CareEdge-ESG Research

Gender Diversity in BFSI sector in India

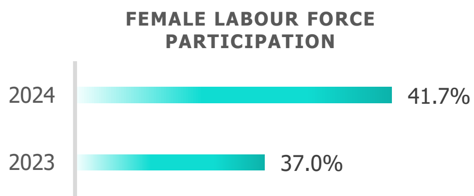
June, 2025

Gender Diversity in India's BFSI Sector: Progress, Challenges, and the Path Forward

India's banking, financial services and insurance (BFSI) sector is witnessing substantial growth, fuelled by rising demand for banking and insurance services. According to a Business Standard report,[1] for the second year in a row, BFSI has become the largest employer in corporate India, with BFSI companies in the BSE 200 now surpassing the IT sector in terms of workforce size. The report also stated that in FY24, listed BFSI companies, including public sector banks (PSBs), added nearly 200,000 employees, bringing the total workforce of 34 BFSI firms in the sample to almost 2 million, up from 1.8 million the previous year. The BFSI sector's position as the largest employer highlights its critical role in job creation. This trend suggests that the industry is not only expanding but also diversifying its workforce.

As the BFSI sector expands, it is crucial to assess women's participation within it. Despite women being underrepresented at all levels of the financial system, numerous studies have highlighted that their presence in financial services yields benefits beyond promoting gender equality. An International Monetary Fund study suggests that having women on bank boards, along with a higher proportion of women in leadership positions, is associated with enhanced bank stability, evidenced by lower nonperforming loan ratios.[2] Greater female participation in the BFSI sector boosts productivity, innovation, and economic growth while promoting gender equality and empowerment. Diverse teams enhance problem-solving, leading to improved social and economic outcomes. However, challenges such as pay gaps, limited representation at senior levels, and the need for improved work-life balance remain, necessitating ongoing efforts from both the industry and policymakers.

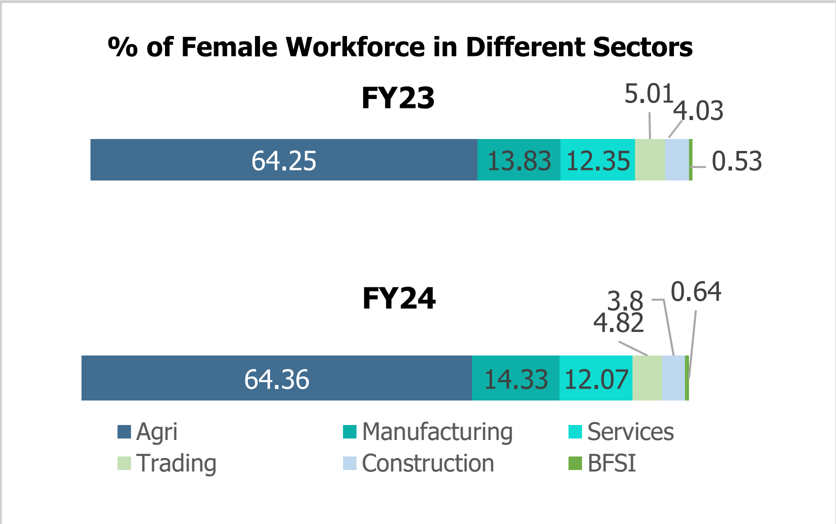
Female Labour Force Participation in India



In the context of India, its Female Labour Force Participation (FLFP) rate has increased by 470 basis points in FY24, according to Periodic Labour Force Survey (PLFS) data[3]. This significant rise reflects broader socio-economic changes and policy interventions aimed at enhancing women's participation in the workforce. While the majority of women remain engaged in primary sectors, particularly agriculture, there has been a notable shift towards the service sector. This transition is driven by key factors such as:

