

**THE EFFECT OF BOARD GENDER DIVERSITY,  
FINANCIAL BACKGROUND AND PANDEMIC PERIOD  
TOWARDS THE FINANCIAL PERFORMANCE OF A COMPANY  
(EMPIRICAL EVIDENCE FROM MANUFACTURING COMPANY LISTED IN  
INDONESIAN STOCK EXCHANGE)**

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**Abstract**

This research seeks to determine how gender diversity impact financial performance, how financial background of board impact the financial performance and how pandemic period impact the financial performance of a company. In this study, the population consisted of manufacturing firms listed on the Indonesian Stock Exchange between 2018 and 2020. Purposive sampling was employed as the sampling technique. The sample had a total of 52 companies and a total of 152 observations. According to the three hypothesis that is proposed is that the presence of female directors have a positive impact on the financial performance of the company. The presence of board member with financial background will have a positive impact towards the financial performance and lastly, pandemic period have a negative impact towards the financial performance of the company.

**Keywords:** Board Gender Diversity; Financial Background; Pandemic Period; Financial Performance

**INTRODUCTION**

The financial performance of a company is associated with how a company generates revenues and controls its assets, liabilities, and the financial interests of its stake and stockholders. The main function of financial performance in a company is to allow to evaluate one's own effectiveness towards the company's executive and to determine if the company will be able to achieve its financial goal and the company itself. There is a multitude of approaches to measure the financial performance using different types of business formulas which authorize users to calculate the accurate and precise details concerning the company's prospective effectiveness. For the internal users, the financial performance is evaluated to resolve on their companies' welfare and standing out on each other's benchmark. For the external users, financial performance is examining the principle of the potential investment opportunities and to examine if the company has value.

Historically, many companies focus on the usage of the performance of the company because financial performance has a major role not only in the current performance of the company but also to be able to achieve high performance and growth in the future. Many investors evaluate the entire company's performance to decide on investment decisions. Financial performance measurements are used by a range of people, but they are thought to be the most valuable to shareholders since they entrust their money to company executives who are responsible for the capital allocation yet may not have any incentives to raise their shareholder values.

Woman on the board have more mental qualities that could lead them to take more dominant notice of the stakeholders (Wood and Eagly, 2009). For instance, comparative with man, female board have more common characteristics such as friendship, supportiveness, generosity, compassion, relational responsiveness and support, and empathy for other people.

(Eagly, Johannesen-Schmidt, and van Engen, 2003). These characteristics of female are often seen in the female directors to consider a more extensive scope of shareholders. Unlike male directors, who will generally focus more on the economic concerns.

There have been many controversial agreement and disagreement towards the advantage of having a female board. Women on board are more reluctant to take risks compare to man on board. Hence, women on board might influence the management to maintain traditionalist strategy (Khan et al, 2020). There have been studies going on about having female board. One study shows that there have been a negative relationship between the female board with the audit committee regarding on the revenue forecast (Ammer and Ahmad-Zaluki, 2017). On the other hand, female board can minister the interest of shareholders (Fama & Jensen, 1983).

Therefore, the focus of this research will scrutinize the studies held in 2018-2020 complementary to board gender diversity and relate it to financial performance. Taking the data from the companies that are listed in the Indonesia Stock Exchange for the years 2018 until 2020. Many studies on corporate financial performance have been conducted in Indonesia but the research have not gone in-depth on the effects of board gender diversity on the financial performance. As an explanation, the researchers need to investigate if having a different review of board members, as well as having a female in the board member will have an influence towards the financial performance of the company.

