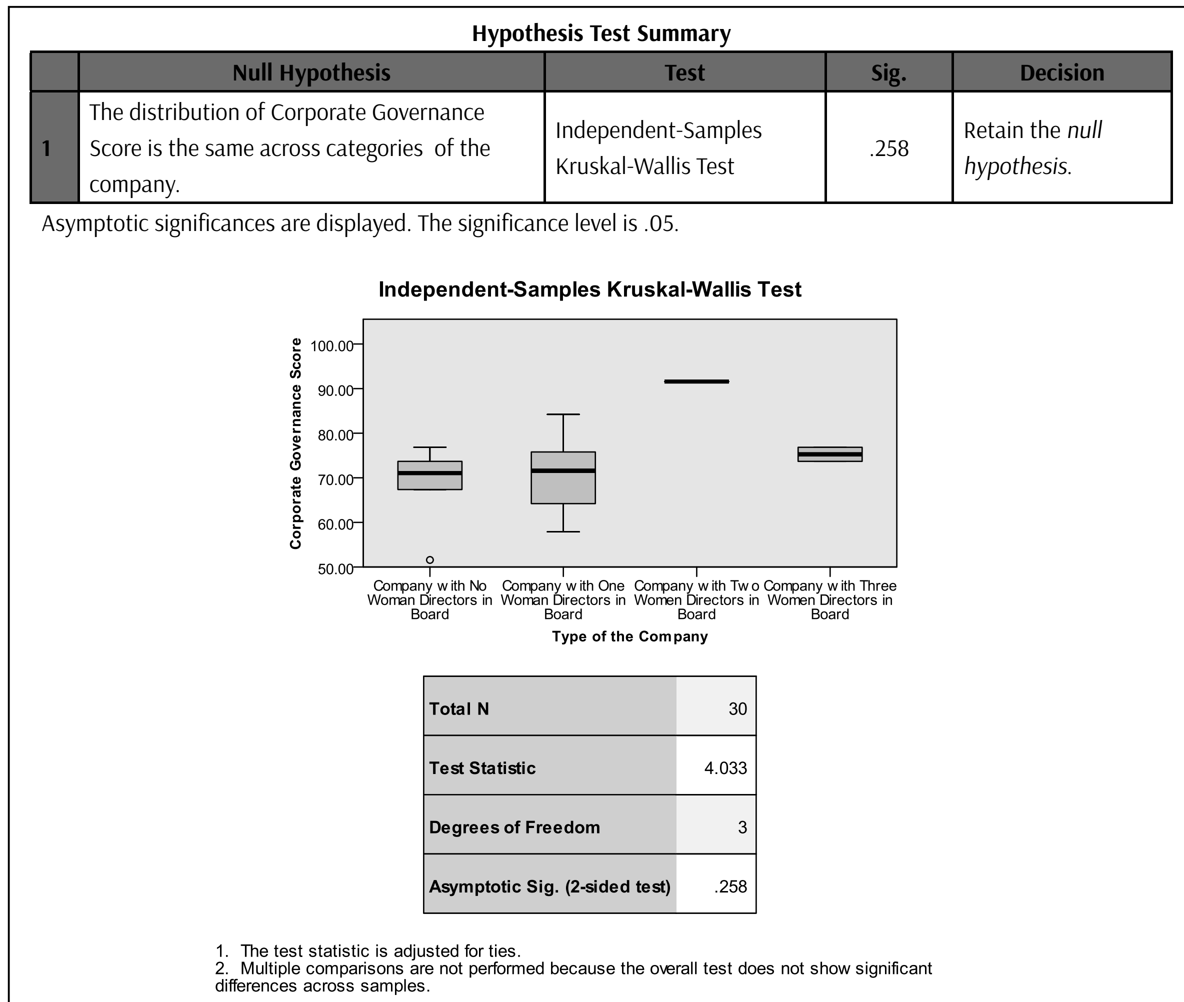
[1]Exact significance is displayed for this test.



Total N	30
Mann-Whitney U	57.500
Wilcoxon W	78.500
Test Statistic	57.500
Standard Error	19.257
Standardized Test Statistic	-.753
Asymptotic Sig. (2-sided test)	.451
Exact Sig. (2-sided test)	.462

Source: *Result generated through IBM SPSS (Version:21)*

Moreover, in order to further verify the degree of association of the gender diversity and the corporate governance practices, k-independent sample Kruskal-Wallis Test has been performed for testing the *null hypothesis* of H_0:$CGS_{\text{company with no women director in board}} = CGS_{\text{company with one women director in board}} = CGS_{\text{company with two women director in board}} = CGS_{\text{company with three women director in board}}$ against H_1: $CGS_{\text{company with no women director in board}} \neq CGS_{\text{company with one women director in board}} \neq CGS_{\text{company with two women director in board}} \neq CGS_{\text{company with three women director in board}}$. The result again shows that the *null hypothesis* cannot be rejected since p value is greater than 0.05 (i.e. p=0.258) and, thus, the variation of the corporate governance practices of the surveyed companies cannot be statistically explained by the degree of gender diversity factor in the boards of these companies.



Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Corporate Governance Score is the same across categories of the company.	Independent-Samples Kruskal-Wallis Test	.258	Retain the *null hypothesis.*

Asymptotic significances are displayed. The significance level is .05.

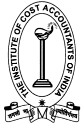
Total N	30
Test Statistic	4.033
Degrees of Freedom	3
Asymptotic Sig. (2-sided test)	.258

1. The test statistic is adjusted for ties.
2. Multiple comparisons are not performed because the overall test does not show significant differences across samples.

Source: *Result generated through IBM SPSS (Version: 21)*

3.11Conclusion

It can be observed form the present study that the status of gender diversity in India is far behind comparing to the international scenario especially that of European nations and the North American countries. Moreover, the relationship between the gender diversity and the corporate governance practices of major listed companies of India could not be



statistically established. However, consideration of data for longer time frame, inclusion of multi-dimensional issues and inclusion of financial performance in research ambit may be an exciting research endeavour in future. Although Corporate India had made a paradigm shift from its early history of family-dominated board structure to a modern diversified governance mechanism in line with proper and timely governmental interventions (in the form of Clause 49 of Listing Rules or changes in Companies Act etc.) this is really early to comment on the impact of diversity in board especially gender diversity in board on corporate governance process in general and various corporate management issues in particular. To comprehend the real benefit of rise of 'Women Power' in boardroom as well as day-to-day management and surveillance activities we have to wait patiently. The measures taken by the Govt. of India to promote gender diversity in board is really a positive and revolutionary measure but nowhere in this Act have the status and qualification of woman director have been mentioned. Comparing the provisions of woman director and independent directors on the Boards of companies it is not clear if the woman director is also required to be an independent director. It is also not clear from the Act that can she be part of the promoter group. In order to unleash the true potentiality, ensuring the freedom and adhering to true spirit over the form of the provisions of the Act, it would be pertinent that woman director should be counted as an independent director if she has to make an impact on the gender representation in the Board of Corporate India in new millennium that will lead to women empowerment in general and inclusive development of the corporate India in particular.

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Corporate Governance and Environmental Disclosures: Evidence from Polluted Companies in India

Ezhilarasi G
K.C. Kabra

Abstract

The present paper empirically investigates the impact of corporate governance attributes on environmental disclosure in India. Environmental disclosures scores are measured by list of items based on Global Reporting Initiative guidelines as well as environmental regulations prevailing in India. The study examines annual reports of 130 polluting companies in India for a period of 6 years i.e. from 2009-10 to 2014-15 and found that there is an increase in disclosure but it is limited. Further, the panel data regression result indicates that less independent directors in the audit committee, presence of woman director in the board, CEO duality and larger size firm have an impact on the company's decision to disclose environmental information. For better environmental disclosure, SEBI should mandate all the companies to disclose detailed monetary and non-monetary information on environmental issues in their periodic report and also more emphasis should be given to strengthen corporate governance towards environmental issues.

Key Words

Environmental Disclosures, Corporate Governance Attributes, Content Analysis, Global Reporting Initiative and Business Responsibility Reports

1. Introduction:

Rapid growth in industries has not only contributed to economic development but also has risen to number of environmental problems worldwide which has led into gradual realization on part of the society that the natural well-being is being degraded. However, different stakeholder groups started pressurizing the organisations in reducing their industrial activities which impact the nature adversely and also in conserving the natural environment. To avoid public pressure and also to legitimize their business operations, the corporates involved themselves in 'responsible business' activities. But at the same time, companies were facing challenges in determining sustainable true profit as there is no accounting standards specifically designed to deal with environmental issues. Therefore, many study groups have shown interest in developing guidelines on reporting environmental information[1]. Due to voluntary nature of those guidelines, companies tend to portray their favourable and positive information in their periodic report. Besides, it was found out from the literature that the disclosure behaviour was limited, incomplete and inadequate to make sound investment decision (Sahay, 2004; Ahmad & Mohamad, 2014 and D'Amico et al., 2016). Thus, it is important to consider the extent of environmental reporting undertaken by a company, within the context of how the organisation is governed and controlled (Rao et al., 2012) as the corporate governance ensures the transparency and accountability of disclosed information.

1.1 Corporate disclosure regulation in India:

There are number of regulations prevailing in India to regulate corporate disclosure practices including the Chartered Accountants Act 1949, both the Companies Act 1956 and 2013. In addition to this, the Securities and Exchange Board of India (SEBI) (Amendment) Act 2002 specified principles of Corporate Governance and introduced a new Clause 49 in the Listing Agreement of the stock exchanges[2] in which disclosure of financial and non-financial information is compulsory in order to avoid fraudulent accounting. However, there was no mandatory requirement for companies in India to disclose environmental information neither in their annual reports nor elsewhere. Thus any environmental disclosure by Indian companies was purely voluntary in nature. In 2011, this scenario was changed by the SEBI; it came up with 'Business Responsibility Reports (BR Reports) guidelines on social, environmental and economic responsibilities of business' which strongly encouraged reporting on environment, social and governance issues. According to this, the top 100 listed companies based on their market capitalization must include BR Reports as a part of their annual reports and for other listed companies which was made voluntary[3]. The present study is a modest attempt to unveil whether the compliance of norms of clause 49 of listing agreement is enhancing the environmental disclosure of the selected companies as well as any significant change in disclosure practices after incorporating BR reports.

The paper is structured as follows: Section 2 explains the pertinent literature review on corporate governance attributes and the extent of environmental disclosures. Section 3 provides the data and methodology adopted in this study. Section 4 highlights the results and discussion, followed by conclusion in section 5. Further the last section 6 provides limitations and area for further research.

2. Background and Hypothesis Development

2.1. Environmental disclosure and corporate governance

A number of prior studies have investigated various determinants of companies' environmental disclosures. However, most of the studies are concentrated on the firm-specific characteristics like *company size, industry type, profitability, foreign association, listing on stock exchanges, leverage, ownership status, age of company and environmental certification*. Besides these characteristics, some researchers have explored relationship between corporate governance attributes and the extent of environmental disclosures.

Halme & Huse (1997) examined the association between corporate environmental reporting and corporate governance attributes for a sample of 140 Scandinavian listed companies (Finland, Norway, Sweden and Spain). The corporate governance variable used in the study is ownership concentration and board size. The overall research results did not indicate any significant relationship since companies have differing corporate governance characteristics among the four countries. Eng & Mak (2003) examined the impact of various forms of ownership structure and board composition on voluntary disclosure of 158 Singapore companies. The study observed that lower managerial ownership and government ownership are associated with increased disclosure whereas block holder ownership is not related to disclosure practices. The study also notes that an increase in outside directors reduces corporate disclosure.

Barako et al (2006) examined the corporate governance variables influencing voluntary disclosure by using sample of 43 Kenyan companies. The study reveals that the presence of an audit committee, the level of institutional and foreign ownership had a positive impact on voluntary disclosure; the proportion of Independent Non-Executive Directors (INEDs) on the board found to be negatively associated. Buniamin et al (2008) investigated whether board independence, Chief Executive Officer (CEO) duality, management ownership and board size have any association with the environmental disclosure in annual reports of 243 Malaysian companies. The study revealed that only board size had a significant relationship with environmental reporting.

Donnelly & Mulcahy (2008) examined the relationship between voluntary disclosure and corporate governance attributes for a sample of 51 Irish companies. The study identifies that increase in institutional and management ownership associated with increased voluntary disclosures. Rao et al (2012) investigated the relationship between environmental reporting and corporate governance attributes of 96 Australian companies. The study examined positive relationship between the extent of environmental reporting and the proportion of INEDs and female directors on the board. However, the analysis did not find any support with other variables like institutional investor and board size.

The prior literature showed that only few studies have

investigated the relationship between corporate governance and environmental disclosure; most of them have been centred around developed countries while very few concentrated on emerging market economies. In Indian context, there were a limited number of studies investigating the status (Sahay, 2004; Chatterjee & Mir, 2008; Malarvizhi & Yadav, 2009 and Sen et al., 2011) and determinants of environmental disclosure (Pahuja, 2009, Joshi et al., 2011 and Chaklader & Gulati, 2015). However, very few studies have made an attempt to investigate the relationship between corporate governance attributes and environmental disclosures. Nurhayati et al (2015) investigated the extent of social and environmental disclosure (SED) of 95 Indian textile firms. The study included few corporate governance attributes that explain SED practices. The study reported that firm size, international brand, audit committee independence, CEO duality, profitability, international certification obtained and year of reporting were significant factors in explaining the variation of SED. It could be observed from the above literature that there has been no study particularly on the extent of environmental disclosure of most polluting industries in India and the impact of corporate governance attributes on such disclosures.

2.2. Hypothesis development:

2.2. i. Board size: The empirical evidence on board size and voluntary disclosure came up with mixed results. Large number of directors in a board depicts broad range of stakeholders with experience and provide necessary environmental advice (Buniamin et al., 2008 and Rao et al., 2012) and also access environmental opportunities to firms (Villiers et al., 2011). On the contrary, smaller sized board can monitor the management effectively as they can take unanimous decision easily (Kassins & Vafeas, 2002; Cheng, 2008 and Walls et al., 2012). In addition to this, Lipton and Lorsch (1992) and Jensen (cited in Guest, 2009) argue that board size that is greater than 8 or 9 can cause worse firm performance and represent poor governance. Considering this, it is expected that smaller size board will have impact on the environmental disclosures. Hence, it is hypothesized that:

H_1: *There is an association between smaller size board and the extent of environmental disclosure.*

2.2. ii. Board independence: Empirical studies documented mixed association where some studies (Chen & Jaggi, 2000; Donnelly & Mulcahy, 2008; Chau & Gray, 2010 and Rao et al., 2012) identifies positive association and suggests that board with more INEDs ensure proper monitoring of management behaviour as well as disclosure of comprehensive information. Eng & Mak (2003) and Barako et al (2006) found negative association and states that outside directors use voluntary disclosures as a substitute to monitor the management activities. Some studies (Ho & Wong, 2001; Buniamin et al., 2008 and Walls et al., 2012) found no association. Considering this, it is hypothesized that:

H_2: *There is an association between percentage of INEDs in the board and the extent of environmental disclosure.*

2.2. iii. Audit committee: The existence of an audit committee ensures the quality of financial reporting, internal control system and compliance with laws and regulations. An overview of literature reveals that audit committee aspects covered by researchers are existence of audit committee (Forker 1992 and Ho & Wong, 2001), expertise quality of audit committee members (Kelton & Yang, 2008) and audit committee independence (Klein, 2002; Borako et al., 2006 and Nurhayati et al., 2015). However, most of the studies used audit committee independence and neglected the importance of audit committee size as it delegates responsibility for oversight of financial reporting and disclosure process. Borako et al (2006) and Nurhayati et al (2015) found positive association whereas Klein (2002) found negative association between percentage of INEDs in the audit committee and the level of disclosures. Considering this, it is hypothesized that:

H_3: *There is an association between size of audit committee and the extent of environmental disclosure.*

H_4: *There is an association between percentage of INEDs in the audit committee and the extent of environmental disclosure.*

2.2. iv. Women director: The issue of participation of women directors on the board has become an emerging issue in the corporate world. The empirical study on gender diversity reveals positive association between the presence of women director in the board and overall firm performance (Carter et al., 2003) and environmental disclosure practices of the company (Rao et al., 2012). Hence, following hypothesis is proposed for testing:

H_5: *There is an association between presence of women directors in the board and the amount of environmental disclosure.*

2.2. v. CEO duality: When a director holds the position of the CEO and chairman of the board at the same time (CEO duality), he/she might have strong individual power base which reduce board's monitoring ability (Fama & Jensen, 1983). When a director has dominant power over the board, they may have the freedom to withhold company's unfavourable information to the investors (Chau & Gray, 2010) and this in turn affect their investment decision. Some studies examines that CEO duality structure is associated with low level of corporate disclosures (Forker, 1992; Gul & Leung, 2004 and Nurhayati et al., 2015) whereas some studies reveals positive association Anderson & Anthony (cited in Samaha et al., 2015). Considering this, following hypothesis is proposed for testing:

H_6: *There is an association between CEO duality and the extent of environmental disclosure.*

2.2. vi. Control variables: Many studies have observed that firm's specific characteristic also affects the level of environmental disclosure. Thus the present study includes the company size and profitability as control variables.

2.2. vi. a. Company size: Majority of the studies hypothesized that larger firms tend to disseminate more information than small sized firm for a primary reason that: (i) To satisfy a wide range of stakeholders who might be interested in environmental management and initiatives undertaken by the company (Roberts, 1991; Hacktson & Milne, 1996; Andrikopoulos & Kriklani, 2013; Ortas et al., 2014; Chaklader & Gulati, 2015 D'Amico et al., 2016 and Nor et al 2016) and (ii) Affordability of capital as well as human resources to prepare and disclose environmental information (Cormier & Gordon, 2001; Arussi et al., 2009; Pahuja, 2009; Suttipun & Stanton, 2012). Considering this, following hypothesis is proposed for testing:

H_7: *There is an association between company size and the extent of environmental disclosure.*

2.2. vi. b. Profitability: Empirical studies found mixed association between profitability and the extent of environmental disclosure. However, most of the studies found positive association (Brammer & Pavelin, 2008; Arussi et al., 2009; Chaklader & Gulati, 2015; D'Amico et al., 2016 and Rodriguez-Fernandez, 2016) stating that higher profitabile firms can afford for responsible business activities in order to add value to their firm. Therefore, they will disclose detailed information in order to differentiate themselves from the less profitable firms. Considering this, the hypothesis is stated as follows:

H_8: *There is an association between profitability and the extent of environmental disclosure.*

3. Research Methodology:

3.1. Sample selection and sources of data:

It is observed from the review of literature that polluting companies tend to disclose more environment related information in their companies' annual report as they are subjected to scrutiny by all stakeholders and in the event of failure they face greater pressure from the stakeholders (Hackston & Milne, 1996; Halme & Huse, 1997; Brammer & Pavelin, 2008; Pahuja, 2009; Dragomir, 2010; D'Amico et al., 2016 and Lucas & Noordewier, 2016). Considering this, the sample companies were drawn from most polluting industries as categorised by the GoI through its Ministry of Environment and Forest (MoEF)[4]. Population for the study comprises of 17 most polluting industries which includes 2,648 companies (listed and unlisted companies)[5]. Among them, only 431 firms were able to obtain annual reports for six years of study period i.e. from 2009-10 to 2014-15. Considering the data availability as well as their nature of business, 17 most polluting industries were grouped into seven categories. Effective population under each category varies with number of firms. Therefore, in order to represent the effective population of the study, disproportionate stratified random sampling technique has been used where the number of firms is less; higher percentage of sample has been selected. In case of more number of firms, smaller percentage of sample has been selected. Thus, the final sample consists of 130 companies and details of sample selection are given below in Table 1.

Table 1: List of sample companies along with its industries

Particulars	Effective population	% of Sample selected	Final Sample
Cement	41	40	16
Distillery & Sugar	64	30	19
Drugs	116	20	23

Particulars	Effective population	% of Sample selected	Final Sample
Fertilizer & Pesticides	47	40	19
Oil & Petro-chemicals	52	30	15
Paper	47	40	19
Others	64	30	19
Total	431		130

Source: *information compiled from prowess (CMIE)*

3.2. Measurement of variables:

3.2. i. Dependent variable:

The extent of environmental disclosures using content analysis was measured on the basis of certain themes related to environmental information. In this regard, many have adopted different checklist of items (Ingram & Frazier, 1980; Wiseman, 1982; Walden & Schwartz, 1997; Hackston & Milne, 1996; Smith et al., 2007; Clarkson et al., 2008; Pahuja, 2009 and Dragomir, 2010). This study measures the extent of environmental disclosures by framing list of items called as *Environmental Disclosure Index (EDI)* which is primarily based on Global Reporting Initiative (GRI 3.1) and also information pertaining to environmental regulations prevailing in India[6]. EDI of the study consists of 47 lists of items which encompass general as well as specific environmental information shown in Appendix A. Based on the existence and specificity of information, the quality of EDI was measured by using 3 points scale. Score of '2' is assigned to detail or monetary information of an item; '1' is assigned when there is limited information and '0' is assigned when there is no information about the item. Subsequently, the value of EDI was calculated for each firm as the ratio of computed total disclosure scores to the maximum possible scores and then it was expressed in percentage.

$$EDI = \sum_{j=1}^{n} \frac{e_j}{E} \qquad (1)$$

Where EDI = Environmental disclosure index, ej = computed total disclosure score and E = maximum possible score.

3.2. ii. Independent and control variables:

In order to test previously formulated hypotheses, the variables were measured as follows.

Board size (BS): As per the Companies Act, 2013 companies are statutorily required to have minimum of three directors and maximum of 15 directors in their board. But to test the above stated hypothesis, the study considered the median value of BS, and then the sample was measured by binary value. The median value of BS is nine; the firm which has three to nine directors in the board are considered as small board and assigned value of '1' or otherwise *'0'*. *Board Independence (BI)* was measured by percentage of INEDs in the board. Audit Committee Size (ACS) was measured by counting total number of directors in board. *Audit Committee Independence (ACI)* was measured by considering the statutory requirement of clause 49 of listing agreement of SEBI i.e., two-third of directors should be INEDs. Based on this binary value was assigned: '1' if a company has two-third of directors i.e., 66.67 and above or otherwise '0'. *Women Director (WD)* was measured by considering the statutory requirement of the Companies Act, 2013 i.e., there should be a minimum of one Woman Director in the board. Based on this binary variable was assigned: '1' if the firm has Woman Director in the board or otherwise '0'. *CEO Duality (CEO_D)* was measured by assigning dummy value of '1' if the firm's CEO is also chairman of the board of directors or otherwise '0'. *Company size (LnTA)* was measured by using natural logarithm of total assets. *Profitability (ROE)* was measured by employing return on equity.

3.3. Empirical model:

To identify the effect of corporate governance attributes on the extent of environmental disclosures of the selected most polluting companies in India, the study used two alternative methodologies. First, the paper estimates pooled ordinary least square (POLS) model under the assumption of no individual specific heterogeneity among firms included in the sample. Secondly, the paper estimates random effect model (REM) in order to account for individual specific heterogeneity among firms which is ignored in POLS model. Further, the choice between POLS and REM model is based on the Breusch-Pagan test. Following regression model has been used to test the hypotheses:

$$EDI_{it} = \alpha + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 ACS_{it} + \beta_4 ACI_{it} + \beta_5 WD_{it} + \beta_6 CEO_{Dit} + \beta_7 LnTA_{it} + \beta_8 ROE_{it} + \varepsilon_{it} \qquad (2)$$

Where EDI = Environmental disclosure index, i = firm

indicator, t = period indicator, BS = Board size, BI = Board independence, ACS = Audit committee size, ACI = Audit committee independence, WD = Women director, CEO_D= CEO duality, LnTA = Natural logarithm of total assets and ROE = Return on equity

4. Results And Discussion

4.1. Descriptive statistics

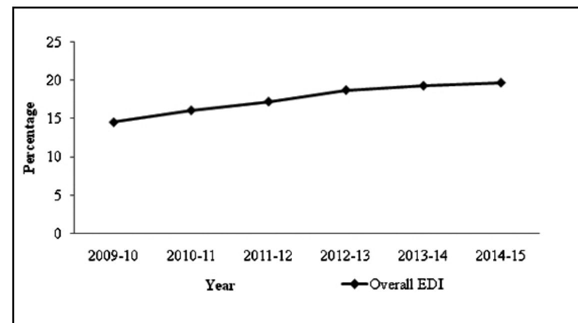
Table 2 presents the descriptive statistics of the present study. It can be stated from the table that the overall disclosure is 17.52 percent and it reveals that the extent of environmental disclosure of most polluting companies in India is limited. The minimum and maximum values of EDI show that the sample companies, except for a few, failed to disseminate complete and comprehensive environmental information to the stakeholders. The results is consistent with Sahay, (2004) who observed that environmental disclosure by Indian corporations' are still in infancy stage and it lags significantly behind as found in the developed world except for a few companies. However, the year wise disclosure level shows increasing trend (shown in figure 1) and suggesting that selected sample companies have some level of environmental disclosure practices.

Table 2: Descriptive statistics of the model variables

Variables	Min	Max	Mean	Median	Std. Dev	Skewness
EDI	0	98.75	17.52	12.5	14.61	2.39
BS	3	19	9	9	3.03	0.42
BI	20	90.91	53.90	50	11.92	0.04
ACS	3	10	4	4	1.04	1.60
ACI	33.33	100	84.23	80	16.47	-0.73
LnTA	-0.4	12.63	5.96	5.75	2.69	0.34
ROE	-45.2	53.81	2.84	1.03	6.33	0.95
WD	30 % Yes			70 % No		
CEO_D	67 % Separate			33 % Same		

Further the table 2 depicts that the board independence range from minimum of 20 percent to maximum of 90.91 percent. The board size ranges from minimum of three to maximum of 19 directors on the board. The audit committee size ranges from minimum of three to maximum of ten directors on the board. The audit committee independence ranges from minimum of 33.33 percent to maximum of 100 percent and most of the companies had majority of INEDs in their audit committee. The size of the companies ranges from -0.4 crore to 12.63 crore Indian rupees. Profitability of the sample companies varies from -45.2 crore to 53.81 crore Indian rupees. Out of 780 firm-year observations, 33 percent of the CEOs and chairman are same and 30 percent of observations have women directors in their companies' board.

Figure 1: Year wise environmental disclosure level



The figure 1 shows that there is a sizeable increase in the year 2012-13; this may be due to inclusion of BR Reports as mandated by SEBI. Therefore, it is important to know whether there is a significant difference in contribution of BR reports in environmental disclosure practices during the study period. For this *Paired Sample T Test* is used to compare the means of EDI before 2011-12 (i.e., the study period includes from 2009-2010 to 2011-12) and after 2012-13 (i.e., the study period includes from 2012-13 to 2014-15).

Table 3: Disclosure practices before and after incorporating BR reports

Particulars	Mean	Std. Dev	t	df	Sig.
EDI before & after adopting to BR reports	3.40	4.98	7.79	129	0

Hypothesis (H_0) framed here is that there is no significant difference between EDI before and after incorporating BR reports in the annual reports of the sample company. It can be seen from the table 3 that H_0 is rejected concluding that there is significant difference or significant increased in the EDI by the sample companies after incorporating BR reports in their annual report.

4.2. Impact of corporate governance attributes on environmental disclosure:

Table 4 reports the results of the POLS and REM regression model which is carried out in this study to find out the effect of corporate governance attributes on environmental disclosure practices of most polluted companies. The results show that the POLS method is inappropriate as the Breush-Pagan test in the table 4 which confirms the presence of firm specific effects in all the cases thus favouring the REM to POLS method. Therefore, the discussion of the study will be based on the REM model. The adjusted R^2 gives 28.04 percent of variability of EDI was explained by the independent variables and the other two control variables. The model appears to be goodness of fit as the '*Wald chi²*' of regression equations (391.18*) are significant at 1 percent level. Further, a cursory look into variance inflation factor (VIF) results showed in the table 4 depicts that variables used in the study are not highly correlated among each other therefore it is expected low severity of collinearity problem.

