

The Influence of Woman on Board of Commissioner and Woman on Board of Director on Company Financial Performance



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ABSTRACT: This study aims to examine the effect of woman on board of commissioner and woman on board of director on company financial performance. This study uses secondary data accessed through IDX.co.id and idnfinancials.com. The population in this study are companies in the manufacturing sector with a span of years 2017-2019. Determination of the sample using purposive sampling method with certain criteria. The final number of samples is 393 data. The analysis technique used in this study is multiple linear regression with the SPSS 25 version. There are two hypothesizes, namely, woman on board of commissioner and woman on board of director have a positive influence on the company's financial performance. The t-test show that both, woman on board of commissioner and woman on board of director did not have positive influence on the company's financial performance. it means that gender doesn't matter.

KEYWORDS: Woman on board of commissioner, Woman on board of director, Firm Financial Performance, Gender Diversity

I. INTRODUCTION

Gender diversity in top management is an indicator of corporate governance. In relation to corporate governance, gender diversity in top management in Indonesia is interesting topic. Because there is remain an assumption that leadership positions in companies are better occupied by men (Hamdani & Hatane, 2017). This assumption is partly due to the view that the success factor in men is caused by high ability (in terms of intelligence or talent), while women's success is more due to the luck factor (Maghfiroh & Utomo, 2019). In fact, in the world of work, the luck factor cannot just be used as a measure of success. Based on a survey from the National University of Singapore Business School, the percentage of women in top management in Indonesia is only 11.6% (Dieleman & Aishwarya in Hamdani & Hatane, 2017). This number is certainly very small when compared to the proportion of men in top management, which is 88.4%. The low proportion of women in top management also occurred in other Asian countries such as China at 8.5%, Hong Kong 10.3%, Singapore 7.3%, and Japan at 1.1% (Hamdani & Hatane, 2017).

The proportion of women's involvement in top management, which is still relatively small, shows that the dominance of men is still very large in terms of leadership in companies. The involvement of women in top management has not been considered so important and only fulfills the element of diversity. In fact, in reality, women have a positive impact on the company if they are entrusted with the trust as top management. Several previous studies have shown that women have potentials that make them worthy of being leaders. Hamdani & Hatane (2017) explained that a higher proportion of women on the board of directors will increase the value of the company. The same thing was explained by (Dezso & Ross, 2012) that women on the board of directors will improve the company's performance. In addition, diversity on the board will bring several benefits to the entity namely a wider perspective on decision making, higher creativity and innovation, as well as successful marketing for different types of customers (Cox, 1991; Robinson and Dechant, 1997 in Ningrum & Hatane, 2017). The presence of women on the board will encourage the achievement of good corporate governance as a result of the monitoring and independence of the board (Maghfiroh & Utomo, 2019). Based on these studies, it can be concluded that although the proportion of women's involvement in the company's top management is relatively small, it can still have a positive impact on improving company performance. This is in line with Nature's theory which explains that the differences between men and women are unchangeable and universal in nature so that the responses and thoughts of men and women in certain situations will differ from one another (Khuza'i, 2012).

This difference in response and thinking has a positive impact on decision making at top management and can improve company performance. Therefore, if the proportion of women's involvement in top management is increased or regulated, for example, then of course it can further improve company performance. So far, there are no internal company rules regarding the

The Influence of Woman on Board of Commissioner and Woman on Board of Director on Company Financial Performance

ideal percentage of women involvement in top management. In fact, in other sectors of work in Indonesia, for example, the People's Representative Council of the Republic of Indonesia (DPR RI) has begun to regulate this matter. The percentage of women's involvement in the DPR is regulated in Law no. 12 of 2003, Article 65 paragraph (1) concerning the Election for DPR, DPD and DPRD which contains at least 30% of women's representation. It would be better if the percentage of women's involvement in the top management of the company is formally regulated, so that it is not only regarded as fulfilling the diversity aspect alone, but because women can have a positive impact on the company.

Based on the description above, the researcher is interested in raising this problem into a study entitled "The Effect of Woman on Board of Commissioner and Woman on Board of Director on Company Financial Performance".

II. LITERATURE REVIEW

A. Nature theory

Nature Theory in gender studies is something that is more directed towards the biological essentialism aspect (Khuza'i, 2012). In other words, the theory of nature is actually more closely related to aspects of biology. However, along with its development, the theory of nature is then used as a theory in research that has a gender theme. Etymologically, nature is an innate characteristic inherent in someone or something (Khuza'i, 2012). This means, nature is a basic characteristic of humans which is caused by natural conditions. Scientifically, Charles Darwin is the initiator of this theory.

