

BOARD GENDER DIVERSITY AND DIVIDEND POLICY: CASE OF JORDANIAN COMMERCIAL BANKS

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Abstract

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This paper aims to investigate the impact of board gender diversity on dividend policy in the context of Jordanian commercial banks. Using a sample of 13 Jordanian commercial banks listed on Amman Stock Exchange during the period 2005-2014, we find strong and robust evidence indicating that diversified boards tend to pay higher cash dividends to shareholders since women can better address the needs of investors in impatient emerging markets. Moreover, this paper presents the negative moderating effect of both, the government existence in the boardroom and international financial crisis on the relationship between gender diversity and dividend policy indicators. Under such conditions, the diversified boards became more conservative and retained most of the profit and paid fewer dividends because of the risk-averse tendencies of women directors.

Keywords: Board Gender Diversity, Dividend Policy, Commercial Bank, Jordan

1. INTRODUCTION

The agency theory implies that managers can use firm's resources to pursue their own objectives, in order to benefit themselves rather than the shareholders (Jensen, 1986). To mitigate the risks of such a situation, shareholders usually utilizes the dividend policy to push managers to pay higher dividends to them, as this will decrease the amount of free cash available to managers, and thus reduce the extent of agency problems (Firth et al., 2010; Ben Nasr, 2015). However, one question to ask here is, how can shareholders encourage managers to pay higher dividends when their normal tendency is to hold excess cash?

One possible way is through the inclusion of managers who have distinctive characteristics, backgrounds and knowledge, who in turn can offer a great opportunity to influence the board's decisions, especially decisions related to a firm's dividend policy. In line with this argument, previous studies have studied the impact of board diversity; such as board size, outside directors, CEO duality and Board's Age on firm's dividend policies (Abdelsalam, El-Masry & Elsegini, 2008; Van Pelt, 2013; Al-Najjar & Hussainy; 2009; Sawicki, 2009; Custodio & Metzger,

2014). However, academic literature on dividend policy has paid little attention to other characteristics, including gender diversity (Van Pelt, 2013).

Academic literature based on corporate governance shows that women and ethnic minority board members could contribute unique benefits and resources, as they tend to have diverse backgrounds and human capital, which allows them to address different environmental dependencies (Carter et al., 2010). A study by Folkman and Zenger (2012) concluded that women bring a host of different soft-skill resources to their jobs, in the form of leadership competencies. More so, previous research offered evidence that the diversity on boards will likely provide managers with unique information and skill sets, allowing for better decision making and financial reporting (Qi and Tian, 2012), promoting good corporate practice (Burgess & Tharenou, 2002) and boosting firm's performance (Campbell & Minguez-Vera, 2008).

In line with this argument, a few studies have analyzed the impact of board gender diversity on agency problems (Pucheta-Martinez & Bel-Oms, 2016; Jurkus et al., 2011; Byoun, 2016; Van Pelt, 2013). Findings of these studies revealed that gender diversity on board lessens agency problem by

motivating corporate cash pay-outs. However, the majority of these empirical investigations has remained focused on developed countries and very little attention was paid to firms in emerging markets'.

Hence, given the significance of females on corporate boards and the limited investigations combining gender diversity and dividend policy, there is a need to understand how gender diversity on board of directors affects dividend policy. Consequently, this paper contributes to the literature by providing insight on the relationship between board diversity and dividend policy, specifically, whether gender diversity on boards has an impact on the dividend policy of commercial banks operating in a small emerging market namely, Amman Stock Exchange Market in Jordan.

The paper organized as follows: section 2 reviews the literature, section 3 outlines the research methodology; section 4 defines variables and research model; section 5 describes data and related statistics; section 6 reports our empirical findings; section 7 summarizes the results and section 8 for conclusions.