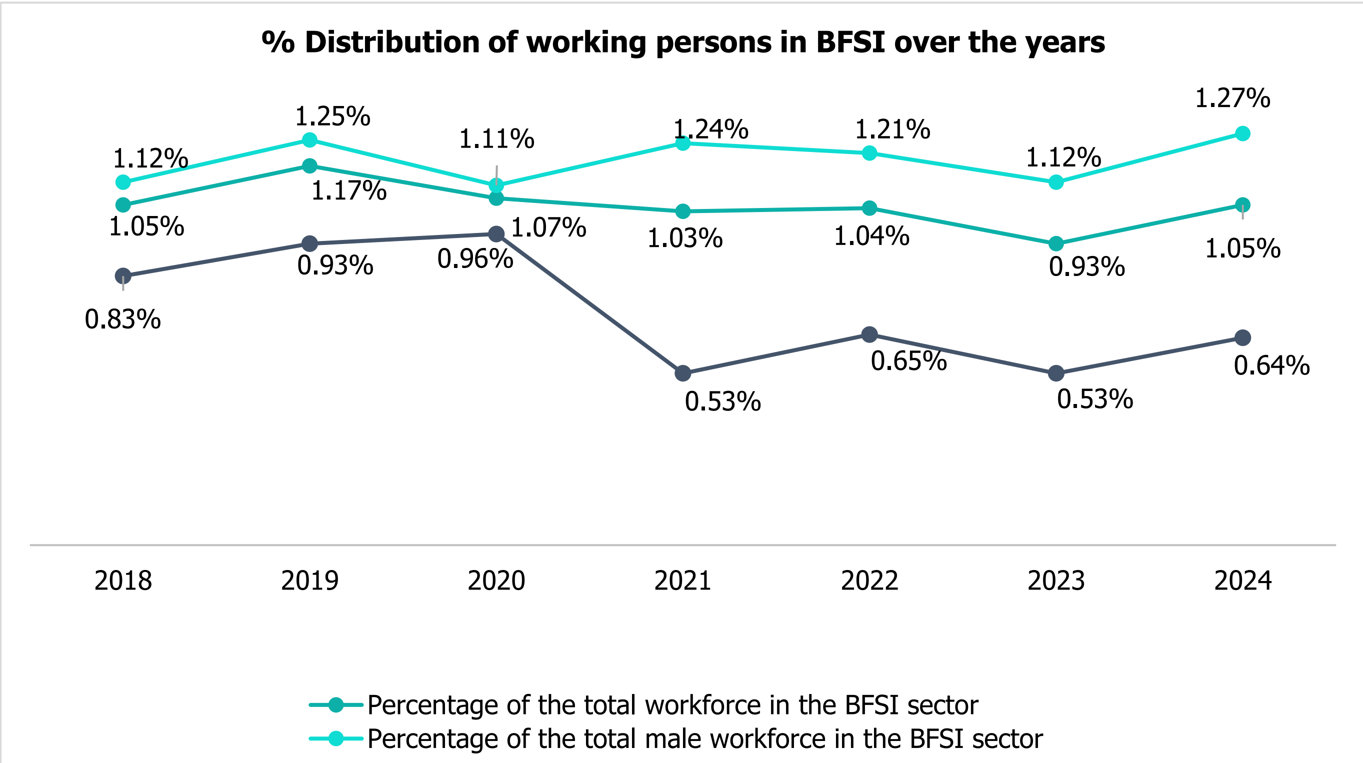
[1] Kant, K "BFSI on hiring sprint, IT sector stumbles in headcount marathon in FY24", Business Standard, September 4, 2024
[2] Sahay, Ms Ratna, et al. *Banking on women leaders: a case for more?.* International Monetary Fund, 2017.
[3] MoSPI, Government of India. (2024). Annual report: PLFS, 2023–2024. Ministry of statistics and programme implementation.

- **Economic Diversification**: As India's economy diversifies, there is a growing demand for skilled labour in the service sector, including banking, financial services, and insurance (BFSI).
- **Educational Attainment**: Increased access to education for women has equipped them with the skills necessary for service sector jobs, resulting in higher employment rates in these areas.
- **Urbanisation: Rapid urbanisation** has created more job opportunities in urban centres, where the service sector is predominant.



