

Gender Diversity in the Boardroom and Firms Financial Performance: A Study on Nifty Automobile Index


Sharma P^{1*}

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^{1*} Priyanka Sharma, Research Scholar (Ph.D), Department of Commerce, University of Calcutta, Kolkata, West Bengal, India.

Women's representation in the boardroom refers to the proportion of women serving as directors in corporate governance structures. A recent study shows that women held around 21% of board seats in NSE-listed companies (IMPR). Despite gradual progress, women remain underrepresented globally. The study was conducted to examine the impact of gender diversity particularly in leadership and board position in Nifty Automobile Index. The study covers data of 5 years ranging from 2020-2021 to 2024-2025. The finding didn't give clear evidence that female board members affect the financial performance of the firm.

Keywords: Female Board Representation, Gender Diversity, Corporate Governance

Corresponding Author	How to Cite this Article	To Browse
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1. Introduction

Board of directors are considered to be the principal mechanism for implementing and maintaining good corporate governance and gender diversity has emerged as a vital factor in shaping the financial performance of today's corporate world. Companies that embrace a balanced representation of gender, particularly in leadership and decision-making roles, tend to benefit from a wide range of perspectives, leading to more innovative solutions and better strategies. The diversity enhances problem solving abilities, improves risk assessment, and strengthens corporate governance. The configuration of corporate boards had been an important research topic in corporate governance during the last decades, although arguments about the need to review the composition of the board still remain strong, especially with regard to gender diversity (Baker et al.,2020). During the last decade, there was a noticeable trend of increasing the representation of women on boards in several countries worldwide, arguing that corporations with female executives make better decisions for the shareholders (Huang and Kisgen,2013). Although European countries were the leading parties in promoting women's rights in the workplace, other countries followed the trend through mandatory laws or recommendations(Wang 2020).

The introduction of The Company Act, 2013 mandate for women directors has significantly boosted female representation on corporate boards, marking a notable improvement over provision of The Companies Act, 1956. The second clause in Section 149(1) of The Company Act, 2013 mandates that they must include at least one woman director on the board. Specifically the requirement applies to all listed companies and unlisted companies with paid up share capital of ₹ 100 crore or more or turnover of ₹ 300 crore or more. The Act also provides penalties for non-compliance with this requirement, ensuring enforcement through appropriate regulatory measures.

2. Literature Review

Liu et al. (2014): The paper examines the effect of board gender diversity on firm performance in China's listed firms and found a significant and positive relationship between female board representation and firm performance.

It was also found that female executive directors have a stronger positive effect on firm performance than female independent directors.

Griffin et al. (2021): The study provides evidence that countries with narrow gender gaps, higher female labor market participation are more likely to include women in boards. It also indicates that firms with greater female board representation tend to produce more citation weighted number of patents, and demonstrate a higher level of innovative efficiency.

Jaiswal and Mandal (2021): The study of five pharmaceutical companies in India over the period of 10 years was conducted to find the relationship between corporate governance and its impact on firms' financial performance. The finding shows that BS and ID are significantly negative with firm financial performance variables (ROA, ROS, ROCE) whereas FBM and BODMEET are significantly positive.

Kaur and Rana (2022): An attempt was made to check the impact of gender diversity on the financial performance of the Indian Automobile companies. The variables taken to check the relationship were profit after tax, return on assets, percentage of women directors on board, Blau Index, Shannon Index, percentage of women directors in the audit committee and total assets. Regression analysis was used to test this association. The study concludes that gender diversity in the board is not affecting the profit after tax and return on assets of the Indian automobile sector significantly.

Baik et al. (2023): The study was conducted to investigate the effect of board gender diversity on investment outcome and provides evidence suggesting that female board representation enhances corporate investment efficiency.

Huang (2024): after scrutinizing a comprehensive dataset comprising 15,813 unique firms spanning across 116 countries, the analysis elucidates the global ramification of female board membership on firm value. The study reveals the notion that increased female representation on board positively influences firm value.

3. Objective of the Study

- To analyze the level of gender diversity and observe the percentage of female members on the board.
- To examine the relationship between female board members and firms' financial performance of selected companies.

4. Research Methodology

Data Source

The present study employs secondary data, which has been collected from annual reports of the selected companies, website, journals, report and newspaper. The study covers data of 5 years ranging from 2020-2021 to 2024-2025.

Sample Size

The sample selected is fifteen major listed auto companies in India, Ashok Leyland Limited, Balakrishna Industries Limited, Bharat Forge Limited, Bajaj Auto Limited, Bosch Limited, Eicher Motors Limited, Exide Industries Limited, Hero MotoCorp Limited, Mahindra & Mahindra Limited, Maruti Suzuki India Limited, MRF Limited, Samvardhana Motherson International Limited, Tata Motors Limited, Tube Investment of India Limited and TVS Motor Company Limited.