2. LITERATURE REVIEW

Gender board diversity is a mechanism to improve and increase corporate governance and public disclosure. In recent times, legislative bodies have focused on increasing the board gender diversity in firms. Consequently, women's participation on boards grew significantly since 2011 to reach 8% in 2014 in the UK' FTSE 350 firms and 2.5% in US' S&P 500 firms. In the EU as well women's participation improved sharply to reach 21.2% in 2015. In line with this, researchers have focused on examining the relationship between the diversity of board in terms of gender and its impact on supervision, monitoring and decision making (Adams and Ferreira, 2009; Carter, Simkins and Simpson, 2003; European Commission, 2012). Van Uytbergen and Schoubben (2015), examined the impact of gender diversity on financial policies for a set of non-financial companies from 14 EU countries during the period 2008-2012, their results revealed that firms with insider owners and more board gender diversity have a positive impact on cash policy. In addition, Martínez et al. (2015) investigated the effect of gender board diversity on dividend pay-out, their studies applied on a sample of Spanish companies; they find a positive relationship between dividend policy and the participation of women.

Adams and Ferreira (2009) find that female directors have better attendance records than male directors by using a sample of US companies and they found that male directors have fewer attendance problems the more gender-diverse the board is, and women are more likely to join monitoring committees. In addition, Jurkus et al. (2011) found that firms with a higher percentage of female directors pay higher dividends in US firms. Similarly, Byoun et al. (2016), examined how the decision of dividend payment affected by the existence of women in the boardroom by using a sample of S&P500 firms during the period 1997-2008, he found that firms with gender diversified-boards prefer to pay a dividend to shareholders more than those firms with non-diversified boards.

On the other hand, Saeed and Sameer (2017) used a cross-countries sample and they found that increasing number of women directors on board have a negative impact on firm's dividends. There results in line with Palvia et al. (2014), Adams and Ragunathan (2015) which revealed that firms with high level of capital were having gender-diverse boards.

In Jordan, the awareness of the importance of board diversity in terms of gender is still limited; Al Rahahleh (2017) examined the impact of board gender diversity on firm's dividend policy by using a sample of non-financial firms listed on Amman Stock Exchange (ASE) for the period between 2009 and 2015. The results revealed that firms with higher board gender diversity have a significant and positive effect on dividends policy.

This paper makes a major contribution to the literature as it provides evidence that female directors affect firm's decisions in terms of dividends policy.

3. RESEARCH METHODOLOGY

This paper aimed to investigate the effect of board gender diversity on dividend policy and the moderate effect of government ownership and the world financial crises on this relationship. We use all Jordanian commercial banks listed on Amman Stock Exchange (ASE), there were 13 banks during the period 2005-2014, so we end up with 130 observations for each variable.

After reviewing the literature and testing for the availability of required data, the following hypotheses will be examined:

H1: There is a positive relationship between board gender diversity and dividend policy.

H2: Government ownership positively moderates the relationship between board gender diversity and dividend policy.

H3: World financial crisis negatively moderates the relationship between board gender diversity and dividend policy.

4. VARIABLES DEFINITION RESEARCH MODEL

Board composition, structure and diversity are considered an important issue in explaining the way a board of directors carries out its decisions and responsibilities. Van der Walt & Ingley (2003) assure that well-diversified board considered as a healthy board that can increase the effectiveness of all decisions taken by the board members, in turn, enhance firm performance and productivity, and thus improve the shareholder value.

From this point, we can argue that because gender diversity is a subset of board composition, they may be linked to firm dividend policy.

4.1. Dependent variable

Dividend policy is a policy used by firms to decide the amount that will be paid to shareholders as dividends (Ranti, 2013), also it can be considered as a signal to the financial markets indicating a good financial position of the firm (Al-Amarneh & Yaseen, 2014).

This paper uses two different measures as a proxy for dividend policy variable. The first one is the dividend payout ratio (DIVPR) that is measured as the ratio of dividend paid per share to net income (Attig, Boubakri, Ghoul, & Guedhami, 2016; Lam et al., 2012; Sawicki, 2009). The second measure, dividend yield (DIVY), is calculated as the dividend per share to price per share (Al-Najjar & Kilincarslan, 2016; Byoun, 2016).

4.2. Independent variables

This paper aims to examine the effect of gender diversity on dividend policy; the board diversity is best presented by the percentage of women in the board (FEMAILPERCENT) calculated as the number of women directors on the board divided by the number of all board members (e.g., Byoun, 2016; Pucheta-Martinez & Bel-Oms, 2016; Sila et al., 2016; Saeed et al., 2016).