The proportion of women working in the BFSI[4] The sector's share increased from 0.53% in FY23 to 0.64% in FY24 of the total female workforce, representing an 11-basis-point rise

This growth can be attributed to several factors, including corporate initiatives by many BFSI companies that have introduced targeted diversity and inclusion programs to attract, support, and retain female talent.



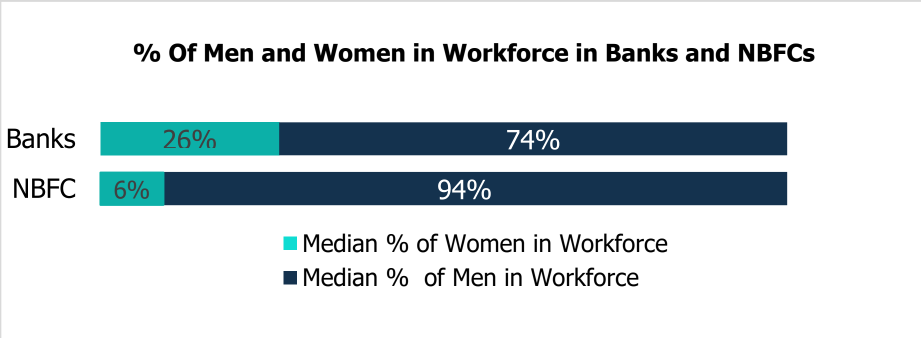
Source: Ministry of Statistics and Programme Implementation, PLFS Data

[4] BFSI here as defined under Section K of the descriptions of industry sections NIC-2008

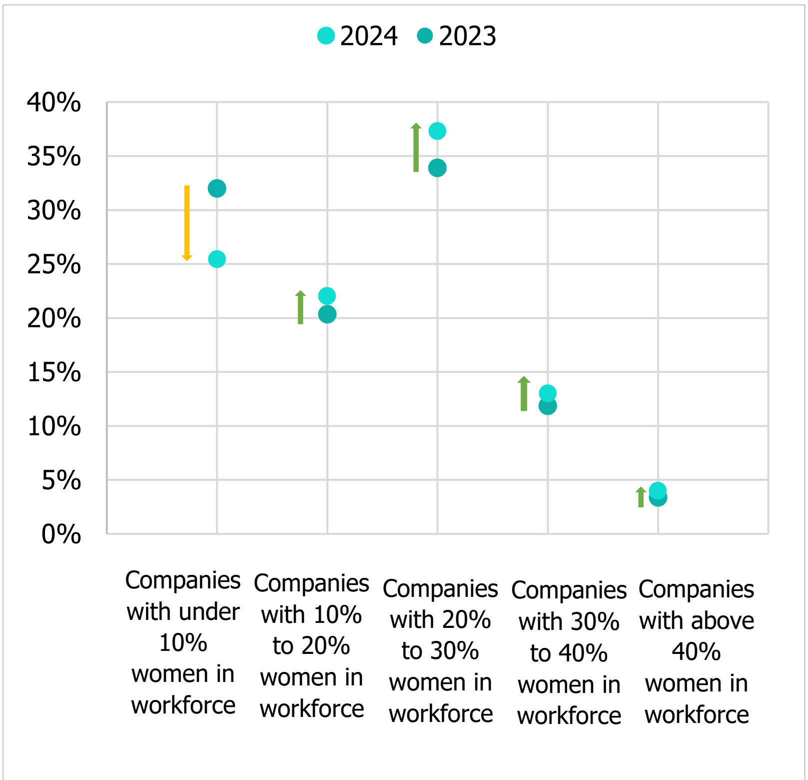
CareEdge-ESG Analysis on Women's Representation in BFSI Companies

In 2023 and 2024, on median, there were 2 women for every 10 employees in the sector