The coefficient estimate of the audit committee independence is found to be significant to support H_4. The result of the study is consistent with Klein, (2002) who supported that there is a negative relationship between the earnings management practices and audit committee independence. However, the result of the study reveals that statutory requirement of clause 49 of listing agreement by SEBI is not applicable when it comes to finding implication of audit committee independence on environmental disclosures.

Table 4: Regression result of the model variables

Variables	Pooled OLS		Random effect model		VIF
	Coefficient	t- statistics	Coefficient	z- statistics	
Constant	-5.44	-1.83**	-0.03	-0.01	-
BS	-5.05	-5.46*	-0.82	-1.26	1.448
BI	0.05	1.74**	-0.01	-0.52	1.068
ACS	1.58	2.85*	0.34	0.64	1.221
ACI	-0.03	-0.41	-0.13	-17.12*	1.019
WD	-0.89	-1.19	2.01	2.93*	1.099
CEO_D	3.84	4.64*	3.76	1.88**	1.041
LnTA	2.37	12.43*	2.43	5.37*	1.268
ROE	0.25	5.18*	-0.01	-0.43	1.030
F-statistics: 29.46* Adj. R^2 : 33.71			Wald Chi^2 : 391.18* Adj. R^2: 28.04		

Breusch-Pagan test: Asymptotic test statistic – Chi^2 1467.52*

t-statistics and z-statistics which are corrected for heteroscedasticity using the procedure of White (1980).

*and ** denotes the relationships are significant at 1% and 10% level respectively.

The variable women director is found to be positively significant to support H_5. The result of the study is consistent with (Rao et al., 2012) who supported that there is positive relationship between women director and the level of environmental disclosure. However, the result shows that statutory requirement of the Companies Act, 2013 in presence of women director has been found to be meaningful when it comes to assess implication on environmental disclosure practices.

The coefficient estimate of CEO duality is found to be significant to support H_6. The result of the study is consistent with Anderson & Anthony (cited in Samaha et al., 2015) who observed positive relationship between CEO duality and voluntary disclosure and stated that CEO duality might reduce information sharing costs and conflict of interests between the CEO and chairman.

The coefficient estimate of company size is found to be

significant to support H_7. The result is consistent with the existing literature (Roberts, 1991; Hacktson & Milne, 1996; Cormier & Gordon, 2001; Pahuja, 2009; Andrikopoulos & Kriklani, 2013; Ortas et al., 2014; Chaklader & Gulati, 2015 and D'Amico et al., 2016) that larger size companies disclose more information in their annual report.

Further, the result shows there is no association found between environmental disclosures and board size, board independence, size of audit committee and profitability of the company. Therefore, the hypothesis H_1, H_2, H_3 and H_8 are rejected. However, the result shows that statutory requirement of clause 49 of listing agreement by SEBI and the Companies Act, 2013 are found to be invalid when it comes to assess the implication of number of directors in the board, number of INEDs in audit committee on environmental disclosures.

5. Concluding Observations

Environmentally sensitive companies gradually realizing that incorporating 'responsible business' activities is add-on value to their corporation as well it wins the trust of the general public. The present paper is a modest attempt to unveil the status of environmental disclosure practices and the impact of board characteristics on such disclosure practice of 130 most polluting companies in India. The study provides evidence that almost all the selected sample companies have some level of environmental disclosure practices which is limited. It is expected from the study that environmentally sensitive big companies are likely to disclose more measurable information relating to environmental costs and liabilities in their annual reports. But the study observes that most of the information is qualitative in nature since the practice of disclosing environmental information is not thoroughly mandated in India.

The primary focus of the study is to find the impact of corporate governance attributes on the extent of environmental disclosures. Governance characteristics appear to have an impact on the environmental disclosure practices of the selected polluting companies in India. The study supports that less independent directors in the audit committee, presence of women director in the board, CEO duality have an impact on the company's decision to disclose environmental information. It is also observed from the study that for creating public image larger companies disclose more environmental information than the others. For better environmental disclosure practices, SEBI should mandate all the companies to disclose detailed monetary and non-monetary information on environmental issues in their companies' periodic report and also more emphasis should be given to strengthen corporate governance toward environmental issues. To create active and effective corporate governance on environmental disclosure, the regulators should reduce the maximum number of directors on the boards. Further the regulators should make compulsorily that there should be a minimum of two directors in the board and one in audit committee with expertise in dealing environmental issues.

6. Limitations And Further Research

As with all researches, this study has some limitations. First, the present study considers only annual reports as a major source for communicating environmental information to the stakeholders. Secondly, it considers only 130 polluting companies as sample. Further the study has used only few corporate governance attributes. Despite the aforementioned limitation, the study has contributed to the literature on environmental reporting. Besides, the study presents evidence of environmental disclosure and the impact of corporate governance attributes on such disclosure practices of most polluting industries in India. A number of potential areas for future research arise from this study. First, an investigation using larger number of samples which will provide better results. Secondly, the research work may consider the use of various means to gather information other than annual reports such as stand-alone report and the corporate websites. Further, a broader set of independent variables like expertise of the audit committee; number of board meeting attended by the members and ownership structure like institutional, managerial and government ownership etc. can also be used.

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Appendix A: Environmental Disclosure Index

General Standard disclosure
Vision and Strategy
CEO statement addressing firm's strategy on environmental sustainability
Statement about firms environmental policy, values & principles
Statement about firms environmental precautionary approach
Statement about firms environmental risk, key impacts & performance to stakeholders
Review of environmental policy
Statement about specific environmental innovations or new technologies
Credibility
Existence of any mechanism dealing with Environmental related issues (dept of pollution control/EMS)
Independent verification/assurance about environmental information disclosed
Existence of terms and conditions applicable to suppliers and/or customers regarding environmental practices
Involvement of Governing body in firms environmental disclosure
Stakeholders involvement in setting corporates environmental policies
Awareness programs among employees
Awareness program among community members
Awards received for environmental activities
Specific Standard Disclosure
Materials and energy
Environmentally preferable materials used
Recycled input materials
Energy consumption within the organization
Energy consumption outside the organization
Initiatives to reduce energy consumption
Benefits derived like product improvement, cost reduction, product development or import substitution
Energy saved
Statement about energy audit
Water and biodiversity
Total water consumption by different sources
Water source affected by withdrawal of water
Water recycled and reused
Impacts of business activities, products, and services on biodiversity
Strategies, actions, and plans for managing impacts on biodiversity

Measures taken to preserve bio-diversity
Emissions
Greenhouse gas emissions
Other significant air emissions
Emission of ozone-depleting substances
Initiatives to reduce greenhouse gas emissions
Reduction achieved
Effluents and waste
Waste discharge and disposal method
Water biodiversity affected by discharge of waste and run off
Reuse and recycling of wastage
Total number and volume of spills
Impact of spills (oil, fuel, wastes, chemicals etc)
Weight of transported, imported, exported, or treated hazardous waste
Products & Service
Initiatives to mitigate environmental impacts of products & services, and extent of impact mitigation
Percentage of products sold & their packaging materials that are reclaimed by category
Environmental impacts of transporting products & work-force members
Environmental Spending
Capital investment on energy conservation equipments
Expenditure incurred on Research and Development
Total environmental expenditures & investment on other activities
Amount spent on fines related to environmental issues
Summary of rupee savings arising from environmental initiatives

(Endnotes)

[i]Coalition for Environmentally Responsible Economies (CERES), 1993; the Eco-Management and Auditing Scheme, 1993; Public Environmental Reporting Initiative (PERI), 1994; the Global Environmental Management Initiative (GEMI), 1997; KPMG, 1997; Global Reporting Initiative (GRI), 1999; the Equator Principles, 2006, etc.,

[ii]http://www.sebi.gov.in/cms/sebi_data/attachdocs/1397734478112.pdf retrieved as on 09-09-2014.

[iii]http://www.sebi.gov.in/cms/sebi_data/attachdocs/1344915990072.pdf

[iv] www.envfor.nic.in/legis/ucp/ucpsch8.html.

[v]Information obtained from CMIE retrieved on February 25, 2014

[vi]Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988; the Environment (Protection) Act, 1986; Business Responsibility Report, 2011; Corporate Social Responsibility (CSR) Rules, 2014 etc.

Corporate Governance and its Attributes: An Exploratory Study of MFIs

Rachana Vishwakarma

Abstract

Effective Corporate governance are emerges as most imperative and challenging task for the microfinance institutions because without proper governance, the double agenda of the institutions i.e. financial viability and social upliftment could not be achieved. Beside this, weak governance architecture results in poor internal control system, lack of accountability and sub optimal performance which ultimately hinder the sustainability of the microfinance business operations. Therefore, this study tries to explore the factors which are important for effective governance of the microfinance institutions for achieving the double bottom-line objectives. By employing the exploratory factor analysis on 271 responses collected through primary survey, the study identified that 8 major factors i.e. board structures, disclosure and transparency, board administration, board participation, board independence, risk management, regulatory features and board effectiveness that factors covers the broader aspects of corporate governance that perceived by respondents are significantly contributed for governing and directing the microfinance institutions in achieving their dual mission.

Key Words

Corporate Governance, Attributes, Microfinance Institutions, Factor Analysis

Introduction

Corporate governance is an issue of concern which is not limited to only to the listed companies but also other institutions which are small in size and unlisted in the India. Financial institution has played an imperative role in channelizing the surpluses and resources of an economy from surplus sector to deficit sectors. Generally these institutions cover the urban and semi-urban sector but rural are not covered by their spotlight due to illiteracy and poorness of deprived populace. Microfinance institutions (MFIs) are one of the microcredit delivery mechanisms which mainly provide financial services such as micro credits, thrift, micro pensions, micro insurances, remittance of small amounts to the deprived sections of the society. It is an apparatus that plays a crucial role towards the financial inclusions as empowers the poor people and integrates them to the main streams to the economy.

In microfinance literature, the term was first used by CGAP in 1997 when governance was defined as, "a system of checks and balances whereby a board is established to manage the managers. Governance, in common parlances, is a process by which a board of directors, through its management guides an institution in fulfilling its corporate mission and protects the institution's assets over time. A board of directors is established to provide oversight and give direction to the managers of an institution. The term governing applied to a board of directors refers to its legal right to exercise authority over an institution, and its system or process for managing

the board's affairs. Governance is sometimes conceived as a virtuous circle that links the shareholder to the board, to the management, to the staff, to the customer, and to the community at large. Governing bodies define and uphold the organization's goals and mission, guide major strategic directions, manage risks, maintain an organization's health over time, and ensure accountability throughout the organization. Some key pillars of good governance include risk assessment and management, internal control systems, ethics and fraud prevention strategy, and transparency and trust.

The recently crisis and other unethical issues alarmed the sectors that corporate governance has not been upto mark which one of major causes of crisis in the sector. As the microfinance industry grows and becomes more complex, governance plays an increasingly important role in managing sound institutions and preventing crises. Corporate governance provides the framework through which an institution's diverse stakeholders—investors, board members, management, and employees—set the strategic vision, monitor performance, and manage risks. An institution's governance structure helps mediate the interests of various stakeholders and protects the long-term health of the institution.

Good governance can help an institution fulfill its mission, increase efficiency, and improve its ability to attract customers and investors. New products, markets, providers, and financing strategies require a clear strategic vision and decision-making guidelines, agreed on by the institution's various stakeholders. Managing the diverse objectives, expectations, and roles of investors, board members, management, and staff can be challenging, but institutions that invest in strong governance structures and processes will be better placed to navigate today's complex operating environment. As it involves social commitment interwoven with business, it has to balance the dual objectives i.e. Social objectives and financial viability of the institutions. Since this institutions is mainly dealing with the clients belong to low economic group where vulnerability is high and also financially illiterates which can be insisted by others, consequently their financial viability is always in quest as there are so many grey areas, lack of proper governance, difficulty in capital arrangement and regulator gaps without which it will not possible to be financial viable that ensure sustainability of the organizations in long term period.

Good corporate governance leads to better performance for our investee companies. Improved governance structures and processes help ensure high quality decision making, encourage effective succession planning for senior management and enhance the long-term prosperity of companies, irrespective of the type of company and its sources of finance as it is renowned as the system of rules, practices and processes by which a company is directed and controlled. Good corporate governance ensures that companies and their management operate within a framework of checks and balances so they are accountable both to their owners and to society at large. Good corporate governance ensures the company's management makes decisions in the best interests of the company and thus significantly contributes to companies' competitiveness and long term sustainability and therefore to economic growth and jobs.

Good governance requires the board to focus on the three majors areas of responsibilities which are Management accountability, Strategic planning and policy making and Self regulation (K. Shivkumar 2007). In this context, Microfinance Institutions needed the effective corporate governance due to the following reason mentioned below:

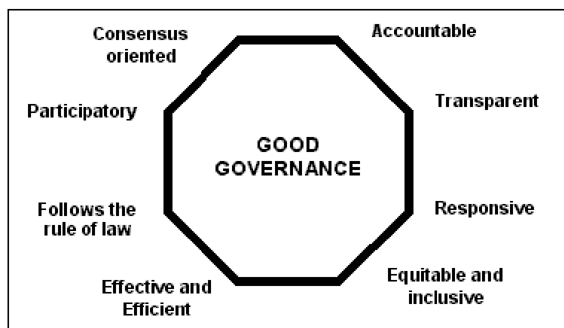
- Prevent fraud and mismanagement
- Promote sound decision making
- Avoid costly fines and litigation
- Create/maintain a positive corporate image
- Attract and retain clients
- Attract and retain financing and investment.

Elements of Good Governance

MFIs have twin objectives, namely to act as the vehicle through which the poor can work their way out of poverty and to provide reasonable profits to their investors. These twin objectives can conflict unless a fair balance is maintained between both objectives. This makes it essential that MFIs have good systems of Corporate Governance. Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the

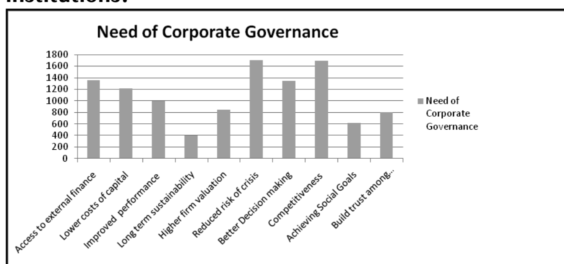
most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society. Effective governance depends upon the guidance provided by a Board to manage the strategic issues and oversea the management in carrying out strategic plan.

Figure 1: Characteristics of good governance



Corporate governance is required not only to manage the profit of institutions but also to protect the assets of the institutions. To know more about the importance of corporate governance of microfinance institutions, an survey is conducted where it is found the long term sustainability is a major cause for which mostly the institutions are adopting the good corporate governance. The chart presents the reasons why microfinance institutions adopting good governance are as follows:

Figure2: why corporate governance matters for microfinance institutions?



Source: *Primary data (Lower the values shows the first rank and Higher the value shows last rank)*

The above chart shows the relevance of corporate governance in microfinance industry. Among all 10 important reasons for the adoption of corporate governance, Board of directors, the senior management and senior executives gives highest ranking to the long term sustainability followed by achieving social goals, building trust among stakeholders, higher firm value, improved performance, accessing the external finance, lower costs of capital, better decision making, reduced risk of crisis and last ranking to the competitiveness. Thus, it can be concluded that Effective corporate governance matters to the microfinance industry as it play an important role to attain the long term sustainability and achieve their social goals by creating trust among all the stakeholders which significantly enhance the firm value and improved performance. However, it also ensures the easy access of the external finance on suitable terms leads to lower costs of capital. It also provides better strategic decision which helps the MFIs in reducing the risk of crisis and gaining the competitiveness in dynamic environment. Effective Corporate governance are emerges as thorny for the microfinance institutions because without proper governance, the double agenda of the institutions i.e. financial viability and social upliftment could not be achieved. Beside this, weak governance architecture results in poor internal control system, lack of accountability and sub optimal performance. This will ultimately hinder the sustainability of the microfinance business operations. Therefore, this study is significant as it tried to explore the factors which are important for effective governance of the microfinance institutions for achieving the double bottom-line objectives.

Literature Review

Governance is the least discussed least researched and least funded issue in the microfinance development arena. Good corporate governance can improve firm performance and help assure long-term firm survival (Thomsen, 2008). After the Andhra Pradesh crisis, the issue of corporate governance has therefore been of increasing interest for microfinance as it is today considered to be one of the weakest areas in the industry. The issue of funding is available for product development, innovations, commercialization, transformation, regulation, capacity building, but virtually no funding dedicated to strengthening of governance structures and systems in microfinance. And yet, poor governance is the greatest risk that threatens the sustainability and viability of the microfinance industry. There is compelling evidence that poor governance is perhaps the major cause of the collapse of many MFIs in India. An extensive literature survey is conducted on the various aspects of corporate governance which are essential for sustainable business of microfinance institutions in India.

There is a vast literature on corporate governance, and specifically corporate governance in emerging markets in

the context MFIs. Connections between better governance and firm market value and performance, especially in emerging markets, are captured. In both the 2008 and 2009, Microfinance Banana Skins reports, corporate governance was ranked as one of the topmost pressing risks facing the sector. The Banking Banana Skins report 2012 also recognised the need of stronger governance and risk management practices. Key industry players including regulators, donors and investors highlighted the need for appropriate governance structures and processes. Marc Labie(2001) examined the extent the corporate governance framework can be applied to microfinance organizations. Further PRISM Project (2005) made discussion on the various issues of governance in microfinance industries and have argued that The Dual Mission: Balancing Social Impact with Financial Objectives, Ownership, Fiduciary Responsibility and Risk Assessment Capacity had very important issues in governance and Board membership selection; establishment of the governance structure; and defining operating procedure among CEO and board are the three essential to achieve the best practices in microfinance industries that will guide the establishment and proper functioning of a new microfinance institutions.

Shivakumar K. (2008) identified that governance is not confined to only legal compliances alone but its activity extends beyond. He highlighted that there is need to give attention towards transparency in all its dealings, dissemination of information, the quality and frequency of financial discussion and responsibility of board to focus on three majors areas of responsibilities i.e. management accountability, strategic planning and policy making and self regulation. Ragab Kayastha (2009) revealed that governance is one of the factors that affect the sustainability of MFIs by using few selected measures.

S Thrikawala et al. (2013) discussed the relationship between governance and the performance of Microfinance Institutions (MFIs) MFI performance encompasses both financial performance and outreach. Good governance in terms of strengthening stewardship, achievement of MFIs' primary objectives and promoting further development of the industry have been asserted as key elements of the literature pertaining to MFI performance. Similarly, several cases concerning poor governance have been analysed.

Mori and Mersland (2014) analyzed the influences of stakeholders (donors, employees, customers, and creditors), on board structure (board size and CEO duality), and on organizational performance by using a global data set of 379 microfinance institutions from 73 countries, collected from rating organizations. Supported by stakeholder theory, agency theory and resource dependence theory, they found that stakeholders to be important and have various influences on microfinance institutions.

Gohar & Batool (2014) studied the determinants of governance affects economic/financial, social performance and productivity of twenty five MFIs of Pakistan.

From the above revision of literature suggest that there is strong need to study the factor/aspects of corporate governance from the ground of microfinance industry. It is also revealed that study quoted as corporate governance is essential for effective operation and good performance of the study but none of the study cited which sets of factors is essential for corporate governance. There is also need to find out that in what ways the corporate governance standards could bring about effective competencies of Indian MFIs. This study attempts to fill the gap in the literature while answering the question of structure of corporate governance from the ground level as none of the study identified the aspect of corporate governance that is prevalent from the perspective of board and senior management of microfinance sector. Thus, paper attempts to explore the aspects of corporate governance that affect the working of MFIs essential for the better performance and sustainability of MFIs.

Research Methodology

This study has been exploratory in nature based on the primary data. Since there are only handful researches on corporate governance in Indian microfinance institutions, there is a lack of predetermined factor pertaining to corporate governance. Thus, an exploratory approach has been applied to explore the factors and achieve the overall objectives of the study. The perception of 271 has been taken to explore the factors related to internal and external aspects of corporate governance. Out of fifty Indian Non Banking Financial companies-Microfinance Institutions (NBFC- MFIs), are selected by judgmental sampling method. Initially, 50 NBFCs-MFIs have been selected randomly to achieve the objectives of the study which are also regulated by Reserve Bank of India, complied the laws of Company Act, 2013 and voluntarily Clause 49 of the listing agreement, SEBI and Subsequently. Through extensive literature survey and

discussion had held with the various experts in the microfinance sector, initially 40 statements of corporate governance has been selected. It captures the eighty percent market share of microfinance business. Through online survey, Primary data has been collected from 271 respondents consisting four responses from each 50 institutions. Further, secondary data has been collected for three consecutive year from 2011-2012 to 2013-2014 obtained through Companies' Annual report and MIX Market Database, USA. Exploratory factor analysis has been applied to test the working hypothesis for presenting the objectives empirically.

Analysis and Discussion

Table 1: Result of Demographic Analysis (N=270)

Demographic Variable	Distribution	Frequency	Percentage
Gender	Male	198	73.3
	Female	72	26.7
Age	Below 25	10	3.7
	25-40	118	43.7
	41-55	77	28.5
	56 & more	65	24.1
Qualification	Graduate	45	16.7
	Post graduate	174	64.4
	Ph.D	19	7.0
	Professional courses (CA, CS, ICWA etc)	32	11.9
Position held	Board Members	51	18.9
	Chief Executive officers	50	18.5
	Senior Management (CA, CS, CFO,COO VPs etc)	74	27.4
	Executives Managers	95	35.2
Experience	Below 5	71	26.3
	6 -10	96	35.6
	More than 10	103	38.1

Source: *Primary Data*

For the present study, demographic variables have been considered which are gender, age, position held, educational qualifications and working experience gained in the Microfinance institutions. Simple percentage analysis has been used to highlight the demographic characteristics of respondents. As it is evident from Table 1, from sample of 270 respondents, 198 (73%) are males and remaining 72 (27%) are females. Age-wise classification shows the Below 25 are 4%. Mostly respondents are young lying in the age group 26-40 years accounting to 44% and the remaining upto 55 years and above 56 years i.e. 28% and 24%. Regarding education qualification, data is skewed towards the respondents who have done post graduation and graduates who account 64% and 17% respectively and remaining have Doctoral and professional courses degree. Under, Position held , the respondents consists with 19% are board of director, 18% are chief executives, 27% are senior management and rest 35% are executives managers.

Reliability Analysis

Reliability of an instrument (questionnaire) is the degree to which it yields the true score of the variables under consideration. It helps to make our research free from systematic and variable error. In this analysis, Cronbach's Alpha was used to check the internal consistency of the instrument.

Table 2: Reliability Statistics

Cronbach's Alpha	N of Items
.95	40

The calculated Cronbach's alpha value is 0.95 for the present instrument. Based on the classification of alpha's value proposed by Freitas and Rodrigues (2005), it can be stated that the present value lies in "High" confiability. This guarantees a high inner consistency to the adapted instrument proposed for the study.

Factor analysis

To find out important factors among various sub sets aspects of corporate governance empirically, Factor analysis are used the Exploratory Factor Analysis (EFA) to identify the major factors of corporate governance which are essential for effective governance of microfinance institutions. The applications of factor analysis techniques are to reduce the number of variables and to detect structure of relationship between variables. Therefore factor analysis is applied as a data reduction or structure detection method. The Principal Component Analysis (PCA) was conducted on the 40 variables with varimax rotation. Initially the correlation matrices are computed and examined. It reveals that there is enough correlation among the various select aspects to go ahead with factor analysis. Further, in order to examine the suitability of the data for the factor analysis, the following steps are considered:

Table 3 KMO and Bartlett's Test Result

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.910
Bartlett's Test of Sphericity	Approx. Chi-Square	7930.530
	df	780
	Sig.	.000

Before moving further with factor analysis it is necessary to check whether the sample is sufficient for factor analysis. The Kaiser-Mayer-Olkin (KMO) measures verified the sampling adequacy for the analysis. Generally KMO test value greater than 0.6 is acceptable. The KMO calculated is found to be 0.910 which is more than threshold value 0.6. This score indicates that the sample is 'good' for factor analysis (Kaiser and Rice, 1974). Therefore data is found to be sufficient for applying factor analysis on it. The overall significance of correlation matrices is tested with Bartlett's Test of Sphericity. It is used to check if there is significant correlation among variables or not. For applying factor analysis it is necessary that there must be correlation among variable under the study. The hypothesis for Barlett's test is given below:

H_0: There is no significant correlation among the variables/ items.

The value of Chi-Square (df 780) is 7930.530 and the p value is .000 which is less than 0.05. Therefore the test statistics is significant and the null hypothesis that the correlation matrix is an identity matrix is rejected which desirable for the factor analysis is indicating that correlation between the variables is sufficiently large for factor analysis.

Communalities and Total Variance Explained

Communality is the sum total variance of a variable explained by the extracted factors. Ideally its value is 1 because all the factors together explains 100% of the variable but as we retain

only few factor based on certain criteria like Eigen value, total variance explained etc. The value of communality decreases as the no of factors extracted decreases. The factors which have been extracted through factor analysis should explain at least 50% of a single variable therefore the acceptable value for communality is 0.5. Table 4 shows that communality value for all the variables is more than 0.5 except DT1 (i.e. 0.492) but it is very close to 0.5 hence this variable is retained for further factor analysis.

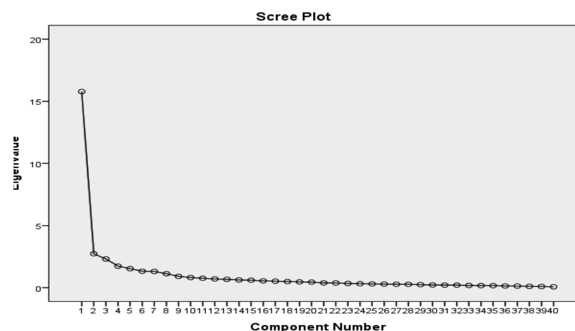
Table 4: Results of Communalities

Items no.	Communalities		
	Initial	Extraction	Anti-Image Correlation
S1	1.000	.800	.872
S2	1.000	.774	.866
S3	1.000	.706	.865
S33	1.000	.687	.895
S34	1.000	.701	.934
S35	1.000	.553	.903
S36	1.000	.732	.933
S4	1.000	.724	.912
S5	1.000	.713	.912
S6	1.000	.777	.930
S7	1.000	.680	.891
S8	1.000	.695	.927
S14	1.000	.695	.931
S13	1.000	.742	.906
S12	1.000	.796	.864
S11	1.000	.704	.928
S10	1.000	.673	.857
S9	1.000	.596	.931
S29	1.000	.856	.876
S30	1.000	.838	.869
S31	1.000	.800	.874
S32	1.000	.643	.916

cont..

S22	1.000	.579	.901
S23	1.000	.617	.933
S24	1.000	.726	.928
S25	1.000	.731	.914
S26	1.000	.676	.926
S27	1.000	.594	.927
S28	1.000	.521	.929
S40	1.000	.730	.941
S39	1.000	.724	.882
S38	1.000	.608	.935
S37	1.000	.783	.900
S15	1.000	.644	.926
S16	1.000	.677	.927
S17	1.000	.722	.894
S18	1.000	.699	.943
S19	1.000	.702	.944
S20	1.000	.667	.911
S21	1.000	.770	.921

An initial analysis was run to obtain Eigen value for each component in the data. Table 5 reveals that 8 components having eigen value over Keiser criterion of 1 and in combination explaining 69.642% of the total variance which more than the desirable value (60%). Therefore, all the factors with latent root less than 1 are concluded to be insignificant and ignored. Further the analysis reveals that there are 8 major factors of corporate governance that broadly essential for the working of microfinance institutions. The following figure 1 exhibits the extractable factor (the factors having eigen value more than 1) graphically through the Scree-plot.