4.3. Control variables

Based on prior literature, we include various bank and board characteristics in regression analysis to account for potential alternative influences on bank dividend policy. Specifically, we control for bank size, growth opportunities, government-ownership, return on assets, and board size. Bank size (BANKSIZE) is measured by the natural log of a

bank's total assets. Firm size is included since past studies document a significant positive impact of bank size on dividend payments (Al-Najjar & Kilincarslan, 2016; Lam et al., 2012; Pucheta-Martinez & Bel-Oms, 2016). Next, in line with Fama and French (2001) and Sawicki (2009), we include bank's asset growth rate (GROWTHTA) which is annual change in assets, proxy for growth opportunities because banks with more growth opportunities are likely to pay fewer dividends as compare to banks with no or fewer growth opportunities. Next, Government ownership (GOVPERCENT) measured as the fraction of common shares held by the government (Al-Najjar & Kilincarslan, 2016; Saeed et al., 2016; Wei & Varela, 2003). We control for return on assets (ROA) as a measure of bank profitability because if the bank is performing well and profitable, this will be communicated to investors by paying more dividends (Ben-Nasr, 2015; Byoun, 2016).

Finally, we include board size (BOARDSIZE) since dividend pay-out is a collective decision of the board. Board size measured as the natural logarithm of the number of directors. After reviewing the list of variables used to test the research hypotheses by investigating the effect of board diversity on dividend policy, we regress a measure of dividend policy on the percentage of women in the board of directors and some control variables, the model is as follows:

$$\text{Dividend}_{it} = \alpha_0 + \beta_1 \text{FEMAILPERCENT}_{it} + \beta_2 \text{BOARDSIZE}_{it} + \beta_3 \text{BANKSIZE}_{it} + \beta_4 \text{ROA}_{it} + \beta_5 \text{GROWTHTA}_{it} + \varepsilon_{it} \quad (1)$$

where: Dividend - is the dependent variable measured by DIVPAYOUT and DIVYIELD, and ε - the error term.

The model estimated using ordinary Least squares (Peterson, 2009) and control for heteroscedasticity and cross-sectional dependence problem, we cluster the standard errors at the firm level, not at a year level.

5. DATA AND SUMMARY STATISTICS

Data related to the board of director was extracted from the annual report for all commercial banks listed on Amman Stock Exchange (ASE), while data related to dividend payment and bank-specific

characteristics were extracted from the published financial reports by banks. Figure 1 presents the growth in female percentage in the board of directors during the period from 2005 to 2014. The figure shows that women increase their presentation on board especially after the financial crisis; (after 2008). Figure 2 presents the trend in dividend payments during the study period proxied by dividend yield and dividend pay-out ratios. Both dividends payment indicator start increasing from 2005 then decreased during the financial crisis period (2007 and 2008) then increased again. Table 1 presents the summary statistics for dependent and independent variables in our study.