In relation to gender, the theory of nature explains that the differences between men and women are natural and therefore masculine and feminine aspects are inherent naturally (Khuza'i, 2012). The differences that arise must be addressed by creating harmonious relationships and eliminating discrimination. In addition, the theory of nature also explains that the differences between men and women are immutable and universal in nature so that the responses and thoughts of men and women in certain situations will be different from one another (Khuza'i, 2012). This difference in response and thinking has a positive impact on decision-making at top management that can improve company performance.

B. Social Psychological Theory

Social psychology theory explains group dynamics in meeting rooms and predicts that individuals who have a majority position have the potential to disproportionately affect group decisions (Mateos de Cabo et al., in Alm & Winberg 2016). This means, if in the top management of the company, the presence of men is the majority, it can lead to the potential for disproportionate decision making. Alm & Winberg (2016) explained that social psychology theory also shows that board diversity has a positive impact on group dynamics by encouraging divergent thinking. Different ideas can have a positive impact on the decision-making process and have a positive impact on the company's financial performance. The diversity of the board is the involvement of women in top management.

C. Performance Measurement Developments

Company performance indicates how the company uses, manages and allocates its resources. The company's performance can be measured using financial reports that contain information related to the things the company has done in a certain period. The financial performance of each company varies in showing a downward trend, increasing, and fluctuating levels of profit generated. The company's financial performance consists of two, namely market performance and operational performance. Operational performance that is the focus of this research is operational performance.

One way to measure operational performance is to use the Return on Asset (ROA) ratio. The use of ROA is often used in previous research to measure the company's operational performance as in research (Darmadi, 2012) and (Nguyen in Mai et al., 2020).

Therefore, in this study, researchers used ROA as a proxy for financial performance, especially operational performance in measuring the success or failure of women's involvement in company boards to improve the company's financial performance.

D. The Results of Previous Research

The following are some of the results of previous research related to research topics, including:

Darmadi (2011) in a study entitled Board Diversity and Firm Performance: The Indonesian Evidence. This study examines several factors that influence corporate financial performance including the proportion of women, board age, company size, board size, largest shareholding, block holder ownership, and foreign nation. The research method used is cross-sectional regression analysis with the object of research, namely all public companies listed on IDX on December 31, 2007. The results of this study are that there is no influence between the proportion of women on the board, foreign nation, and the presence of women on the board on company performance as measured by ROA.

The Influence of Woman on Board of Commissioner and Woman on Board of Director on Company Financial Performance

Dewi et al., (2018) in a study entitled Pengaruh Karakteristik Dewan Komisaris terhadap Kinerja Perusahaan Manufaktur di Bursa Efek Indonesia. This study examines several factors that affect the company's financial performance including the composition of the independent commissioners, the size of the board of commissioners, and the educational background of the commissioners. The research method used is multiple regression with the object of research, namely manufacturing companies listed on the Indonesia Stock Exchange (IDX) with an observation period from 2014 to 2017. The results of this study are that the composition of independent commissioners affects the company's financial performance (ROA), while the size of the board the board of commissioners and the educational background of the board of commissioners had no effect on the company's financial performance (ROA).

Roika et al., (2019) in a study entitled Pengaruh Keberagaman Dewan Direksi Terhadap Kinerja Keuangan Perusahaan. This study examines several factors that affect the company's financial performance, including gender diversity on the board as showed by the percentage of the number of women directors on the board of directors and national diversity which is showed by the percentage of foreign directors on the board of directors. The research method used is multiple regression with the research object of all non-financial companies that are consistently listed on the IDX during the 2016-2017 research period. The results of this study indicate that the presence of a women's board of directors in non-financial companies listed on the IDX in 2016-2017 has not been able to affect the company's financial performance. In addition, national diversity in the board of directors has a positive and significant effect on the company's financial performance.

Kılıç & Kuzey (2016) in a study entitled The Effect of Board Gender Diversity on Firm Performance: Evidence from Turkey. This study examines several factors that affect the company's financial performance, including the presence of women on the board of directors and the percentage of women on the board of commissioners. The research method used was Instrumental Variables Regression (IV regression) which was analyzed by Two Stage Least Squares (2SLS), Limited Information Maximum Likelihood (LIML), and Generalized Method of Moments (GMM). The research object is non-financial companies listed on BIST for the period 2008-2012. The results of this study indicate that the presence and participation of women on the board of directors has a positive and significant effect on the company's financial performance.