The standard practice normally used is that all the factors with an eigen value of one or more should be extracted. Table 6.4 clearly shows that there are eight factors having eigen values more than 1. Thus eight factors have been extracted which cumulatively total variance explained is 69.642% of the total variance. All the statements, with factors loadings greater than 0.45, were considered in the corresponding factor. The name of the factors, variable labels and factor loadings are summarised in Table-6.5. Further Table 6 shows the rotated solution with Varimax rotation and with Kaiser Normalization. The rotated solution gives 8 factors out of the 40 items/statements.

Table 5: Result of Factor Analysis

	State-ments no.	Statements	Factor Load-ing	Reli-ability	Eigen value	% of Vari-ance
Fator 1	S24	Board should be comprised with at least one female board member in the board of directors.	**0.748**	**.878**	**15.78**	**39.46**
	S25	The diversity of board members is essential in participation.	**0.735**			
	S26	Board members have the necessary financial, legal and social knowledge to fulfill the institution's strategic priorities.	**0.698**			
	S28	Nominee director should be in board to monitor the appropriateness of investment done by his institution.	**0.629**			
	S23	The boards size should be higher (more than 6) to complete their work effectively.	**0.627**			
	S27	There should be separation of the role of the CEO and chairperson.	**0.576**			
	S22	Board structure should be two tier model	**0.475**			
Factor 2	S12	Non-Financial Information should be also disclosed.	**0.774**	**.892**	**2.732**	**6.831**
	S13	Institutions should give information related to the loan and communicate with all our members/ borrowers in the local language.	**0.771**			
	S14	There should be sufficient and clear public information on the MFI's ownerships structure.	**0.738**			
	S10	All the financial information and information on social impact systematically must be disclosed on website.	**0.717**			
	S11	MFIs should ensure timely disclosure on all material matters, including the financial meausres, ownership and corporate governance.	**0.671**			
	S9	Financials statement should be prepared and disclosed according to International Financial Reporting standard.	**0.605**			

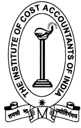
cont..

Factor 3	S17	The Board should have a Corporate Governance Committee that ensures compliance with the MFI's corporate governance code and code of conduct.	**0.73**	.912	**2.311**	**5.778**
	S20	Board must set up an Audit Committee to supervise the internal control systems.	**0.698**			
	S21	The Board should have an Appointments and Remuneration Committee which assists the Board with matters relating to appointment and remuneration of members.	**0.696**			
	S19	The MFI should have a specific Social Performance Committee to supervise the fulfillment of social targets.	**0.659**			
	S18	The board should have Asset Liability Management committee constituted to monitor the Asset liability Gap and strategize action to mitigate risk associated.	**0.654**			
	S16	The board should have a Nomination committee to ensure fit and proper status of existing/ proposed Directors.	**0.559**			
	S15	MFIs should have ethics and compliance committee with an independent outside director Chairman.	**0.441**			
Factor 4	S4	Board should be actively involved in all policy formulations and other important decisions.	**0.772**	.886	**1.737**	**4.343**
	S7	The Board holds regular meetings to monitor the institution properly.	**0.765**			
	S5	The MFI must uses non-abusive charging practices and avoids over-indebtedness for its customers.	**0.719**			
	S6	There is a balance of power between the institution's governing bodies which ensures a suitable decision-making and control system.	**0.702**			
	S8	Board meetings on Quarterly basis are not sufficient for the issue discussions for the MFIs.	**0.682**			
Factor 5	S31	In case of an executive chairman, at least half of the board should be comprise independent directors.	**0.834**	.899	**1.531**	**3.828**
	S30	In case of a non- executive chairman, at least one third of the board should comprise independent directors.	**0.827**			
	S29	Majority of boards should be independent of the management team as well as any commercial dealing with the company.	**0.824**			
	S32	At least 1/3 members of the board of directors should be independent directors.	**0.657**			

cont..

Factor 6	S37	The MFI has a Risk Committee that establishes the exposure limits for each risk type.	**0.789**	.842	**1.33**	**3.325**
	S40	The Chairman of an Audit committee is an independent outside directors.	**0.748**			
	S39	MFIs should rotate the auditors every three year for conducting the audit of the company for strengthening corporate governance.	**0.714**			
	S38	Internal auditors are very essential for internal checks and detecting fraud of MFIs.	**0.563**			
Factor 7	S1	The institution should have clearly-defined mission to set its specific goals.	**0.768**	.854	**1.305**	**3.261**
	S2	There should be unified law and the regulatory framework for each type of microfinance institutions.	**0.767**			
	S3	Board of member of MFIs should adopt the core values and the Code of Conduct on an annual basis.	**0.730**			
Factor 8	S33	There should be a performance assessment system to regularly identify the Board's and each of its members' weaknesses.	**0.695**	.805	**1.124**	**2.811**
	S36	The role of the board should be clearly documented in a board Charter.	**0.660**			
	S34	Board receives remuneration timely for their contribution to the MFIs which is approved by shareholder of the company.	**0.595**			
	S35	At least one board should have attended a director education program.	**0.587**			

It is observed from the above table that Factor analysis empirically suppresses the 40 statements into eight extracted factors and the most important factor perceived by the respondents regarding corporate governance is "Board structures" have perceived the most important factor which has the highest Eigen value of 15.786 and explains 39.465% of variance. Seven out of forty aspects of corporate governance loaded significantly includes the features related to the compositions of board member i.e. size of the board of directors, one female board, board diversity, board knowledge, nominee directors, separation of board with senior management and board with two-tier model. Among them at least one female board should be on board has highest loading of .748. The second most important factor named as Disclosure and Transparency having eigen value of 2.732 and it explains 6.831% of variance comprising six statements were loaded consist with disclosure of non-Financial Information, financial information, ownerships structure, web based disclosure, timely disclosure of all material matters, disclosure as per International Financial Reporting standard and information disclosed in the local language as target populations are not so illiterate. The most important variable in disclosure and transparency are non-financial information disclosure and communication of information related to the loan with all borrowers in the local language having factor loading of 0.774 and 0.771 respectively. The third important factor named as "Board administration" which accounts the Eigen value of 2.311 and explains 5.778 % of the variance. This factor has seven statements loading which comprises with Corporate Governance Committee, Audit Committee, Appointments and Remuneration Committee, Social Performance Committee, Asset Liability Management Committee, Nomination Committee and ethics and compliance Committee which shows the board commitment and dedication towards the given assignment among which corporate governance committee has highest loading i.e. 0.73 which represents their urgency



needs for the effective governance of MFIs. The fourth factor is named as "Board Participation" on which five variables are loaded and it explains 4.343% of variance with Eigen value of 1.737. This factor consists with the board involvement in policy formulations, regular meetings, non-abusive (ethical) practices, balances of power and board meetings on quarterly basis. In this factor, board actively involvement in policy formulation has highest loading of 0.772. The fifth factor assigned name as "Board Independence" comprising 4 variables which explains 3.828 % of variance with Eigen value of 1.531. Board Independence consisted with the statement majority of board should be independent, at least 1/3 members of the board of directors should be independent directors, at least one third of the board should comprise independent directors in case of a non- executive chairman and half of the board in case of an executive chairman, The statement "In case of an executive chairman, at least half of the board should be comprise independent directors" has the highest loading of 0.834 in this variable. The sixth important factor perceived by the respondent regarding effective corporate governance is "Risk management" which has the Eigen value of 1.330 and explains 3.325% of variance. This comprises 4 variables which are risk management committee , rotation of the auditors in every three year, independent chairman of Audit committee and Internal auditors .Among them, Risk committee has the highest loading of 0.789 which establishes the exposure limits for each risk type which are essential for sustainable business. The seventh important factor is "Regulatory features" with eigen value of 1.305 and it explains 3.261% of variance comprising 3 variables comprises with clearly-defined mission, unified law and the regulatory framework and the review of code of conduct on an annual basis among which the most important variable i.e. review of code of conduct has factor loading of 0.768. Lastly, the eighth factor which named as "Board Effectiveness" on which 4 variables are loaded. It has eigen value of 1.124 and explains 2.811% of total variance. This factor consists with variables i.e. regular board performance assessment, defined role in board charter, board remuneration and director education program. Regular board performance loading has highest loading of 0.695.

Conclusion

To sum up, the present study tried to highlight the key factors of corporate governance that the microfinance institution should focus upon for the effective governance.Thus, from the above discussion it can be concluded that the study identified 8 major factors i.e. board structures, disclosure and transparency, board administration, board participation, board independence, risk management, regulatory features and board effectiveness that comprises the major portion of corporate governance for the microfinance institutions. Among factor identified , board structure is very essential which may reveal that board should be well planned as such in terms of size of directors, female board , knowledge, nominee director and separated from management for better performance. These eight key factors covers the broader aspects of corporate governance that perceived by respondents are significantly contributed for governing and directing the microfinance institutions and also affects the working of the Indian microfinance institutions as perceived by the various respondents which consists with board of directors, chief executives officers, senior management etc. Put together, all factors explain 69.642% of variations in the data. This result would be better for academician, practitioner, policymaker, executives to be acquainted with the significant factors of corporate governance and MFIs.

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Appendix:

Questionnaire on Governance and Sustainability of Microfinance Institutions

Section I: Respondent's Profile:

1. Name of the Respondent..

2. Gender: Male / Female

3. Age: Below 25 / 25-40 / 41-55 / 56 & above

4. Educational qualification: Below Graduation /Graduate/ Post Graduate/ Doctorate (Ph.D.) /

Other please specify...

5. Affiliation (MFIs)..

6. Position held: Board / Chief Executive Officer/ Investors/ Company Secretary / Chartered Accountant/ Auditors or Other (Please specify).....................

7. Legal status: a) NBFCs-MFIs b) NGOs MFIs c) Societies Act 1980 d) Section 25 of Co. 1956 e) Mutual Cooperative f) other

8. Working Experience in MFIs: Below 5 6-10 10 & above

Section II: Perception Rating:

Please rate your perception about following items of governance factors, which are essential for Effective governance of microfinance institutions in the following 5 point scale:

Strongly Disagree (SD) 2.Disagree (D) 3. Neither Disagree nor Agree (N) 4. Agree (A) 5. Strongly Agree(SA)

		SD	D	N	A	SA
1	The institution should have clearly-defined mission to set its specific goals.					
2	There should be unified law and the regulatory framework for each type of microfinance institutions.					
3	Board of member of MFIs should adopt the core values and the Code of Conduct on an annual basis.					
4	Board should be actively involved in all policy formulations and other important decisions.					
5	The MFI must uses non-abusive charging practices and avoids over-indebtedness for its customers.					
6	There is a balance of power between the institution's governing bodies which ensures a suitable decision-making and control system.					
7	The Board holds regular meetings to monitor the institution properly.					
8	Board meetings on Quarterly basis are not sufficient for the issue discussions for the MFIs.					
9	Financials statement should be prepared and disclosed according to International Financial Reporting standard.					
10	All the financial information and information on social impact systematically must be disclosed on website.					
11	MFIs should ensure timely disclosure on all material matters, including the financial situation, performance, ownership and corporate governance.					
12	Non-Financial Information should be also disclosed.					
13	Institutions should give information related to the loan and communicate with all our members/ borrowers in the local language.					
14	There should be sufficient and clear public information on the MFI's ownerships structure.					
15	MFIs should have ethics and compliance committee with an independent outside director Chairman.					
16	The board should have a Nomination committee to ensure fit and proper status of existing/ proposed Directors.					
17	The Board should have a Corporate Governance Committee that ensures compliance with the MFI's corporate governance code and code of conduct.					
18	The board should have Asset Liability Management committee constituted to monitor the Asset liability Gap and strategize action to mitigate risk associated.					

19	The MFI should have a specific Social Performance Committee to supervise the fulfillment of social targets.					
20	Board must set up an Audit Committee to supervise the internal control systems and establish the necessary procedures to ensure compliance with standards that apply to the institution.					
21	The Board should have an Appointments and Remuneration Committee which assists the Board with matters relating to appointment, end of term of office and remuneration of members.					
22	Board structure should be two tier model					
23	The boards size should be higher (more than 6) to complete their work effectively.					
24	Board should be comprised with at least one female board member in the board of directors.					
25	The diversity of board members is essential in participation.					
26	Board members have the necessary financial, legal and social knowledge to fulfill the institution's strategic priorities.					
27	There should be separation of the role of the CEO and chairperson.					
28	Nominee director should be in board to monitor the appropriateness of investment done by his institution.					
29	Majority of boards should be independent of the management team as well as any commercial dealing with the company.					
30	In case of a non- executive chairman, at least one third of the board should comprise independent directors.					
31	In case of an executive chairman, at least half of the board should be comprise independent directors.					
32	At least 1/3 members of the board of directors should be independent directors.					
33	There should be a performance assessment system to regularly identify the Board's and each of its members' weaknesses.					
34	Board receives remuneration timely for their contribution to the MFIs which is approved by shareholder of the company.					
35	At least one board should have attended a director education program.					
36	The role of the board should be clearly documented in a board Charter.					
37	The MFI has a Risk Committee that establishes the exposure limits for each risk type.					
38	Internal auditors are very essential for internal checks and detecting fraud of MFIs.					
39	MFIs should rotate the auditors every three year for conducting the audit of the company for strengthening corporate governance.					
40	The Chairman of an Audit committee is an independent outside directors.					

Corporate Governance Standards and Practices in Indian Corporates

Subhash Chandra Das

Abstract

In the light of corporate governance standards, envisaged by the New Companies Act, 2013, and the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this paper evaluates the quality of governance in the corporate houses in India based on the annual reports of thirteen large cap listed companies (BSE-Sensex and NSE-Nifty) for the financial year 2015-2016.

Key Words

Corporate Governance, Companies Act, 2013, Securities & Exchange Board of India (SEBI), Corporate Governance Standards

Introduction

Corporate Governance is a system of structuring, operating, and controlling a company with a view to achieving long-term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers, and complying with the legal and regulatory requirements, besides meeting environmental and social needs. It prescribes a Code of Corporate Conduct in relation to all the stakeholders. Therefore, a framework of effective accountability to the stakeholders is the essence of corporate governance.

In India, the question of corporate governance has come up mainly in the wake of economic liberalisation and deregulation of industry and business as well as the demand for a new corporate ethos and stricter compliance with the legislation. The new economic policy adopted by the Government of India consequent upon liberalisation and opening up of the economy since 1991 has necessitated the demand for introduction and implementation of a proper corporate governance policy in the day-to-day management of the companies not only in the interest of their stakeholders but also for the development of the economy.

Corporate governance reforms in India have evolved a wide range of institutional and corporate initiatives that include (i) improving the functioning of capital markets, (ii) ensuring more effective protection of minority investors through promoting greater transparency of operations and higher standards of information disclosure, (iii) reforming company board structure and operational systems to make the board of directors more accountable to the shareholders, (iv) reforming governance mechanisms of financial institutions, etc. Corporate governance initiatives have come from (a) the government through government legislations involving several amendments to the Companies Act, 1956; (b) the organisations regulating capital market, especially the Securities & Exchange Board of India (SEBI) in the form of requirements for Listing Agreements; (c) through self-disciplining and voluntary initiatives taken by the industry chambers of commerce and business associations, professional bodies and the company themselves.

The present study seeks to critically examine the governance standards and practices prevailing in the corporate sector in India within the regulatory framework. With this end in view the paper is organised as follows:

Section two contains literature review. Key governance issues and standards are given in section three. Section four details the empirical analysis based on the annual reports of thirteen giant large cap listed companies for the year 2015-2016. The last section contains concluding observations.

Literature Review

As corporate governance system and its reporting practice in India is still at its embryonic stage, not much literature is found on this subject compared to these done in the industrially developed countries. Nevertheless, the attempts of a number of Indian authors and researchers are worth mentioning.

Reed (1998) emphasised that the practice of corporate governance varies across firms due to a number of factors viz., (a) formal mechanism of governance, (b) regulatory and macroeconomic circumstance, (c) credit system, (d) tax policy, (e) macro stabilisation policy, and (f) industrial planning.

Reed (1998) and Mukherjee and Reed (2004) in their study explained that corporate India has a long history of its corporate governance systems, studied under three groups, viz., (i) The Managing Agency System (1850-1955), (ii) The Promoter System (1956-1991), and (iii) The Anglo-American System (1992 and onwards). Under the Managing Agency System and the Promoter System most of the companies acted in the ways contrary to shareholder rights and the spirit of fair market competition. They explained how managing agency contract was used by the agents to ensure virtual permanent control over firms, to extract unjustifiable remuneration, to siphon off funds etc. The authors also explained how despite introduction of the Companies Act, 1956 and a range of economic policies adopted by the Government of India, the government policy was proved to be quite ineffective in its implementation, resulting in systematic and continued abuse of corporate power. The authors have also pointed out that even with liberalisation and the switch to the Anglo-American system of corporate governance and variety of measures taken by the government in the corporate sector in recent years, the system does not appear to be successful in generating and enforcing policies to provide Indian business with sufficient pragmatic motivation to consistently live up to their economic responsibilities.

Gopalsamy (1998) argued that the institutional investors should play an active role in monitoring portfolio companies. They should exercise their voting rights for legitimate interest of those on whose behalf the institutional investors invest.

Shah, Lakhani and Juthani (2000) felt that under the reforms of the Anglo-American system, the changing business environment and activities have necessitated the need for reinstating the principles of corporate governance and professionalisation of corporate management.

Sundararaman (2000) cautioned that there may be a temptation to compromise on auditors' independence where an audit firm depends on a significant proportion of its income from a single audit client group.

Joshi (2002) pointed out that the rise of big institutional investors was one of the main reasons for corporate governance being a burning topic for debate in 1990s. Over the past 50 years, there has been tremendous growth in the institutional holdings in the US and the UK companies, whereas in Germany and Japan the banks and inter-corporate investments have continued to dominate equity holdings over institutional investors.

FICCI Discussion paper (2002) lays emphasis on the need for adoption of internal code of conduct and ethics and suggests a peer group for internal control.

Kumar (2002) emphasised that the boards are accountable to the shareholders and stakeholders in a company. Therefore, the directors are required to achieve a balance between competing interests of shareholders, customers, lenders, promoters and directors.

Mukherjee (2003) emphasised that a company should create 'value' for the stakeholders continuously and should find out the gap and the causes thereof and take appropriate steps in this regard.

Bhattacharyya (2004) opined that industrialisation in India was led by the 'business families' based on community lines. Immediately after independence in 1947 India followed the policy of 'partnership capitalism' with centralised planning and state dominance.

Lahiri (2004) opined that the corporate governance principles revolve around the basic inter-related segments viz., (i) integrity and fairness, (ii) transparency and disclosures, and

(iii) accountability and responsibility. A company of high standards of integrity and with good performance record would generally have concern for the society, which would be visible from discharge of duties on social responsibility.

Sarkar and Sarkar (2004) mentioned that the takeover and merger activities have significantly increased since reforms in India. It clearly shows the increasing role of 'market for corporate control' in corporate governance through providing a credible threat to under-performing management.

Sinha (2004) felt that the success or failure of a corporate objective depends on the effective application of essential aspects of its philosophy viz., 'freedom', 'reach', and 'uncertainty'. He also felt that in the changing environment of business consequent upon globalisation, the new strategies must be developed, implemented and consistent with the core objectives of a company in a market driven economy. At the same time, a company must also realise that social commitment need not necessarily go against creating 'profitability' in the long run.

Mukherjee, Reed and Reed (2004) were of the opinion that the companies through their governance policies and practices could have development impact on economic, socio-cultural and political dimensions of development, which finally result in the impact on their performance as also the overall performance of the economy in the long run.

While deliberating upon the different boards' structures prevailing in today's corporate world, Das (2006) analysed them as four types viz., (a) all executive board (boards of Japanese companies), (b) majority executive board (boards of the UK and Indian companies), (c) majority outside board (boards of the US and Australian companies), and (d) two-tier supervisory board (boards of German companies). The boards of French companies follow a combination of single-tier as well as two-tier boards. It has also been pointed out that banks have played a major role in the implementation of corporate governance systems in various companies throughout the world. Corporate governance is, after all, a system embedded with confirmation of values and ethics towards making the companies 'good corporate citizens'.

Das (2015) pointed out that for the first time ever, the Companies Act, 2013 and Company Rules, 2014 have recognised the importance of independent directors and have clearly defined the criteria for designating such a director as a board member as also gender diversity in corporate boards.

The literature survey shows that there is justification for carrying out the present work in Indian context to assess the quality and effectiveness of corporate governance.

Corporate Governance Issues and Standards

The broad connotation of the term corporate governance covers at least three types of issues:

- Ethical issues
- Efficiency issues, and
- Accountability issues.

In comprehending the boundaries of "good corporate governance" the *four principles* underlying the 1999 OECD guidelines may indicate the possible dimensions of it. They are:

1. Fairness to ensure the rights of stakeholders, including shareholders
2. Transparency or disclosure of adequate information on financial performance, governance and ownership
3. Accountability for shareholders' assets on the part of the board of directors, and
4. Responsibility for ensuring that the enterprise is law abiding.

Accordingly some of the *attributes* of good governance are:

- Objectivity
- Policy, plan and strategy formulation and their efficient and effective implementation for the benefit of the firm and its stakeholders, and
- Accountability and transparency

Well-defined organisation structures, authority-responsibility relationship, adherence to basic principles of management and accountancy, compliance with regulatory framework are all aimed at good governance. In most of the corporate scams, the principles of management and accountancy were flouted in order to satisfy the greed of few individuals.

Regarding the corporate governance standards over the years, the regulators of the economy have laid down standards of governance for compliance by the corporate citizens. The process is evolutionary. These regulatory provisions are contained in the New Companies Act, 2013 and Company Rules, 2014 [e.g. Sections 134(5), 135, 2(10) & 149, 150, 165, 166, 177, 178, 184, 188 etc.] while there are a few in the non-mandatory group (desirable). Needless to mention that many of these requirements have been recommended by various Committees set up by the Government of India, SEBI and industry associations during 1998-2013. The recommendations of the national Committees were, no doubt, influenced by the international Committee recommendations and regulatory provisions in the Companies Act and requirements of Clause 49 of the Listing Agreement.

Thus having regard to the standards of corporate governance prevailing during 2015-2016, some of the important issues for analysis in the empirical study portion may be framed as follows:

I. What are the structure, strength and size of the company board of directors? Has the requirement of law in respect of minimum number of independent directors in the boards been maintained?

II. What is the position of chairman and CEO in companies? Is the post of chairman separated from the post of CEO/MD? How many companies did appoint a lead independent director in their boards?

III. How many companies did appoint women directors in their boards? Did they follow the principles of gender diversity in their companies?

IV. How many companies defined 'independent director' and disclosed the selection criterion of board directors including independent directors?

V. Did the companies disclose the retirement policy of directors including their tenure and age limit in the annual report 2015-2016? If so, whether it is in line with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015?

VI. Are the disclosures of board procedure and information placed before the board? Is there a regular post-meeting follow-up system and compliance reporting to the board?

VII. Are there adequate disclosures of remuneration policy and remuneration of directors in the annual report? Did they fully comply with the legal provisions?

VIII. Did the companies disclose information about formation of statutory board committees? Is the minimum requirement of the number of independent directors and the number of audit committee meetings maintained? Was there any disclosure regarding 'charters' of these committees and the roles played by them?

IX. Is there adequate information of nature of shareholders' complaints and queries received and disposed – itemwise, in the annual report?

X. Is there adequate disclosure of minimum requirement of the non-executive directors in nomination and remuneration committee, stakeholders' relationship committee, and risk management committee? Is there disclosure of these committees' charters and report in the annual report?

XI. Are there adequate disclosures of corporate social responsibility discharged by the companies in their annual reports? Did they disclose the CSR policy in the annual reports?

XII. Did the companies comply with all disclosure norms (both statutory and non-mandatory) as required by the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as also by the new Companies Act, 2013?

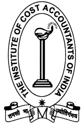
XIII. Are there adequate disclosure regarding stakeholders' interests and the policies on (a) Environment, Health and Safety (EHS), (b) Human Resource Development (HRD) and Industrial Relation (IR)?

In light of the above-mentioned issues, we have examined the corporate governance practices followed by some selected listed companies as disclosed in their annual reports for the financial year 2015-2016.

Empirical Study

(i) Sample size and period of study

We have selected 13 out of 50 NSE Nifty companies and 30 BSE Sensex companies due to space and word constraint of the



article. We have relied on the published annual reports for the year 2015-2016 of the selected companies. These large cap top listed companies have been selected on the ground that their scrips dominate and influence the stock market movement of the country and they also represent major industry groups. The period of study covers the financial year 2015-2016. SEBI has also introduced SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 on September 2, 2015, replacing the earlier Listing Agreement, w.e.f December 1, 2015 with a view to consolidate and streamline the provisions of earlier Listing Agreement. These regulations have incorporated the principles for corporate governance in line with OECD principles and IOSCO principles.

(ii) Evaluation Method and its Rationale

The main questions are: what is the quality of corporate governance that has been achieved by the Indian corporate houses? Are there any credit rating agencies in India who evaluate the governance standards of corporate citizens? Can we apply the same rating method in this study to pin point our findings? If not, what alternative method can we suggest as a 'working method'? Are quality and effectiveness of corporate governance better revealed by application of the suggested method?

(a) Existing methods of evaluation

Till now, two main entities, viz., (a) Credit Rating Information Services of India Limited (CRISIL) and (b) Investment Information and Credit Rating Agency of India (IICRA) have performed such evaluation exercise on a few companies. A glimpse of their activities may be mentioned here.

CRISIL addresses the issue of corporate governance by providing an independent assessment of an entity's performance and future expectations on 'balanced value creation through sound corporate governance practices'. CRISIL evaluates two broad aspects to arrive at GVC rating for a company, viz., (i) Value Creation and Distribution (ii) Corporate Governance and Wealth Management. The GVC rating is given on a scale of eight levels with detailed write-up of analysis and conclusion.

IICRA addresses the issue of corporate governance by indicating the level to which an entity accepts and follows the codes and guidelines of corporate governance practices. The key variables analysed while arriving at the CGR for a company are: (a) shareholding structure, (b) governance structure and management process, (c) board structure and processes, (d) stakeholders relationship, (e) transparency and disclosures, and (f) financial discipline. Each of these variables is scored on a set of parameters and a composite score is obtained by using IICRA developed proprietary model. The CGR rating is given on a scale of six levels with detailed analysis and conclusion.

(b) Suggested method for application

There are certain genuine difficulties in following similar methodology as that of CRISIL and IICRA for examining the quality and effectiveness of corporate governance in vogue in selected companies. Despite sincere efforts, the required information, particularly, the confidential information and documents, viz., board notes, agenda papers, minutes of the meetings, statutory returns submitted to ROC, stock exchanges, SEBI, etc. were not available from the sample corporate houses. Moreover, the rating agencies are shy in sharing of much such information. Expectedly, they are not willing to part with the 'models' they have developed in this regard. Besides there was no scope to discuss with key officials of the sample companies being rated, their auditors, directors, and major shareholders. Therefore, it becomes extremely difficult to conduct an in-depth analysis and evaluation of the standard and quality of corporate governance presently practiced by the sample companies due to non-availability of required information. As an alternative, a ***'working method'*** is developed.

The working method applied here for evaluation of the standard and quality of corporate governance has considered all the relevant conditions of corporate governance stipulated by SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and provisions of the Companies Act, 2013. In order to ascertain how far these companies are compliant of governance standard, a ***point value system*** has been applied, whereby adequate weight in terms of points has been provided to these conditions according to their importance. Although this method is subjective having its own limitations, it helps us to pinpoint the quality and effectiveness of corporate governance with points assigned to important parameters of governance. Accordingly, each such company has been awarded points on some parameters, which constitute the governance process in company.

The key governance parameters are selected on a 100-point scale as shown in Table 1.

