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The Effect of Gender Diversity on Company Performance (Study of Companies Listed on the IDX)

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Abstract: Gender diversity/Board Gender Diversity (BGD) as an issue in human resource management. This research reviews the impact of gender diversity on the performance of companies listed on the Indonesia Stock Exchange (IDX) in 2023. The study uses qualitative research methods with literature study or the Systematic Literature Review (SLR) research type. More than 40 % of companies listed on the IDX have not implemented gender representation on the board of directors. Study selected articles by identifying and reviewing topic suitability. The results of the analysis of the condition of manufacturing companies, showed that Board Gender Diversity (BGD) can improve company performance. Meanwhile, in several other companies, BGD can reduce company performance.

Keywords: Gender Diversity, Company Performance, Indonesian Stock Exchange

INTRODUCTION

Implementing the principles of good corporate governance is necessary for companies to achieve their goals. Various elements in a company's business activities involve many individuals with diverse characteristics and interests. The synergy of every individual in the company including management, board of directors, shareholders, and other stakeholders, is needed to improve company performance. The era of globalism has an impacts on various aspect of company activity. The company must have applied appropriate strategy to maintain quality, and increasing competitiveness to be able to compete with other companies and maintain its existence. Many aspects must be maintained to increase company performance, and human resource governance is one of the important elements that companies must pay attention. Personel is an important asset that must be managed precisely to reach company targets.

The structure of employee composition can influence the effects of work activity, which in turn will influence company performance. Gender is one factor in employee composition. The percentage of women in the workforce continues to increase, despite the

current conditions in which women occupy the peak management position still low. Women on board is used as an indication of diversity on part policy and decision makers or the extent of women's involvement in decision-making ranks. The old paradigm that men's competence and skills are considered better than women is still very high, so the choice of male gender in work still dominates. Actually, women have competency advantages, namely a careful attitude and persistence, which tends to require more consideration when playing the role of risk taker (Yogiswari & Badera, 2019). Consideration and careful attitude is a fact that shows the quality of women in making a decision. The involvement of women in company operational activities is necessary, and is expected to increase better, more focused and low-risk achievements. Information sharing, quality of supervision, knowledge sharing through training, and active participation from every employee are needed to produce good representatives within the company (Diantini, 2022). The value or performance of the company will increase if the process of business activities of company always implements and makes good decisions to achieve the company's goals, namely increasing company profits (Dwi Rima Putri et al., 2021).

Financial performance is an indicator to see the level of performance or company performance. There are two factors or points of view in measuring financial performance: internal and external factors (Alamsyah, 2021). Return on assets (ROA) is an important tool for measuring a company's ability to generate net profits based on the level of assets owned (Saputra, 2022; Wiranthie & Putranto, 2020). Apart from that, Amelia & Sunarsi (2020) explained that ROA is an indicator of measuring a company's success in generating profits. So the greater the ROA, the better the company's performance, because the rate of return is greater. ROA is the comparison between net income after tax (Net Income After Tax-NIAT) to average total assets.

Gender issues remain a hot topic of discussion throughout the world, including in Indonesia. Gender is considered an issue of minority discrimination and efforts are continually being made to suppress it by implementing a policy of minimum limits on women's representation in policy and decision-making spaces. Indonesia as one of the actively countries that fights for women's participation on boards of directors in the Asia Pacific. Studies on the influence of board member gender diversity on company performance in developing countries are limited. Studies in developed countries regarding gender diversity on company performance still often show different results. A study by Sanjukta Brahma (2020) on gender diversity and the performance of case study companies in the UK concluded that the involvement of women on the board of directors had a significant and positive influence on financial performance. According to Brahma, this applies if there are more than three women directly involved in the board of directors. If the number of female directors is less than three, the effect on performance is not significant. A study of the influence of gender diversity on company performance was conducted by Stavros E. Arvanitis (2022) on listed companies in Greece. Using statistical modeling, Arvanitis' research results obtained empirical evidence that gender diversity drives improvements in company financial performance in Greece.