Figure 1. Female percentage on board's timeline

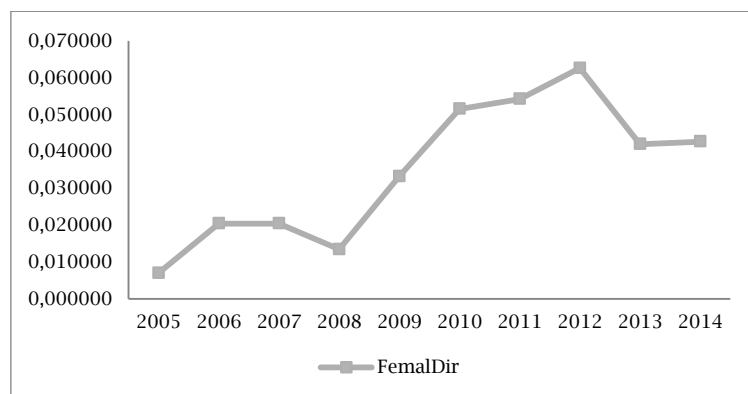


Figure 2-A. Dividend yield timeline

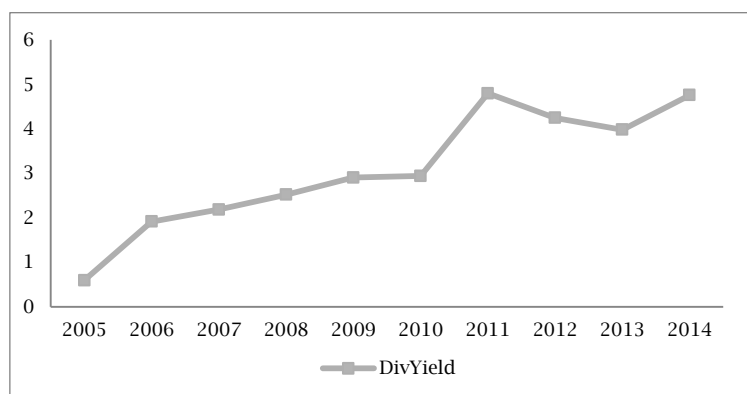
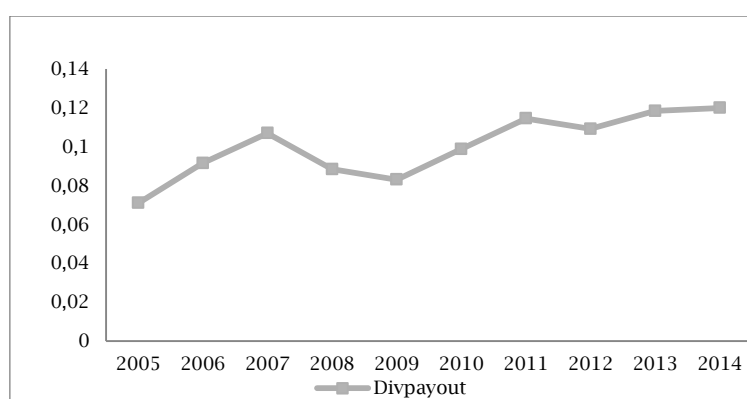


Figure 2-B. Dividend pay-out timeline



Figures in Table 1 present the annual average proportion of women in the board of director. As can be seen, women proportion increased during the study period but it is still on a low level. If we look closer to those banks with women on the board, it can be noticed that women reach to board after transfer of ownership to her directly through

inheritance, or through representatives. In addition, there is an increasing awareness of workforce gender equality and banks started to take initiatives to enhance gender diversity on their boards in the recent years, but there is no regulatory pressure of government for women presentation in banks' board of director.

Table 1. Proportion of women in the board of director during 2005-2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
FEMAILPERCENT	0.70%	2.04%	2.04%	1.34%	3.32%	5.15%	5.42%	6.26%	4.20%	4.27%

Table 2 shows that the board size in commercial banks has a minimum value of (6) members and the maximum value of (13) member, women present on average 3% of the board size with

a maximum presentation of 25% in some banks. The government presents 6% of this board with a maximum presentation of 24%.

Table 2. Descriptive statistics for all variables used during the period (2005-2014)

Variables	Mean	Median	Maximum	Minimum	Std. Dev.
A. Dependent Variables					
DIVPAYOUT	0.100221	0.10000	0.35000	0.0000	0.092639
DIVYIELD	3.083704	3.024449	10.24964	0.0000	2.731206
B. Independent Variables					
FEMAILPERCENT	0.034728	0.0000	0.25000	0.0000	0.062679
C. Control Variables					
BOARDSIZE	10.45385	11.0000	13.0000	6.0000	1.624004
BANKSIZE	21.15961	21.08223	23.97595	18.908	1.075402
ROA	1.510714	1.45842	4.965169	-0.16592	0.681016
GROWTHTA	0.125684	0.09282	0.646712	-0.13968	0.129346
D. Moderate Variable					
GOVPERCENT	0.064626	0.02605	0.24	0.000	0.080464

On average, commercial banks in Jordan have 10% dividend pay-out ratio with a maximum of 35%, besides sampled banks gained on average a dividend yield of 3% with a maximum value around 10%. The bank size is between 18.90 (259,000 million JD) and 23.97 (16,300 million JD) with a standard deviation of 1.075 (57,800 million JD) indicating that there is a substantial difference between banks, so we have to control for the bank size. The total assets grow on

average by 12.56% with a maximum annual growth rate of 64.67%. The profitability of the commercial banks measured by return on total assets (ROA) was 1.5% on average with a maximum value of 4.96% annually. We compare bank-specific characteristics for banks with women on boards (diversified board) and those with no women on boards (non-diversified board). The results presented in Table 3.