Table1: Key Governance Parameters

	Key Governance Parameters	Points Assigned
1	Statement of company's philosophy on code of governance	2
2	Structure and strength of the board	2
3	Chairman and CEO duality	5
4	Disclosure of tenure and age limit of directors	2
5	Disclosure of definition of independent director, appointment of woman director, selection criteria of board members including independent directors, familiarisation program for independent directors and board evaluation	5
6	Post board meeting follow-up system and compliance of the board procedure	2
7	Appointment of lead independent director	2
8	Disclosure of other provisions as to boards and committees	1
9	Disclosure of remuneration policy and remuneration of directors	3
10	Board committees	35
11	Disclosures and transparency	14
12	General body meetings	3
13	Code of conduct and its affirmatio	2
14	CEO / CFO certification	2
15	Means of communication and general shareholder information	2
16	Disclosure of stakeholders' interests	10
17	Compliance of corporate governance and auditors' certificate	8
	Total	100

Justification for assignment of points

It may be mentioned that out of total 100 points, 67 points have been assigned to four parameters viz., (i) various board committees (35 points), (ii) disclosure and transparency (14 points), (iii) disclosure of stakeholders' interests (10 points) and (iv) compliance of corporate governance and auditors' certificate (8 points), because these are very important parameters of assessing quality and effectiveness of corporate governance system in a company. Accordingly, these four and many other segments are detailed in Table 1 with relative weights.

Audit committee is the main pillar of corporate governance, the success or failure of which largely depends on the effectiveness of the audit committee functioning in the companies. Similarly, a good corporate governance principle expects that adequate importance should be given for the formation and functioning of remuneration and nomination committee, stakeholders' relationship committee, corporate social responsibility committee, risk management committee, independent directors' committee towards proper corporate governance.

Disclosure and transparency is the uppermost cornerstone of corporate governance in any company. It is imperative for every corporate house to provide adequate, full, and transparent disclosures of all information relating to business

and its performance on a real time basis towards creation of stakeholders' values. Besides, auditors' certificate on compliance of corporate governance as required by the Companies Act, 2013 and SEBI Regulations is considered to be no less important than the statutory audit report and the same must be obtained every year and attached with the annual report.

After determining total score based on the parameters detailed in Table 1, companies and industry-groups are graded on a five-point-scale as stated below:

Score range	Rank
61 – 80	Very good
41 – 60	Good
21 – 40	Average
Below 21	Poor

Table 2

Criterion for Evaluation of Governance Standard of Sample Companies for the year 2015-2016

Governance Parameters	Points/Score Assigned	
1. **Statement of company's philosophy on code of governance**		2
2. **Structure and Strength of the board**		2
3. **Chairman and CEO Duality:** (i) Promoter Executive Chairman-cum-MD/CEO (ii) Non- Promoter Executive Chairman cum MD/CEO (iii) Promoter Non-Executive Chairman (iv) Non-Promoter Non-Executive Chairman (v) Non-Executive Independent Chairman	1 2 3 4 5	5 (Max)
4. **Disclosure of tenure and age limit of directors**		2
5. **Disclosure of :** (i) Definition of Independent Director (i) Appointment of woman director (ii) Selection criteria of Board of Directors including Independent Directors (iii) Familiarisation programme for independent directors (iv) Board evaluation	1 1 1 1 1	5
6. **Post-board meeting follow up system and compliance of the board Procedure**		2
7. **Appointment of Lead Independent Director**		2
8. **Disclosure of other provisions as to the boards and committees**		1
9. **Disclosure of**: (i) Remuneration Policy (ii) Remuneration of directors	2 1	3

cont..

10.**Board Committees**		
A. Audit Committee:		8
(i) Transparency in composition of audit committee	1	
(ii) Compliance of minimum requirement of the number of independent directors in the committee	1	
(iii) Compliance of minimum requirement of the number of meetings of the committee	1	
(iv) Information about literacy & expertise of committee members	1	
(v) Information about participation of head of finance, statutory auditor and chief internal auditor in the committee meeting	1	
(vi) Disclosure of audit committee charter and terms of reference	2	
(vii) Publishing of audit committee report	1	
B Remuneration and Nomination Committee:		8
(i) Formation of the committee	1	
(ii) Information about number of committee meetings	1	
(iii) Compliance of minimum requirement of the number of non-executive directors in the committee	1	
(iv) Compliance of the provision of independent director as chairman of the committee	1	
(v) Information about participation of all members in the committee meeting	1	
(vi) Disclosure of nomination policy and terms of reference	2	
(vii) Publishing of committee report	1	
C Independent Directors' Committee:		
(i) Information about number of meetings		2 (Max.)
For 1 meeting during the year	1	
For more than 1 meeting	2	
D Shareholders' / Stakeholders' Relationship Committee		5
(i) Transparency in composition of the committee	1	
(ii) Information about nature of complaints and queries received and disposed – item wise	1	
(iii) Information about number of committee meetings	1	
(iv) Information about action taken on investors / shareholders' survey	1	
(v) Publishing of committee report	1	
E Corporate Social Responsibility (CSR) Committee		4
(i) Formation of the committee	1	
(ii) Information about number of committee meetings	1	
(iii) Disclosure of CSR policy	1	
(iv) Publishing of committee report	1	
F. Risk Management Committee		4
(i) Formation of the committee	1	
(ii) Disclosure of risk management policy	2	
(iii) Publishing of committee report	1	
G. Health Safety and Environment Committee		1
H. Ethics and Compliance Committee		1
I. Investment Committee		1
J. Share Transfer Committee		1

cont..

11. **Disclosures and Transparency:**		14
(a) Significant related party transactions having potential conflicts with the interest of the company	2	
(b) Accounting treatment	2	
(c) Management Discussion and Analysis	2	
(d) Shareholders' information:		
(i) Appointment of new director/Reappointment of retiring director/Resignation of director	1	
(ii) Quarterly results & presentation	1	
(iii) Share transfers	1	
(iv) Directors Responsibility Statement	1	
(e) Shareholder rights	1	
(f) Audit qualification	1	
(g) Vigil mechanism and whistle blower policy	2	
12. **General body meetings:**		3
(i) Location and time of general meetings held in last three years	1	
(ii) Details of special resolution passed in the last three AGMs/EGMs	1	
(iii) Details of resolution passed last year through postal ballot including the name of conducting official and voting procedure	1	
13. **Code of Conduct and its affirmation**		2
14. **CEO/CFO Certification**		2
15. **Means of Communication, and General shareholder information**		2
16. **Disclosure of stakeholders' interests:**		10
(i) Environment, Health & Safety measures (EHS)	2	
(ii) Human resource development initiative (HRD)	2	
(iii) Business responsibility reporting	2	
(iv) Industrial relation (IR)	2	
(v) Disclosure of policies on EHS,HRD & IR	2	
17. **Compliance of Corporate Governance and Auditors' Certificate:**		
(i) Clean certificate from auditors	8	8(Max.)
(ii) Qualified certificate from auditors	4	
Total		**100**

(iii) Results

The results of evaluation on corporate governance standards adopted and practiced by all 13 companies industry-wise as disclosed in their annual reports are shown in Table 3. Table 4 shows the grading of the companies based on a five-point scale.

Table 3
Evaluation of Governance Standards Attained by the Sample Companies for the year 2015-2016

Serial No.	Name of Companies	Industry	Individual score	Ranks	Grade
1	Infosys Ltd.	IT	79	1	Very good
2	Dr. Reddy's Laboratories Ltd.	Pharmaceutical	79	1	Very good
3	Tata Motors Ltd.	Automobile	78	2	Very good
4	Reliance Industries Ltd.	Textile, Synthetics & Conglomerate	77	3	Very good
5	Ambuja Cement Ltd.	Cement	74	4	Very good
6	Hindustan Unilever Ltd.	Consumer Products & FMCG	73	5	Very good
7	ITC Ltd.	Diversified	72	6	Very good
8	Bosch Ltd.	Engineering	72	6	Very good
9	Tata Steel Ltd.	Iron & Steel	70	7	Very good
10	Adani Port & SEZ Ltd.	Ports & SEZ	69	8	Very good
11	HDFC Ltd.	Financial Services	64	9	Very good
12	Zee Entertainment Enterprises Ltd.	Entertainment	64	9	Very good
13	State Bank of India	Banking	46	10	Good

Table 4
Grading of the Sample Companies based on a Five-point Scale

Score Range	Grade	No. of Companies
81 - 100	Excellent	Nil
61 – 80	Very good	12
41 – 60	Good	1
21 – 40	Average	Nil
Below 21	Poor	Nil
Total		**13**

It is observed that the *highest score* obtained by two individual BSE Sensex and NSE Nifty company are *Infosys* and *Dr. Reddy's* (ranked 'very good'), followed by ten other companies, viz. Tata Motors, RIL, Ambuja, HUL, ITC etc. The *lowest score* is obtained by the public sector largest bank of the country SBI (ranked 'good'). In fact, none of these companies representing their respective industry groups has secured *'excellent'* grade.

It is interesting to note that both *Infosys* and *Dr. Reddy's* have secured same points and ranks (79) & (1). Similarly, the individual scores and ranks of *ITC* and *Bosch* are same (72) & (6) and that of *HDFC & Zee* are same (64) & (9) respectively. It is also interesting to note that 9 out of 13 individual companies have scored 70 and above points whereas 3 companies have scored in the range of 60 to 69 and only 1 company less than even 50.

Industry-wise ranking on compliance of corporate governance indicates that the *IT* and *Pharmaceuticals* ranks *first*, followed by other sectors e.g., *Automobile, Textiles & Synthetics, Cement, FMCG, Iron & Steel etc.* Out of 13 industry groups,

12 groups have shown 'very good' performance, whereas the other 1 group viz., Banking has shown 'good' performance.

Concluding Observation

Over the years, the governance standards and practices adopted by the Indian companies have improved considerably, mainly due to (a) globalisation of Indian industry, (b) realisation of benefits of 'good governance' reflected on overall performance of companies, (c) enforcement of international principles of corporate governance on Indian companies listed in foreign stock exchanges, (d) gender diversity in corporate boards etc.

From the above micro analysis and study of the annual reports of thirteen giant companies listed under BSE Sensex and NSE Nifty for the year 2015-2016 it is quite apparent that the adoption of corporate governance system by these companies is by and large 'very good', except in government companies presumably, due to the non-pragmatic government policy and the government machineries having lackadaisical attitude in implementing the conditions of corporate governance expeditiously in the public sector companies.In spite of some limitations of the study, viz., small sample size, shorter time frame, and dependability on the secondary sources of information etc. this paper serves as a pointer to the present corporate governance standards and practices among the listed Indian companies in particular, and Indian corporate sector in general. In the global competitive market, Indian companies need to improve further their corporate governance in order to enhance their competitive edge.

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Corporate Sustainability Reporting: A move from Existing Guidelines to Quantitative Measure

Mohit Kumar Kolay

Abstract

Content analysis of various corporate sustainability reporting guidelines clearly shows a wide diversity, and lack of proper focus. Instead of focusing on CSR or ESG issues as available in the existing guidelines, stakeholders' engagement and commitment have been brought to focus. Corporate performance in the areas of concern of all stakeholders is considered important for sustainability reflection. The paper suggests a quantitative framework for total performance measure in the areas of concern of five groups of stakeholders, suppliers, customers, employees, shareholders, and the nation as the reflection of corporate sustainability. The framework has been applied in a medium sized manufacturing organization in India to examine its relative total performance over a five-year period. It shows an improving trend with an average of 5% higher than the base year. Such a framework would bring uniformity in corporate sustainability reporting. The periodic measurement of organizational total performance is expected to help corporate managers to adopt suitable strategies to facilitate asset management approach for different stakeholders, which would be the key towards sustainability performance.

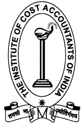
Key Words

Corporate Sustainability Reporting *(CSR), Environmental, Social and Governance (ESG), Corporate Performance, Sustainability Performance*

Introduction

Corporate sustainability reporting is on an accelerated path, the uptake has gone up during the last five years (2011 to 2015) as reported by Governance & Accountability Institute on March 15, 2016, S&P companies up from just 20% in 2011 to 81% in 2015. Similarly for Fortune 500 companies, it has been up from 20% to 67% (2011 to 2015). This is a clear indication of the necessity of measuring and managing environmental, social and governance (ESG) issues in response to growing stakeholder demands. Ernst & Young (2013) indicated that some form of sustainability reporting is now required or strongly encouraged in at least twenty countries across six continents, either by law or by securities exchange rules. At least 44% of capital in stock markets worldwide is in exchanges that either mandate or encourage sustainability reporting.

A quick global view showed that sustainability reporting is gradually gaining momentum across the world. In 2004, the Johannesburg Stock Exchange was the first emerging stock market to create a socially responsible investing index. In 2006 the British Companies Act mandate all companies



listed in the UK to include information about their corporate social responsibility (CSR) activities in their annual reports. Sustainability reports though aren't mandatory in the United States, yet public companies increasingly are required to include its disclosures in their financial reports. The Malaysian government passed a regulation (2007) to mandate all publicly listed companies to publish their CSR initiatives in their annual reports. In 2008, the Shanghai Stock Exchange of China published a policy requiring listed companies to issue CSR reports. Denmark (2009) mandated CSR reporting, requiring all state-owned companies and certain large companies to report their social initiatives in their annual reports. In November 2011, Securities and Exchange Board of India mandate that the 100 largest listed companies must submit Business Responsibility Report. France (2012) passed a law called Grenelle II which mandates integrated sustainability and financial reporting for all companies listed in the French stock exchanges. In 2012, at Rio +20 Convention, governments of Brazil, Denmark, France and South Africa joined hands and entered into an agreement with Global Reporting Initiative (GRI) and United Nations Environment Program (UNEP) to advance sustainability and CSR reporting. New Australian Stock Exchange guidelines (March 26, 2014) require sustainability reporting for public listed companies to disclose exposure to economic, environmental, and social sustainability risks. In September, 2014, the EU Council adopted a new Directive for large companies and groups concerning disclosure of non-financial and diversity report or explain its absence. Disclosure and sustainability reporting requirement apart, direct CSR contribution finally crosses the boundary of philanthropy to a legal compulsion in India. A law has been passed in 2014 requiring 2% of net profits need to be contributed just like a tax burden now for all companies registered in India, including foreign companies.

At the backdrop of our planet's exponentially strained environmental resources, all these guidelines and legal provisions are very welcome indicating gradual consciousness and alertness towards alleviating the problems. But are they really contributing to the solutions? Sustainability reporting is hardly viewed as creating economic value by business thereby adding value for society. Many companies still find satisfaction to keep themselves within the prescribed thresholds of pollution, carbon emission, or human rights violations. Barring a few at the top, most companies feel that compliance with such CSR, and ESG guidelines adds unnecessary cost. It is sad to say that 'Profit' was and still remains the key word at the expense of constrained resources wherever possible.

In this paper, it has been urged that today's corporations must go beyond mere pollution prevention/ product stewardship to a holistic and proactive model of management. Firms now need to create and maintain synergistic relations with biosphere, key stakeholders, and the global community. Instead of focusing on reporting the materiality impact of business operations on CSR and ESG issues or gauging their reputational asset as reported by professional rating agencies (through some sustainability indices), organizations need to focus on asset management approach for all stakeholders. Planning and monitoring the condition of their asset bases, periodic review of whether they are increasing or decreasing over time, is essentially required. Annual audited disclosure may add an aura of legitimacy, but focus should be holistic, to take care of areas of concern of all relevant stakeholders. The present paper suggests a quantitative framework of total performance measure of an organization in the areas of concern of five groups of stakeholders (suppliers, customers, employees, shareholders, and the nation) to reflect its level of corporate sustainability. Using this framework, a study has been done for a medium sized manufacturing organization over a five-year period to reflect its level of sustainability.

Literature Review

An extensive literature survey on corporate sustainability shows that CSR and ESG issues are getting prominence from the last part of the twentieth century. A chronological development in CSR and ESG issues by different world organizations is presented in the Annexure-1. Different world organizations, stock exchanges, and rating agencies are considering different parameters of their choice towards sustainability criteria. All these parameters are functional in nature and found varying widely. Annexure-2 shows the parameters viewed by ten different world organizations and rating agencies under five different content areas, i.e., i) Environment, ii) Social, iii) Corporate governance, iv) Economy, and v) Other areas. The analysis clearly shows the extent of variation amongst the parameters, some of them consider the broad group of environment itself, while many others considered various components of environment as parameter of sustainability performance. In fact, many questions arise making the categorization under ESG and economic issues really difficult, for example, employee related parameters, human capital management, tax payment should belong to

the category of social or be categorized under economic target. Again, some parameters like competition, science and technology, energy productivity, water productivity could possibly be placed under social dimension towards resource conservation and societal development instead of economic value addition. In fact, a fundamental question now arises whether organizations would really be interested to follow the CSR and ESG guidelines as prescribed, and report on achievement on those functional areas of concern which may not add directly to profitability?

Organizations are no doubt focusing on sustainability of functional areas but mainly on those areas which add directly to profits. Technocrats are busy to build-in sustainability factor in engineering design (Gagnon, et al., 2012); building design and construction (Bugl et al., 2009, Meins et al., 2010); product design (Freidberg 2015); supply chain management practices (Marshall et al., 2015); manufacturing systems (Garetti and Taisch, 2012), brand sustainability design (Schultz and Block, 2013), natural resources preservation (Gunasekaran, Jabbour and Jabbour, 2014; Jayakrishna, Vinodh and Anish, 2015). All these sustainability issues are very much within the scope of organizational profitability. On the other hand, many still believe that CSR and ESG issues pose constraints and may not add value directly in economic sense. We find researchers are still busy analyzing hybrid bottom line (Silvestre, Antunes and Filho, 2014; Silvestre et al., 2015) relating social and governance areas with economic returns (Przychodzen and Przychodzen, 2013; Peylo and Schaltegger, 2014; Shrivastava and Addas, 2014).

The level of importance (both in terms of attention and action) given by the world organizations for the last three decades did not appear sufficient. Professors, Hoffman and Ehrenfeld (2014) expressed their views that, "the world should be on the road to a sustainable future, but it is not so". Global trends and opportunities (2016) even now express uncertainty in pursuit of solutions to most significant challenges towards sustainability. Materiality aspects of GRI guidelines may be important, but here what we need is the involvement and commitment of stakeholders in the functional areas of performance. By focusing on different stakeholders, measuring organizational total performance (Kolay, 2008), its reporting can only enhance a company's ability to create value over the long term and improve relationships with its stakeholders (Kim and Kim, 2012; Harik, et al., 2015). The question arises now which are the relevant groups of stakeholders? Carroll (1979) considered four groups of stakeholders for CSR study: employees, customers, professional partners, and local communities. Kolay (1993) considered five groups of stakeholders to define the total performance of an organization: suppliers, customers, employees, shareholders, and society. Hopkins (2004) considered nine groups of stakeholders for CSR study: directors, shareholders, managers, employees, customers, subcontractors/suppliers, community, government and the environment. Gregory (2015) considered five groups of stakeholders for CSR study: customers, employees, investors, suppliers, and community. Toyota's stakeholders for CSR analysis has been classified into five groups: employees, customers, investors, environment, and community (Rowland, 2015).

The Proposed Quantitative Framework of Sustainability Performance

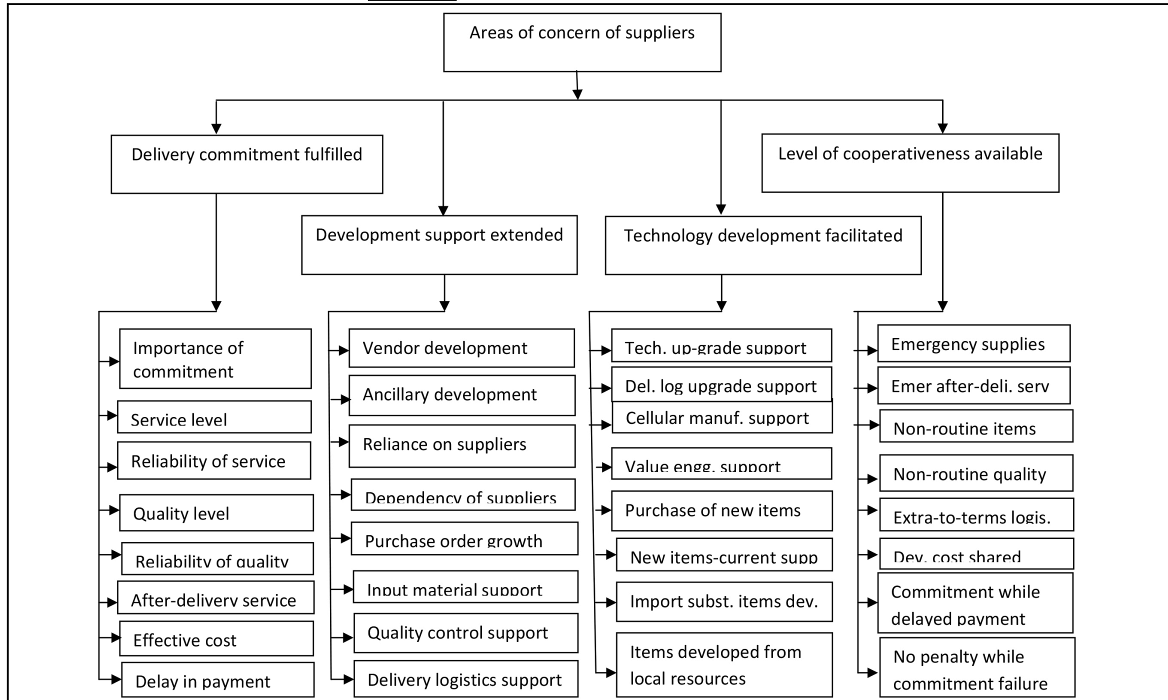
Any organization converts the inputs from suppliers to add value for its customers by its employees, thus earning returns for shareholders. The team of managers and directors act as agent in the best interests of shareholders only. All other groups like the community, the government, and the society can be considered together as parts of the nation as a whole. Based on the above rationale, the relevant stakeholders considered here are:

i) The suppliers at the input front,
ii) The customers at the output front,
iii) The employees converting the inputs to outputs,
iv) The shareholders as the owner of organization, and
v) The nation, responsible for interaction between business and the society.

The corporate sustainability performance has been defined as its total performance in areas of concern of the above five groups of stakeholders with relative weights assigned to each group of stakeholders. A quantitative performance measurement framework has been developed for each of the five groups of stakeholders. These are as follows:

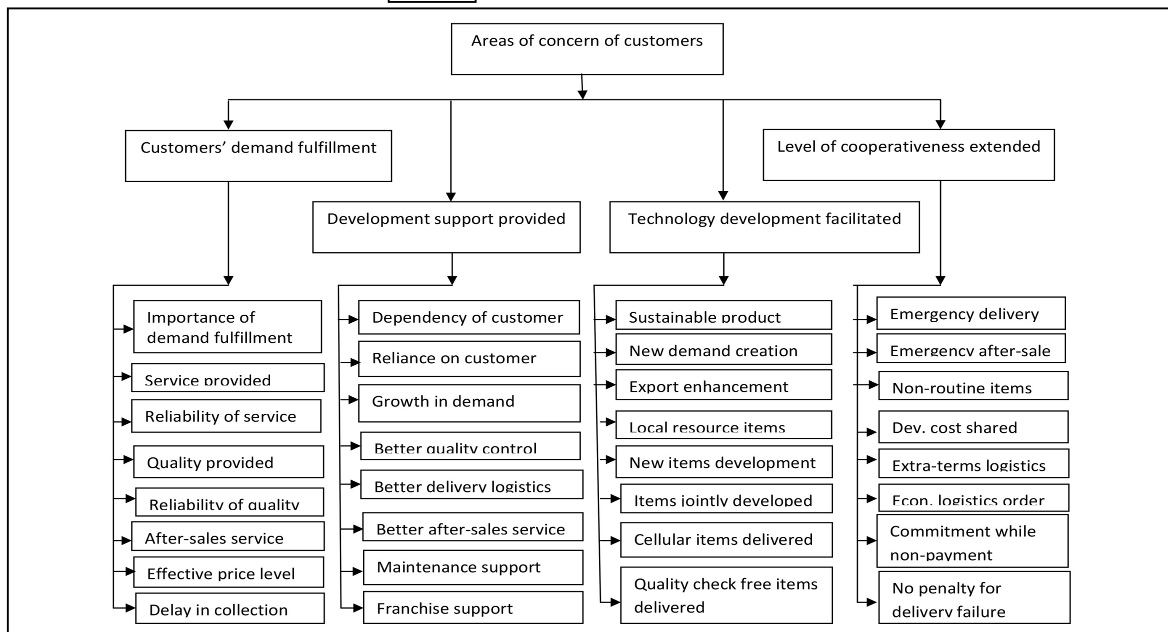
Areas of concern of suppliers: Four broad areas of concern of suppliers are considered here, each having eight parameters as shown in Figure-1.

Figure-1: Areas of concern of suppliers



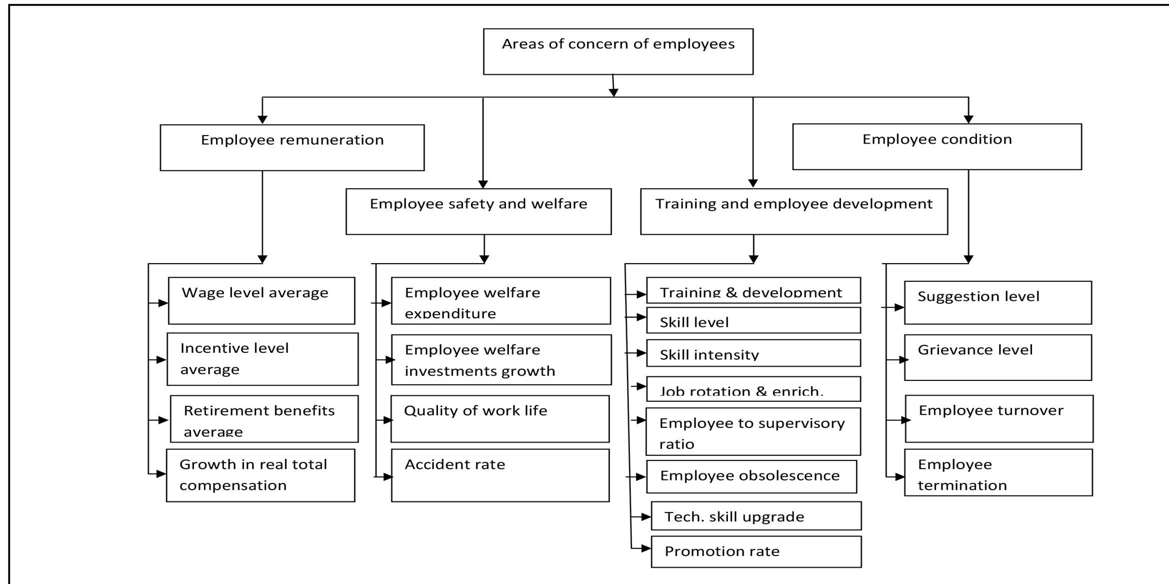
Areas of concern of customers: Like suppliers, four broad areas of concern of customers are considered each with eight parameters as shown in Figure-2.