The recently identified coronavirus is the infectious cause of Coronavirus Disease (COVID-19). This virus, which has spread to several nations, started in the Chinese city of Wuhan in the province of Hubei. In an effort to combat social distancing, nations practice it and appear to close off. In order to control the spread of COVID-19, our nation has adopted a policy known as Large-Scale Social Restrictions (PSBB), which are meant to restrict communal activities. Despite several efforts, the uncertainty around when the pandemic will end has led to a number of issues, both in the health and economic fields. The primary problem and situation, both nationally and internationally, is the spread of COVID-19, which has an effect on the current economic downturn. The fall in people's purchasing power, which has an effect on declining demand for raw materials, semi-finished goods, and finished goods, is one sign of an economic downturn

## **LITERATURE REVIEW**

### **Agency Theory**

Agency theory discussed the problem of the agency and the solutions. (Jensen & Meckling, 1976; Ross, 1973). Problems that happen in the agency have been arising since the evolution of joint companies. The agency model is also known as the oldest theory in the world of management and economics (Wasserman, 2006). Agency theory examines the issues that happens in a company because of the division of agent and principal and prioritize on how to reduce the problem. Agency theory helps execute the many types of governance mechanisms to control the specialists' activity in the together held enterprises.

### **Theory of The Firm**

According to the theory of the firm, every commercial organization is motivated by the desire to maximize profits. This concept has a significant effect on resource allocation, manufacturing processes, pricing adjustments, and manufacturing decisions. The philosophy of the corporation and the theory of the customer are inextricably connected. Consumer theory states that customers seek to maximize their total utility to the greatest extent feasible. In economic terms, utility is the estimated value a consumer uses to quantify the amount of enjoyment or satisfaction derived from the usage of a certain product or service.

### **Financial Performance**

Financial performance is an amorphous measure of a company's ability to use its resources and generate revenue from its primary business model. The phrase is often used to describe the overall financial success of an organization during a specific time. Financial performance is used by analysts and investors to compare companies in the same sector or to examine whole organizations or territories.

### **Women on Corporate Boards**

Corporate governance is a structure and process that is used by the company in running, directing, and supervising the company's business activities, including the preparation of vision and mission as well as the steps on how to achieve it, as well as a balance between the company and the other stakeholders, including shareholders, management companies, employees, suppliers, customers, creditors, regulators, and the wider community (KNKG, 2019). Corporate governance consists of all the factors that affect a company's actions, focusing on the structure and processes that regulate the business and requiring that all stakeholders be actively protected (Kyerere & Ausloos, 2020).

### **Hypotheses Development**

This study uses a quantitative descriptive approach whose main purpose is to provide an overview or description of a situation objectively, where then the data and information are collected to draw conclusions and suggestions. This research was conducted by collecting a secondary data acquired from an Indonesian manufacturing company which the audited data will be taken from the IDX Stock Exchange throughout the year 2018–2020.

## **DISCUSSION**

According to the test and results, it shows the results of testing hypothesis 1, the results obtained are 1.665393 for the coefficient and the significance is 0.051 which is higher than the 0.05 level of significance. This means that the presence of women directors can improve the financial performance of the company. Meanwhile based on the test and results, which displays the results of hypothesis testing, the coefficient values for the Financial Background variable are 1.3299 and the significant result is 0.095, which is above the significance level of 0.05, hence accepting the hypothesis. Lastly, according to the test and results, which display the outcomes of the hypothesis 3 testing the obtained findings of dummy pandemic variable with the coefficient -3.442525 and the significance value is 0.038 which is lower than the 0.05 significance level. Indicating that the hypothesis is accepted. Therefore, it can be said that all three hypothesis is accepted.

## **CONCLUSION**

This study is aimed to be able to look through the effect of board gender diversity on financial performance. The analysis of data in this study was carried out using regression analysis with the STATA version 14 program. The research sample consisted of 52 manufacturing companies listed on Indonesia Stock Exchange (IDX) for 3 consecutive years throughout 2018-2020 with a total of 156 observations. After testing the proposed hypothesis, the conclusions of the studies are the presence of the female board directors has a positive impact on financial performance. The presence of a female board benefits the company. On the other side, the existence of a female board might be neglected and unseen by the community. The findings of the study have a different point of view from Johl, S. K., Kaur, S., & Cooper

(2015).

Hence, having female sitting on board have a positive impact towards the financial performance of the company. Moreover, having board with financial background have a positive impact towards the company's financial performance. Lastly, during the pandemic period, there have been a negative impact towards the financial performance.

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