Table 3. Comparison between banks with diversified board and non-diversified board

	<i>Non-Diversified Board</i>	<i>Diversified Board</i>	<i>t-test</i>
ROA	1.568152	1.360736	1.562578***
BOARDSIZE	10.29787	10.58333	-0.79796
DIVPAYOUT	0.091712	0.122436	-1.70453***
DIVYIELD	2.95679	3.415091	-0.85524
GOVPERCENT	0.065964	0.061133	0.305211
GROWHTA	0.126387	0.123848	0.099744
BANKSIZE	20.9739	21.64453	-3.30149*

Note: * Significant at 1%
*** Significant at 10%

It is clear that only bank profitability (ROA) and bank size significantly differ with board gender diversity. In addition, banks with women on board have a dividend pay-out ratio (12%) higher than those with non-gender diversity (9%) while the dividend yield is not significantly affected by board gender diversity.

Table 4 presents the correlation matrix between variables in our study. The figures show that dividend pay-out ratio related positively and significantly to bank profitability (ROA), bank size and board size, while negatively related to the growth rate in total assets but not related to board gender diversity. In addition, the dividend yield has a positive significant relationship with board gender

diversity, board size and bank size, while negatively correlated to government proportion in board and growth in total assets but not related to bank profitability. The relationship between women proportion in the board of director and the bank size is positively significant, indicating that only large size banks have women in the boardroom, but it is not necessary to have a woman only in large member boards. The relationship between dividend yield and pay-out ratio is significant but it is not an issue since they are used alternatively in the regression as a proxy for dividend policy. Also, the correlation among other variables is not so high, so there is no concern of multicollinearity in our analysis.

Table 4. Correlation matrix for main variables

<i>t-Statistic Probability</i>	<i>DIVPAYOUT</i>	<i>DIVYIELD</i>	<i>FEMALPERCENT</i>	<i>BOARDSIZE</i>	<i>GOVPERCENT</i>	<i>GROWHTA</i>	<i>LNTA</i>	<i>ROA</i>
DIVPAYOUT	1.0000							
DIVYIELD	0.462801	1.0000						
FEMALPERCENT	5.906627*	-----	1.0000					
BOARDSIZE	0.084321	0.142368	-----	1.0000				
GOVPERCENT	0.957395	1.627286***	-----	0.275537	0.203191	0.016474	1.0000	
GROWHTA	0.275537	0.203191	0.016474	-----	1.0000			
BANKSIZE	3.242880*	2.347820*	0.186403	-----	-0.494338	1.0000		
ROA	0.098958	-0.174981	-0.079460	-0.494338	1.0000			
	1.125100	-2.010703*	-0.901836	-6.433898	-----	1.0000		
	-0.191864	-0.214683	-0.074035	-0.053596	-0.022333	1.0000		
	-2.211783*	-2.486847*	-0.839917	-0.607247	-0.252734	-----		
	0.797893	0.211790	0.183245	0.217781	0.241511	-0.229704	1.0000	
	14.97537*	2.451745*	2.108887*	2.524503*	2.815732*	-2.670205*	-----	
	0.154953	0.021545	-0.131399	0.005193	0.002872	0.14973	-0.10990	1.000
	1.774525***	0.243811	-1.499607	0.058753	0.032499	1.71334	-1.25098	-----

Note: * Significant at 1%
** Significant at 5%
*** Significant at 10%

6. RESULTS

We estimate our model using the percentage of female directors over all the board directors as the independent variable and using two alternatives for the dividend policy as a dependent variable; dividend pay-out ratio and dividend yield. Table 5 presents the result of regression analysis where Panel A present figures when the dependent variable is the dividend pay-out ratio and Panel B present figures when dividend yield is the dependent

variable. Panel A reports a positive insignificant coefficient of board gender diversity (0.117108), indicating absent of gender discrimination and female directors are not different from their counterparts when dividend pay-out is concerned. Among control variables bank size and bank profitability exert a positive and significant effect on dividend pay-out ratio. The research model can explain significantly about 85% (adj. R-square=0.853793) of changes in dividend policy presented by dividend pay-out ratio.

