THE INFLUENCE OF PRESENCE OF FEMALE IN BOARD OF DIRECTORS AND AUDIT COMMITTEE TOWARDS FINANCIAL PERFORMANCE: EVIDENCE FROM INDONESIAN PUBLIC COMPANIES

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Abstract

Background: Diversity on corporate boards and strong audit committees are essential for good corporate governance, and promoting gender diversity, particularly increasing the number of women on boards, has been proven to enhance overall business performance.

Objective: This study aims to investigate whether the presence of women in the board of directors and audit committee affects the financial performance of Indonesian public companies listed on the Indonesia Stock Exchange (IDX). The study uses a purposive sampling method to select 670 companies from financial statements listed on IDX from 2019 to 2021, excluding the financial industry.

Research Method: The study employed multiple linear regression analysis with a fixed effect model and an ordinary least square (OLS) model to assess ROA and PER. Recognizing the presence of heteroskedasticity and autocorrelation issues, the regression was adjusted using Robust Standard Error for standardization.

Research Result: This study shows that having women on the board of directors positively influences Return on Assets (ROA) and negatively influences Price-to-Earnings Ratio (PER). Although the study did not find a significant influence of women on the audit committee, it suggests that the presence of women on boards of directors can potentially improve companies' financial performance.

Research Originality/Novelty: The authors emphasize that their study fills a gap in the literature by examining the impact of female presence in board of directors and audit committees on financial performance in Indonesian public companies.

Keywords: board gender diversity, corporate governance, female audit committee, female board of directors, financial performance, PER, ROA

Introduction

Diversity on corporate boards and strong audit committees are all essential aspects of excellent corporate governance that may have an impact on the viability of a firm. Increasing the number of women who serve on corporate boards is one way to promote gender diversity, which research has proven to have a beneficial effect on the overall performance of businesses (ILO, 2020). According to analysis carried, diverse boards of directors are linked to enhanced decision-making and the ability to promote innovation, which in turn leads to superior financial success (Hakovirta et al., 2020). A research has proven that women carry better emotional intelligence when it comes to board decision making (Barrientos Báez et al., 2018). Moreover, audit committee is one of the departments required by the OJK according to Number 55/POJK.04/2015 about establishment and guidelines for the audit committee. The Indonesian Corporate Governance has never announced any one-female-employee policy on each audit committee members following the legislative policy. The decision has always been prerogative to the company which leads to the underrepresentation of women to be consistent (ICG Manual Second Edition, 2018). Moreover, audit committees is crucial in the corporate world to supervise internal controls and risk management procedures while strengthening the impartiality and efficacy of the external auditor (Oradi & Izadi, 2019).

McKinsey also reports that women remain underrepresented in 2022. Due to men-dominated promotions, women quit the organization which causes this small trend of gender inequality. Women are also mistrusted and treated rudely by their peers, including juniors, seniors, and males, since they are perceived to make rash economic decisions thus engendering their views to be dismissed as unimportant (McKinsey, 2022). Despite the fact that there has been some progress achieved, there is still a problem with gender diversity in business leadership positions in Indonesia as well as many other nations across the globe. This underrepresentation is believed to be attributable to gender stereotypes in which males are linked with achievement-oriented, agentic qualities such as assertiveness and decisiveness while women are not (Lawson et al., 2022). Ongoing efforts are required in order to promote equal opportunities for women and men in business and to tear down the obstacles that hinder women from attaining their full potential. Likewise, these efforts must be aimed at achieving gender parity and/or enhancement.

