THE INFLUENCES OF WOMAN ON TMT ON BANKING AND FINANCIAL INSTITUTION PERFORMANCE

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Abstract

Currently, women cannot be underestimated, gender differences are no longer a matter of determining a person’s quality. In the last few periods, women have really shown their existence as professionals in their fields who are able to beat men. Women have the skills and abilities to occupy certain positions in a company. A balanced workforce for companies, customers, and investors. Recent research shows that a diversified business creates better outcomes including lower market volatility, reduced fraud, better performance, and higher levels of productivity and innovation. Yet women still face various problems, especially in the financial industry which is even ‘proliferating’ in certain sectors, such as banking, where a strong masculine culture restricts them from advancing their careers even if they manage to reach middle management positions and sometimes if they do, they will fail. Compared to other industries, financial services struggle to close gender gaps and remain unattractive to women who are typically underrepresented on executive committees and/or subject to significant gender differences in income. However, in recent years, there has been an increase in research exploring the role of women in boardrooms and several initiatives have been launched to make gender diversity a corporate goal. However, overall progress towards achieving a level playing field for women in salary and promotion opportunities is slow, and more research is needed on the benefits of gender equality and inclusion at all levels in the pyramid of seniority in the financial sector. Good corporate
governance helps companies improve performance, drive growth, manage risk, attract and retain investors, and overcome financial crises. To be truly effective, boards need a diversity of skills, cultures and perspectives to make smart decisions with lasting impact. The pace of change is hindered by old perceptions, including the perception of a lack of qualified female director candidates. Many companies also do not see an immediate need to act, given their generally good corporate governance ratings and they are not required to disclose or justify their board nominations.

In this study, researchers wanted to examine the relationship between the presence of women in top management and the performance of the financial industry including banking and non-bank financial institutions during the COVID-19 pandemic. How the influence of women as executives in a company can affect the quality of the company’s financial statements. Researchers conducted preliminary research on the annual reports of the financial industry including banking and non-bank financial institutions (NBFI).

Gender diversity in corporate boardrooms has been high on the agenda for corporate governance reform around the world. In the UK, gender diversity was first addressed in the 2012 corporate governance code revision. This revision was introduced after considering recommendations from the Davies Review 2011 (Hampton Alexander Review, n.d.), Tyson Report (Tyson, 2003) and Higgs Report (Higgs, 2003). In some countries, the appointment of a female director is mandatory. For example, Norway and Spain have imposed mandatory quotas for all registered companies to have at least 40% female directors. In Malaysia, Bursa Malaysia has required listed companies to have at least 30% female directors and board gender diversity has been specifically addressed in the Malaysia Corporate Governance Blueprint (Securities Commission Malaysia, 2011). In Indonesia, although in some places there must be representation, it is different with the composition of the board of commissioners and directors which is not regulated in the law or the Financial Services Authority regulation for the financial industry.

One reason for the challenge is due to gender discrimination (Doldor, Vinnicombe, Gaughan, & Sealy, 2012) in which women are perceived as weaker leaders than their male counterparts. Another reason is high turnover and absenteeism (Cox & Blake, 1991) and women are more likely to pursue high-profile careers than men because of their family commitments (Goldin & Katz, 2008). Therefore, companies are concerned that appointing female directors will adversely affect their performance.

Can women drive change in a finance-based industry? One of the advantages of increasing women’s representation in leadership positions in finance relates to their potential role in adopting a more ethical culture. The global financial crisis and the many cases of abuse and
scandals over the past few years have demonstrated the need for cultural reform initiatives that are not just short-term fixes. Finance is basically about managing risk. The literature review has largely confirmed anecdotal evidence that there are significant gender differences in qualities such as empathy, inclusiveness, compassion, and risk appetite between men and women and that the latter are less risk-taking than their counterparts. But are female leaders significantly more at risk than men? The answer is not that simple. Several recent studies in the social sciences provide evidence of a direct link between risk behavior and gender; while others argue that the few women who pursue careers that lead to directorship cannot be considered ‘ordinary’ women. Moreover, it is possible that the above advantages of greater gender diversity can only be obtained if the proportion of women in the boardroom reaches a kind of ‘critical mass’ that will enable them to form coalitions, support each other and influence culture from the group according to the theory of Kanter (1977). Will the existence of women affect financial performance in the financial industry in Indonesia during the COVID-19 pandemic?