Figure-2: Areas of concern of customers



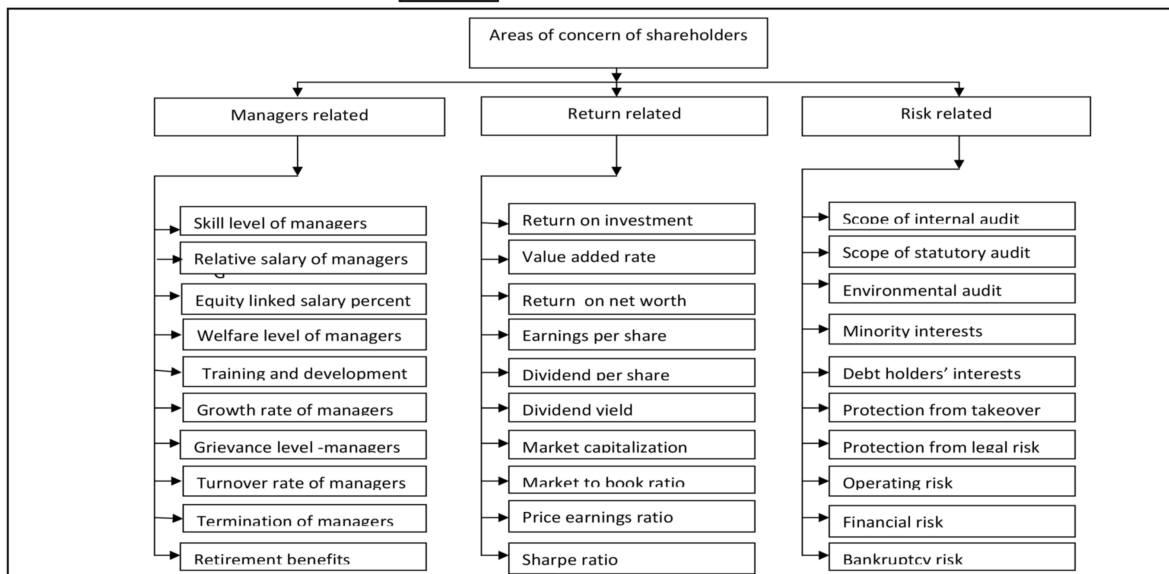
Areas of concern of employees: Employees are considered distinct from the management group. All relevant areas of concern of employees are categorized into four groups amongst which training and development comprises of eight parameters, and each of the other three groups to include four parameters as shown in Figure-3

Figure-3 : Areas of concern of employees



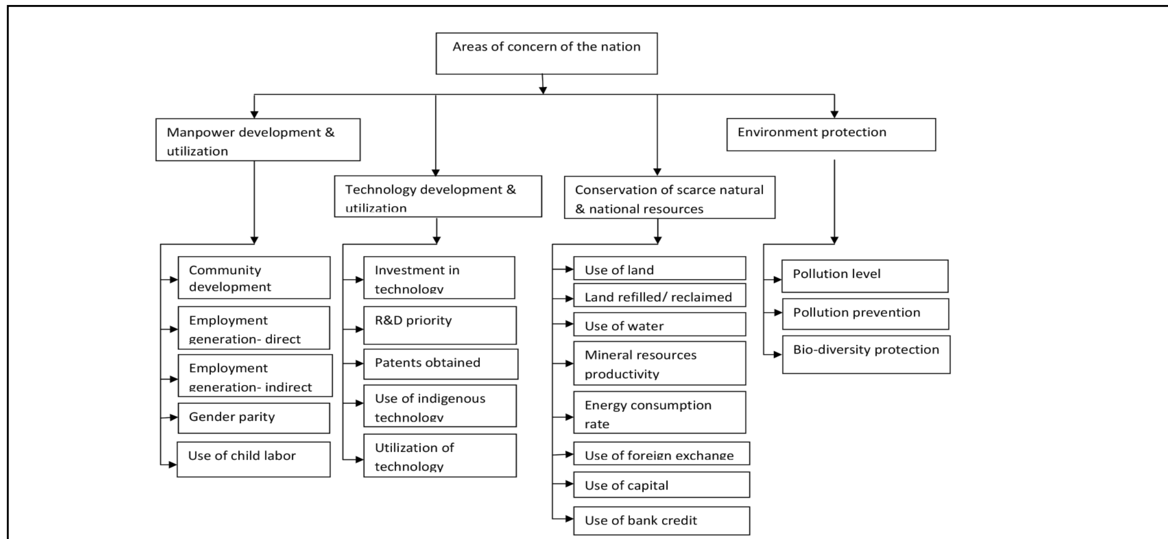
Areas of concern of shareholders: The primary area of concern of shareholders is indeed the return and the risk component of the organization, but the main agent behind the risk-return optimization is the effectiveness of its management team. Thus, for the shareholders' areas of concern, three broad groups are considered each having ten parameters as reflected in Figure-4.

Figure-4 : Areas of concern of shareholders



Areas of concern of the nation: Relevant areas of concern of any nation (on the aspect of business-society interaction) have been broadly categorized into four groups as shown in Figure-5. The development and utilization of manpower and technology is considered to include five parameters each. As regards the conservation of scarce natural and national resources, the choice of specific parameters will depend on the particular nation and the nature of business organization. Here, eight parameters are considered in this category. Lastly, the area of environment protection is considered to include three parameters

Figure-5: Areas of concern of the nation



As the uniformity in performance assessment and its reporting is very important for the true reflection of corporate sustainability, each parameter was defined as precisely as possible, besides relative weight is assigned to each of them towards measurement of total performance. Out of the total hundred and thirty five parameters in all areas of concern of five groups of stakeholders, some will be directly measureable and can be made available from existing records of any organization. But some parameters need to be defined specifically, and may include a composite of a number of sub-parameters in turn. Again some parameters will be organization specific and may differ depending upon the nature of organization, whether manufacturing or service sector. Some parameters may be nation specific. Here in this paper, all relevant parameters have been defined in the context of a manufacturing sector as a sample case study to start with for a developing country like India.

The Case Study

To implement the above framework into practice, it needs specifically to define certain parameters along with their sub-parameters in some areas of concern of certain stakeholders (as mentioned earlier). As the study required a database with some very detailed and or specific data, a medium-scale manufacturing organization was selected (contacted and requested for detailed data much earlier) for the use of the case study as a trial run. As the selected organization is a technology intensive dynamic organization in the engineering sector, five-year period (2011 to 2015 compared to base year of 2010) is considered relevant for the study. Its foundry unit raised public concerns on the ground of health hazards in the nearby locality some years back, however, its management team was able to demonstrate ways and means of putting at rest all the environmental concerns. The performance on suppliers' front has been assessed based on available database of its major thirty suppliers. On the customers' front, because of confidentiality, its defense related items have been excluded that represents almost 20% of its total sales. For the remaining 80% sales, it maintains a database of twenty two major customers which is considered here. As regards its employees, besides its regular strength of around two hundred, at times it engages unskilled causal workers which have not been considered in this study. The company

is being managed by the twenty six-member management team including its board of directors, and the chairman. It is a private limited listed organization with a relatively dispersed group of minority shareholders, though the majority share is controlled by a well known group. Besides company's detailed operational database, information has also been used of its finance and accounts figures, published annual reports, as well as relevant stock market figures.

Performance on the areas of concern of suppliers: The organization under study reflects nominal improvement of 2% in its overall performance in suppliers' area as presented in Table-1. It has been let down in delivery commitment by 4%, whereas it made marginal improvement in level of cooperativeness extended, technology support, and development support by 5%, 4% and 1% respectively. Poor performance in delivery commitment has been due to relatively poor service level, reliability of service level, and after-delivery service level, compensated to some extent with marginal improvement in quality and reliability of quality parameters. On development support front, its performance has been initially static, then shows marginal improvement. In technology development support, it has improved its performance though marginally in all its component parameters. Lastly, the level of cooperativeness has gradually improved over the years in all its constituent parameters.

Table-1: Organizational relative performance- areas of concern of suppliers

Measurement factors	2011	2012	2013	2014	2015
Delivery commitment fulfilled by suppliers:					
Importance of commitment of delivery, i.e., purchased inputs % in total product cost	1.01	1.01	1.03	1.02	1.03
Relative lead time, i.e., lead time/ lot size of purchase in no. of days requirements-inverse	0.91	0.83	0.77	0.66	0.66
Lot size of purchase- (lower better, more towards JIT philosophy)- inverse	1.65	1.65	2.20	2.20	2.20
Service level of suppliers with equal weightings of two relevant factors	0.85	0.91	0.88	0.99	0.99
Variation in relative lead time-inverse	0.99	0.99	1.10	1.21	1.21
Proportional delay in arrival schedule i.e., gap between actual and desired arrival schedule/ total quantity scheduled to be received-inverse	1.32	1.38	1.43	1.54	1.54
Reliability of service level of suppliers with equal weightings of two relevant factors	0.88	0.87	0.80	0.74	0.74
Frequency of quality standard attained	1.11	1.13	1.11	1.13	1.10
Variation of quality within acceptable limits- (lower better)-inverse	1.10	0.88	0.88	0.88	0.83
Rejection rate -inverse	0.95	1.10	0.95	0.95	1.10
Defectives rate -inverse	0.88	1.10	0.88	0.88	0.77
Reworking cost proportion- inverse	1.32	1.10	1.32	1.32	1,32
Quality level of suppliers with equal weightings of five relevant factors	0.99	1.00	1.04	1.04	1.05
Variation in maintenance cost proportion - inverse	0.98	0.95	0.96	1.00	0.95
Variation in expected failure rates -inverse	0.88	0.83	0.88	0.88	1.10
Variation in life expected -inverse	1.10	1.10	1.10	1.10	0.83
Reliability of quality of suppliers with equal weightings of three relevant factors	1.02	1.06	1.03	1.02	1.06
Lead time of after-delivery service -inverse	1.25	1.20	1.24	1.20	1.24
Average time required for servicing -inverse	0.88	0.88	0.99	0.88	0.88

Cont.

Inflation adjusted cost of after-delivery service -inverse	1.04	1.07	1.11	1.13	1.14
After-delivery service level of suppliers with equal weightings of three relevant factors	0.97	0.97	0.91	0.95	0.94
Inflation adjusted unit cost	1.01	1.02	1.02	1.03	1.04
Discount rate in percent- average actual	4.00	4.00	3.00	3.00	3.00
Credit terms in weeks- average actual	4.00	4.00	3.00	3.00	3.00
Opportunity cost of capital in percent pa- average actual	12.00	14.00	15.00	15.00	16.00
Additional charge for after-delivery service provision in percent- average actual	1.00	1.00	2.00	2.00	2.00
Effective cost level of suppliers- based on above five parameters- inverse	1.01	1.02	1.04	1.04	1.05
Delay in payment, i.e., overdue % in total creditors-inverse	1.01	1.01	1.02	1.04	1.01
Delivery commitment fulfilled by suppliers index	**0.96**	**0.97**	**0.95**	**0.96**	**0.97**
Development support extended to suppliers:					
Vendor development, relevant expenditure as % of total purchase	1.02	1.03	1.05	1.05	1.06
Ancillary development, as % of total capital expenditure	1.03	1.05	1.07	1.12	1.10
Reliance on suppliers, as % of purchase quantity from each supplier on an average	0.98	0.95	0.96	0.98	0.95
Dependency of suppliers, i.e., purchase quantity as supplier's production %	0.95	0.93	0.91	0.90	0.88
Purchase order growth	1.02	1.05	1.06	1.08	1.10
Materials supplied to suppliers %	0.98	0.96	0.98	0.95	1.00
Advance payment made to suppliers %	0.96	0.96	0.98	1.00	1.02
Input material support extended to suppliers with equal weightings of two relevant factors	0.97	0.96	0.98	0.98	1.01
Quality control support, as % of quality control cost of supplier shared	1.02	1.02	1.03	1.05	1.04
Delivery logistics support, as % reduction in delivery logistics cost of suppliers	0.98	0.97	1.00	1.04	1.04
Development support extended to suppliers index	**1.00**	**1.00**	**1.01**	**1.03**	**1.02**
Technology development of suppliers facilitated:					
Technology up-grade support, as % relevant investments shared	1.02	1.04	1.03	1.05	1.04
Delivery logistics up-grade support, as % relevant investments shared	1.03	1.04	1.05	1.06	1.08
Cellular manufacturing support, as % relevant investments shared	1.00	1.00	1.03	1.03	1.04
Value engineering support, as % relevant investments shared	1.02	1.03	1.03	1.05	1.04
Purchase of new items, as % total purchase	1.04	1.07	1.08	1.12	1.14
New items from current suppliers, as % of new items supplied by existing suppliers	1.03	1.02	1.04	1.05	1.04
Import substitution items development, % of total imports substituted by indigenous items	1.03	1.04	1.04	1.05	1.06
Items developed from local resources, as relevant % of total purchase	1.02	1.04	1.05	1.05	1.06
Technology development of suppliers facilitated index	1.02	1.04	1.04	1.06	1.06

Cont.

Level of cooperativeness available from suppliers:					
Emergency supplies, as % of emergency purchases	**1.05**	**1.08**	**1.10**	**1.14**	**1.16**
Emergency after-delivery service, as % of emergency service received	1.07	1.08	1.12	1.09	1.13
Non-routine items, as % of relevant supplies received	1.00	1.04	1.03	1.05	1.04
Non-routine quality, as % relevant supplies received	1.05	1.04	1.06	1.08	1.07
Extra-to-terms logistics support, as % of relevant supplies received	1.00	1.03	1.02	1.04	1.03
Development cost shared, as %	1.04	1.05	1.08	1.09	1.10
Commitment while delayed payment, as % relevant supplies received	1.00	1.02	1.01	1.04	1.03
No penalty while commitment failure, as times no penalty imposed in cases of failure	1.02	1.01	1.00	1.03	1.02
Level of cooperativeness available from suppliers index	**1.03**	**1.04**	**1.05**	**1.07**	**1.07**
Organizational performance- areas of concern of suppliers	**1.00**	**1.01**	**1.01**	**1.03**	**1.03**

Performance on the areas of concern of customers: With steady increase in the demand of company's products and services, it has been able to achieve more or less steady growth rate in its sales to the extent of 21% plus by 2015 as in Table-2. With such an increased level of sales, it has been able to strengthen its customer base with an average of 9% higher for the study period. Amongst the four broad areas of concern, customers' demand fulfillment has been comparatively less improved with an average of 5% plus as against the other three areas of concern. However, regarding development support and technology development facilitation, performance has improved significantly over the years, reaching 20% plus by 2015. Improvement in the new demand creation has been noteworthy, 29% plus by 2015. The level of cooperativeness has improved steadily with an average of 8% plus with highest improvement of 20% in emergency delivery.

Table-2: Organizational relative performance- areas of concern of customers

Measurement factors	2011	2012	2013	2014	2015
Customers' demand fulfilment:					
Importance of demand fulfillment , as growth rate in sales	*1.08*	*1.12*	*1.10*	*1.15*	*1.21*
Proportion of delivery orders executed in time	1.03	0.98	1.08	1.07	1.08
Average delay in order supply - inverse	0.93	1.07	1.20	1.33	1.07
Percent of items short supplied on an average - inverse	1.00	1.20	1.20	1.07	1.07
Proportion of order backlog on an average - inverse	1.12	0.80	0.96	1.04	1.04
Service provided to customers with equal weightings of four relevant factors	*1.00*	*1.00*	*0.95*	*0.93*	*0.98*
Variation in delay of order execution - inverse	0.90	0.80	0.80	1.00	1.20
Proportional delay in delivery schedule, i.e., the gap between actual and required delivery schedule/ total quantity needed to be delivered - inverse	0.93	1.07	1.07	1.00	1.12
Reliability of service, with equal weightings of two relevant factors	*1.09*	*1.09*	*1.09*	*1.00*	*0.86*
Frequency of quality standard attained	1.02	1.03	1.04	1.04	1.07
Variation of quality within acceptable limits - inverse	1.06	1.00	0.98	0.99	1.01

Cont.

Rejection rate - inverse	0.94	0.89	0.83	0.78	0.89
Defectives rate - inverse	0.92	0.87	0.83	0.75	0.92
Reworking cost proportion - inverse	1.04	0.92	0.96	1.00	1.03
Quality provided, with equal weightings of five relevant factors	*1.02*	*1.08*	*1.10*	*1.13*	*1.05*
Variation in maintenance cost proportion - inverse	0.88	0.96	0.92	1.02	0.90
Variation in expected failure rates - inverse	1.02	0.98	0.96	0.97	0.93
Variation in life expected - inverse	1.02	1.02	1.03	1.01	1.01
Reliability of quality, with equal weightings of three relevant factors	*1.03*	*1.01*	*1.03*	*1.00*	*1.06*
Lead time of after-sales service - inverse	1.00	0.90	0.80	0.80	0.80
Average time required for servicing - inverse	0.94	0.94	0.88	0.88	0.81
Inflation adjusted cost of after-sales service - inverse	1.01	1.04	1.06	1.09	1.11
After-sales service, with equal weightings of three relevant factors	*1.02*	*1.05*	*1.11*	*1.10*	*1.13*
Inflation adjusted unit price charged to customers	1.00	1.01	1.01	1.02	1.03
Discount rate provided to customers in percent – average actual	5.00	5.00	4.00	4.00	4.00
Credit terms in weeks provided to customers- average actual	5.00	5.00	4.00	4.00	4.00
Opportunity cost of capital in percent pa- average actual	12.00	14.00	15.00	15.00	16.00
Additional charge for after-sales service provision in percent- average actual	4.00	4.00	5.00	5.00	5.00
Effective price level, charged to customers- inverse	*1.00*	*1.00*	*1.03*	*1.04*	*1.05*
Delay in collection, overdue % in total debtors- inverse	*1.07*	*0.93*	*0.83*	*0.80*	*0.83*
Customers' demand fulfillment index	**1.02**	**1.05**	**1.07**	**1.07**	**1.06**
Development support provided to customers:					
Dependency of customer, order quantity as % of total customer's requirements	*1.00*	*1.13*	*1.13*	*1.25*	*1.25*
Reliance on customer, production % delivered per customer on an average	*1.03*	*1.03*	*1.07*	*1.08*	*1.10*
Growth in demand	*1.10*	*1.15*	*1.15*	*1.18*	*1.24*
Better quality control, as growth in relevant investments	*1.03*	*1.08*	*1.08*	*1.17*	*1.25*
Better delivery logistics, as growth in relevant investments	*1.03*	*1.06*	*1.10*	*1.13*	*1.19*
Better after sales service, as growth in relevant investments	*1.05*	*1.08*	*1.15*	*1.20*	*1.25*
Maintenance support, as growth in relevant investments	*1.07*	*1.07*	*1.13*	*1.13*	*1.20*
Franchise support, as growth in relevant investments	*1.00*	*1.03*	*1.06*	*1.08*	*1.14*
Development support provided index	**1.04**	**1.08**	**1.11**	**1.15**	**1.20**
Technology development of customers facilitated:					
Sustainable product delivery, as % investments in relevant product	*1.05*	*1.09*	*1.10*	*1.15*	*1.20*

Cont.

Investments in product development	1.06	1.10	1.13	1.19	1.25
Sales % to new sectors	1.17	1.17	1.25	1.25	1.33
New demand creation, with equal weightings of two relevant factors	*1.11*	*1.13*	*1.19*	*1.22*	*1.29*
Export enhancement, as export sales %	*1.08*	*1.04*	*1.12*	*1.20*	*1.28*
Local resource items, as relevant sales %	*1.07*	*1.07*	*1.07*	*1.14*	*1.14*
New items development, as relevant sales %	*1.06*	*1.10*	*1.08*	*1.11*	*1.15*
Items jointly developed, as % of relevant sales	*1.00*	*1.08*	*1.08*	*1.17*	*1.17*
Cellular items delivered, as % of relevant sales	*1.05*	*1.10*	*1.15*	*1.20*	*1.25*
Quality check free items delivered, as % of relevant sales	*1.05*	*1.06*	*1.08*	*1.13*	*1.13*
Technology development facilitated index	**1.06**	**1.09**	**1.11**	**1.16**	**1.20**
Level of cooperativeness extended to customers:					
Emergency delivery, as % of relevant sales	*1.05*	*1.10*	*1.10*	*1.15*	*1.20*
Emergency after-sales, as % of relevant service	*1.00*	*1.07*	*1.07*	*1.11*	*1.14*
Non-routine item, as % of relevant sales delivered	*1.00*	*1.05*	*1.05*	*1.10*	*1.15*
Development cost shared, % of relevant cost shared	*1.00*	*1.03*	*1.03*	*1.07*	*1.07*
Extra-to-terms logistics, as % of relevant sales	*1.00*	*1.03*	*1.06*	*1.09*	*1.10*
Economical logistics ordering, logistics cost reduction % due to appropriate order qty.	*1.10*	*1.10*	*1.14*	*1.16*	*1.18*
Commitment while non-payment, as % of relevant orders delivered to customers	*1.00*	*1.07*	*1.07*	*1.10*	*1.13*
No penalty for delivery failure, as times no penalty imposed, viz., order cancellation	*1.00*	*1.00*	*1.13*	*1.13*	*1.13*
Level of cooperativeness extended to customers index	**1.02**	**1.06**	**1.08**	**1.11**	**1.14**
Organizational performance- areas of concern of customers	**1.04**	**1.07**	**1.09**	**1.12**	**1.15**

Performance on the areas of concern of employees: It has improved its overall performance steadily over the years, 7% improvement by 2015 with an average of 4% plus as in Table-3. Employee remuneration has increased steadily over the years. On the area of employee safety and welfare, its performance has improved marginally each year with an average of 4% plus. Keeping in view employee obsolescence due to growth in technological investments, the core function of training and development has enhanced very significantly to the extent of 49% more by 2015. In fact, man-days spent on training and development has taken a great leap reaching 80% more by the end of 2015. Job rotation and job enrichment as well as technical skill upgrade parameters have also improved quite significantly. Lastly, the company has been able to maintain its employee condition at the base level in spite of acute competition in the skilled labor market, particularly considering technology driven engineering sector to which it belongs.

Table-3: Organizational relative performance- areas of concern of employees

Measurement factors	2011	2012	2013	2014	2015
Employee remuneration:					
Wage level average	*1.04*	*1.08*	*1.13*	*1.18*	*1.23*

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Incentive level average	*1.02*	*1.02*	*1.03*	*1.03*	*1.04*
Retirement benefits average	*1.02*	*1.05*	*1.05*	*1.08*	*1.10*
Growth in real total compensation	*1.02*	*1.04*	*1.05*	*1.07*	*1.08*
Employee remuneration index	**1.03**	**1.05**	**1.07**	**1.09**	**1.11**
Employee safety and welfare:					
Employee welfare expenditure, average per employee	*1.04*	*1.07*	*1.08*	*1.10*	*1.12*
Employee welfare investments growth	*1.03*	*1.04*	*1.04*	*1.05*	*1.05*
Quality of work life, as growth rate in relevant investments	*1.00*	*1.02*	*1.02*	*1.04*	*1.04*
Accident rate, as number of accidents pa on an average - inverse	*1.00*	*1.03*	*1.00*	*1.02*	*1.01*
Employee safety and welfare index	**1.02**	**1.03**	**1.04**	**1.04**	**1.05**
Training and employee development:					
Training & development expenditure per employee on an average	1.02	1.07	1.08	1.13	1.17
Man-days spent on training and development of employees on an average	1.10	1.25	1.50	1.60	1.80
Training and development	*1.06*	*1.16*	*1.29*	*1.37*	*1.49*
Skill level, as % of qualified and experienced employees	*1.00*	*1.02*	*1.03*	*1.05*	*1.07*
Skill intensity, as ratio of skilled to unskilled employees	*1.00*	*1.03*	*1.03*	*1.04*	*1.04*
Job rotation & enrichment, as relevant % of employees in the program	*1.00*	*1.10*	*1.10*	*1.20*	*1.20*
Employee to supervisory ratio- inverse	*1.00*	*1.12*	*1.12*	*1.16*	*1.16*
Employee obsolescence, as growth rate in technological investments - inverse	*1.05*	*1.06*	*1.08*	*1.10*	*1.12*
Technical skill up-grade, training expenditure as % of technological investments	*1.01*	*1.06*	*1.08*	*1.13*	*1.19*
Promotion rate, average % of employees promoted in a year	*1.00*	*1.01*	*1.01*	*1.03*	*1.05*
Training and employee development index	**1.00**	**1.03**	**1.04**	**1.07**	**1.10**
Employee condition:					
Suggestion level, as number of suggestions made during a year	*1.00*	*1.02*	*1.03*	*1.02*	*1.05*
Average number of grievances voiced in a year - inverse	1.01	1.01	1.03	1.04	1.02
Average man-days lost due to strikes - inverse	1.00	1.00	1.02	1.01	1.00
Grievance level	*1.00*	*1.00*	*0.98*	*0.98*	*0.99*
Employee turnover, as number of employees resigned during a year - inverse	*1.01*	*1.05*	*1.04*	*1.03*	*1.06*
Termination rate, as number of employees terminated during a year - inverse	*1.00*	*0.98*	*0.98*	*1.00*	*1.00*
Employee condition index	**1.00**	**1.00**	**1.00**	**0.99**	**1.00**
Organizational performance- areas of concern of employees index	**1.01**	**1.03**	**1.04**	**1.05**	**1.07**

Performance on the areas of concern of shareholders: It shows only marginal improvement over the years with an average of 3% plus over the base year. In fact, the average has improved by 5% in managers' related area, 3% in return related, and 1% in the risk related area as in Table-4. In the managers' related area, maximum improvement has been made in skill level

of managers by 17% higher over the base level. On the return aspect, it shows improving trend in all its ten performance parameters. On risk related areas of concern, there has been no significant change, only performance has deteriorated quite significantly in the scope of statutory audit during the last two years with more number of audit objections.

Table-4: Organizational relative performance- areas of concern of shareholders

Measurement factors	2011	2012	2013	2014	2015
Managers related:					
Skill level of managers, percent of professionally qualified and experienced managers	*1.07*	*1.11*	*1.16*	*1.22*	*1.29*
Relative salary of managers, percent of industry best pay master	*1.00*	*0.99*	*1.01*	*0.97*	*0.97*
Equity linked salary percent, on an average	*1.00*	*1.04*	*0.96*	*1.08*	*1.12*
Average welfare expenditure per manager on an average	1.05	1.08	1.10	1.15	1.18
Growth rate in welfare investments for managers	1.00	1.02	1.07	1.07	1.07
Welfare level of managers, on an average	*1.03*	*1.05*	*1.09*	*1.11*	*1.13*
Training and development expenditure per manager	1.00	1.03	1.03	1.06	1.09
Average man-days spent on training by managers	1.00	1.07	0.93	1.00	1.07
Training and development of managers	*1.00*	*1.05*	*0.98*	*1.03*	*1.08*
Growth rate of managers, percent growth in real total compensation	*1.02*	*1.03*	*1.04*	*1.06*	*1.08*
Number of grievances voiced in a year - inverse	1.00	1.20	0.80	1.00	1.00
Man-days lost due to work-to-rule - inverse	1.00	1.00	1.50	1.00	1.50
Grievance level- managers	*1.00*	*0.92*	*0.96*	*1.00*	*0.84*
Turnover rate of managers, number of managers resigned during the year - inverse	*1.33*	*1.00*	*1.00*	*0.67*	*0.67*
Termination of managers, number of managers terminated during the year- Inverse	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*
Retirement benefits, average per manager	*1.00*	*1.03*	*1.03*	*1.07*	*1.10*
Managers related areas of concern of shareholders index	**0.99**	**1.02**	**1.02**	**1.10**	**1.11**
Return related:					
Return on investment, profit after tax / average investment	*1.00*	*1.00*	*1.00*	*1.01*	*1.01*
Value added rate, value added/ average investment	*1.01*	*1.02*	*1.04*	*1.03*	*1.04*
Return on net worth, profit after tax/ average net worth	*1.02*	*1.04*	*1.02*	*1.01*	*1.02*
Earnings per share	*1.00*	*1.02*	*1.05*	*1.09*	*1.14*
Dividend per share	*1.00*	*1.04*	*1.04*	*1.08*	*1.08*
Dividend yield	*1.01*	*1.01*	*1.01*	*1.01*	*1.01*
Market capitalization	*1.01*	*1.02*	*1.03*	*1.04*	*1.05*
Market to book ratio	*1.02*	*1.04*	*1.02*	*1.04*	*1.05*
Price earnings ratio	*1.01*	*1.02*	*1.03*	*1.04*	*1.05*

Cont.