Isidro & Sobral (2015) in a study entitled The Effects of Woman on Corporate Boards on Firm Value, Financial Performance, and Ethical and Social Compliance. This study examines whether women on the board of directors affect firm value, corporate financial performance, and corporate social and ethical compliance. The research method used is the Simultaneous Equation Model proposed by Zellner & Theil, (1962). The research object was the 500 largest companies that were included in the Times 2011 classification and 922 samples were selected representing 16 countries in the 2010-2012 period. The results of this study are, firstly, that there is no evidence that greater representation of women on the board directly affects firm value. Second, there is a positive effect of women on the board on the company's financial performance. Third, there is a positive effect of women on the board on financial performance and ethical and social compliance of companies that have an impact on company value.

E. Hypothesis Development

The Presence of Women on The Board of Commissioner

The presence of women in the top management of the company is still small when compared to the presence of men in the same top management. The small number of women involved in top management indicates that the company still sees the existence of women as an aspect of gender diversity alone. In fact, there is an assumption that success in men is due to the factors of ability and skill, while success in women is caused by luck alone (Maghfiroh & Utomo, 2019). In fact, in the world of professional work, the luck factor cannot be the main factor causing success. Success in a job cannot be seen from the mere luck factor, because women's success is considered more because of their hard work (Kusumastuti et al., 2008).

In fact, the presence of women in the top management of the company has a positive impact on the company. These positive effects include higher creativity, innovation, a broader perspective on decision making, and successful marketing for various types of customers (Cox, 1991; Robinson and Dechant, 1997 in Ningrum & Hatane, 2017). In addition, a higher proportion of women on the board of directors will increase the value of the company (Hamdani & Hatane, 2017).

Diversity management in the board of commissioners is very important because it relates to the quality, characteristics and expertise of each member which can influence decisions and actions taken by the board of commissioners (Ruigrok et al., 2007); (Luckerath, 2013), (Carter et al., 2010). This diversity is related to gender diversity in the board of commissioners. The increasing gender diversity in the board of commissioners will lead to different views or opinions on a problem, so that the resulting solutions to overcome the problem are diverse and new innovative ideas emerge that can bring advantages to the company (Kiran in Limbago & Sulistiawan, 2008); (Chapple & Humphrey, 2014). Other than that, (Luckerath, 2013) in his research explained that the benefits of a diverse board of commissioners are that the decisions taken are decisions with a broader perspective because they

The Influence of Woman on Board of Commissioner and Woman on Board of Director on Company Financial Performance

reflect the demographic characteristics of the company's main stakeholder groups. The main groups of company stakeholders are employees, customers and investors.

Based on the previous explanation, the hypothesis is:

H1 = Woman on Board of Commissioner has a positive influence on the company's financial performance.

The Presence Of Women on The Board of Director

The presence of women on the board of directors can improve company performance. This is supported by several research results, namely Hamdani & Hatane (2017) which explains that a higher proportion of women on the board of directors increases the value of the company. Dezsó & Ross, (2012) research also explained that women on the board of directors will improve the company's performance. This is in accordance with the role of the board which must be responsible and actively involved in every company activity (Olutokunbo et al., 2020).

The presence of women on the board of directors illustrates the gender diversity in the company. (Herring, 2009) explained that in the context of the work environment, gender diversity refers to the proportion of women and men in the workplace who can affect the way people communicate and work together in the workplace, thereby affecting organizational performance. This indicates that the presence of women on the board of directors of a company will affect how to communicate and cooperate in the company's work environment which will have an impact on company performance.

Therefore, based on the previous explanation, the hypothesis is:

H2 = Woman in the Board of Director has a positive influence on the company's financial performance.

III. RESEARCH METHODOLOGY

A. Data Types and Sources

This type of research is quantitative research with secondary data sources. This research was conducted on companies engaged in the manufacturing sector and has been listed on the Indonesia Stock Exchange with an observation period spanning 2017-2019.

This study uses a purposive sampling method with several conditions, namely published financial reports, the currency used in the financial statements is the rupiah currency, the required data is available, and the company has been listed on the Indonesia Stock Exchange (IDX).

B. Operational Definition and Research Variables

Dependent Variable

The dependent variable in this study is the company's operational performance. Al-Matari et al., (2014) explain operational financial performance as a measure of the success of the company's financial performance that describes the performance over a certain period. Measurement of firm financial performance uses return on assets (ROA) as in the study Darmadi (2012).

Independent Variable

The independent variables in this study consisted of two, namely woman on board of commissioner and woman on board of director.

