

# LEGALFOXES LAW TIMES

## NEED OF WOMEN DIRECTORS IN THE GLOBALISED WORLD

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### ABSTRACT:

*Ranging from Mrs. Patil (former president of India) to Mrs. Mary Kom (sport person) and Mrs. Nita Ambani (Businesswomen) to R. Bhanumati, J. (Supreme Court of India) India has witnessed a diversified role of Women in almost every field. With this in 2014 section 149(1) companies Act, 2013 read with rule 3 of companies (Appointment and Qualification of Director) rules 2014 have mandated the companies for appointment of at least 1 women director in its board. Therefore in this paper, I tried to explain the role of women directors in this leading competitive world.*

### I. INTRODUCTION

According to sec 2(13) of companies act, 2013 director includes any person occupying the position of director, by whatever name called. According to section 149, there should be a minimum of two directors in a private company and minimum of 3 directors in a public company. Sec 149(1) of Companies Act, 2013 read with Rule 3 of prescribes that following class or classes of companies shall appoint at least one woman director.

1. Every listed company
2. Every other public company, having
  - a. Paid up capital of 100 cr. Or more; or
  - b. Turnover of 300 cr. Or more

shall have atleast one woman Director within a period of one year from the enforcement of this ac.If any vacancy arises in the office of women director, such vacancy shall be filled up earliest but not later than the following dates:

- a. 3 months from the date of vacancy;
- b. at the 1<sup>st</sup> board meeting held after the vacancy in addition to this.

SEBI vide recent notification provides that board of directors of top 500 listed entities shall have 3one independent women director by April 1, 2019 and the top 1000 listed entities shall have at least one independent women director by April 1,2020 which shall be determined on the basis of their market capitalisation.

## **II. WHY DO WE NEED WOMAN DIRECTOR?**

With the advancement of technologies in the 21<sup>st</sup> era, many scams have arisen in the corporate industry which ultimately gives the pathway to introduction of women director in corporate governance.

Having women director can help in many ways such as:-

1. Better financial results in terms of returns on scale(ROS) & return on investments (ROI)
2. Corporate and ethical governance by reducing the amount of overall risks concerned
3. Promotion and encouragement of women at the workplace
4. Maximisation of profits of the company
5. Optimum utilisation of resources of the company.

Article 16 of the Indian constitution states all citizens should have equal opportunities for citizens in matters relating to appointment and employment to any office under the state and no discrimination should be made on basis of caste, creed, sex, descent, or place of birth or any one of them. Article 39(a) men and women should equally have adequate means of livelihood.

Article 39(d) provides secure equal pay for equal work for both men and women.

## **III. QUALIFICATION OF WOMEN DIRECTORS**

For a women to become a director of the company she shall not be disqualified as mentioned under section 164 of the companies Act, 2013 read with rule 14:

- (a) If she is declared unsound mind by the court
- (b) If she is declared un-discharged insolvent or has applied for insolvency
- (c) If she has been convicted for 6 months under an offence involving moral turpitude and 5 years has not been elapsed from the date of expiry of period. if he has convicted for 7 years he will never be eligible for being appointed as a director
- (d) Non-payment of call at least 6 months from the last due date
- (e) If she has been convicted under section 188
- (f) If she has not allotted DIN

1(i).If a director does not comply with a number of directorships i.e. maximum 10 in a public company and maximum 20 in a private company he shall be disqualified under section 164 of Companies Act (as per the Companies Amendment Ordinance, 2019)

2 If a public company fails to file its annual accounts or annual returns for continuous 3 financial years or fails to pay dividends, debentures. Deposits or Interests on deposits and if such failures continue for 1 year in such a case all the directors of that company will become ineligible to be appointed as a director for 5 years.

#### **IV. PROCESS OF APPOINTMENT OF WOMEN DIRECTOR**

For appointing a woman director following steps is to be followed

1. Apply for DSC to MCA
2. Once DSC has been allotted apply for DIN in form DIR 3 followed with DIR 4
3. Once the person has been allotted a DIN,he conducts an EGM or AGM as decided by shareholders and passes a special resolution in meeting for appointment of director.
4. File the special resolution with ROC in form MGT14

5. Obtain the consent of the director who is to be appointed as a director in form DIR2
6. Record a declaration of director in DIR8 with ROC
7. Once the appointment letter is issued to the director it has to be filed in DIR12 with ROC
8. The company can make necessary entries in register of directors and Managerial personal as required

Thereby you will have a new company director name on the MCA website.

#### **V. DURATION OF WOMAN DIRECTORS**

A woman director holds the office of directorship until the next AGM for which she is appointed. However, she can be reappointed by passing a special resolution in the next AGM. Similar to other directors a woman director is also liable for retirement by rotation as mentioned under section 152(6) of companies act, 2013. A woman director can also give resignation under section 168 or can be removed from her office as mentioned in section 169 of companies act, 2013.

#### **VI. REMUNERATION OF WOMAN DIRECTORS**

Industries have witnessed a huge gap between male directors to female directors, while the salaries of male directors on an average is 36 lakhs per annum salary of female directors have hardly increased from 27lakhs per annum in 2016 -2017 by 36 lakhs per annum in 2018, This has clearly shown a gap of Rs.5 lakhs in both their salaries. According to the prime database of Nifty 100, the gap between the average salary of men and women is approximately 1.2 crores. The pay gap arises not because men and women are paid differently for the same work but because the labour market incentivizes them to work differently.

#### **VII. CONCLUSION**

Ministry of corporate affairs with an objective of woman empowerment in corporate sectors have implemented the concept of women director under section 149(1) read with rule 3 of companies

(Appointment and Qualification of Director) Rules 2014. SEBI wide notification of SEBI LODR Regulation,2016 have issued guidelines regarding this .A research was done on fortune 500 companies and it was found that and it was found that almost all the companies have a women director on board and that is the reason the concept of women director is introduced in this act. Although large corporates have realised the value of woman on board and have made progression towards these sectors but a lot is still to achieve in the coming years especially in the change of mentality of people towards woman directors.

#### REFERENCE

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