Prior study clarifies board gender diversity, audit committee and financial performance in Nigeria, one of developed countries in Africa by using Return on Assets (ROA) and Tobin's Q as the indicator for financial performance and shows both significant positive results to financial performance (Chijoke-Mgbame et al., 2020). Whilst other research involving samples from S&P 500 shows significant and positive relationship between Blau index of heterogeneity and firm profitability (Đặng et al., 2020). Moreover, a research that also uses Standard & Poor's 500's information technology sector also shows positive influence on women on boards for their financial performance including ROA along with Price to Earnings Ratio (PER) (Simionescu et al., 2021). However, through different econometric approach, presence of women on board has no significant association with ROA but rather a positive relationship with PER (Simionescu et al., 2021). In addition, ROA has always been positively linked to female employees contributions (Chijoke-Mgbame et al., 2020; Đặng et al., 2020; Simionescu et al., 2021). Likewise, most existing studies in Southeast Asia (SEA) usually only focuses on certain sector such as banking sector (Galletta et al., 2022). Author thinks that further studies in Indonesia regarding the same topic of women presence in board of directors and audit committee with ROA and PER as dependant variables have not been conducted. Author also argues that these two financial performance indicators play a big role in investors' future investing decision. Considering the nonexistence and dynamic changes on committee gender rules in the country, many women tend to be discriminated due to their limited opportunities. This statement apparently links to the fact of women abstain in pursuing their aspirations (Apriani & Zulfiani, 2020). There is not many studies on the effect of female audit committee contribution to the financial performance in Indonesian companies too.

In addition, some companies still think that hiring women would cost more than hiring men; due to their higher number of paid leaves. This fact eventually rises discriminations among women on the workplace (Oceanio, 2022). There are over 53% of working mother in Indonesia which is higher than most SEA countries such as Hongkong of 52%, Taiwan of 47%, Malaysia of 47%, and India of 35% (Mariana et al., 2018). Acknowledging that men and women equitably add value to the work and home environments is defined as gender equality in workplace. This may boost men's engagement in family matters and increase women's participation in the workforce (Dearing, 2016). In this aspect, author believes that there are not many companies consider these further thoughts to their female employees. Corporates still apply power distance and masculinity that might be barriers to the effect of board gender diversity and financial performance (Kabir et al., 2023). Whilst in fact, women influence board decision-making in their contributions and author is trying to prove this point.

Women directors confront social hurdles of being associated with outgroup members that restrict their ability to contribute to the board procedures and board decisions due to the fact they are considered as minorities on boards (Kanadlı et al., 2018). Furthermore, some factors indicate that enterprises controlled and overseen by corporate boards with women associates may be governed and tracked differently, which still shows gender gaps in leadership by the industry (WEF, 2022). They apply different ethical standards to firm decision-making, which might affect economic outcomes. According to World Economic Forum, sectors with strong female representation links to more women to be appointed as leaders. Whilst in male-dominated businesses, more men became leaders (WEF, 2022). In 2021, non-governmental and membership organizations of 54%, education of 49%, government and public sector of 46%, personal services and wellness of 46%, healthcare and care services of 46%, and media and communications of 46%, employed the most women into leadership roles. There is still a gender gap between the total female presence across all jobs and the proportion of women in leading positions across industries with high levels of female participation. Thus many studies have attempted and are still continuing to explain the need for female directors and how their presence may impact an organization's bottom line.

According to the background, the research questions will be:

1. Does female representation on board of directors contribute to positive influence on companies'

financial performance on Indonesian public companies?

2. Does female representation on audit committee contribute to positive influence on companies' financial performance on Indonesian public companies?

This research aims to show how the presence of women on corporate boards and audit committees affects a company's overall financial performance in the setting of Indonesia. This research also points out how women are capable to lead, manage in economic scope, and bring huge economic growth to the selected public companies.

This research focuses on the the impact of female presence on corporate boards and audit committees on financial performance in Indonesia where women are still underrepresented and underestimated for involving their feelings a lot. This research retrieves the data from annual reports and company's websites.

Moreover, this research is expected to examine the effect of women's decision in accounting and business in general. This might help teachers and professionals to keep on encouraging female students in breaking the stigma that females can also be as successful as men or other peers. Aside from engaging women to lead, this research is hoped to be able in engaging more women to be more critical in taking actions. As women are seen to be unreliable, author believes that women can contribute as much as men do.