Variable Used

In the study variables such as Female Board Member and financial variables such as Return on Asset (ROA), Return on Equity (ROE) and Return on Capital Employed (ROCE). The indicators used to discuss gender diversity in the boardroom and firms financial performance are discussed below:

Independent Variable

Percentage of Female on Board (PWomen)- The presence of percentage of female members on board.

Dependent Variable

Return on Asset (ROA)- Return on Asset is calculated by dividing Profit After Tax (PAT) divided by Total Assets (TA), multiplied by 100 to express it as percentage.

Return on Capital Employed (ROCE)- Return on Capital Employed is calculated by dividing the,

Earnings Before Interest and Tax (EBIT) by the Capital Employed, multiplied by 100 to express it as percentage.

Return on Equity (ROE)- Return on Equity is calculated by dividing a company's Net profit divided by its Shareholder's Equity, multiplied by 100 to express it as percentage.

Statistical Tool Used

The statistical tool used in this study is correlation technique. The tool is used to examine the relationship between the female board member and firm's financial performance.

5. Data Analysis and Findings

Table 1: Proportion of board seat held by Female Member

Name of the Country	Percentage of Women Director Present on the Board	Rank
France	43.7	1
Italy	40.7	2
UK	40.4	3
Australia	38.5	4
Spain	37.0	5
Canada	36.9	6
Netherlands	36.8	7
Sweden	36.3	8
Ireland	36	9
South Africa	35.2	10
Switzerland	34.6	11
Germany	33.2	12
US	32.7	13
Singapore	24.1	14
India	18.9	15
Brazil	18.2	16
Hong Kong	17.9	17
Japan	14.7	18
Russia	13.9	19
UAE	9.9	20

Source: Collected and compiled by author based on data extracted from Altrata (Global Gender Diversity 2023)

The table above shows the percentage of women directors present on the board, France has 43.7% female representation on the board, followed by Italy with 40.7% and the UK with 40.4% women representation. India ranks 15th with 18.9% women representation on the board.

Table 2: Presence of Female Member on Board of Selected Automobile Company in India.

Name of the Company	Female Directors on Board	No. of Directors on Board	Percentage of Women Director on Board
Ashok Leyland Limited	1	11	9.09
Balakrishna Industries Limited	2	8	25
Bharat Forge Limited	2	11	18.18
Bajaj Auto Limited	1	11	9.09
Bosch Limited	3	9	33.33
Eicher Motors Limited	1	8	12.5
Exide Industries Limited	1	7	14.28
Hero MotoCorp Limited	3	10	30
Mahindra & Mahindra Limited	3	10	30
Maruti Suzuki India Limited	3	12	25
MRF Limited	3	14	21.42
Samvardhana Motherson International Limited	1	7	14.28
Tata Motors Limited	3	10	30
Tube Investment of India Limited	2	8	25
TVS Motor Company Limited	1	8	12.5

Source: Collected and compiled by author as per Annual Reports.

In the above table we can see that the selected Automobile Company in India has maintained the mandatory requirement of at least one female director on the board. Bosch Limited, Hero MotoCorp Limited, Mahindra & Mahindra Limited and Tata Motors Limited have a higher percentage of female inclusion in the board.

Correlation was done to examine the relationship between female board member variable, percentage of women in the board (PWOMEN) and firm’s financial performance variable, Return on Asset, Return on Capital Employed and Return on Equity of selected Nifty Automobile Index.

Table 3: Correlation between dependent and independent variables

		PWOME N	ROA	ROCE	ROE
PWOME N	Pearson Correlation	1	-.358	-.394	-.197
	Sig. (2-tailed)		.554	.512	.751
ROA	Pearson Correlation	-.358	1	.897*	.977**
	Sig. (2-tailed)	.554		.039	.004
ROCE	Pearson Correlation	-.394	.897*	1	.911*
	Sig. (2-tailed)	.512	.039		.031
ROE	Pearson Correlation	-.197	.977**	.911*	1
	Sig. (2-tailed)	.751	.004	.031	

*. Correlation is significant at the 0.05 level (2-tailed).
 **. Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis reveals that the proportion of women (PWOMEN) has a negative relationship with financial performance variables, including Return on Assets (ROA), Return on Capital Employment (ROCE), and Return on Equity (ROE), with correlation coefficients of -0.358, -0.394 and -0.197 respectively. The p-value for the variable is 0.554, 0.512 and 0.751 which is greater than the 0.05 significance level, which is statistically insignificant. This indicates that gender diversity, as measured in this study, does not have a statistically significant impact on financial performance. The table above also shows strong positive correlation among ROA, ROCE, ROE.

6. Conclusion

All the selected companies have followed the mandate of including at least 1 female member in the board as per Section 149 of the Companies Act, 2013 and have made efforts to increase female representation in the board. The study investigates the relationship between the female board member and firm’s financial performance in the Nifty Automobile Index and the dataset doesn’t give clear evidence that female board members affect financial performance of the firm. The study emphasizes the importance of increasing women’s representation on boards, allowing them to showcase their abilities and contribute to the firm’s financial growth and profitability because stakeholders have varied interests, board diversity is crucial to effectively address the needs of stakeholders.

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