Woman on Board of Commissioner (WOBC) is a woman representative who serves on the board of commissioners. Meanwhile, Woman on Board of Director (WOBD) is a woman who serves as the board of directors. The measurement of woman on board of commissioner and woman on board of director uses a ratio scale in the form of a percentage of the number of members of the board of commissioners / directors of women, divided by the total number of members of the board of commissioners / directors. Previous research which also used the same measurement method is (Hamdani & Hatane, 2017), (Mateos et al., 2011), and (Gul et al., 2011).

Control Variable

The control variables used in this study are:

1. Firm Size

Company size is the scale of the company as seen from the total assets or assets of the company at the end of the year. The size of the company is a measure of the size of a company. Firm size is measured using the natural log of total assets (Pratiwi & Pralita, 2021).

The Influence of Woman on Board of Commissioner and Woman on Board of Director on Company Financial Performance

2. Sales Growth

Sales growth is the company's ability to increase sales from one period to the next.

IV. DATA ANALYSIS AND MODEL RESULTS

A. Analysis Technique

Methods of data analysis in this study using SPSS software. The data collected were analyzed using descriptive statistical tests, classical assumption tests (normality test, multicollinearity test, and heteroscedasticity test), and hypothesis testing.

The linear regression equation is as follows:

$$ROA = \alpha + \beta_1 WBOC + \beta_2 WBOD + \beta_3 SIZE + \beta_5 SALE + \epsilon$$

Information:

ROA	= Return On Asset
α	= Constant
$\beta_1 WBOC$	= Woman in Board of Commissioner
$\beta_2 WBOD$	= Woman in Board of Directors
$\beta_3 SIZE$	= Firm Size
$\beta_5 SALE$	= Sales Growth
ϵ	= error

B. Results of Analysis and Discussion

Data Description

The object of research in this study is a manufacturing company listed on the Indonesia Stock Exchange in 2017-2019. The number of manufacturing companies studied was 171 companies. This study uses purposive sampling technique with certain conditions so that the use of the sample is in accordance with the research needs.

NO	CRITERIA	AMOUNT
1	Manufacturing companies listed on the IDX in 2017-2019	171
2	Companies that do not present financial statements in rupiah currency	(27)
3	Companies that present financial statements in rupiah currency	144
4	Companies that do not have information data related to research variables	(10)
	Number of samples	134
	Observation period	3 Years
	Number of manufacturing companies studied in 2017-2019	402
	Outlier data	(9)
	The final number of data samples	393

Descriptive Statistics

Descriptive statistics describe the characteristics of the sample used in this study. The results of statistical descriptive tests on the return on assets (ROA) variable show a minimum value of -0.49, a maximum of 0.53, a mean of 0.039 and a standard deviation of 0.184. The results of the descriptive statistical test on the woman on board of commissioner (WBOC) variable show a minimum value of 0.04, maximum 0.62, mean 0.128, and a standard deviation of 0.134. The results of the descriptive statistical test on the woman on board of director (WBOD) variable showed a minimum value of 0.03, maximum 0.64, mean 0.146, and a standard deviation of 0.144. The results of the descriptive statistical test on the firm size variable (SIZE) show a minimum value of 23.76, a maximum of 32.69, a mean of 28.263, and a standard deviation of 1.562. The results of statistical tests on the sales growth (SALE) variable showed a minimum value of -1.66, maximum 1.88, mean 0.119, and a standard deviation of 0.619.

Classic Assumption Test

The classical assumption test in this research consists of normality test, heteroscedasticity test and multicollinearity test. The normality test shows that the data in this study have a normal distribution. The heteroscedasticity test shows that there is no heteroscedasticity problem in the regression model used. The multicollinearity test shows that there is no multicollinearity in the data being tested because it has met the requirements for the VIF value and tolerance.

Hypothesis Testing

The coefficient of determination (R²) has a value range between 0 and 1 which explains that the higher the value obtained

The Influence of Woman on Board of Commissioner and Woman on Board of Director on Company Financial Performance

indicates that the information provided by the independent variable has a high prediction of the dependent variable.

Table 1. Coefficient Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,382 ^a	0,146	0,137	0,17154

Based on the test results of the coefficient of determination presented in table 1, information can be obtained that the Adjusted R Square value is 0.137. This value means that all independent variables consisting of woman on board of commissioner, woman on board of director, firm size, and sales growth can explain 13.7% of the ROA variable. Meanwhile, the remaining 86.3% is explained by other variables.

1. F Test

The F test is used to determine the magnitude of the influence of the independent variables together on the dependent variable. The basis for decision making is that if the significance value is less than 0.05, it can be concluded that all independent variables jointly (simultaneously) affect the dependent variable.