Literature Review

This research involves three theories that are agency, signalling, and stewardship theory. Most gender diversity research is observational and draws on management literature (Reddy & Jadhav, 2019).

Agency Theory

According to the prior literature, agency theory is one of the economical arguments for female representations on board (Chijoke-Mgbame et al., 2020). Previous researchers believe that the major duty for reducing agency expenses is on the board of directors, who are tasked with overseeing senior management (Fama & Jensen, 1983; Jensen & Meckling, 1976.). An agency relationship is a contract in which one or more principals hire a third party known as the agent to execute a service for them and delegate certain decision-making power to the agent. If both parties are utility maximizers, the representative may not always behave in the best intentions from a principal (Jensen & Meckling, 1976). Monitoring role is carried out with even greater efficacy from gender diversity (Adams & Ferreira, 2009; Campbell & Minguez Vera, 2010). It may potentially improve board quality and independence, as well as providing a range of helpful viewpoints that are accessible to address challenges (Adams & Kirchmaier, 2016;

Campbell & Minguez Vera, 2010). There is a significant and valuable effect of having women on boards (Adams & Ferreira, 2009).

Signalling Theory

Signalling theory studies how people with different degrees of skill or quality may communicate these qualities to prospective investors in order to benefit the organization (Spence, 1973). The beneficial association between gender diversity and a company's image is supported by signalling theory (Kaur & Singh, 2017). It illuminates the positive impact on gender diversity and company's reputations (Kaur & Singh, 2017). In this research, signalling theory refers to how a company nominates its women employees to show their quality (Ross, 1973). This theory contributes to the fact that board gender diversity maximizes performance by taking into account a wide range of perspectives and incorporating them into governance processes and, in turn, strategic and operational decisions for companies' success in the long run (Brammer et al., 2009; Chijoke-Mgbame et al., 2020; Miller & del Carmen Triana, 2009). Diversity in general, and gender diversity in particular, is beneficial since it increases both competence and responsiveness to the needs of all parties involved (Daily et al., 1999). Female directors on boards demonstrate a company's capacity to handle social concerns such as gender disparities and establish public trust (Miller & del Carmen Triana, 2009). Women directors receive social approbation and stakeholder credibility (Dunn, 2012). Women on boards are seen as potentially beneficial to a company's image since they pay more attention to the concerns of female employees and consumers (Daily et al., 1999; Singh & Vinnicombe, 2004). Moreover, higher levels of both subjective and factual firm productivity were shown to be connected with more interactive boards (Kaur & Singh, 2017). These conclude that companies with women on their boards of directors tend to have better relationships with their stakeholders which later can increase company performance and outcome.

Stewardships Theory

Incorporating new perspectives and ideas into the board's deliberations along with those of the company as a whole is another important aspect of diversity on the board (Booth-Bell et al., 2021). Since stewardship theory implies ethical leadership (Booth-Bell et al., 2021), there is some scientific proof to suggest that women handle and react to issues of ethics differently than males (Gavious et al., 2012; Gill, 2010). Several research investigations have demonstrated a noteworthy causal relationship between the inclusion of a female board member and a decreased probability of economic restatements thus indicating heightened financial supervision (Wahid, 2019). Not only companies with distinct board members exhibit a lower incidence of financial reporting errors and fraudulent activities (Wahid, 2019), they also seem to be associated with a lower propensity for implementing aggressive tax approaches (Chen et al., 2019). This theory clearly supports that women give contributions to greater financial performance with better decision-making provisions (Booth-Bell et al., 2021).

Female Board Members

Men's larger involvement in lucrative roles of prestige and influence along with women's overwhelming duty of maternal responsibilities have developed preconceptions that identify autonomy with males and fellowship with females (Ridgeway, 2001). The division of labor between women and men in society is a contributing factor to why women tend to adopt collaborative roles and men tend to adopt proactive roles. Men tend to have an agentic positioning due to their main duties to work other than household tasks (Dadanlar & Abebe, 2020). Women are often tasked with the main obligation of managing housekeeping chores and watching over children, which culminates in a cultural mindset (Dadanlar & Abebe, 2020). Nevertheless, the conventional viewpoint has undergone an evolution. In today's world, women are capable of taking leadership roles in business environments due to their dedication to their careers and their commitment to both social and environmental problems (Triana & Asri, 2017).