Sharpe ratio, i.e., return in excess of risk free rate/ volatility	*1.00*	*1.06*	*1.07*	*1.09*	*1.09*
Return related areas of concern of shareholders index	**1.01**	**1.03**	**1.03**	**1.04**	**1.06**
Risk related:					
Scope of internal audit, relevant expenditure % of general administrative expenses	*1.00*	*1.03*	*1.06*	*1.07*	*1.08*
Scope of statutory audit, number of objections in the same- inverse	*1.00*	*1.00*	*1.00*	*1.50*	*1.50*
Environmental audit, number of objections in the same - inverse	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*
Minority interests, as number of independent directors on the board	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*
Debt holders interests, as market value of assets to debt ratio	*1.00*	*1.04*	*1.07*	*1.07*	*1.04*
Protection from takeover, as number of antitakeover provisions	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*
Protection from legal risk, as relevant expenditure % of general admin. expenses	*0.99*	*0.98*	*0.99*	*1.02*	*1.04*
Operating risk, as proportion of fixed cost in the operating cost structure -inverse	*1.02*	*1.02*	*1.02*	*1.04*	*1.04*
Financial risk, as proportion of fixed interest burden in operating profit - inverse	*1.02*	*1.02*	*1.03*	*1.04*	*0.98*
Bankruptcy risk, as Altman Z-score - inverse	*1.00*	*1.00*	*1.00*	*1.01*	*1.01*
Risk related areas of concern of shareholders index	**1.00**	**1.00**	**1.01**	**0.97**	**0.98**
Organizational performance-areas of concern of shareholders index	**1.00**	**1.02**	**1.02**	**1.04**	**1.05**

Performance in the areas of concern of the nation: It has been able to improve its performance steadily over the years with an average performance 5% better during the study period. In fact, it has consistently improved in all four areas of concern as in Table-5. The improvement in manpower development and utilization has been the result of escalated efforts in community development and indirect employment generation. The improvement in technology development and utilization has been contributed by both investments in technology and its utilization. On conservation of scarce natural and national resources front, there has been a significant improvement on the use of foreign exchange. Lastly, on the environment protection front, average pollution level on the whole has been reduced by 3% with improvement in all its constituent areas. The improvement in pollution prevention efforts has been greatly contributed by higher amount spent in both pollution prevention investments as well as pollution prevention expenditure. In addition to higher financial commitments, it has also increased its usage pertaining to renewable energy, low carbon technology, green building and environment friendly technology.

Table-5: Organizational relative performance- areas of concern of the nation

Measurement factors	2011	2012	2013	2014	2015
Manpower development & utilization:					
Community development investments	1.03	1.07	1.13	1.17	1.21
Community welfare expenditure	1.04	1.08	1.11	1.14	1.17
Community training and development expenditure	1.07	1.16	1.24	1.33	1.44
Community sports and recreational expenditure	1.05	1.10	1.20	1.30	1.45
Community development	*1.05*	*1.10*	*1.17*	*1.23*	*1.32*
Employment generation- direct, i.e., average number of employees	*1.01*	*1.02*	*1.03*	*1.04*	*1.04*

Cont.

Direct employment level	1.01	1.02	1.03	1.04	1.04
Wages and salary bill- inflation adjusted	1.02	1.04	1.09	1.11	1.15
Government levies and taxes – inflation adjusted	1.02	1.06	1.09	1.14	1.17
Employment generation- indirect	*1.02*	*1.04*	*1.07*	*1.10*	*1.12*
Gender parity, as proportion of women employees	*1.04*	*1.04*	*1.09*	*1.09*	*1.13*
Use of child labor, percent employed- inverse	*NA*	*NA*	*NA*	*NA*	*NA*
Manpower development & utilization index	**1.03**	**1.05**	**1.09**	**1.11**	**1.15**
Technology development & utilization:					
Investments in technology, capital expenditure in plant and infrastructures	*1.02*	*1.03*	*1.05*	*1.07*	*1.08*
R& D priority, relevant expenditure % of operating cost	*1.02*	*1.03*	*1.04*	*1.04*	*1.04*
Patents obtained	*NA*	*NA*	*NA*	*NA*	*NA*
Use of indigenous technology, relevant investment percent	*1.02*	*1.02*	*1.05*	*1.05*	*1.07*
Utilization of technology, as technology turnover ratio	*1.02*	*1.04*	*1.05*	*1.06*	*1.10*
Technology development & utilization index	**1.02**	**1.03**	**1.05**	**1.05**	**1.07**
Conservation of scarce natural and national resources:					
Use of land- inverse	*1.00*	*1.02*	*1.02*	*1.02*	*1.02*
Land refilled/ reclaimed	*NA*	*NA*	*NA*	*NA*	*NA*
Use of water, per unit of output - inverse	*1.01*	*1.01*	*1.01*	*1.02*	*1.03*
Mineral resources productivity, output per unit of mineral resources used	*1.01*	*1.01*	*1.02*	*1.02*	*1.03*
Energy consumption rate, per unit of output - inverse	*0.99*	*0.99*	*0.98*	*0.97*	*0.98*
Use of foreign exchange, as foreign exchange turnover ratio	*1.03*	*1.06*	*1.08*	*1.10*	*1.12*
Use of capital, as capital turnover ratio	*1.01*	*1.01*	*1.03*	*1.04*	*1.04*
Use of bank credit, as bank credit turnover ratio	*1.01*	*1.00*	*1.02*	*1.02*	*1.03*
Conservation of scarce natural and national resources index	**1.01**	**1.01**	**1.02**	**1.02**	**1.03**
Environment protection:					
Waste discharge, rate per unit of output	1.00	0.99	0.99	0.99	0.99
Waste water discharge, rate per unit of output	0.99	0.98	0.97	0.96	0.95
Toxic air emission, rate per unit of output	0.99	0.95	0.94	0.94	0.93
Greenhouse gas emission, rate per unit of output	0.99	0.97	0.97	0.96	0.95
Pollution level- inverse	*0.99*	*0.97*	*0.97*	*0.96*	*0.95*
Use of renewable energy proportion	1.00	1.04	1.06	1.07	1.09
Use of low carbon technology proportion	1.00	1.03	1.04	1.08	1.08
Use of green building proportion	1.04	1.03	1.03	1.04	1.06

Cont.

Use of environment friendly technology, percent in total technological assets	1.03	1.03	1.03	1.06	1.06
Pollution prevention investments, as percent of total capital expenditure	1.07	1.08	1.10	1.12	1.13
Pollution prevention expenditure, as percent of operating cost	1.01	1.03	1.04	1.05	1.07
Pollution prevention	*1.03*	*1.04*	*1.05*	*1.07*	*1.08*
Bio-diversity protection investments, as percent of total technological investments	1.04	1.04	1.06	1.08	1.09
Bio-diversity protection expenditure, as percent of operating cost	1.03	1.06	1.03	1.01	1.04
Bio-diversity protection	*1.03*	*1.05*	*1.05*	*1.05*	*1.07*
Environment protection index	**1.02**	**1.04**	**1.04**	**1.05**	**1.07**
Organizational performance- areas of concern of the nation index	**1.02**	**1.03**	**1.05**	**1.06**	**1.08**

Organizational total performance:

Based on the aforesaid level of performance in five groups of stakeholders, and with equal weights, its total performance shows an improving trend over the study period with an average being 5% higher than the base level of 2010 as shown in Table-6.

Table-6: Organizational relative total performance trend

Stakeholders	2011	2012	2013	2014	2015	Average
Suppliers	1.00	1.01	1.01	1.03	1.03	1.02
Customers	1.04	1.07	1.09	1.12	1.15	1.09
Employees	1.01	1.03	1.04	1.05	1.07	1.04
Shareholders	1.00	1.02	1.02	1.04	1.05	1.03
Nation	1.02	1.03	1.05	1.06	1.08	1.05
Total	1.01	1.03	1.04	1.06	1.08	1.05

Concluding observations

Sustainability reporting by corporate organizations using the existing guidelines is focusing now on functional parameters. What is crucial is the engagement, and commitment of different stakeholders for achievement of those functional parameters resulting in organizational sustainability. Thus, the present paper brings in the new focus on stakeholders, and suggests a holistic measure of total performance taking care of profitability as well as CSR and ESG issues in the areas of concern of relevant groups of stakeholders as the measure of sustainability. Using the quantitative framework, a manufacturing company's total performance has been measured. It shows an improvement of 5% over a period of five years. The increasing or decreasing nature of relative total performance as a reflection of corporate sustainability would bring uniformity in corporate reporting in the country. Such an approach will assist managers to adopt suitable strategies towards managing all stakeholders as assets and evaluate the effect of their strategies on the level of performance in the interests of different stakeholders. Measurement factors in the areas of concern of employees, shareholders and the nation are always available for any organization, big or small. However, for the measurement factors for suppliers and customers, there may be numerous suppliers and customers for a large organization, as such, suitable sampling technique could be used. To avoid subjectivity in absence of any appropriate basis, equal weights have been used here in the case study for the various measurement factors in each area of concern of each group of stakeholder, so also the performance of each group of stakeholder towards total performance. On implementation of the proposed measure, once the database is created for

recording the measurement factors for different areas of concern of different stakeholders, further study could be made to assess their relative contribution towards sustainability performance using the opportunity cost principle.

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Annexure-1: A chronological development in CSR and ESG issues towards corporate sustainability

Year	Area	Organization
1930	Forced labor Convention	International Labor Organization
1948	Freedom of association & right to organize convention	International Labor Organization
1948	Universal Declaration of Human Rights	UN General Assembly
1951	Right to collective bargaining Convention	International Labor Organization
1951	Equal Remuneration Convention	International Labor Organization
1957	Abolition of forced labor Convention	International Labor Organization
1958	Discrimination (Employment & Occupation) Convention	International Labor Organization
1973	Minimum Age Convention	International Labor Organization
1974	Environmental and Social issues for oil and gas industry	Int. Petro. Ind. Env. Cons. Association
1976	CSR Guidelines issued for multinational enterprises	Org. for Eco. Co-op. and Dev. (OECD)
1987	Brundland Report on Sustainable Development	UN General Assembly
1992	Rio Declaration on Environment and Development	UN Conference- Rio de Janeiro
1997	Sustainability-Environmental, Social & Governance (ESG)	Global Reporting Initiative
1998	Declaration on four Fundamental Principles & Rights at Work	International Labor Organization
1999	• Worst Forms of Child Labor Convention	International Labor Organization
1999	Dow Jones Sustainability Index launched	Dow Jones (DJSI)
2000	1st version of GRI Guidelines (G1)-Sustainable& ESG Report	Global Reporting Initiative- GRI-1
2001	Social, Economic and Environmental challenges-sustainability	Int. Council on Mining and Metals
2002	Second version of GRI Guidelines (G2) on Sustainability	Johannesburg World Summit-GRI- 2
2003	Convention against Corruption	UN Convention
2004	Socially responsible investing (SRI) index	Johannesburg Stock Exchange
2006	Third version of GRI Guidelines (G3) on Sustainability	Global Reporting Initiative- GRI-3
2006	Policy on Environmental and Social Responsibility	International Finance Corporation
2006	All companies listed in the UK to report on CSR activities	British Companies Act mandate
2007	All public listed companies to publish their CSR initiatives	Malaysian Government Mandate
2009	All state-owned cos. including certain others to report CSR	Denmark Government Mandate

Cont.

2010	The 21st Century Corporation- Roadmap for Sustainability	Coalition for Env. Resp. Economies
2010	ISO 26000 Guidance on Social Responsibility of Business	ISO Standard
2010	Sustainability reporting for all companies French listed Cos	France Government Mandate
2010	International Integrated Reporting Council	Confounded by GRI
2011	Social, Env. & Eco Responsi. of Business- National Vol Guidelines	Ministry of Corp. Affairs, India Govt.
2011	Business Responsibility Reports for 100 top listed companies	Securities and Exchange Board of India
2012	Green Economy towards sustainable Development	Rio + 20 UN Conference at Brazil
2012	Policy on Environmental and Social Responsibility- updated	International Finance Corporation
2012	S&P Dow Jones indices	S&P and Dow Jones merged
2012	2% of the last three years average PAT to be spent on CSR	Companies Bill, Clause 135, India Gov.
2013	Fourth version of GRI Guidelines (G4) on Sustainability	Global Reporting Initiative- GRI-4
2013	Business Solutions for Env. & Social Challenges, Action 2020	World Bus. Council for Sustainable Devel.
2013	Increased transparency on social and environmental issues	European Parliament amendment
2014	Transparency Track at NE's largest sustainable business summit	GRI partnering with GLOBE-Vancouver
2014	Microsoft Citizenship Report based on GRI's G4 guidelines	Global Reporting Initiative Index
2015	World Water Development Report	United Nations Report

Annexure-2: Content areas of general sustainability indices

Global Reporting Initiative (GRI),
United Nations Global Compact (UNG),
ISO 26000 (ISO),
Organization for Economic Co-operation and Development (OEC),
Dow Jones Sustainability Index, now S&P Dow Jones Index (DJS),
International Integrated Reporting Council (IIR),
World Business Council Sustainable Development (WBC),
KLD Research & Analytics, Inc Index (KLD),
Newsweek's Green Ranking (NWG), and
Corporate Responsibility Magazine's Best Corporate Citizen index (CRM)

Content areas	GRI	UNG	ISO	OEC	DJS	IIR	WBC	KLD	NWG	CRM
Environment	v		v	v				v		v
Climate change							v			v
Dev. & diffusion of env. Friendly technology		v								
Ecosystem							v			
Environment audit									v	

Cont.

Environmental policy & management system					v					
Environmental reporting					v					
Green pay									v	
Green revenue									v	
Greenhouse gas									v	
Harmful substances							v			
Meet environment challenges		v								
Promote greater responsibility towards env.		v								
Social										
Abolition of child labor		v								
Basic needs & rights							v			
Collective bargaining right		v								
Community & society								x		
Community involvement & development	v		v							
Corporate citizenship & philanthropy					v					
Elimination of discrim. in emp. & occupation		v								
Elimination of forced labor		v								
Employees								v		
Employee relations										v
Employment & industrial relations				v						
Ensure no abuses of human rights		v								
Food, feed, fibre & bio-fuels							v			
Human capital management					v					
Human rights	v		v	v						v
Human rights protection		v								
Labor practices	v		v		v					
Philanthropy										v
Release of nutrient elements							v			
Skills & development							v			
Social reporting					v					
Sustainable lifestyle							v			
Talent attraction & retention					v					

Cont.

Tax payment				v						
Corporate Governance	v		v		v	v		v		v
Code of conduct					v					
Combating bribery, extortion				v						
Compliance					v					
Corruption & bribery					v					
Ethics								v		
Fair operating practices	v		v							
Sustainability board committee									v	
Work against corruption in all forms		v								
Economic										
Business model						v				
Competition				v						
Consumer interests				v						
Consumer issues	v		v							
Customers								v		
Energy productivity									v	
Financial										v
Risks & crises management					v					
Risks & opportunities						v				
Science & Technology				v						
Strategy & resource allocation						v				
Supply chain								v		
Water productivity							v		v	
Other areas										
Basis of preparation & presentation						v				
Organizational overview & ext. environment						v				
Outlook						v				
Performance						v				

Disclosure of Corporate Governance Practices in Annual Reports - A Comparative Study of INFOSYS and TCS

Manish B. Raval

Ashish B. Gorvadiya

Abstract

There have been several measures of corporate governance launched in India since 1990s. The first of this kind was brought by Confederation of Indian Industry (CII). It is India's largest industry and business association which came with the first voluntary code of corporate governance in 1998. If the company maintains good governance, it can infuse the sense of confidence in the investors. Good corporate governance is aimed at creating the properly structured Board of Directors that is capable of taking independent decisions for the best of the company. In this article, the researchers have tried to analyse the disclosures made by INFOSYS and TCS in their annual reports. Here, the researchers have taken 17 parameters for the evaluation of compliance with provisions of Corporate Governance. For this purpose, the researchers have adopted a method of giving scores for the compliance with the provisions. On the basis of these 17 parameters, the researchers have analysed the status of corporate governance in INFOSYS and TCS.

Key Words

Corporate Governance, Investors, Board of Directors, Disclosures, Parameters

Introduction:

Good Corporate Governance is an integral part of the very existence of a company. If the company maintains good governance, it can infuse the sense of confidence in the investors. Good corporate governance is aimed at creating the properly structured Board of Directors that is capable of taking independent decisions for the best of the company. The board should be constructed in the balanced manner with the adequate number of Non-executive and Independent Directors who will take care of stakeholders' interest. The Corporate Governance practices also aims at creating transparency in the procedures and practices of the company. It is also aimed at regular monitoring of the functions of the company. So, it is necessary for a company to establish the effective and efficient system of corporate governance.

Corporate Governance Defined

The experts of the corporate governance have defined it as follows.

According to F. Mayer, *"Corporate governance is concerned with ways of bringing the interests of investors and manager into line and ensuring that firms are run for the benefit of investors"*[1].

According to K. Keasey, *"Corporate governance includes 'the structures, processes, cultures and systems that engender the successful operation of organizations"*[2].

Review of Literature

Mayer, F., (1997)[3], in his article, says that Corporate Governance is related to the development of the bridge between investors' interest and that of managers, so that the firm works for the benefit of investors and not for the personal profit. The system of Corporate Governance is useful in regulating the functions of the companies. It is compulsory for all the companies to provide disclosures about the compliances with Corporate Governance Practices in their annual reports.

BSE Corporate Governance Scorecard[4] says that the listed companies are required to comply with the Corporate Governance requirements specified by the Companies Act, 2013 and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. However, there is no standard tool for measuring the performance of the companies in terms of compliance and disclosures of Corporate Governance practices. In order to solve this problem, BSE in collaboration with International Finance Corporation (IFC), Washington, a member of the World Bank Group for Developing a "CG Scorecard" for Indian Corporate has developed Scorecard based on OECD Principles. The Scorecard has been developed based on the set of questions related to these principles which will test the Corporate Governance status of the companies on various parameters.

IFC Corporate Governance Knowledge Tool[5] International Finance Corporation is a member of the World Bank Group on developing codes of Corporate Governance. IFC has developed the Scorecard as a tool for assessment of corporate governance practices. This scorecard measures the observance of Corporate Governance practices by the companies. Scorecard compares governance practices to a benchmark. Generally, the benchmark is a national or international code or standard for compliance with the corporate governance. The scorecard measures the observance of the practices of the companies in terms of compliance and disclosure of corporate governance.

Standard & Poor's Corporate Governance Scores[6] In this score Standard and Poor (S&P) has developed a score card called 'Corporate Governance Score' (CGS). CGS is useful to assess company's corporate governance practices and policies. CGS has assigned a scale of CGS-10 (highest) to the CGS-1 (lowest). On the basis of this scale, the company's performance is measured. The scoring criteria are summarized as fairness, transparency, accountability of the individual company.

Corporate Governance in India - Clause 49

There have been several measures of corporate governance launched in India since 1990s. The first of this kind was brought by Confederation of Indian Industry (CII). It is India's largest industry and business association which came with the first voluntary code of corporate governance in 1998. After that SEBI's guidelines for corporate governance were enshrined as Clause 49 of the Listing Agreement. After that came Naresh Chandra Committee. The committee submitted its report in 2002. Again in 2002, SEBI formulated Narayana Murthy Committee. The committee submitted its report in the same year. Based on the report, SEBI revised Clause 49 of the Listing Agreement in August 2003. Subsequently, SEBI withdrew the Clause 49 in December 2003. Currently, the original Clause 49 is applicable.

All the listed companies are required to follow all the provisions of this clause. Here, a list of Clause 49 and sub-clauses thereof is given for the understanding about of various provisions of clause 49.

Particulars	Clause of Listing Agreement
I. **Board of Directors**	**49 (I)**
(A) **Composition of Board**	**49 (IA)**
(B) **Non-Executive Directors' Compensation and Disclosures**	**49 (IB)**
(C) **Other Provisions as to Board and Committees**	**49 (IC)**
(D) **Code of Conduct**	**49 (ID)**

Cont.

II. Audit Committee	49 (II)
(A) Qualified and Independent Audit Committee	49 (IIA)
(B) Meeting of Audit Committee	49 (IIB)
(C) Powers of Audit Committee	49 (IIC)
(D) Role of Audit Committee	49 (IID)
(E) Review of Information by Audit Committee	49 (IIE)
III. Subsidiary Companies	49 (III)
IV. Disclosures	49 (IV)
(A) Basis of Related Party Transaction	49 (IVA)
(B) Disclosure of Accounting Treatment	49 (IVB)
(C) Board Disclosures	49 (IVC)
(D) Proceeds from Public Issue, Rights Issue, Preferential Issue, etc.	49 (IVD)
(E) Remuneration of Directors	49 (IVE)
(F) Management	49 (IVF)
(G) Shareholders	49 (IVG)
V. CEO/CFO Certification	49 (V)
VI. Report on Corporate Governance	49 (VI)
VII. Compliance	49 (VII)

Method of Evaluation

Here, the aim of the researchers is to analyse the compliance of the Company in terms of the provisions of corporate governance. The researchers have taken 17 parameters for the evaluation of compliance with provisions of Corporate Governance. For this purpose, the researchers have adopted a method of giving scores for the compliance with the provisions. On the basis of these 17 parameters, the researchers have analysed the status of corporate governance in INFOSYS and TCS. On the basis of that, the researchers have made the comparative analysis of these two companies. Following is the descriptions about how these scores are assigned to the various provisions of corporate governance.

1. The primary thing in the Corporate Governance provision is that the companies have to give the statement of company's philosophy on code of governance in its annual report. Score 2 is assigned for this statement.

2. Another provision of CG is to describe the structure and strength of Board and Board meetings held. Score 3 is assigned for this provision.

3. Companies will have to give description about Chairman & CEO Duality in the company. For this provision a company will get the score of maximum 5. Out of these 5 points, if a company has a situation of Promoter Executive Chairman – Cum – MD/CEO, the company will get only 1 point. If there is Non-promoter Executive Chairman – Cum – MD/CEO, the company will get 2 points. If there is a situation of Promoter Non-executive Chairman, the company will get 3 points. If there is Non-promoter Non-executive Chairman, there is 4 points. If the company has Non-executive Independent chairman, the company will get 5 points.

If the company has provided the disclosure of Tenure and Age limit of directors, the company will get 2 points.

4. If the company has given the disclosure of definition of Independent Director, the company will get 1 point and if the company has provided the description about Selection

Criteria of Board of Directors Including Independent Directors, the company will get 1 point. It means that for both of these disclosures, the company will get 2 points.

5. If the company has provided information about Post Board Meeting Follow up System and Compliance of the Board Procedures, the company will get 2 points.

6. For the information about Appointment of Lead Independent Director, the company will get 2 points.

7. If the company has provided information about Disclosure of other Provision as to the Boards and Committees, there are 2 points.

8. For the disclosure of Director's Remuneration amount and Policy, there are 2 points.

9. In case of Code of Conduct, there are maximum 2 points. Out of these 2 points, 1 point is for the Information of Code of Conduct and 1 point is for Affirmation of Compliance.

10. For the description about Board Committee, there are total 25 points assigned. Out of these 25 points, 8 points are for Audit Committee, 6 points for Remuneration Committee, 5 points for Shareholders'/Investors' Grievance Committee, 2 points for Nomination Committee and 4 points for Other Committees.

11. In case of Audit Committee, Transparency in Composition of Audit Committee will have 1 point; Compliance of Minimum Requirement of the Number of Independent Directors in the Committee will get 1 point, Compliance of Minimum Requirement of the Number of Meetings of the Committee will get 1 point, Information about Literacy & Expertise of the Committee Members will get 1 point, Information about Participation of head of Finance, Statutory Auditor and Chief Internal Auditor in the Committee Meeting will get 2 points, Disclosure of Audit Committee Charter and Terms of Reference will get 1 point and Publishing of Audit Committee Report will get 1 point.

In case of Remuneration Committee, the description about Formation of the Committee will get 1 point, Information about Number of Committee Meetings will get 1 point, Compliance of Minimum Requirements of Number of Non-executive directors in the Committee will get 1 point, Compliance of the Provision of Independent Director as a Chairman of the Committee will get 1 point, Information about Participation of All Members in the Committee Meeting will get 1 point and Disclosure of Sitting Fees in Board & Committee Meeting will get 1 point.

In case of Shareholders'/ Investors' Grievance Committee, the description about Transparency in Composition of the Committee will get 1 point, Information about Nature of Complaints & Queries Received and Disposed will get 1 point, Information about Number of Committee Meetings will get 1 point and Information about Action Taken and Investors/ Shareholders Survey will get 2 points.

In case of Nomination Committee, the description about Formation of the Committee will get 1 point and the Terms of Reference will get 1 point.

In case of Other Committees such as Health, Safety and Environment Committee, CSR and Sustainable Development Committee, Risk Management Committee and Share Transfer Committee, each committee will get 1 point.

12. For the provision of Disclosure and Transparency, there are total 25 points. The break-up of these 25 points can be described as follows.

Significant Related Party Transactions Having Potential Conflicts with the Interest of the Company – 2 points

Non-compliance Related to Capital Market Matters during Last Three Years – 2 points

Accounting Treatment – 2 points
Board Disclosure- Risk Management – 3 points
Management Discussion and Analysis – 2 points
Shareholders' Information – 4 points
Shareholders' Rights – 2 points
Audit Qualification – 2 points
Training of Board Members – 2 points
Evaluation of Non-executive Directors – 2points
Whistle Blower Policy – 2 points

13. For the disclosure about General Body Meetings will have maximum 3 points. 1 point is for Location and Time of General Meetings Held in Last Three Years, 1 point for Details of Special Resolution Passed in Last Three AGMs/ EGMs and 1 point is for Details of Resolution Passed Last Year through Postal Ballot

including Conducting Official and Voting Process.

14. The disclosure about Means of Communication and General Shareholder Information will get 2 points.

15. The disclosure of CEO/CFO Certification will have 2 points.

16. For the disclosure about the Compliance of Corporate Governance and Auditors' Certificate, there are total 10 points. Out of these 10 points, if the company gets Clean Certificate from the Auditor, the company will get 10 points. If the company gets Qualified Certificate from Auditors, it will get 5 points.

17. In case of Disclosure of Stakeholders' Interests, total 10 points are assigned. Out of total 10 points, 2 points are for Environment, Health & Safety Measures (EHS), 2 points are for Human Resource Development Initiatives (HRD), 2 points for Corporate Social Responsibility (CSR), 2 points for Industrial Relation (IR) and remaining 2 points are for Disclosure of Policies on EHS, HRD, CSR and IR.

In this way, there are 17 different parameters for the evaluation of compliance with the Corporate Governance Provisions of the selected company. The researchers have assigned score for each parameter, as described above. By giving such score to each parameter, there is a total of 100 points.

Justification of Parameters Taken

In order to analyse the performance of the selected companies about the disclosure in their annual reports, the authors have taken the examples from the scorecards developed by the national and international organizations such as BSE, IFC, Standard and Poor, etc. BSE in collaboration with International Finance Corporation (IFC), Washington, a member of the World Bank Group for Developing a "CG Scorecard" for Indian Corporate has developed Scorecard based on OECD Principles. Another such scorecard is developed by IFC. IFC has developed the Scorecard as a tool for assessment of corporate governance practices. This scorecard measures the observance of Corporate Governance practices by the companies. Scorecard compares governance practices to a benchmark. One such standard for performance measurement is developed by S&P which is called Corporate Governance Score (CGS). CGS is useful to assess company's corporate governance practices and policies. CGS has assigned a scale of CGS-10 (highest) to the CGS-1 (lowest).

Taking the base of all such standards, the authors have prepared their parameters for assessing the disclosure of Corporate Governance Practices of the sampled companies. The authors have selected 17 parameters for the assessment on the basis of their relative importance in the disclosures. The scores are also assigned on the basis of importance, requirement and relevance of the disclosures.

Assignment of Grade on the Basis of Performance

As described above, for the 17 parameters, an evaluation of the selected company will be made. On the basis of its performance, it can be assigned the grade. The strategy of assigning the grade is as given below:

Points Range	Below 50	50 to 65	66 to 75	76 to 85	86 to 100
Performance	Poor	Average	Good	Very Good	Excellent

Brief Introduction to INFOSYS

In 1981, seven engineers started Infosys Limited with just US$250. From the beginning, the company was founded on the principle of building and implementing great ideas that drive progress for clients and enhance lives through enterprise solutions. For over three decades, it has been a company focused on bringing to life great ideas and enterprise solutions that drive progress for our clients.
It recognizes the importance of nurturing relationships that reflect its culture of firm ethics and mutual respect[7].