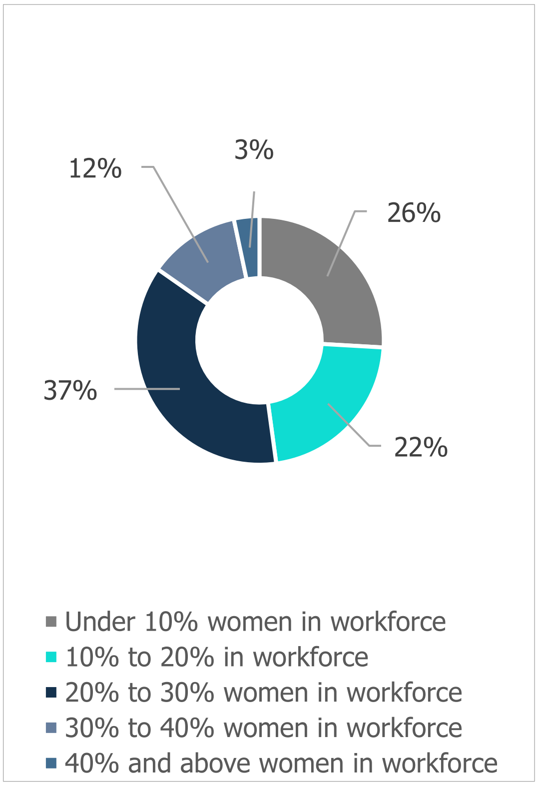
According to an analysis by CareEdge-ESG, a study conducted on a sample of 59 companies, with a combined workforce of 18.94 lakh employees, including 6.32 lakh women, found that the median representation of women in the industry stood at 22% of the total workforce. The majority of companies have women comprising 10% to 30% of their total workforce. FY24 saw an improvement in the representation of women in the industry. On the extreme ends, the number of companies with fewer than 10% female employees has decreased, while the number of companies with 10% to 40% women in their workforce has increased. Overall, 59% of the companies have improved their female-to-male ratio, and 69% of these companies are banks. This suggests that the industry is making gradual progress toward greater gender diversity, with an increasing number of companies adopting a balanced representation of women in their workforce. However, the pace of change suggests that more robust measures may be needed to accelerate progress.



Companies and % Women in their workforce in FY23 and FY24



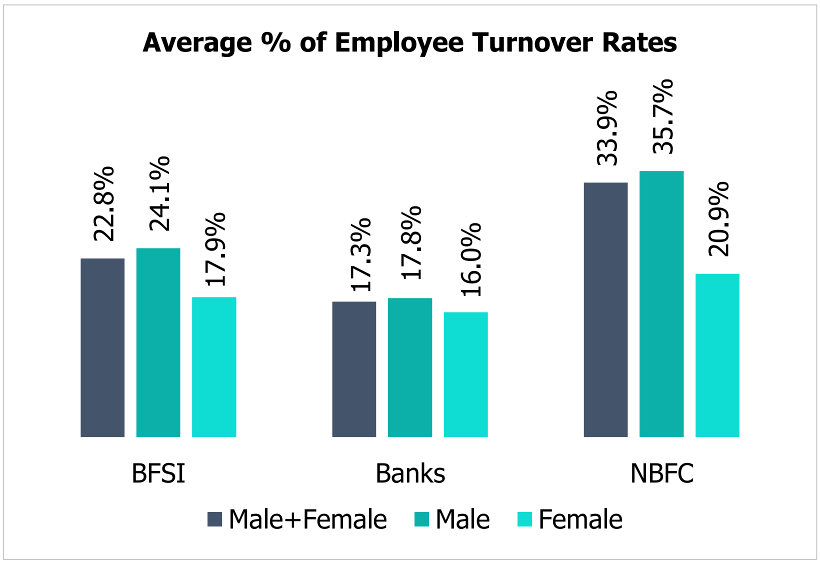
Companies and % of Women in their Workforce



The data also reveals a significant underrepresentation of women in NBFCs compared to scheduled commercial banks. All companies in the dataset with over 30% female representation are banks. This disparity may be linked to the nature of roles typically offered by NBFCs, which often involve field-based responsibilities such as sales and collections. These positions demand extensive travel and on-ground engagement, which can be less accessible or appealing to women due to safety concerns and prevailing societal expectations. In contrast, scheduled commercial banks tend to offer more desk-based roles, which may provide a more conducive and secure work environment for women.