Table 2. Simultaneous Test (F Test)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,947	4	0,487	16,542	,000 ^b
	Residual	11,417	388	0,029		
	Total	13,364	392			

Table 2 shows that the F test results obtained a significance value of 0.000 or less than 0.05. This means that all independent variables, namely woman on board of commissioner, woman on board of director, firm size, and sales growth simultaneously affect ROA.

2. T Test

The t test is used to test the influence of each independent variable on the dependent variable. The basis for decision making is if the significance value is smaller than 0.05, it can be concluded that the independent variable individually (partially) affects the dependent variable.

Table 3. Partial Test (T Test)

Model	t	Sig
1 (Konstanta)	-5,503	0,000
WOBC	-1,299	0,195
WOBD	0,748	0,455
SIZE	5,806	0,000
SALE	5,095	0,000

Table 3 shows that the woman on board of commissioner (WOBC) variable has a significance value greater than 0.05, namely 0.195, so it can be concluded that WOBC has no effect on ROA. The variable woman on board of directors (WOBD) has a significance value greater than 0.05, namely 0.455, so it can be concluded that WOBD has no effect on ROA. The firm size variable (SIZE) has a significance value smaller than 0.05, namely 0.000, so it can be concluded that SIZE has an effect on ROA. The sales growth (SALE) variable has a significance value smaller than 0.05, namely 0.000, so it can be concluded that SALE has an effect on ROA.

C. Discussion

The Influence of Woman on Board of Commissioner and Woman on Board of Director on Company Operational Performance

Based on the results of data analysis from manufacturing sector companies listed on the Indonesia Stock Exchange (IDX), it can be concluded that the percentage of women in the company's top management has no effect on the company's operational performance. Thus, the first hypothesis which states that Woman on the Board of Commissioner has a positive influence on the company's operational performance and the second hypothesis which states that Woman on the Board of Director has a positive

The Influence of Woman on Board of Commissioner and Woman on Board of Director on Company Financial Performance

influence on the company's operational performance is rejected. The results of this study do not support the results of the study (Isidro & Sobral, 2015) which explains that the participation of women in the top management of the company has a positive impact on improving company performance. However, the results of this study support the research results (Darmadi, 2011); (Dewi et al., 2018); (Roika et al., 2019) which explains that there is no influence of the percentage of women in top management on the company's operational performance.

Based on the results of data analysis, it can be said that the percentage of women's involvement in the top management of the company is still small. However, the percentage of women involved in the top management of the company is not a strategic issue from a gender equality perspective. This is in accordance with Article 5 of Law Number 13 Year 2008 concerning Manpower which reads: "Every worker has equal opportunity without discrimination to get a job. The law on manpower indicates that companies have provided equal opportunities for women and men to get jobs and occupy certain positions according to their potential and abilities. In addition, there are no rules governing what the ideal percentage should be used as a reference by the company in determining the number of women and men in the top management of the company.

In Nature Theory it is explained that the differences between men and women are unchangeable natures so that the responses and thoughts of men will be different from those of women (Khuza'i, 2012). In line with the theory, the Shield in (Santrock, 2003) explained that women are more emotional and full of feelings, while men are more rational and concerned with logic. In making policy, companies need decisions that are calculated, of high quality, and use information that is certain to be true (Indriany et al., 2019). Decisions that are calculated, high-quality, and use well-informed information indicate that the company determines its business decisions or policies in a rational way, which can be a reason why women are not involved. In addition, the results of this study are not in accordance with social psychology theory which explains that diversity in top management will generate creative ideas due to different thoughts. The results in this study reject this theory and are in accordance with the Herring (2009) explanation that in addition to the resulting positive aspects, diversity in the board will also increase conflict, decreased performance, and lower communication.

Therefore, it can be concluded that there is no effect of the percentage of women's involvement (naturally prioritizing emotional and emotional aspects) in the board of commissioners on the company's operational performance..

V. CONCLUSION

Based on the results of the analysis regarding the influence of women's involvement in top management (board of commissioners and board of directors) on the company's operational performance, it can be concluded that the company has provided equal opportunities for women and men to get jobs and occupy certain positions according to their potential and the ability that is owned. Thus, the percentage of women involved in top management is not a strategic issue in this research. In addition, companies generally make rational business decisions or policies so that women who naturally prioritize emotion and feelings in decision making are less involved.

Suggestions for future researchers who want to discuss the same topic are in accordance with this study to expand data sources from different sectors with those in this research. So that it can be seen whether in other sectors, the involvement of women in the top management of the company has an effect on the company's operational performance or not.

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The Influence of Woman on Board of Commissioner and Woman on Board of Director on Company Financial Performance

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