Brief Introduction to TCS:
Tata Consultancy Services is global leader in IT services. It was established in 1968. It is a part of Tata Group which was

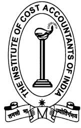
founded by Jamsetji Tata. It is one of India's most respected institutions today. TCS has been recognized by Brand Finance as one of the Big 4 Global IT Services Brands[8].

Evaluation of Corporate Governance Practices of INFOSYS and TCS:

Statement of Evaluation

No.	Corporate Governance Parameters	Maximum Points Assigned	Points Achieved by INFOSYS	Points Achieved by TCS
1	Statement of company's philosophy on code of governance	**02**	02	02
2	Structure and strength of board and meetings held	**03**	03	03
3	Chairman & CEO duality	**05**	05	05
4	Disclosure of tenure and age limit of directors	**02**	02	00
5	Disclosure and definition of independent directors and their selection criterion	**02**	02	02
6	Post board meeting follow up and compliance of board procedures	**02**	02	02
7	Appointment of lead independent director	**02**	02	00
8	Disclosures of other provisions as to the board and committees	**01**	01	01
9	Disclosure of director's remuneration amount & policy	**02**	02	02
10	Code of conduct	**02**	02	02
11	**Board committees:**			
	Audit committee	**08**	08	08
	Remuneration committee	**06**	06	06
	Shareholders'/Investors Grievance Committee	**05**	03	03
	Nominating committee	**02**	02	02
	Other committees	**04**	02	04
12	Disclosure and transparency	**25**	25	25
13	General body meeting	**03**	03	03
14	Means of communication and general shareholder information	**02**	02	02
15	CEO/CFO Certification	**02**	02	00

Cont.



No.	Corporate Governance Parameters	Maximum Points Assigned	Points Achieved by INFOSYS	Points Achieved by TCS
16	Compliance of CG and Auditor's Certificate	**10**	10	10
17	Disclosure of Shareholders' interest	**10**	10	10
	TOTAL	**100**	96	92

Findings:

As it can be seen in the above given report card of compliance with the Corporate Governance provisions of INFOSYS, the company has achieved the total score of 96 points. This score falls under the category of Excellent Performance (86-100) according to the point range adopted by the researchers. It means that INFOSYS will get 96 points for the disclosure of its compliance with the Corporate Governance provisions. Thus, the company falls under the category of excellent performer. Corporate Governance provisions of TCS, the company has achieved the total score of 92 points. This score falls under the category of Excellent Performance (86-100) according to the point range adopted by the researchers. It means that TCS is also excellent performer for its disclosure of compliance with the Corporate Governance provisions.

Conclusion:

Thus, corporate governance is a system by which the accountability can be created on the board of directors. The transparency in the functions of the enterprise can be brought through the corporate governance. The above given comparative study of the compliance of INFOSYS and TCS with the Corporate Governance practices reveals that the companies are performing very good in terms of following almost all the provisions of Corporate Governance. The other companies should also perform in this way to gain public confidence.

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Women Directors: A Study on Impact on Financial Performance of Companies

Meenu Gupta

Abstract

The 'Empowerment of Women' today is a 'buzz' word in corporate sector aiming to emphasize the role of women on crucial decision-making table of the company. With the Companies Act and SEBI mandating to appoint atleast one woman director on boards, it is becoming increasing important to understand its qualitative and quantitative impact on company's performance. The date made public revealed that majority of companies having only one woman director are actually following the law only in letter and not in true spirit. It is believed and proved that women directors with diverse backgrounds and experiences tend to look at problems and solutions from wider perspectives, thereby; diversity in boards has been widely considered as an important contributor to improved decision-making. To validate the same, the author has undertaken a research to study the impact of presence of female directors on company's performance through statistical analytical tool.

Key Words

Empowerment of Women, Women Directors, Financial Performance

Women Directors : Impact on Financial performance of Companies

Introduction

"Strength lies in differences, not in similarities"

-By Stephen R. Covey

How can we forget the role of women at house where she performs as a finance manager, a decision-maker, a caretaker, a mentor, a teacher. If she is expected to hold the key of a house why can't she act as an important board member at Boardrooms like Chanda Kochar heading ICICI Bank, CS Mamta Binani being a President of ICSI (first lady to held the position amongst three professional bodies, viz, ICAI, ICICI, ICMA), Arundhati Bhattacharya of SBI Group who are amongst the most popular women directors in India. Stephen R. Covey rightly said as woman leaders bring diversity of thought and approach, and their ability to multitask and collaborate, which helps to embrace new ways of working. Companies Act, 2013 mandated the inclusion of atleast one woman director on Board of every prescribed class of companies in India – step towards Woman Empowerment. The research study is undertaken to highlight the current status of woman on Indian Boards and its impact on performance of companies.

Why Women on Boards? Is it just compliance or actual Women Empowerment?

With the mandatory requirement of appointment of women directors from April 1'2015 by every listed company and every other public company having a paid-up capital of Rs. 100 crore or more or turnover of Rs. 300 crores or more, most of the companies listed on NSE have hired a woman member

on board. Interestingly, significant ones are appointed from the Promoter's family of friends irrespective of whether they are qualified for the post. They may not actually attend Board Meetings and be in a position to actually make any difference. Most European Countries are moving towards atleast 25% of board members being women. Even in a tradition-bound country such as Japan, where few women enter the top echelons of management, there is a move to have atleast one woman on board. Countries like Norway established a 40% quota for participation of women on boards in 2003, thereby, more than a quarter of board seats are filled by women in 2010 but induction of women members on board, if they are not experienced, would not lead to improvement in board performance as revealed by the study conducted by the University of Michiganwhich suggested that Norway's introduction of quotas had negatively impacted both performance and board quality. In order to obey the law, the Norwegian firms appointed many women as members of the board who were less experienced.

Buta recent global survey shows that the largest economies- USA, China and Japan, which have no quotas for women in boardrooms, had the lowest growth of women on boards, suggesting that unless pushed, change does not occur. However, it is interesting to note that members of the U.S. Fortune 500, though not under a quota system, are more apt to appoint women to chief executive positions.

Though such legislation and quota can be effective to bringwomen to the top positions in the companies, its benefits will be short lived if there are no proper guidelines to implement it and if it is not properly supervised by the Government. The new mandate has given the much desired initial push but the actual implementation would depend on the whole-hearted acceptance of the role of women directors by promoters and shareholders in general. The provision should not be seen as mere compliance, but a necessity. This mandates a study to be undertaken to study whether mandatory inclusion of women on board positively affects the financial performance of companies.

Compliance Criteria under Companies Act & SEBI Rules

Section 149 (1) of Companies Act, 2013 deals with womendirectors. It states that every company shall have a board of directors who are individuals with a minimum number of three directors in case of a public company and two directors in case of a private company and one in case of One Person Company, and a maximum of fifteen directors. Further it also states that such class or classes of companies as prescribed shall have at least one woman director. Accordingly, Rule 3 of Companies (Appointment andQualification of Directors) Rules, 2014 states that followingcategories of companies are mandatorily required to appoint at least one woman director to their board of directors:

i. Every listed Company

ii. Every Other Public Limited Company which has Paid-up Share Capital of Rupees One Hundred Crores or more or Turnover of Rupees Three Hundred Crores or more.

However, Section 149 (4) of the Act provides that every listed public company shall have at least one-third of the total number of directors as independent directors.

i. Must be a director other than a managing director or a whole-time director or a nominee director.

ii. A person of integrity and possesses relevant expertise and experience in the opinion of the board.

iii. Person should not be a promoter or related to a promoter of the company or its holding, subsidiary or associate company.

iv. No pecuniary relationship with the company, its holding, subsidiary or associate company, or directors, during the 2 immediately preceding financial years or during the current financial year.

v. Relatives to have no pecuniary relationship or transaction with the company or its holding, subsidiary or associate company, or their promoters, or directors, accounting to 2% or more of its gross turnover or total income or INR 50,00,000 (whichever is lower).

In view of above provision, 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.

As per the extant provisions of section 165 of the CompaniesAct,

2013, a person shall hold office as a director, including any alternate directorship, in not more than twenty companies at the same time subject to maximum directorships in ten public companies. However, SEBI restricts directorship as an Independent Director to maximum of seven listed companies. In case an Independent Director is a Whole-time Director in any listed company, he/she can hold directorship as an Independent Director in maximum three listed companies only.

To simplify the provisions for any woman interested in being appointed as a Woman Director:

i. She can be appointed in a total of 20 companies as Director including alternate directorship, private companies etc.

ii. Out of the total of twenty, she can hold the position ofDirector in a maximum of 10 public companies.

ii. Out of this ten she can be in a maximum number of 7 listedcompanies and 3 unlisted public companies.

iv. If she is already a whole time director in one of the companies, her maximum independent directorship in listed companiesis 3.

In this respect it may be noted that for reckoning the limit of public companies in which a person can be appointed as director, directorship in private companies that are either holding or subsidiary company of a public company shall be included.

A look at benefits!!! – Women Directors

- Women directors bring diversity of thought and approach which helps to embrace new ways of working.

- Would be better placed to understand and appreciate the constraints faced by women in workforce and will make possible the necessary changes.

- Women being younger than their male counterparts, bring innovative ideas to the table.

- They bring in unique skillsets adding to the long-term success and competitive advantage of the organisation.

- Since companies are required to have Sexual Harassment Committee, women at a senior level are required to act as a presiding officer of Committee.

- With just one women present at board table, fraternity culture of board has been disrupted. Board meetings can now become more formal, focused and open. More importantly, women have brought a different perspective to strategic issues, which have prompted boards to be more responsible and avoid costly mistakes.

- Women directors tend to be more protective about company's money, employees and reputation. They tend to be less supportive of better collective interest for adventurous schemes. Being an extreme minority and practically an 'outsider', women directors ensure greater scrutiny of board considerations and decisions.

Literature Review

Dalton and Dalton (2010) found that few aspects of corporateboard diversity have generated the focused attention on the participation, position and promise of women's service on the boards. Steady increases in the overall participation of women on corporate boards show their presence on key board committees. Authors also reported that increases are particularly noteworthy in the post Sarbanes-Oxley period. In 1987, 13.3% of female directors had backgrounds in large scale and profit organisation; in 1996 the percentage had increased to 37.6%; where as in 2009 the percentage of women with these backgrounds was 70.1%. Kurup et al. (2011) understood and interpreted the patterns ofcross linkages between the directors on the boards of these 166Indian companies for the period 1995-2007. Women are less represented on Indian corporate boards as compared to other countries. India is the lowest with 5.4% of the directorships being held by women whereas Canada (15%), USA (14.5%), the U.K. (12.2%), Hong Kong (8.9%) and Australia (8.3%) have higher percentages. The major sources of directorships for women are public sector employment, family ties and private sector banks only.Adams and Ferreira (2009) reported that womendirectors have a significant impact on board inputs and firm outcomes. Women directors have better attendance records and are more likely to join monitoring committees than men directors. Women constitute 8.11% of directors, holding 8.87% of directorships. Women act as inside directors in 6.64% of female board positions, as independent directors in 84.07% of female board positions, and as affiliated directors in the remainder. Female

directors behave differently than male directors, even after controlling for observable characteristics. Authors further reported that the gender composition of the board is positively related to measures of board effectiveness.

Research Objectives

The research is undertaken for the following objectives:

i. To present the current status of women directorships on Board.
ii. To study the relation between women representation on boards and firm performance.
iii. To carry out analysis studying the dependency level of financial performance (ROE) on presence of female directors.
iv. To have a glimpse at issues leading to gap in number of men and women on boards.

1. Women on Board: Indian Scenario

With the Companies Act, 2013 mandating the prescribed class of companies to have atleast one woman director on their board, SEBI set the deadline to meet the rule by April 1 2015. The analysis in research is based on Prime Database data on woman directors as on April 1, 2016. These data are available for 1,567 NSE-listed companies.Out of these 1,567 companies, 70 companies (4.5%) did not have any woman on their board. Overall, women represented an estimated 14.7 % of total directorships. About half of the 70 NSE-listed companies that have yet to meet the rule are state-owned enterprises including blue-chip names like Oil and Natural Gas, Indian Oil, and GAIL India.
The table set out the statistics relating to women directors.

Table 1: Women on Indian Boards as on April 1, 2015

	NSE Listed Companies (1,567)				
	Men	%	Women	%	Total
No. of Directors	8625	85.94	1410	14.05	10035
No. of Directorship Positions held	12091	86.40	1903	13.59	13994
No. of Independent Directors	4160	84.55	760	15.44	4920
No. of Directorship positions held by Independent Directors	6702	85.24	1160	14.75	7862

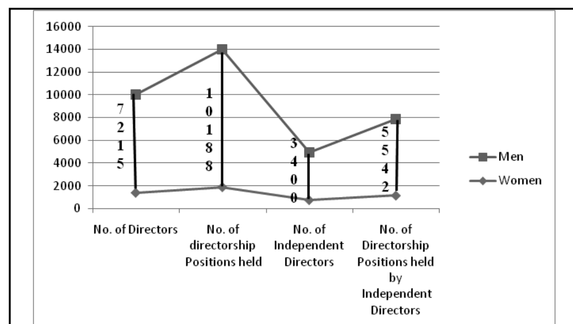
***Note:** Covered companies are those NSE listed companies as on April 1, 2016 which were mandated to have womandirectors and for which 'woman director' data is available with Prime Database.**Source:** Prime Database*

The data clearly shows the unflattering reality that even after the deadline for complying with the women-director mandate, women still constituted a very small part of the board make-up. The data further reveal that there was a spurt of appointments made in 2014-15 (762 women directors), clearly in response to the mandate of SEBI. However, there still exists a gap between number of men and women members on board seats as shown in figure1.

A glance at **Table 1** indicates the percentage of men and women on boards of select NSE listed companies. The total no. of directors onthe boards is 10035, whereas only 14 percent are women with absolute figure of 1410. As far as directorship positions are concern, women lag behind representing 13.5 percent. Out of total 13994 only 1903 directorship positions held by the women. The total no. of independent directors on the boards is 4920, whereas only 15.44 percent are women with absolute figure of 760. Major portion i.e. 85.24 percent with total of 6702 number of directorship positions is held by men in companies whereas women held only 1160 directorship positions (14.75%) as independent directors.

Figure 1: Gap Analysis of Men & Women on Boards of NSE Listed Companies

The Figure 1 below shows the gender diversity on boards of total 1567 companies. There is a clear gap in number of women directors hired on board compared to men.



II. Research Design: Relation between Women on Board and Firms Performance

Studies have conducted that showed women on board add to effective discussions and decisions thereby increasing corporate performance (in terms of profitability). To validate, 5 of NSE 500 companies having atleast one woman director or more are selected to study correlation between with its Return on Equity, a measure of profitability.

Research Methodology

The relation between women on board and corporate performance is studied through conducting correlation and regression analysis. The research is limited to the data of companies as on 31st March'2015 and March'16. Only secondary data is available, i.e. annual reports of companies, websites of companies, Prime Database (Indian Boards Database) for research purpose.

The study compares ROE of 5 NSE-listed private companies having one or more woman directors with those of 5NSE-listed having no single woman on board at the end of financial year 2015 and 2016.

Table 2: Women Directors and ROE (%) of 5 NSE listed companies

S. No.	Company	Women Director	Return on Equity (ROE) %	
			2014-15	2015-2016
1.	Apollo Hospitals Enterprise Ltd	4	10.96	10.77
2.	Biocon	2	13.98	24.6
3.	Infosys	3	25.3	27.6
4.	Punjab & Sind Bank	1	2.16	5.62
5.	Jindal Saw Ltd.	3	3.72	6.21
	Total (A)		**56.12**	**74.8**
	Average (A/5)		**11.224**	**14.96**
	% Change (increase/decrease)		**(14.96-11.224)/11.224*100 = 33.28%**	

Table 2 shows the varied companies having one or more women directors on board with Apollo having the highest % of women as board member compared to other listed ones. The measure of profitability, ROE, has been compared for FY 2015 and 2016 and an average percentage increase of 33% is revealed from the table.

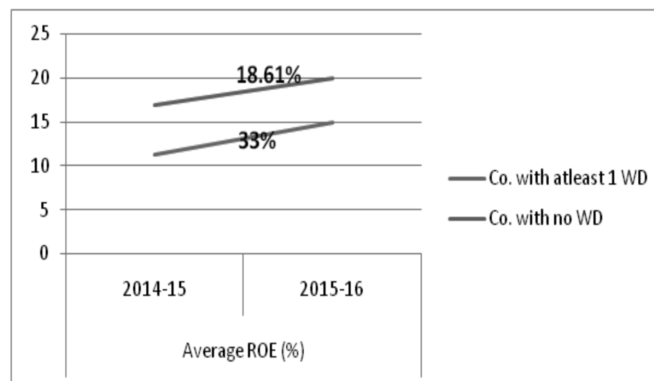
Table 3 below shows the number of NSE-listed companies who have not yet met the one woman director norm as per Companies Act, 2013. In order to compare the change in ROE in 2015 and 2016 with ROE of those having atleast one woman board member, the average % change is calculated which amounts to Rs. 18.61%.

Table 3: ROE (%) of 5 NSE listed Companies having no Women Board Member

S. No.	Company	Woman Director	Return on Equity (ROE) %	
			2014-15	2015-16
1.	Adani Enterprises Ltd	NIL	3.95	13.47
2.	Global Vectra Helicorp Ltd	NIL	28.72	14.69
3.	Hindustan Zinc Ltd.	NIL	18.86	21.84
4.	Indian Oil Corporation Ltd.	NIL	10.19	22.71
5.	Bharat Petroleum Corporation Ltd	NIL	22.63	27.36
	Total (A)		**84.35**	**100.07**
	Average (A/5)		**16.87**	**20.01**
	% Change (increase/decrease)		**(20.01-16.87)/16.87*100 = 18.61%**	

Figure 2: Women on Boards & Company's Performance

The figure below clearly shows that companies with more than one women on their board has their ROE increased by 33% in FY 2015-16 compared to the figures in 2014-15 whereas those having not even a single woman on their board list has their ROE increase to only 18.6%. That means there exists a clear positive relation between presence of woman directors on board and ROE. This analysis requires the companies defaulting to follow the norms as per SEBI and companies Act, 2013 to relook the difference in corporate growth where women make the difference at board tables.



Correlation Analysis

The above figure clears the positive relation between presence of women board member on firm's performance, however, to validate, correlation analysis is conducted. The data relates to the period 2016, % of women director is taken as x variable and ROE as y variable.

Table 4: ROE and % of Women Board Member of 5 NSE listed companies

S. No.	Company	Woman Director	% of Women Member (x)	ROE (%) (y)
1.	Apollo Hospitals Enterprise Ltd	4	4/13 = 30	10.77
2.	Biocon	2	2/10 = 20	24.6
3.	Infosys	3	3/9= 33	27.6
4.	Punjab & Sind Bank	1	1/10 = 10	5.62
5.	Jindal Saw Ltd.	3	3/12 = 25	6.21
	Total		**118**	**74.8**

Table 5: Correlation Table

S. No.	Company	% of WD (x)	ROE % (y)	x^2	y^2	xy
1.	Apollo Hospitals Enterprise Ltd	30	10.77	900	115.99	323.1
2.	Biocon	20	24.6	400	605.16	492
3.	Infosys	33	27.6	1089	761.76	910.8
4.	Punjab & Sind Bank	10	5.62	100	31.58	56.2
5.	Jindal Saw Ltd.	25	6.21	625	38.56	155.25
	Total	**118**	**74.8**	**3114**	**1553.88**	**1937.35**

Pearson Correlation Coefficient

$$\mathbf{r} = \frac{N\Sigma xy - (\Sigma x)(\Sigma y)}{\sqrt{[N\Sigma x^2 - (\Sigma x)^2][N\Sigma y^2 - (\Sigma y)^2]}}$$

Putting the values in the equation, r = 0.45.

Findings

By applying the Pearson Correlation Coefficient, it is found that the coefficient value is positive, and hence there is a positive correlation of relationship strength between the two variables. It means that induction of women directors on board positively affects the financial performance of the company.

Regression Analysis

The correlation analysis conducted above has already revealed that the presence of women on board positively affects the financial performance of the company. Now, an attempt has been made to study whether the existence of female director is related positively and significantly with ROE.

Values of R^2 = b x SSxy/SSyy

Where,

$b = SSxy / SSxx$
$SSxx = \sum x^2 - (\sum x)^2 / n$
$SSyy = \sum y^2 - (\sum y)^2 / n$
$SSxy = \sum xy - (\sum x \times \sum y) / n$

Putting the values in the equation, $R^2 = 0.206$, (assuming 0.05% significant level) t= 0.87.

The results above show that the presence of one or more female directors on the board relates positively and significantly (t = 0.87) to ROE.

A striking result that follows from this study is that higher return on equity isconsistently and statistically significant for companies with women on the board than for companies without women on the board. The regression analysis also shows the presence of women to be a significant variable in relation to ROE. Both results suggest that on average the presence of women on the board is a distinctive feature of companies that perform better. However, there may be other factors that contribute to better corporate performance.

III. Issues creating gap among men and women board members

On one side, it is said that half of the country's populationcomprises women and probably a good number of every academic course or study programme consists of women and on other hand, we see a much gender inequality at our board tables. There are some serious issues that can be looked as reasons for less women presence at boardrooms.

i. There is seemingly a lack of awareness on company boards about the importance of gender diversity particularlyabout the business case. Further, the typical expectation for prior board experience from candidates further limits theopportunities for new female directors to join boards.

ii. There has been some criticism in India that a substantial proportion of women directors inducted on to boards in thiscompliance-driven initiative are family members related to the controlling promoters and thus they lack 'independence'.Appointment of non-independent women on corporate boards may perhaps dilute the purpose of this legislative provision,and more importantly, deprive the corporations, to some extent, of the expected benefits of greater gender diversity.While there is merit in this line of thinking, it should be remembered that a vast majority of Indian companies are familyor promoter-controlled, having inherent problems relating to effective 'independence' of directors, male or female.

iii. Some interview-based studies suggest women directors do not particularly enjoy being made to feel they owe theirposition to their gender; they would rather feel that they deserved to be there for the value they add and the expertise theybring to the table. It is also suggested that while they were usually well heard, women were unsure if their voices carriedthe weight they deserved. Female directors who were chief executives or executive chairpersons of the board were theexceptions; they were certainly taken seriously possibly due to the executive authority they wielded.

iv. One cardinal principle of incorporating Women Board of Directors is that diversity for its own sake is not an improvement in governance; what matters is the combination of complementary skills and experiences that members bring to the table to better address the challenges the company is likely to face. Konrad, A. M., Kramer, V. and Erkut, S. (2006) are of the view that critical mass of women directors is good for corporate governance. While a lone woman can and often does make substantial contributions, and two women are generally more powerful than one, increasing the number of women to three or more enhances the likelihood that women's voices and ideas are heard and that boardroom dynamics change substantially. Women who have served alone and those who have observed the situation report experiences of lone women not being listened to, being excluded from socializing and even from some decision-making discussions, being made to feel their views represent a "woman's point of view," and being subject to inappropriate behaviors that indicate male directors notice their gender more than their individual contributions.

v. In the Fortune-500 companies of India, Reliance Industries and Indian Oil, currently have only one woman director between their total of 30 directors. Many have been raising the doubt on availability of enough capable women for the position. KalpanaMorparia, member of JP Morgan's global strategy team headquartered in New York and JP Morgan Asia Pacific Executive Committee who figures in the list of most powerful women inIndian industry, says

there are thousands of capable women in the country to be on the boards of Indian companies. "I don't understand why such questions should arise about the availability of women as board directors". It is to be remembered that half of the country's population comprises women and probably a little less than one half of every good academic course or study programme consists of women. There are companies who have extended their choice to women candidates from academia, law firms, government organizations and social sectors as they bring a different perspective and are especially helpful for CSR initiatives and brand building. There have also been preferences on having women members from professional bodies like the ICAI, ICAI (Cost) and ICSI. There have been around 50% women in law schools as per the ABA (2016) report which can prove to be a choice for companies.

But a research showed that increasing number of companies are hiring women for key finance, legal, retail, infrastructure, ecommerce roles due to their multi-tasking skill, ability to handle relationship with colleagues better and having a more subtle approach during negotiations. Data from research consultants suggest a 15-30% increase in demand for women lawyers at in-house legal teams in the past 12 months. The reason being the Government of India has propagated many laws for theempowerment of women including the passing of much-awaited amendment to Maternity Benefit Act, 1961 bill allowing nursing women to work from home, making it mandatory for firms to open crèches for children of mothers working as employee, etc.

Conclusion

It will not be wrong to say that there are thousands of capable women in the Country to be on the boards of Indian Companies. However, an overwhelming majority of listed companies in India (about 4.5 % under study) now have just one woman on their boards only to comply with the legal mandatory requirement. But it is truly believed that they will witness the merits of woman directors on board in the times to come and will accept the provision of woman director in spirit and not just in letter. The study conducted correctly emphasizes the positive and significant impact of presence of female directors on company's performance. In terms of quality, the results may add support to the idea that having women on boards is a logical consequence of a more innovative, modern and transparent enterprise where all levels of company achieves high performance.

Implications of the Study

Present study describes the impact of women directors on performance of companies through using statistical tools. The study can be used to highlight the sector-wise presence of women on board in order to further analyse the reasons of their less representation on boards. The study provides a base for further research into the gap analysis of women board member among various countries to see where women stand in India. Also research can be conducted on the impact of presence of female directors on other measures of profitability, ie, Return on Sales (ROS), return on invested capital (ROIC).

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Women Empowerment in Corporate Sector- A Study of India's standing in the light of Companies Act 2013

Pallavi Julasaria

Santanu Mallick

Abstract

Women constitute 48% of the population of India; yet their presence on the boards of companies has not been substantial. Companies Act, 2013 by second proviso to section 149(1) which is related to the appointment of the women director made an effort for involvement as well as empowerment of the women in Indian corporate sectors. Study of NSE listed companies reveals meager representation of women in Directorship positions. Our study also evaluates the areas where women face difficulties and suffer from inequalities in corporate environment. An attempt has been made to figure out India's position in world in inclusion of women in corporate work process. Study also suggests certain steps that can be adopted to make scenario more favorable for both existing & potential women employees in future.

Key Words

Companies Act, 2013, Women Director, Corporate Environment, Inequalities

1. Introduction

Empowerment is a multi dimensional process which should enable individuals or a group of individuals to realize their full identity and powers in all spheres of life. Women empowerment refers to increasing the spiritual, political, social, educational, gender or economic strength of individuals and communities of women. Women's empowerment in India is heavily dependent on many different variables that include geographical location (urban / rural) educational status social status (caste and class) and age. Policies on Women's empowerment exist at the national, state and local (Panchayat) levels in many sectors, including corporate, health, education, economic opportunities, and gender based violence and political participation. However there are significant gap between policy advancements and actual practice at the community level. Empowerment of women is essentially the process of upliftment of economic, social and political status of women, the traditionally underprivileged ones, in the society. It is the process of guarding them against all forms of violence. Women empowerment involves the building up of a society, a political environment, wherein women can breathe without the fear of oppression, exploitation, apprehension, discrimination and the general feeling of persecution which goes with being a woman in a traditionally male dominated structure. Women constitute almost 50% of the world's population and 48% of India's population but still India has shown disproportionate sex ratio whereby female's population has been comparatively lower than males. As far as their social status is concerned, they are not treated as equal to men in all the places. In the Western societies, the women have got equal right and status with men in all walks of life. But gender disabilities and discriminations are found in India even today. The paradoxical situation has such that she was sometimes concerned as Goddess and at other times merely as slave. The society in our county is male inclined from the very inception. Women were always seen as lower to men. But now, the time has drastically changed the thinking of society. Several laws are framed for providing security and special status to women. From many years the Central Government was providing even a special tax exemption to the women. Some schemes of Central Government are specially designed only for the betterment,

protection and empowerment of the women. As a consequence, nearly one billion women who are set to enter the workforce in the next decade are viewed as drivers of economic growth, as the "third billion" next only to India and China (Booz & Co., 2012). According to a study, only five percent of working women in India make it to senior leadership positions in the corporate sector, compared to the global average of 20 percent. The gender-based research carried out by Anupriya Singh of Delhi-based Lal Bahadur Shastri Institute of Management said there was "gender inequality" in placement of women in the corporate sector in India. According to the study, women's representation at the board level was lesser at just two percent.