Employee Attrition Rates

Another key indicator for gauging women's participation in the BFSI sector is the employee attrition or turnover rate. According to the Report on Trend and Progress of Banking in India 2023-24 by the Reserve Bank of India (RBI), the attrition rate in private sector banks has surged to around 25%.

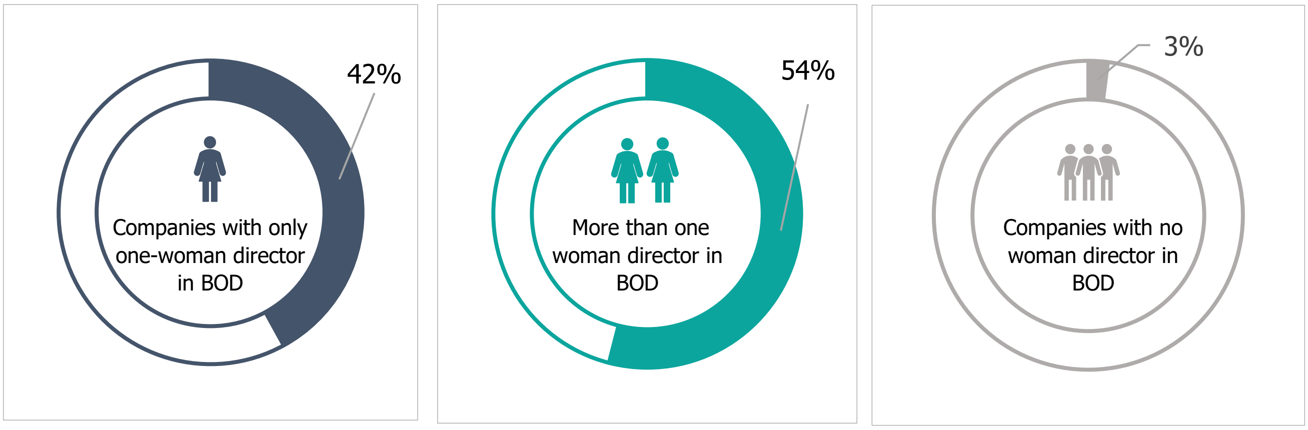


CareEdge-ESG's data, which covers banks as well as NBFCs, offers more profound insights into attrition trends, specifically comparing the turnover rates between men and women in the sector. CareEdge-ESG data indicate that the attrition rates for women are lower than those for men. High attrition rates in the NBFCs are contributed mainly to by frontline sales and field roles, predominantly occupied by men. Since women are underrepresented in these positions, their overall attrition rates tend to be lower than those of their male counterparts.

Gender Diversity in Leadership

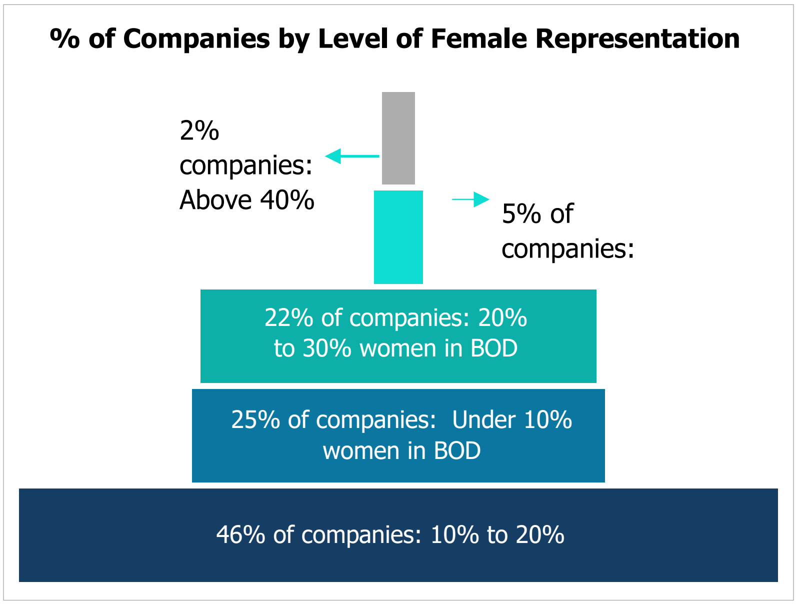
While increasing the number of women in the workforce is a step towards a more inclusive future, it is essential to determine if gender diversity is also reflected in the higher echelons of companies. While the Companies Act mandates that all listed companies must have at least one woman director, CareEdge-ESG's data has demonstrated that while only 42% of companies have met the threshold, 54% have gone beyond the mandatory requirement and appointed more than one woman director. The industry median stood at 15% female representation on the board of directors (BOD) of companies. This indicates that the emphasis is only on minimal compliance rather than proactive inclusion. The underrepresentation of women on corporate boards can be attributed to several factors:

Exhibit: % of Companies with Women on their Boards



1.Cultural and Gender Bias:

Traditional gender stereotypes often associate dealmaking and negotiation with men. This bias is reflected in the low representation of women in revenue-generating and influential roles. According to CareEdge ESG's analysis, women are in crucial departments, such as Chief Financial Officer or Chief Credit or Risk Officer, in only 15% of the peer set. Considering the importance of revenue-generating roles in the BFSI sector, gender discrimination in the boardroom could be more prevalent than in other sectors.



2. Symbolic Appointment through Gender Quotas:

Many boards meet gender quotas by appointing independent female directors rather than promoting women employees from within the company to higher positions. A study of NIFTY 500 firms from 2013 to 2017[5] found that 70.4% of women appointed to previously all-male boards were independent. CareEdge-ESG's data found that only 19% of companies have women executive directors, while 77% of companies have women only as independent directors. 3% of the companies have no

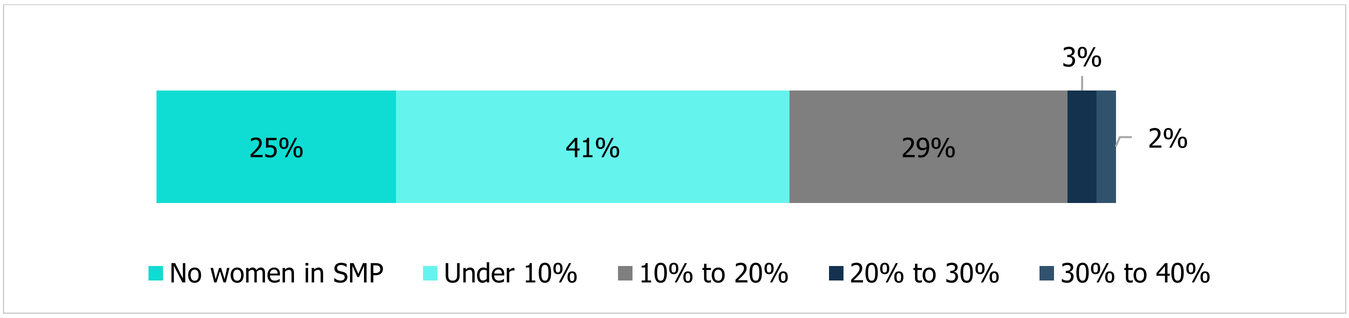
% of companies with women as Executive Directors	% of companies with women only as Executive Directors
19%	**2%**
% of companies with women only as Independent Directors	% of companies with no women directors
77%	**3%**

[5] Aguilera, R, Kuppuswamy, V and Anand Rahul, What Happened When India Mandated Gender Diversity on Boards, February 5, 2021, Harvard Business Review, URL: https://hbr.org/2021/02/what-happened-when-india-mandated-gender-diversity-on-boards

women on their board of directors. Other similar studies on women's representation on boards have demonstrated that women are less likely to be appointed to key committees than their male counterparts (Aguilera, Kuppuswamy, and Rahul, 2021). Although gender quotas appear to be met, firms often limit women's roles to less influential committees, reducing their impact.

In terms of women in Senior Management Personnel (SMP) and Leadership Teams, women are represented in around 75% of companies, while 25% of companies have no women in their SMP. The median representation of women stands at 10%, indicating a significant gap in the industry in including women in higher decision-making levels.