Studies on gender diversity have also been conducted by many researchers in Indonesia. Research on gender diversity of companies in Indonesia was conducted by Nurwahyudi, 2020, on companies included in the Kompas 100 index for 2014-2015, showing that gender had a positive and significant effect on company performance. This study states that a high proportion of female directors will improve company performance, conversely, the lower the proportion of women on the board of directors, the lower the company performance. The relationship between gender proportion and company performance is sufficiently controlled by size and leverage as control variables. The results of Basuki's (2020) research on gender diversity and financial performance of pharmaceutical companies

in 2014-2017 show that the gender composition of the board of directors has a positive influence on improving the company's financial performance.

The study of the issue of gender diversity on corporate boards (board gender diversity) continues to attract global study interest, because based on previous research it is limited to researching the influence of gender diversity on company performance in just one industrial sector, so there is no literature that examines the influence of gender diversity generally for companies in Indonesia. The selection of companies listed on the Indonesian Stock Exchange (IDX) as the unit of analysis is based on statistical data that is routinely presented by the IDX as a company accountability report to the public. The purpose of this study is to identify the effect of gender diversity on company performance by reviewing previous literature on board gender diversity on corporate financial governance (company financial performance) in Indonesia.

METHOD

This study uses an qualitative analysis approach, where give an image from certain phenomenon descriptively. With type study a study of literature or Systematic Literature Reviews (SLR). According to Cahyono et al., (2019) literature reviews are something evaluation deep and critical from study previously. According to (Kitchenham, 2004) SLR is a method for identifying, evaluating, and explaining all study which related with topic study certain or interested phenomenon. Likewise in this research, which was carried out by identifying, selecting and reviewing literature study which relevant with discussion focus. Using information form previous study, researcher examine factors which influence performance, then gather and analyze it by using a table presentation in a descriptive way to make it more systematic. Processing of literature material is carried out deductively, namely drawing conclusions from a general problem to the concrete problem faced. All materials obtained are analyzed and interpreted by prioritizing analysis by explaining descriptive patterns, looking for connections between existing descriptions and selecting materials that are able to answer research problems. Next, the presentation is carried out in analytical descriptive form which provides a clear picture of the research problem so that conclusions can be obtained.

The research begins with a descriptive analysis of the sample unit company profile. The analysis was carried out by processing data on the composition of directors in the company's annual report recorded on the IDX in 2023 and digital statistical data, especially market data from the IDX website. The market data analyzed is in the form of return on assets data in the financial data and ratio reports for December 2023. For companies that do not report data for 2023, both board composition data and return on assets data are excluded from the tabulation. Data on the composition/ratio of directors was obtained by comparing the number of female directors to the total directors of the sample unit companies in 2023. Meanwhile, the RoA data for the sample units was taken directly from the financial reports and company ratios for December 2023. These data was classified by company by sector to enrich the research analysis.

For analysis of a literature study, skimming was conducted on the selected articles (have a suitable topic and have a research time span of the last ten years). On selected literature, this was carried out analysis by means of a carefully then presented in a table . The main issue in the research is how Board Gender Diversity influences the company performance listed on the Indonesia Stock Exchange (IDX) in 2023. The selected articles were mapped by classifying companies based on sectors.

RESULTS AND DISCUSSION

There are 808 companies registered to report their financial condition on the IDX website in 2023. Digital statistical data, revealed that only 475 companies submitted financial performance reports (ROA) in their annual reports and attached the gender composition of their board of directors. The percentage of gender representation in companies listed on the IDX in 2023 according to sector can be seen in table 1.

Table 1. Percentage of Companies that have implemented BOD by sector

No	Sector	Company with BOD	Sum	Percentage
1	Basic Materials	29	66	43.94
2	Consumer Non-Cyclicals	37	70	52.86
3	Consumer Cyclicals	43	83	51.81
4	Energy	20	42	47.62
5	Financial	46	73	63.01
6	Healthcare	14	18	77.78
7	Industry	15	25	60.00
8	Infrastructures	17	39	43.59
9	Property and real estate	28	50	56.00
10	Technologi	14	22	63.64
11	Transportation & Logistic	15	22	68.18

Source: company annual report data on the IDX, 2023

Based on company financial report data recorded on the IDX website, 255 companies have actively involved women on the board of directors. More than 45 % of companies have not implemented gender representation on their boards of directors. Companies in the healthcare sector are the highest involvement of women on the their boards of directors, while companies in the infrastructure sector are the sectors with the least involvement of women on their boards of directors. More than half of companies operating in the basic materials and infrastructure sector have not implemented BOD on their boards of directors. Differences in the decision to implement female directors in companies according to sector are possible because each sector has different business characteristics. The infrastructure and basic materials sector is still dominated by men because overall employees in this sector are still dominated by men. Social construction that is still attached to the philosophy of patriarchy and masculinity also means that the infrastructure sector is not yet fully able to implement women's involvement in its operational activities.