Moreover, gender quota restrictions have obstructed the number of women board members in Asia Pacific to be lower than 30%(*ILO*, 2020). It is equally possible that the minority status of women directors, with women constituting less than 30% of the total board, will prevail worldwide in the foreseeable future when contemplating the current paradigm of women directors and the estimations stated in numerous sources(*ILO*, 2020). This is a highly probable outcome; thus problem has substantial repercussions that may be seen in the short and long terms.

Female Audit Committee Members

Prior literatures regarding female presence in audit committee towards financial performance in Asia especially Indonesia still remain unclear. Some countries in Asia, Bangladesh to be exact, still neglect the importance of audit committee in family dominated businesses (Fariha et al., 2021). Whilst it has been proven that audit committee with excellent audit quality helps to avoid fraud risks (Asare et al., 2008).

The oversight of financial information is a critical function that requires the expertise of accounting professionals, particularly due to the intricate accounting procedures involved in the preparation of financial statements (Defond et al., 2005; Kim et al., 2017). Hence, individuals possessing expertise in accounting or auditing are comparatively more capable of scrutinizing supervisors and the auditors, as well as evaluating the company's reaction to the audit modifications suggested by the auditors (Defond et al., 2005; Dhaliwal et al., 2010). The evaluative capacity of accounting professionals allows for the assessment of regulations related to assurances and legal disputes (Krishnan & Visvanathan, 2008). Consequently, it is plausible that they possess the capability to effectively evaluate domains that entail subjective evaluations, thereby augmenting the standards of the auditing.

Given that women differ from their male counterparts in terms of experiences and knowledge, female directors bring different intellectual scenes to a board (Đặng et al., 2020). As an example, female directors are more likely than male directors to have a higher education (Dang et al., 2014; Singh & Vinnicombe, 2004). Female directors are more likely to have come from backgrounds other than business than from in terms of experience such as CEOs or COOs (Dang et al., 2014; Singh & Vinnicombe, 2004).

Financial Performance

Prior research finds that female representations is positively related to these indicators namely ROA and PER (Simionescu et al., 2021). In this research, author uses ROA as the accounting-based (Obeidat & Darkal, 2018) and PER as the market-based for financial performance (Simionescu et al., 2021). ROA and PER have been known to have positive relationship with stock price (Obeidat & Darkal, 2018). Whilst PER has been widely utilized by financial investors and economic analysts in Indonesia as a means of selecting stocks for investment purposes (Liem & Basana, 2012). Its appeal between these groups can be attributed to its ease of calculation and comprehension (Liem & Basana, 2012).

According to Kou et al. (2021), accounting-based metrics that include ROA offer retrospective insights into a firm's past performance, thereby furnishing impartial assessments. On the other hand, indicators based on the stock market such as PER demonstrate the anticipatory expectations of investors, which are unique to each individual (Chauhan & Dey, 2017a). Moreover, it has been suggested that while accounting regulations and board decisions might have an impact on Return on Assets (ROA), Price-to-Earnings Ratio (PER) is less susceptible to manipulation (Simionescu et al., 2021). The clarifying strategies encompass the representation of women on boards in conjunction among numerous distinct corporate governance factors and various parameters for control at the company level (Simionescu et al., 2021).

