

# ONE SEAT OFFERS A VIEW OF INDIA'S FUTURE

Regulatory efforts have made a controversial start to reforming the gender balance on boards, says Brunswick's **AZHAR KHAN**

Everyone agrees: India needs more women like Renu Sud Karnad, a banker who sits on the boards of several Indian companies. Yet she is a rarity, reflecting India's modest efforts to place more women on boardroom seats.

India's Companies Act, enacted in 2013, requires at least one woman on the board of all listed companies, a move inspired by the ambitious quotas put in place by some European countries. But while a strict regulatory requirement in Norway, for instance, has achieved 40 percent representation by women, the much weaker "one woman" rule in India is facing resistance.

Only 12.1 percent of board seats at the Bombay Stock Exchange's top 200 companies are occupied by women, according to a 2015 UK government report by former trade minister Mervyn Davies. In 2015, the Securities and Exchange Board of India fined 530 companies for missing multiple deadlines to meet the quota. For listed companies, the fine is 142,000 rupees (\$2,240) plus 5,000 rupees (\$78) a day. Such penalties may not be enough. Among companies that have complied, many have simply appointed a female relative of an existing manager or shareholder as a proxy.

Anjali Bansal, a Partner and Managing Director at global investment firm TPG Growth and an independent director on the India board of UK pharmaceuticals group GlaxoSmithKline, argues that even this is an important start because "at least it gives women a seat at the table."

Asking companies to prove the fitness of candidates will merely slow down the process further. "The more conditions you impose, the less likely it is that you will find suitably qualified women," she says.

Bansal is one of a small number of women who are well-established business leaders in India. An engineer turned McKinsey consultant, she set up the India offices of executive search firm Spencer Stuart prior to her current role at TPG.

**RENU SUD KARNAD** spearheads lending operations at HDFC, one of India's largest mortgage houses, and is a member of the board. Once opposed to the notion of quotas, she now insists the law should be strengthened, acknowledging that "some sort of reservation is necessary to focus on the issue – perhaps for a generation."

N. Balasubramanian, a governance expert and professor at the Indian Institute of Management in Ahmedabad, sees the "one-woman" requirement as a step in the right direction, but agrees that much more needs to be done before any positive change in board culture can be expected.



"Studies have shown that three women directors – or a third of the group – count for much more in terms of effectiveness than just one or two," he says.

In 2014, in an attempt to deepen the pool of boardroom talent, Bansal founded a program to mentor women for independent directorship positions. The program aims to give participants a greater level of familiarity with crucial boardroom matters, says Bansal. At least 30 women who have completed the program, all experienced professionals and none from the family of a lead shareholder, have since become independent directors.

The scarcity of women in the workplace is worsened by expectations that women will not return to work after having children. A recent study by Catalyst, a nonprofit promoting the inclusion of women in the workplace, found that nearly half of Indian women drop out of mid- or senior-level careers to raise a family, compared to 29 percent across Asia.

Karnad, who sits on audit committees of electronics company Bosch and automation group ABB, is among those professional Indian women who was able to return to her career after starting a family. She cites the important supporting roles played by her employer, HDFC, and her own family in her professional success.

Balasubramanian says that despite resistance, businesses ultimately will be unable to resist the financial rewards that have been shown to accompany more women on boards. Research by accountancy firm Grant Thornton estimates Indian companies could improve their returns by \$14 billion annually by including at least one woman. That advantage isn't widely understood.

"If that improves, then I can see boards voluntarily seeking out more women for their boards," he says. "Otherwise, it is just a case of them ticking a checklist."

**AZHAR KHAN** is a Director in Brunswick's Mumbai office.