Based on financial report data and company ratios on the IDX in 2023, information was obtained that the ROA of companies with female directors showed mixed results. In table 2 there is information on the list of companies that have successfully recorded brilliant financial performance (ROA above 20 percent) along with the implementation of BOD in these companies.

Table 2. List of companies with brilliant financial performance in 2023

No.	Sector	Company Name	Directors			Performance
			Women	Man	BOD	ROA, %
1	Infrastructures	Leyand International Tbk	2	0	100.00	130.00
2	Consumer Non-Cyclicals	Multi Bintang Indonesia Tbk	3	2	60.00	31.00
3	Transportation & Logistic	Pelayaran Nelly Dwi Putri Tbk	3	2	60.00	28.00
4	Consumer Non-Cyclicals	Unilever Indonesia Tbk	6	5	54.55	26.00
5	Transportation & Logistic	PT Temas Tbk.	2	3	40.00	24.00
6	Energy	Pelita Samudera Shipping Tbk	1	2	33.33	23.00
7	Energy	Bayan Resources Tbk	3	9	25.00	53.00
8	Energy	Prima Andalan Mandiri Tbk	1	3	25.00	37.00
9	Consumer Non-Cyclicals	Kurniamitra Duta Sentosa Tbk	1	3	25.00	20.00
10	Consumer Cyclicals	PT Sari Kreasi Boga Tbk	1	4	20.00	30.00
11	Basic Materials	Ifishdeco Tbk	1	4	20.00	23.00
12	Consumer Non-Cyclicals	Prasidha Aneka Niaga Tbk	0	3	0.00	86.00
13	Energy	Golden Energy Mines Tbk	0	6	0.00	53.00
14	Energy	Baramulti Suksessarana Tbk	0	7	0.00	38.00
15	Energy	Indo Tambangraya Megah Tbk	0	9	0.00	34.00
16	Healthcare	Industri Jamu dan Farmasi Sido Muncul Tbk	0	4	0.00	26.00
17	Energy	Dian Swastatika Sentosa Tbk	0	6	0.00	24.00
18	Energy	Dana Brata Luhur Tbk	0	2	0.00	23.00
19	Basic Materials	SLJ Global Tbk	0	3	0.00	21.00
20	Energy	Adaro Minerals Indonesia Tbk	0	6	0.00	20.00
21	Energy	Mitrabara Adiperdana Tbk	0	3	0.00	20.00
22	Energy	RMK Energy Tbk	0	3	0.00	20.00
23	Consumer Cyclicals	Dharma Polimetal Tbk	0	4	0.00	20.00

Source: IDX digital data, 2023

Based on the information in table 2, the company with the highest ROA apparently has a board of directors that is entirely female. However, data also shows that more than 50 % of companies that record brilliant financial performance does not have female directors. The right composition of the board of directors seems to have a significant influence on the company's performance achievements according to research conducted by Brahma (2020) in England.

A literature study of previous research was carried out by mapping. The results of mapping 23 research articles relevant to the influence of gender diversity on company performance in Indonesia are shown in table 3.