Hypothesis Development

The lack of representation of women in Indonesia may be attributable to a number of different variables, including traditional and community standards, limited access to schooling and employment possibilities, and gender prejudice in the employment. According to a research on the impact of women on boards, the percentage of women on the board rises when women head the board (Tunyi et al., 2023). It is confirmed by professionals who have experienced on working in a more gender-diversed projects that women add brilliant solutions to many problems (Kabir et al., 2023). Gender-diversed board members lead to diverse ingenuity, invention, enquiry, wider experiences, better problem-solving, greater ability and readiness to defer judgment (Bennouri et al., 2018). Moreover, gender-diversed boards are more creative, smart, and effective, according to experts and scholars. It is related to agency, signalling, and stewardship theory as women on boards' way of thinking can bring different socioeconomic perspective which later can reduce agency cost. In a 2012 McKinsey & Co. study of 180 publicly listed firms in France, Germany, the UK, and the US, companies in the top quartile of board diversity - defined as gender and ethnicity, had a 53% better return on stockholder equity than those in the lowest quartile. Their profits were 14% better than the least varied boards (Henretta, 2018). This fact is also followed by how the percentage of women managing the pay and audit panels is eventually higher. Raising female participation on company boards and audit panels could help to resolve Indonesia's gender imbalance (Barrientos Báez et al., 2018).

The current lecture focuses on how women presence brings positive outcome to the financial performance. Whilst their existence also leads to better corporate social performance. Since research shows that gender variations in social performance knowledge, experience, and beliefs are persistent, it is assumed that boards with more women would consider social responsibility more. First, female directors have corporate social performance-aligned values (Sarajoti et al., 2022). Developmental psychologists have proposed that, gender socialization promotes gender disparities in moral reasoning with women feeling a larger obligation to employ care reasoning such as caring for others and avoiding damage than males (Fouad et al., 2022). Meta-analyses show slight but continuous gender differences in moral orientation and ethical sentiments (Byron & Post, 2016). Women worry more about social performance than men. Studies about directors' value found women directors to be more compassionate and inclusive than males (Byron & Post, 2016).

Furthermore, businesses with female leaders or chairmen have more unbiased boards. As a result, encouraging gender variety in leadership roles and tackling gender prejudice in the workplace could help boost women's participation in Indonesia.

H1: Having more women in the board of directors enhance financial performance.

Audit committees are crucial investigating aspect for stakeholders. Moreover, further research on female representations in audit committee is barely new to the society which remain unclear. Prior studies mostly review audit fees rather than audit quality which further supports this research (Aldamen et al., 2018).

Audit committee are addressed to specific functions which is important to corporate governance and decision-making (Chijoke-Mgbame et al., 2020). Empirical research by Ashari & Krismiaji (2020) found a positive relationship between a committee of independent auditors and the supervision of financial performance. Meanwhile, companies without an audit committee are more likely to engage in accounting fraud (Chijoke-Mgbame et al., 2020). The inclusion of a selecting committee also lessens the alteration of earnings (Musallam, 2020). As mentioned in prior research, female employees bring different values than male. Women are usually more critical to point out different socio-economics point of view than men (Oradi & Izadi, 2019). In accordance with agency theory, signalling, and stewardship thery, this can help companies to enhance financial performance through better auditing accuracy and avoid misreporting. Moreover, women usually have different and more effective communications skills than men (Khemakhem et al., 2022). Companies with boards that include members from both genders have more success in securing counsel, legitimacy, efficient negotiation, dedication, and funding (Mensah & Onumah, 2023). Female definitely adds higher supervision to companies. These characteristics can assist to enhance companies' independence which later can increase companies' value (Aldamen et al., 2018).

Furthermore, the way men and women approach a corporate problem might differ. Research shows that women involve more on strategic decisions such as innovations and investments (Post et al., 2021). In accordance with signalling and stewardship theory, women find solutions to ethical conundrums by thinking in terms of connection, sympathetic, and kindness for others (Byron & Post, 2016). Men, on the other hand, tackle these sorts of problems by thinking in terms of morality, ethics, and responsibilities (Byron & Post, 2016). Study also discovers that women negotiators pay closer attention to the moral aspects of decision making in comparison to men (Kennedy et al., 2017). These findings suggest that women may begin careers in business with values that are distinct from those held by the male peers. Since female employees are more inclusive than male peers, their sense of corporate social performance are higher which might lead to greater financial performance. With this approach, author hopes to be able to show how women really brings high value and higher yield in a corporation. Women in public accounting, according to Carrera & Van (2021), evaluate an action's appropriateness apart from its context. This implies that female auditors are less tolerant of opportunistic conduct than their male counterparts.