Overview of Companies and % of Women in their SMP

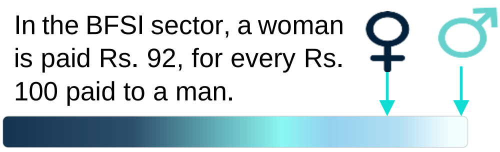


The path to senior leadership often begins at the lower levels of management. In industries such as BFSI, where the female-to-male ratio is generally lower, especially in frontline and sales roles, a more comprehensive strategy is needed to recruit women into all levels of the organization, instead of merely relying on ensuring diversity at the board level through diversity quotas.

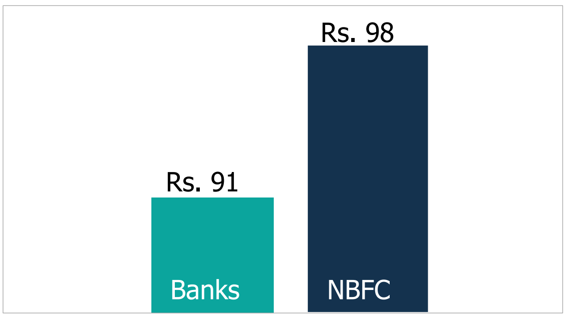
Pay Discrepancies

CareEdge-ESG's data reveals that, on average, the median pay ratio of female employees to male employees is 0.92. This ratio has slightly improved from last year's ratio of 0.91.

Although the median percentage of women in NBFCs is lower than in sch eduled banks, it is essential to note that the male-to-female pay ratio is considerably higher in NBFCs compared to banks. Even in 22% of companies where female median pay equals male median income, 61% of those companies are NBFCs. While this might initially seem like a sign of pay parity in NBFCs, it is more likely because women in NBFCs tend to hold mid-to-



For every Rs.100 a man gets paid, a woman is paid



senior-level positions, albeit in fewer numbers. As a result, the median pay is higher, despite the low number of female employees.

In FY24, only 22% of companies in the peer set have a female to male median pay ratio that is equal to or greater than that of their male counterparts. In FY23, the companies with equal or more female median pay to male pay ratio were 19%.

While data on the median remuneration of male and female employees is available in the BRSR, it is crucial to gain a deeper understanding of women's representation at various levels of the corporate hierarchy and how their pay compares to that of their male counterparts. Companies should provide more granular and detailed data on their employees, such as disclosing the gender composition of their workforce across different pay quartiles. This would offer better insights into women's participation, pay structures and working conditions.

Conclusion

CareEdge ESG believes that the growth of the BFSI sector is a strong indicator of increasing financial inclusion, with more people gaining access to banking and insurance services. While the financial services sector in India is making commendable progress in increasing the representation of women within its workforce, significant gender disparities persist at higher organisational levels, particularly on corporate boards and in senior management positions.

To truly bridge the gender gap, companies must go beyond regulatory compliance and actively foster more inclusive leadership structures. This involves not just meeting the minimum requirements but also creating an environment where gender diversity is a key priority at all levels of the organisation. It also requires addressing unconscious biases, providing mentorship and sponsorship, and implementing supportive workplace policies. Similarly, the gender pay gap should be bridged to not only promote fairness and equality within organisations, but also to enhance institutional performance and resilience.

On the other hand, there is always a risk of diversity fatigue, where initial efforts to promote gender diversity are not sustained over time. Companies must maintain a continuous focus on diversity initiatives and cultivate an inclusive culture that supports the advancement of women. To achieve meaningful progress, companies must implement comprehensive strategies that address the root causes of gender disparity. The participation of women in the BFSI sector is not just a matter of promoting gender equality but also a strategic advantage that can enhance work bank stability, improve financial performance, and broaden financial inclusion[6]. Therefore, embedding diversity into the core of business strategy is essential. As the sector continues to grow, it is essential to implement policies and initiatives that support and promote women's participation at all levels.

[6] [6] Sahay, Ms Ratna, et al. *Banking on women leaders: a case for more?*. International Monetary Fund, 2017.

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