Table 3. Mapping gender diversity research by scope and type of influence

No	Observation Unit Coverage	Number of Article				
		Nasional Article	International Article	Positive Effect	Negative Effect	No Effect
1	Sector	16	3	10	2	4
2	General	7	1	3	3	1
Total		23	4	13	5	5

Source: data processed by researchers, 2024

Previous studies the influence of gender diversity on company performance

The government efforts phenomenon to promote gender diversity in company executives to improve company performance occur in various countries. The policy sparked debate about its effectiveness in improving company financial performance. Meanwhile, conditions in Indonesia for women's participation in the board of directors are still less than optimal and tend to stagnate. Research by Nurwahyudi (2020) found that the proportion of women on the board of directors had a significant positive effect on the company's financial performance. These results are in line with Linggih et al., (2018) findings of the significant positive influence of gender diversity in the meeting room on company financial performance, as measured by return on assets (ROA). The presence of women in leadership positions is associated with improved decision-making processes and increased company performance. This also strengthens the findings of Setiawan (2022) who concluded that there is a positive impact of gender diversity in the board of directors on risk management and company performance, and emphasizes the importance of diversity in corporate governance to encourage strategic decision making and improve overall company results. Meanwhile, research that found gender diversity had a negative impact on company performance was conducted by Tania and Hesniati (2022), the relatively small number of women in each company was a factor that made the positive effects of gender diversity difficult for companies to feel. Gender diversity on the board of directors is seen as a process of using the different characteristics and abilities of women and men which can provide benefits to the company. The finding that gender diversity has a negative impact on company performance indicates that further efforts are still needed to increase gender inclusion at the company leadership level.

Studies on property, real estate and health sector companies

Thoomaszen's (2020) research on the gender diversity on boards of commissioners and directors on the performance of companies in the property, real estate and health sectors. Using panel data regression for 2015-2018 samples of banking companies, the results showed that the gender diversity on the board of commissioners did not have a positive effect on company performance. Likewise, the gender diversity on the board of directors has a negative effect on company performance. This study found that gender diversity (the presence of women on the board of commissioners and board of directors) did not have a positive impact on company performance. The results of this research are in line with findings conducted by (Abdullah, 2014), (Chapple & Humphrey, 2014), (Ionascu et al., 2018) and (Rafinda et al., 2017) which stated that gender diversity is not a determining factor in improving performance (good company performance).

Study on banking companies

Previous literature studies show that gender diversity of directors show a negative influence on banking company performance. Research on the negative influence of gender diversity on performance was conducted by Andrianov and Awan Santosa (2023), based on panel regression analysis on a sample of selected companies in 2016-2022, it was found that gender diversity had a negative effect on company performance. This is in line with research by Uyar et al., (2020) which states that board gender diversity has a significant negative effect on ROA (company financial performance). The results of this research are also in line with the findings of Handayani and Panjaitan (2019), who concluded that female board directors take more consideration in decision making, thereby causing a decline in company performance. Women's culture, which tends to avoid conflict and is risk averse, has a negative influence on performance so that gender diversity is not really needed in running a

company (Noorkhaista and Sari, 2017). The gender characteristics of women tend to reduce earnings management actions (Novilia & Nugroho, 2016).

Study on manufacturing companies

The influence of gender diversity in board structure on the financial performance of manufacturing companies in research by Maghfiroh and Utomo (2019), concluded that gender diversity has no influence on the company's financial performance. Men are still the choice for board of directors positions due to the perspective that men are more capable of leading. Meanwhile, female councilors are usually elected based on family factors and not on the basis of competence. This is in line with the findings of Darmadi (2010), the composition of the board is mostly based on family or close relatives factors rather than expertise and work experience (Darmadi, 2011).

CONCLUSION

Corporate governance in increasing shareholder value in the long term and the interests of all stakeholders is reflected in the company's performance. Synchronization of all parts of the company is necessary for good corporate governance. Gender diversity as an element of the composition of the board of directors also determines the quality of decisions and direction of company policy in terms of human resource governance. The results of the researcher's analysis of previous research found that Board Gender Diversity (BGD) has an influence on company financial performance. The influence of BGD on company performance can increase or decrease company performance. Meanwhile, in several other companies, BGD does not have a significant influence. However, the majority of BGD empirical research on financial performance shows a positive influence. This means that the involvement of women on the board of directors is worthy of consideration because they are able to make a positive contribution to the company's financial performance. The involvement of women in decision-making ranks is also an effort to eradicate discrimination against minorities and implement the mandate of the law. Researchers provide suggestions for further research to expand the research sample, extend the observation period and use inferential methods so that general conclusions can be drawn from the research results for phenomena that occur in Indonesian companies.

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