H2 : Having more female audit committee members improve financial performance.

Research Method

In this research, author will use quantitative method to further the analysis on board gender diversity, audit committee, and financial performance in Indonesian companies. Quantitative method is known to be one of the most effective ways to compute the data collection from statistical, mathematical and/or numerical analysis. Quantitative method gives an orderly, fact-based, and accurate depiction of the data as well as the interactions between the tested variables (Đặng et al., 2020; Simionescu et al., 2021). This statement conveys that gathering numerical data and investigating a group of people is intended to interpret an event. The advantages of scrutinizing quantitative methods include equipping reliable and diverse data from the correlation of dependant along with independent data in exploratory review, the cause and effect among the other variables, and their validation due to the involvement of various statistical data. The two types of data collection in this study are financial and board data. The financial data are collected from PT. Indo Primer Sekuritas, a private securities that is under the Otoritas Jasa Keuangan (OJK) supervision number KEP-11/PM/PPE/1996 and board data are collected from Indonesian Stock Exchange (IDX) and company's annual report; latter obtained from their websites. All data are examined through STATA 14. The data used in this research are between 2019 to 2021 statistics considering their relevance and economic data completeness from each company.

The research objects are public companies in Indonesia. The companies are the ones listed in Indonesian Stock Exchange (IDX). Author chooses the country as the object due to her limited source in conducting the research. Table 1 below shows the population selected in the research as per 2023.

Table 1. Selected Population

Indonesia Stock Exchange (IDX)	745
Total Number of Companies	745

Source: Data from IDX

Moreover, author also sets certain criteria to further the research. Financial companies are exempted from the criteria following the previous research due to its unique characteristics (Chijoke-Mgbame et al., 2020). Some banks in Indonesia have the Shariah policy which might be contradictive to some financial requirements in this research (Al-Jaifi, 2020; Galletta et al., 2022). Second, the companies included must have complete data and information to director as well as audit committee representations. That information are needed to assist author in deciding the number of female directors and audit committee members; for more hypothesis development. The criteria result to the pool of sample listed below at table 2.

Table 2 Selected Samples

Sample Criteria	Number
Number of companies	745
3-year observations	2240
Uncompleted data	230
Final observations (670 companies)	2010

Source: Data by author

Observation data is panel data, a combination of cross-section and time series data in different periods. Panel data regression analysis aims to observe the correlation between the independent and dependent variables. In this case, the author uses one of the three methods to estimate the regression equation. The data panel regression test must be run after choosing a suitable estimating model. The models utilized are OLS (ordinary least square), FEM (fixed effect model), and REM (random effect model). The best approach may be chosen using results from three assessments. Chou test, LM test, and Hausman test are used to determine whether to use FEM, REM, or OLS. Before doing the regression test, this study will conduct a number of assumption tests. The resultant regression equation is checked for accuracy, objectivity, and consistency using traditional assumption tests such as autocorrelation, heteroskedasticity, multicollinearity, and the normality test.