Table 5. Regression results

Panel A: dividend pay-out ratio is the dependent variable			
Variable	Coefficient	t-Statistic	Prob.
C	-0.818582	-2.667171	0.0090
FEMALPERCENT	0.117108	1.224801	0.2236
BOARDSIZE	0.001496	0.060777	0.9517
GROWHTA	0.024052	0.751280	0.4543
ROA	0.037760	4.691072	0.0000
BANKSIZE	0.039562	2.845787	0.0054
DIVPAYOUT(-1)	0.202543	1.943044	0.0549
R-squared	0.876480		
Adjusted R-squared	0.853793		
Durbin-Watson stat	1.938819		
F-statistic	38.63314		
Prob. (F-statistic)	0.000000		
Panel B: dividend yield is the dependent variable			
Variable	Coefficient	t-Statistic	Prob.
C	-47.75413	-2.638069	0.0097
FEMALPERCENT	15.91546	3.601927	0.0005
BOARDSIZE	-0.104293	-0.613780	0.5408
GROWHTA	-1.183339	-0.634970	0.5269
ROA	1.475189	3.076229	0.0027
LNTA	2.309205	2.753353	0.0070
DIVYIELD(-1)	0.240846	2.705010	0.0081
R-squared	0.610597		
Adjusted R-squared	0.539074		
Durbin-Watson stat	2.280048		
F-statistic	8.537080		
Prob. (F-statistic)	0.000000		

Results in Panel B report a positive significant coefficient of board gender diversity (15.91546), also bank size and bank profitability exert a positive and significant effect on dividend yield ratio and the model can significantly explain about 53% of changes in bank's dividend policy presented by dividend yield (Adj. R-square= 0.539074). This result confirms our first hypothesis and consistent with earlier studies which reported a positive association between board gender diversity and bank's dividend policy presented by dividend yield.

To test the second hypothesis, we apply the regression again with the moderate variable added

to the list of independent variables (FEMALEPERCENT \times GOVPERCENT) (Saeed, 2017). The result presented in Table 6 for the two dividends policy indicators. Panel A and B show that the interaction term between government ownership and board gender diversity is negative but insignificant. Indicating that, government ownership has induced a negative impact on the relationship between dividend policy and board gender diversity. Among control variables bank size and bank profitability continue to exert a positive and significant effect on dividend policy. This result fails to support our second hypothesis.

Table 6. Regression model with government ownership is the moderate variable

Panel A: dividend pay-out ratio is the dependent variable			
Variable	Coefficient	t-Statistic	Prob.
C	-0.856470	-3.752432	0.0003
FEMALPERCENT	0.154445	1.581000	0.1171
FEMALPERCENT*GOV-PERCENT	-2.989605	-1.354835	0.1786
BOARDSIZE	0.001088	0.437818	0.6625
GROWHTA	0.021825	0.690167	0.4917
ROA	0.036696	8.242120	0.0000
LNTA	0.041394	4.121219	0.0001
DIVPAYOUT(-1)	0.175456	2.313240	0.0228
R-squared	0.879269		
Adjusted R-squared	0.855621		
Durbin-Watson stat	1.886778		
F-statistic	37.18103		
Prob. (F-statistic)	0.000000		
Panel B: dividend yield is the dependent variable			
Variable	Coefficient	t-Statistic	Prob.
C	-48.33281	-4.745656	0.0000
FEMALPERCENT	16.95209	1.835696	0.0695
FEMALPERCENT*GOV-PERCENT	-81.05252	-0.969393	0.3348
BOARDSIZE	-0.073419	-0.507217	0.6132
GROWHTA	-1.234482	-0.734203	0.4646
ROA	1.433604	3.682746	0.0004
LNTA	2.330409	4.681556	0.0000
DIVYIELD(-1)	0.237845	1.741124	0.0848
R-squared	0.612990		
Adjusted R-squared	0.537183		
Durbin-Watson stat	2.278671		
F-statistic	8.086274		
Prob. (F-statistic)	0.000000		

Concerning the effect of the moderate variable the world financial crisis, we add the interactive term FEMALPERCENT x CRISIS to the list of independent variables in our regression model, the result presented in Table 7. The financial crisis has induced a negative and significant impact on the relationship between the two dividend policy indicators (dividend pay-out ratio and dividend yield) and board gender diversity confirming our

third hypothesis. Among control variables bank size and bank profitability continue to exert a positive and significant effect on dividend policy. This result indicates that gender diversified boards adopt a conservative financing policy during the financial crisis, also the results support that female directors' natural tendency to take risk is based on environmental conditions.