The sign of a good company and having good governance is the formation of different board members because this is more profitable than board members who only have male members. The results of research by Abbott, Parker, and Presley (2012) reveal that the presence of female board members has an influence on the decision-making made by the council. According to Tierney (1989), gender is a cultural concept that refers to the characteristics that distinguish women and men both biologically, behaviour, mentally and socio-culture. Gender also has a definition as a rule or norm of behaviour related to sex in a community system. Women and men are basically the same, namely humans who have advantages and disadvantages, but it is often considered by the public that men have the character of being firm, strong, manly, rough, while women are known as someone who is graceful and has subtle feelings. But is this fundamental thing really inherent in each person’s body? What happens if the properties of each will change and be swapped? The concept of gender differences can result in a person who has the biological structure of male sex having the possibility to have gender traits inherent in female gender, and vice versa (Agustian & Chariri, 2015).

Indonesian society consists of male and female genders. Based on the 2010 population census, the total male population was 119,630,913 and women 118,010,413. This population is increasing from year to year so that it is predicted that Indonesia’s population will increase rapidly in the following years, this is due to the annual growth of Indonesia’s population of around 1.49%. It can be seen from the census that the number of men is greater than that of women, but it does not make men always perform better than women.

The role of women on boards of commissioners in corporate social responsibility (CSR) has been studied, using multiple data sets on
director profiles, CSR-related rankings, industry affiliations of publicly traded US companies, and shareholder activism in a firm with fixed effects. That’s just so-so squared (ordinary least squares). The findings suggest that having more female independent directors on the board will enable companies to do better on CSR-related issues. Adams and Ferreira (2009) suggest that female directors have a significant impact on input to the board and company results. In a sample of US firms (from the Standard & Poor’s S&P 500, S&P Midcaps, and S&P SmallCaps), they found that female directors had better attendance records than their male counterparts, causing boards to devote more effort to monitoring when boards were more gender diverse. However, mixed evidence on whether this impact is positive or negative is presented in different studies. In their study, they found the negative impact of female directors on business performance. Another study found that companies with at least two female directors performed better financially than firms with all-male boards from a sample of 1000 Fortune 1000 companies (Carter, Simkins, & Simpson, 2003). Boubaker, Dang, and Nguyen (2014) consider the impact of board gender diversity on financial performance through quantitative regression analysis with a data set consisting of the 120 largest French companies listed on Euronext Paris over 3 years. They found through combined regression and random effects regression that board gender diversity had no statistically significant effect on Tobin’s Q, but had a positive and statistically significant effect on return on assets. With quantitative regression, they also find that board gender diversity has a negative and statistically significant effect on higher Tobin’s Q levels, whereas board gender diversity has a positive and statistically significant effect on lower rates of return on assets. The Korn Ferry report (United States Securities and Exchange Commission, 2016) includes key findings from a board survey of the top 100 companies listed in each of the ten countries (Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Singapore and South Korea). This study shows that boards of directors have a higher percentage of female directors compared to the previous study year in 2015. And it also shows that more diverse boards report higher profitability using return on equity (ROE) as the dependent variable. Gender diversity has been included in the Singapore Code of Corporate Governance. The Diversity Task Force on gender diversity found that Singapore has a board culture that does not place sufficient emphasis on gender diversity, with only 33% of councils surveyed considering it an important attribute (The Diversity Task Force, 2014). In the same report, more than 80% of board nominating committees used criteria that tended to favor candidates who were already on the board of directors on the board (a private network). This makes it difficult for women to enter this network even though they may have the same qualifications, skills and experience.
In this study, the authors use this type of expansionary research with the aim of replicating previous research or replication of exploratory extensions which explain the effect of the presence of women in top management on the performance of the financial industry including banks and NBFI which total 115 banks and NBFI types of insurance amount to 131, financing amounting to 184 and Fintech totaled 33 using quantitative data.

The procedure in this study has several stages, starting from finding out about the current state of the economy on the internet or anywhere else, then studying some literature that raises the economy and the existence of women, and then the authors begin to identify and formulate problems and make goals and benefits of the research to be studied. Furthermore, the author looks for any secondary data that will be used and what is needed so that the research method can run well, and then the results of this study will be clearly listed along with the shortcomings, suggestions, and conclusions of this study.

REFERENCES