This study follows the variables used in Chijoke-Mgbame, Boateng, Mgbame (2020), Đặng et al., (2020); and Simionescu et al., (2021). Return on assets (ROA) and Price to Earnings Per Share (PER) are the dependant variables. They are also accounting and stock market-based financial performance indicators. ROA measures asset utilization. Yet, accounting practices and management may impact ROA. Price to earnings per share, however, represents growth forecasts of the firm's profit margin and cannot be altered (Simionescu et al., 2021). Furthermore, the independent variables are female representation and female participation. Our primary area of focus is on female representation, which is quantified by the number of women holding board positions as a percentage (Female Directors). Author utilizes the proportion of women serving on the audit committee as our metric for measuring the level of female engagement (Fem AuditCom). Since audit committees are mandated to be present in public companies in Indonesia, this study focuses only on such committee. To determine this percentage, author divides number of women who serve on the committee by the total number of members of the audit committee. In addition, the following features are the control variables and unique to the company along with the board. They are board size, board independence, size of audit committee, leverage, and firm size. The variable board size is defined as the numerical representation of the number of directors serving on a firm's board. Moreover, board independence is quantified as the proportion of independent directors serving on the board. Considering that the audit committee is the sole board committee mandated by law for corporate boards in Indonesia, author accounts for the magnitude of the audit committee as it could potentially impact the firm's performance. Furthermore, the measurement of audit committee size, is determined by the count of directors serving on the audit committee. One important factor to consider in assessing the performance of a firm is the level of leverage present in its capital structure. Leverage refers to the amount of debt that a firm has taken on, and it has the potential to impact the firm's overall performance. Therefore, it is crucial to control for leverage when evaluating the performance of a firm. Financial leverage, is determined by calculating the ratio of a company's total debt to its total assets. The last but not the least, firm size is quantified as the natural logarithm of the aggregate value of a company's assets.

The performance of a firm can be influenced by the level of independence exhibited by its board (Liu, Miletkov, Wei, & Yang, 2015). Table 3 presents the results of the various measurements taken of the dependent, independent and control variables.

Table 3. Operating Variables

Source: Data by author

Research Variable	Indicator of Measurement	References
Return on Asset (Dependent)	$\frac{\text{Earnings Before Interest and Tax Depreciation and Amortisation (EBITDA)}}{\text{Total Assets}}$	Chijoke-Mgbame et al., 2020; Đặng et al., 2020; Simionescu et al., 2021
Price to Earnings Ratio(Dependent)	$\frac{\text{Stock price}}{\text{Earnings Per Share}}$	Simionescu et al., 2021
Independent variables:		
Percentage of women directors (Female representation)	$\frac{\text{Number of women on board directors}}{\text{Total number of directors in the board}}$	Chijoke-Mgbame et al., 2020; Đặng et al., 2020; Simionescu et al., 2021
Percentage of women on the audit committee (Female Participation)	$\frac{\text{Number of women on the audit committee}}{\text{Total number of directors on the audit committee}}$	Chijoke-Mgbame et al., 2020
Control Variables:		
Board Size	Number of directors on the board	Chijoke-Mgbame et al., 2020; Đặng et al., 2020; Simionescu et al., 2021
Board Independence	$\frac{\text{Number of the independent directors on the board}}{\text{Total number of the directors on the board}}$	Chijoke-Mgbame et al., 2020; Đặng et al., 2020; Simionescu et al., 2021
Audit committee size	Number of directors on the audit committee	Chijoke-Mgbame et al., 2020
Leverage	$\frac{\text{The book value of debt}}{\text{Total assets}}$	Chijoke-Mgbame et al., 2020; Đặng et al., 2020; Simionescu et al., 2021
Firm Size	Natural log of the firm's total assets	Chijoke-Mgbame et al., 2020; Đặng et al., 2020; Simionescu et al., 2021

Following Chijoke-Mgbame, Boateng, Mgbame (2020), this research adopts to ordinary least squares (OLS) and fixed effect regression models to evaluate the hypotheses of the research. The OLS regression model is where author starts conducting the analysis; however, due to the nature of the data, it is possible that there are time-dependant firm characteristics that may affect both the performance of the company as well as the degree to which the board of directors is gender diverse. To investigate the connection between the presence of women on corporate boards and the level of a company's financial success, author developed the following model as our starting point:

$$Performance_{it} = \alpha_0 + \beta_1 FemaleDirector_{it} + \beta_2 Fem\_AuditCom \sum_{i=1}^{n} \gamma i Controls_{it} + \delta_t + \varepsilon_{it}$$

Performance is measured by ROA and PER. Female Directors and Female Audit Committees are the independent variables for women influencing board members in the corporations and female audit committee involvement, whereas performance relates to ROA and PER.. Control variables include board size, board independence, audit committee size, financial leverage (Leverage), and company size.