Table 7. Regression model with financial crisis is the moderate variable

<i>Panel A: dividend pay-out ratio is the dependent variable</i>			
<i>Variable</i>	<i>Coefficient</i>	<i>t-Statistic</i>	<i>Prob.</i>
C	-0.775401	-3.250253	0.0016
FEMALPERCENT	0.137996	1.378116	0.1713
FEMALPERCENT*CRISIS	-0.241812	-1.970070	0.0517
BOARDSIZE	-0.000770	-0.420095	0.6753
GROWTHTA	0.018980	0.599320	0.5504
ROA	0.036735	7.128009	0.0000
LNTA	0.038264	3.624916	0.0005
DIVPAYOUT(-1)	0.184531	2.530142	0.0130
R-squared	0.880425		
Adjusted R-squared	0.857003		
Durbin-Watson stat	1.974974		
F-statistic	37.58985		
Prob. (F-statistic)	0.000000		
<i>Panel B: dividend yield is the dependent variable</i>			
<i>Variable</i>	<i>Coefficient</i>	<i>t-Statistic</i>	<i>Prob.</i>
C	-4.076469	-0.225344	0.8222
FEMALPERCENT	14.34918	3.247962	0.0016
FEMALPERCENT*CRISIS	-13.99530	-3.225751	0.0018
BOARDSIZE	-0.648488	-1.012495	0.3140
GROWTHTA	1.434308	0.661891	0.5098
ROA	2.100884	7.353975	0.0000
LNTA	0.230372	0.257682	0.7972
DIVYIELD(-1)	0.167857	1.795786	0.0759
R-squared	0.678807		
Adjusted R-squared	0.581366		
Durbin-Watson stat	2.235323		
F-statistic	6.966360		
Prob. (F-statistic)	0.000000		

7. DISCUSSION

Descriptive statistics figures show that, concerning the Jordanian commercial banks percentage of women in the boardroom range between 0 and 25% with an average of 3%. These figures indicate that women presentation on the banks boards is considered low relative to developing countries (40%) (Al Rahahleh, 2017). We can relate this to the lake of legislation that regulates women presentation on board, or lake of awareness of the benefit of having a gender diversified board.

To summarize; our results suggest that board diversity has a positive relationship with dividend policy indicators, also government ownership and international financial crisis exert a negative impact on this relationship indicating that a gender diversified board adopt more conservative financing policies during the world financial crisis and when the government is in boardroom too. Nevertheless, this paper can be a valuable benchmark for further research by studying the correlation between board gender diversity and dividend policy under overall trends in the economy and social relations in Jordan.

8. CONCLUSION

In this paper, we investigate the effect of board diversity on dividend policy by employing data from

Jordanian commercial banks listed at Amman Stock Exchange. The results reveal that increasing number of women on board have a positive impact on bank's cash pay-out. These findings are consistent with those prior researches that conducted in the context of developed countries and have shown higher cash pay-out for gender-diversified boards.

According to the agency theory, the gender-diversified board is considered as a better monitor of management's decisions, offer greater benefits to shareholders, and resolve the shareholder-manager conflict of interest, and then it is more likely it disciplines management through directly influencing dividend pay-out policy. In addition, investors in emerging economies will ask for immediate compensation for their investments, instead of waiting for more future dividend payments, so we argue that female directors address their claims in a more responsive manner and choose high pay-out policy.

Further, we document that government ownership negatively influences women attitude towards dividend pay-outs. Since banks with government ownership enjoy a privileged treatment in the credit market, which avoid the uncertainties and thus women directors do not have the incentives to adopt the conservative financial policies and hoard large cash. Furthermore, our findings show that gender diversified board adopt a conservative financing policy during the international financial crisis.

The results of the study have important recommendations for regulatory bodies in Jordan and for Jordanian commercial banks listed at ASE. Particularly, regulatory bodies in Jordan should take a step towards encouraging gender diversity on boards initially through “comply or explain” approach or the “if not, why not” approach, (Davies, 2011).

In addition, banks management should increase their awareness about the benefit of gender-diversified boards by avoiding problems result from like-minded boards’ members and give women the opportunity to participate in the decision-making process and share their knowledge.

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