Yet, the inclusion of women in the highest echelons of business and management has not been as promising. In the second decade of 21st century i.e. after 2010 lots of women joined the corporate sectors and not only joining they started to take active part in all sorts of activities from office work to decision making etc. Under company form of business the Board of Directors is the important body elected by the shareholders of the company and is responsible for running of the company. The board shall act in good interest of the company. It protects the interest of the various stakeholders of the company. The Companies Act 2013 enhanced the accountability and responsibility of the directors by mandating certain disclosures and provision of the Act. One of the mandatory as well as sensational provisions of the companies Act 2013 where we can say that by second proviso to section 149(1) which is providing for the appointment of the women director is an effort for empowerment of the women in India.

2. Literature Review

Academic research related to women on boards has tended to adopt three broad perspectives: (a) the corporate governance perspective, where the fiduciary responsibility of the boards is to the shareholders, and investors make demands on them to play the monitoring and oversight role effectively; (b) the institutional perspective, where it has been argued that firms seek external legitimacy, and the representation of women on the boards contributes to this legitimacy; and (c) the resource dependence perspective, where it is argued that since women are significant stakeholders in the society for organizations, they bring in their advice and counsel and thus provide a source of competitive advantage for the organization. Most of the existing literature on women on boards has a **corporate governance** perspective. It has been argued that key demographic characteristics including age, educational background, gender, race, and ethnicity (Carpenter et al., 2004; Joshi et al., 2011) affect the directors' cognition, behavior, and decision making, and subsequently impact firm-level outcomes (Forbes and Milliken, 1999). Therefore, gender diversity in organizations is seen as a process of creating value for the organization. A brief overview of the three theoretical perspectives is provided below. It is well-recognized that boards are responsible for strategy formulation and monitoring/governance (Jensen and Meckling, 1976). Unlike strategy formulation, monitoring and governance are far more routine and (arguably) mandatory aspects of board service. In this case, gender diversity at the board level may increase the likelihood of the board being more amenable to differing perspectives during the course of its monitoring duties, as the board is asked to review issues, rather than create them (Abbott et al. , 2012). Since the board is often characterized as questioners of management and status quo (Johnson et al., 1996), a diverse board would help avoid "groupthink", and the presence of women would aid the proliferation of perspectives and viewpoints on corporate boards, leading to better assessments of risk and less rubberstamping of CEOs' decisions; this would improve the monitoring and oversight capacity of the board (Branson, 2012). Adams and Ferreira (2009) provide empirical evidence for this argument: (1) the likelihood that a female director has attendance problems is 29% lower than for a male director; (2) male directors have fewer attendance problems when the number of female directors on the board is greater; (3) firms with more diverse boards provide their directors with more pay-for-performance incentives; and (4) firms with more diverse boards have more board meetings. Nielsen and Huse (2010) find that gender-diverse boards have less conflict and are associated with more strategic control and board development activities. In their sample of U.S. companies, Abbott et al. (2012) found that after controlling for other restatement-related factors, a significant association between the presence of at least one woman on the board and a lower likelihood of restatement. The results of this study suggest that board gender diversity may heighten the board's monitoring vigilance. The second perspective employs the institutional theory, where it is argued that institutional forces shape organizational systems—they model themselves on successful examples from the external environment, perpetuating practices that could be symbolic and that provide external legitimacy (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Scott, 2001). According

to this theory, the existence of gender diversity on boards may issue positive signals to markets—labour, products, and capital markets—by providing a greater degree of legitimacy to corporations and improving their reputations (Carter et al., 2007; Rose, 2007).

The third perspective draws on the resource dependence theory. Pfeffer and Salancik (1978) suggest that directors bring four benefits to organizations: (a) information in the form of advice and counsel; (b) access to channels of information between the firm and environmental contingencies; (c) preferential access to resources; and (d) legitimacy. These benefits highlight the significance of diversity of perspectives within teams in decision making. Research suggests that teams with functional (occupational) diversity solve problems faster and more effectively than teams of like-minded people (Barsade et al., 2000); further, studies indicate that demographic diversity increases network connections, resources, creativity, and innovation (Di Tomaso et al., 2007). Therefore, the presence of women on boards and in top management positions could promote a better understanding of the marketplace by matching the diversity of a firm's directors to the diversity of its potential customers and employees, thereby increasing its ability to penetrate markets (Carter et al., 2003; Campbell and Mínguez-Vera, 2008). Moreover, diversity enhances creativity and innovation inside the corporation and would lead to more effective problem-solving, since a more diverse board provides a wider variety of perspectives and, consequently, a higher number of alternatives to evaluate (Rose 2007; Welbourne et al., 2007). Thus, the arguments for the inclusion of women on boards translate into tangible organizational benefits and become a source of competitive advantage through the board process. The dominant argument is that diversity per se may not result in positive benefits; however, it is the human capital perspective (Johnson et al., 2013) of the diversity that impacts the board process. The human capital characteristics are the skills and experiences that individual directors bring to the decision-making process. These can range from knowledge of an industry, prior experience as a CEO, experience in finance or venture capital, familiarity with a specific event such as firing a CEO, and overall familiarity with the firm

Research Gap

Though from the above literature review we have found enormous literature on women empowerment in corporate sector but there is very little in Indian perspective. Hence our study intends to throw some light on the cuurent status of India with respect to position of women in corporate sector, reasons behind existence of gender gap and problems faced by women in corporate sector .

Objectives

a) To analyze the contribution of corporate world in achieving gender equality and empowerment of women in the light of Companies Act 2013.

b) To understand the issues and challenges faced by women in corporate sector.

C) To suggest measures to be adopted for achieving gender equality and empowerment of women in corporate sector.

3. Research Methodology

For theoretical study we shall depend on the current literature available on this particular issue in the form of books, journals, articles, research studies and websites. The analysis is based on secondary data entirely. Various trends have been shown with the help of various statistical data like bar charts, pie charts, tabular representation of data etc. to give a better representation of the matter.

4. Provisions Relating to Women Directors, Companies Act 2013:

The significant changes brought in by the Companies Act, 2013 are:

The Act, 2013 has introduced for the first time –

- defined duties of directors
- defined the role of independent directors
- cast a duty on the Board to device proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

- made provision for appointment of woman director

- Increased the maximum number of directors from existing limit of 12 to 15 and provided for increase beyond 15 by a special resolution

- Kept the power with Central Government for prescribing minimum number of directors in case of certain companies or class of companies
- prohibited insider trading
- provided for stringent penalties for violation of duties and non disclosure of interest in related party transactions

4A. What are the provisions of Act?

Let us now have a close look at the provisions relating to appointment of directors. The relevant Section is 149 of the Act, 2013. It deals with the provisions relating to appointment of directors and matters such as the minimum and maximum number of directors, type / class of directors to be appointed. Elaborately it dealt with attributes of an independent directors and time limit of one year within which the provisions have to be complied with for achieving employment of woman direct and minimum number of independent directors on the board.

4B. Provisions relating to women directors

Proviso to Section 149(1) stipulates that Companies with such criteria to be announced shall appoint woman directors. The Companies (Appointment & Qualification of Director) Rules, 2014 which come into force on 1st April 2014 provides the class of companies which shall appoint at least one woman director, these are-

a. Every listed company shall appoint at least one woman director within one year from the commencement of the second proviso to Section 149(1).
b. Every other Public company:
- having paid up capital of 100 crores or more or
- a turnover of 300 crores or more as on the last date of latest audited financial statements have to compulsorily appoint within 3 years from the commencement of second proviso to Section 149(1) of the Act.
Time limit of one year is provided to fall in line with the new requirement. A search for right kind of women directors has to be made and it is certainly a time consuming exercise.

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

So, we can make the difference for the purpose of compliance of the provisions between companies:

Here, first category is of the companies which are incorporated under the current act, for which the proviso is providing that they are to appoint the women director with in the period of six months.

Second category is of those companies which were incorporated under the previous company laws, for those companies the period shall be one year from 1st April 2014 i.e. until 31st March 2015.

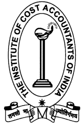
But the main concern here is to see whether the companies will seriously appoint deserving women director or the women director will also be coming out of the Promoter group. The provision is not clear about the independence of the women director. So, until when there is no restriction for the appointment of women director from the promoter group, there will be no difficulty for the promoters to appoint a women director. But, we can interpret only that this provision is a social measure so, the government will not take any step for independence of the women director.

Moreover, if the women director will be independent, it will be more beneficial for the companies because by appointing independent women director they will be complying two provisions of section 149 i.e. by appointing the women director and Independent Director.

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. This proviso can be analyzed as essential for maintaining the post of women directors as if this provision would not have been made, the companies will be appointing a women director and after appointment will try her removal and would have overcome law. But this provision has ensured the enforcement of the appointment of Women Director in a Company.

5. Why focus on Woman directors?

It is quite interesting to note certain facts about women directors from the statistics. According to "Catalyst" a



nonprofit research organization in America, many of the Fortune 500 companies which have highest representation of women directors on board have achieved better financial performance than those have less representation of women directors on Board. Yet in US women held about 17 % of the board seats of Fortune 500 companies in the year 2012. In UK it is 19% .In Norway it is surprisingly 41 %. In India it is roughly 7% of the directors on listed companies which is a very dismal percentage. Thrust given by the New Act, 2013 is certainly going to help in improving the representation of women directors on the board.

6A. Women on Boards Make More Return

More women on board do not only mean the mode to attract sales and production but also creates some public image. It does increase financial return as well rather than mere media attention. In terms financial returns means that the return on equity (ROE) increases. The study reveals that the board of a private sector company, run by a professional CEO with a mix of both men and women, helped ROE rise by 4.4% in 2014 over the last year. In contrast, a similar company with a men-only board saw its ROE rise by a mere.1.8% in the same period. Certain other examples would be Chanda Kochhar, who heads ICICI bank and Kiran Mazumdar Shaw, director of Biocon Limited has shown a positive difference on return on equity. All the above analysis shows that there has been an increase in women participation on the boards and also the highlight of the entire legislation is that gender diversity has been addressed through initiating a move towards women on board. Failure to address such gender diversity would lead to serious economic consequences in future. All listed companies must have at least one woman director on their board, according to new corporate governance norms finalized by capital market regulator Securities and Exchange Board of India (SEBI). This small proportion of directors can be only on the boards of seven listed companies, which further restricts options for companies on the lookout for women directors, this is according to SEBI's guidelines. Henceforth, need for women director in Indian companies has become inevitable. This is a good sign for the corporate growth in the country. There are many reasons for scarcity of representation of women in senior leadership positions. Experts say that women on boards lead to more profitability and sustainability. Thus, the 2013 landmark enactment has paved way for gender diversity and more women participation.

Performance of companies employing more women workers/executives has improved over time (Evidence):

In 2010, McKinsey & Company analyzed companies from Europe, Brazil, and India, among others, showed that companies with the highest share of women in their senior management teams outperformed those with no women by 41 percent. In terms of return on equity, the "top-quartile group exceeds by 41 percent the group with no women. (22 vs. 15 percent)." While these numbers do not demonstrate causality, the conclusion shows that higher performing companies have more women in their executive committees.

A study by Catalyst Information Center, 2012 of the top 30 firms on the Bombay Stock Exchange found that those with women leaders of family-owned businesses fared better in annual growth rates than the Bombay Stock Exchange 30 as a whole for the previous five years.

6B. Growth rate in GDP of a few countries has improved with increase in the number of employment of women worker (Evidences)

There is ample evidence that when women are able to develop their full labor market potential, there can be significant macroeconomic gains. (Loko and Diouf, 2009; Dollar and Gatti, 1999). GDP per capita losses attributable to gender gaps in the labor market have been estimated at up to 27 percent in certain regions (Cuberes and Teignier, 2012). Aguirre and others (2012) suggest that raising the female labor force participation rate (FLFPR) to country-specific male levels would, for instance, raise GDP in the United States by 5 percent, in Japan by 9 percent, in the United Arab Emirates by 12 percent, and in Egypt by 34 percent. Based on International Labour Organization (ILO) data, Aguirre and others (2012) estimate that of the 865 million women worldwide who have the potential to contribute more fully to their national economies, 812 million live in emerging and developing nations.

7. Issues and challenges faced by women in corporate sector:

India ranks 108 out of 145 countries in the World Economic Forum's Global Gender Gap Index. Iceland, Norway, Finland, Sweden and Ireland top the Index. India's neighbours–Bangladesh, China and Sri Lanka–are ranked higher than India.

Nepal, Bhutan and Pakistan are ranked below India. However, that is the only real good news for India ranks second in the Asia and Pacific region in political empowerment. In economic participation and opportunity, which considers labour force participation and wage equality, India ranks a poor 139. India, in fact, widened the gap in labour force participation by 7% and is the third-lowest ranked country in Asia-Pacific.

Some of the major inequalities and difficulties faced by women in corporate sector are:

- **Gender Gap in Earnings:** The average gender pay gap in India stands at 27 percent, where men earn a median gross hourly salary of Rs. 288.68, whereas women earn only a median gross salary of Rs. 207.85 per hour. Preference for male employees over female employees, preference for promotion of male employees to supervisory positions, career breaks of women due to parenthood duties, and other socio-cultural factors are some of the reasons of prevailing gender gap. Table 4 in Data Analysis section shows the sector wise gender gap.

- There is also gender biasness with respect to promotion and recruitment of women in corporate sector in India.

- Poor security is another major issue that women face in the workplaces. Women working in corporate sector and other private organizations mostly fall victim of various crimes at workplace and this is due to lack of security provided to the employees.

- Sexual harassment is a major issue that women face at their workplace and many women fall victim of sexual harassment at workplace.

- Paid maternity leave is not commonplace in India. So the decision to take time off for childbirth and an extended maternity leave can often result in financial hardship for women.

8. Analysis and Findings

An inspection of Table 1 depicts the representation of women and men on boards at international level. Top five nations with highest percentage of women on boards are European nations. Norway is able to secure the top position with 35.5% women participation, followed by Finland(29.9%), and then by France(29.7%), whereas Japan has lowest 3.1% women involvement on board followed by Portugal(7.9%) and then by India(9.5%). India is at 18th position. Even world most powerful economy United States also lags behind at 10th position with 19.2% women on board. Figure 1 depicts the global analysis of gap between men and women representation on boards whereas Japan having maximum gap of 93.8% followed by Portugal (84.2%) and then by India (81%).

Table 1: Country-wise representation of women on boards with rank and year of enactment

Country	Women (in %)	Men (in %)	Rank	Year of Enactment of Women quota Boards	Type of Quota
NORWAY	35.5	64.5	1	2003	Legislative
FINLAND	29.9	70.1	2	2004	Legislative
FRANCE	29.7	70.3	3	2010	Legislative
SWEDEN	28.8	71.2	4	2004	Voluntary
BELGIUM	23.4	76.6	5	2011	Legislative
UNITED KINGDOM	22.8	77.2	6	2010	Voluntary
DENMARK	21.9	78.1	7	2013	Legislative
NETHERLAND	21	79	8	2012	Legislative
CANADA	20.8	79.2	9		
UNITED STATES	19.2	80.8	10	2010	Voluntary

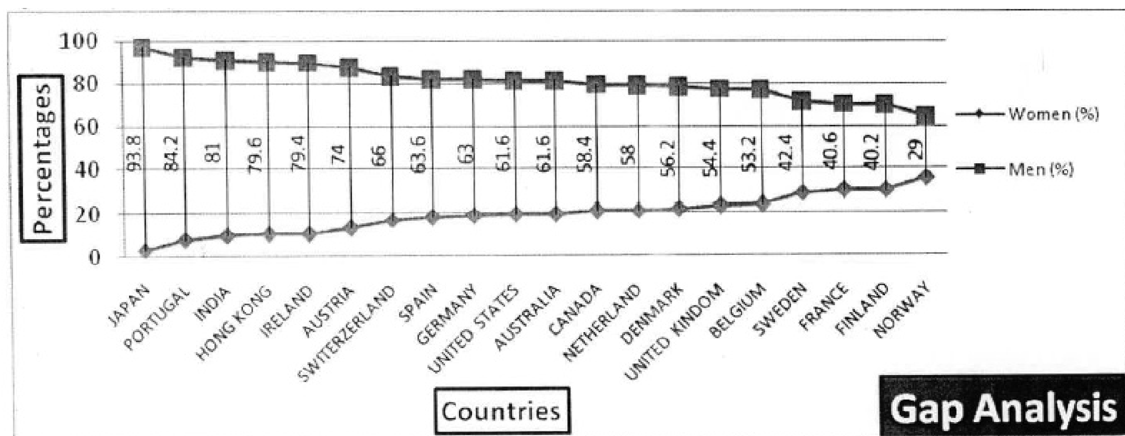
Country	Women (in %)	Men (in %)	Rank	Year of Enactment of Women quota Boards	Type of Quota
AUSTRALIA	19.2	80.8	11	2011	Voluntary
GERMANY	18.5	81.5	12	2014	Legislative
SPAIN	18.2	81.8	13	2007	Legislative
SWITZERLAND	17	83	14		
AUSTRIA	13	87	15	2011	Legislative
IRELAND	10.3	89.7	16	2004	Legislative
HONG KONG	10.2	89.8	17	2011	Voluntary
INDIA	9.5	90.5	18	2013	Legislative
PORTUGAL	7.9	92.1	19	2012	Legislative
JAPAN	3.1	96.9	20	-	

Source: *Catalyst Census: Women Board Directors (2014), Corporate Women Directors International (2013 & 2014).*

Reasons for huge gender gap in India in women representation on boards:

Apart from societal barriers where some women may find it hard to obtain the education and training required to advance into management positions,corporate cultures and climate are also responsible for alienating women. Lack of mentoring, management training and opportunities for career advancement, Biased rating and testing systems, Lack of consistent monitoring and prevention programs, lack of support from upper management to address and eliminate gender issues are some of the reasons narrowing the percentage of women in senior positions and widening gender pay gap in India.

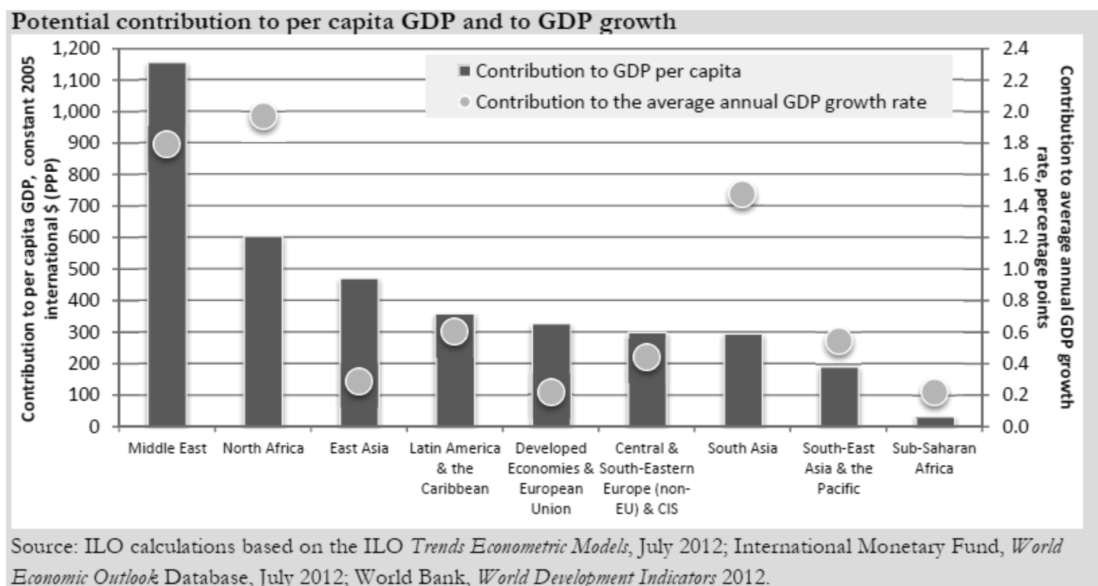
Figure 1:Gap Analysis of women and men on board in different countries



Globally, the scenario indicates that an additional US$1.6 trillion in output (measured in PPPs) could be generated through a reduction in the employment-to-population gap. As the figure below depicts, the economic contribution is significant in all regions. For example, in the Middle East and North Africa, it is expected that GDP would increase by US$415 billion if the gap

drops from 50.6 to 30.6 percentage points between 2012 and 2017, with significant effects in the regions' per capita GDP. In South Asia, it is expected that GDP would increase by US$516 billion if the gap drops from 48.1 to 29.4 percentage points between 2012 and 2017. If the gender gap drops from 26 to 17.2 percentage points in Latin America and the Caribbean between 2012 and 2017, there would be US$223 billion in additional GDP, while if the gap drops from 13.2 to 12.1 points in Developed Economies and European Union over the same period, there would an increase in GDP of US$159 billion.

Figure 2:



Source: ILO calculations based on the ILO *Trends Econometric Models*, July 2012; International Monetary Fund, *World Economic Outlook* Database, July 2012; World Bank, *World Development Indicators* 2012.

Table 2: Directorships status of NSE listed companies

NSE Listed Companies (1568)					
Particulars	**Men**	**Percentage**	**Women**	**Percentage**	**Total**
No. of Directors	8623	85.90	1416	14.10	10039
No of Directorship Positions Held	12073	86.37	1905	13.63	13978
No. of Independent Directors	4154	84.55	759	15.45	4913
No of Directorship Positions Held by Independent Directors	6689	85.25	1157	14.75	7846

Source: *Indian Board Database*

The above table shows the percentage of men and women on boards of NSE listed companies. It has been observed that out of total directors 10039 only 14.10% are women. Also in directorship positions, women lag behind representing 13.63%. Out of total 13978 only 759 directorship positions held by women. Total no of independent director on the board is 4913 whereas only 14.75% are women with absolute figure of 1157.Major portion i.e. 86.37% with total of 12073 number of directorship is held by men in companies whereas women held only 1905 directorship positions (13.63%) as independent directors.

Figure 3: Gap Analysis of women and men on boards of selected companies (absolute figures)

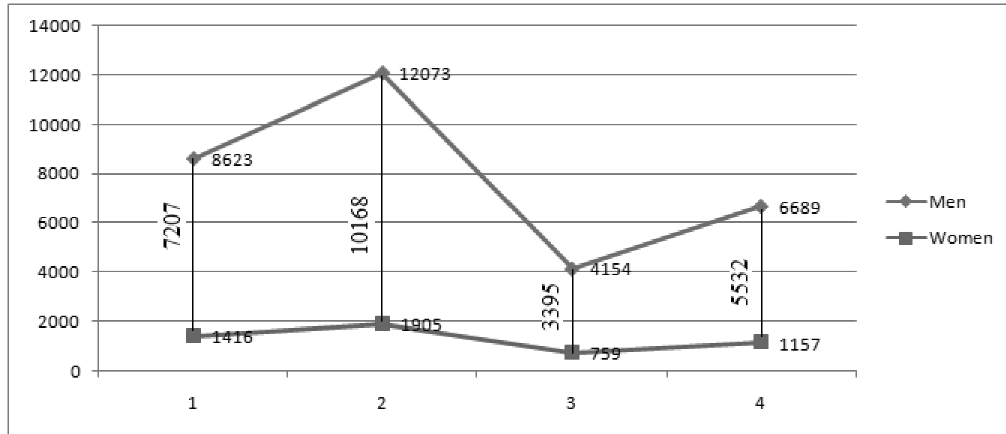


Table 3: India's rank under different criteria

Criteria	Rank	Score
Economic Participation & opportunity	139	0.383
Labour Force Participation	136	0.35
Wage Equality for similar work	129	0.51
Estimated Earned Income(PPT US $)	139	0.25

Source: *The Global Gender gap Report 2015*

Table 4:Sector-wise Gender Gap

Sector	Wage Rate (Men)	Wage Rate (Women)	Gender Pay Gap
IT Services	375/hr.	206/hr.	44%
Healthcare & Social Work	223/hr.	218/hr.	2.5%
Education & Research	216/hr.	192/hr.	12%
Financial Services	316/hr.	266/hr.	16%
Transport & logistics	254/hr.	216/hr.	15%
Construction &Consultancy	288/hr.	223/hr.	23%
Manufacturing	261/hr.	187/hr.	37%
Legal & market Consultancy	257/hr.	207/hr.	24%

Source: *Report released by the latest Monster Salary Index (MSI), by Monster.com, based on data set on wages from January 2013 to September 2015.*

It can be observed from the above table that gender pay gap exists in all the sectors in India with maximum gap in IT Services

sector followed by manufacturing. Health care and social work sector has performed well in this respect.

9. Suggestions of Measures to be adopted for achieving gender equality and empowerment of women in Corporate Sector:

Inequalities arises when organizations fails to ensure equality by taking adequate steps. Women empowerment calls for proper steps to be adopted by the corporate world to provide the working women three "S" i.e. Strength, safety and Security. Some of them include:

- Proper implementation of the Companies Act2013 and proper accountability of the Companies to be kept by the Government for ensuring the significant representation of women at all levels.
- Continuous monitoring of salary gaps.

Initiating long term leave program, proper maternity leave program and career break facilities.

- Ensuring involvement of women in major decision making activities of organizations concerned.
- Adoption of strict measures required to end sexual harassment and violence among women.

Suggestions of Steps to be taken to minimize the gap in women representation on boards:

- Companies should provide more opportunities and career advancement programmes for women so that they can get their due share.
- Consistent monitoring and prevention programs should be organized by the corporates with proper support from upper management to address and eliminate gender issues for narrowing the percentage of women in senior positions and widening gender pay gap.

10. Conclusion

As a catalyst of social change, corporates have a bigger role to play. Gender equality and empowerment of women will not be a distant dream if the corporate world, Government and women themselves take proper initiatives in this regard. Unequal Pay creates depression and demotivation among women leads to conflict in work –family, and deterioration in their work performance. It leads to gender imbalances which are still prevailing at the workplace. Henceforth eradication of this pay gap is very important requirement. From our data analysis of NSE listed companies, it has been observed that women still have a very meager representation in Directorship positions in corporate sector. So, need of the hour is to eliminate this disparity by proper measures by organizations for empowerment of women. The Organization for Economic Co-operation and Development (OECD) reports that the annual growth of the economy could improve 2.4% if India implements pro-growth and pro-gender policies. Last but not the least it is the responsibility of women to discard the nature of self denial, sacrificing and compromising nature and adopt principles of self assertion and self confidence.

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Research Bulletin, Vol. 42, No. IV (ISSN 2230 9241)

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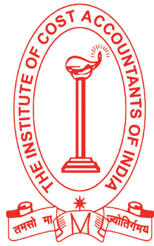

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HEADQUARTERS

CMA BHAWAN
12, Sudder Street, Kolkata-700 016
Tel: +91-3322521031/1034/1035/1492/1602/
1619/7373/7143
Fax: +91-33-22527993, 1026, 1723

DELHI OFFICE

CMA BHAWAN
3,Institutional Area, Lodhi Road, New Delhi – 110 003
Tel: +91-11-24622156/57/58
Fax: +91-11-43583642

EDITORIAL OFFICE

CMA Bhawan, 4th Floor
84, Harish Mukherjee Road, Kolkata - 700 025
Tel: +91-33-24540086/87/0184
Fax: +91-33-24540063
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