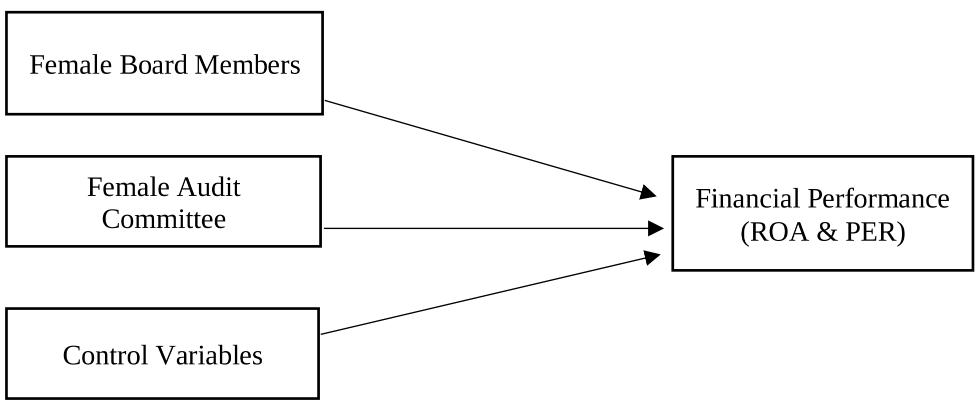

Figure 1. Conceptual Framework

Results and Discussion

Table 4 portrays the descriptive analytics of 2010 samples, 670 Indonesian companies, from year 2019 to 2021 of all variables. It shows that the mean of ROA is 0.396964. It is considered to be low due to the significant impact of the pandemic during 2020 to 2021. The mean of PER is 30.75044 which is relatively healthy to high profitability. The mean of both percentage of women on boards and in audit committee indicate low number of 0.1473521 and 0.2025705. Even though some efforts have been made, this low number of gender diversity might be a barrier to a more diverse perspective. The mean of independent board members is 4.5801 which is still considered to be moderate. The mean of audit committee members is also considered to be moderate which shows that most company in Indonesia follows the minimum number of audit committee members of 3 people. The mean of leverage and company size are also medium, which means that the companies involved have moderate number of debt and size.

Table 4. Descriptive Analytics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	2010	0,0396964	0,228292	-1,0498	3,94
PER	2010	30,75044	250,2693	-5300	5318,18
PWOMENBOD	2010	0,1473521	0,2141728	0	0,8
PWOMENAUDC	2010	0,2025705	0,2353272	0	1
BODSIZE	2010	4,5801	1,795077	2	14
INDPBRD	2010	0,3606385	0,1780304	0	0,75
AUDITCOMME	2010	3,129851	0,3362228	3	4
LEV	2010	0,4698976	0,3338573	0,0119486	3,840499
SIZE	2010	25,63373	4,261228	14,93546	32,01063

Source: Data by Author

Classical Assumptions and Regression Analysis

For ROA, author adapts five methods to achieve the desired results which includes (1) Modified Wald test for groupwise heteroskedasticity, (2) Pesaran cross sectional correlation test, (3) Woolridge test for autocorrelation test, (4) Anderson Darling for Normality test and (5) apply VIF to test the multicollinearity. For PER, author adapts to four methods namely (1) Breusch-Pagan / Cook-Weisberg test for heteroskedasticity, (2) Woolridge Test for autocorrelation test, (3) Anderson Darling for normality test and (4) apply VIF to test multicollinearity.

ROA

First, author conducts heteroskedasticity test to examine whether there is an error in the data and the variance depends on the values of the independent variables. The test results show a p-value of 0.0000 which is smaller than the 5% test level. Thus, it can be concluded that there is heteroscedasticity in the model or the error variance is not constant between individual units, which in this case is the type of stock.

Second, author conducts testing for cross sectional correlation. The test produces a p-value of 0.000 which is smaller than the 5% test level. Thus, with a significance level of 5%, there is sufficient evidence to suggest that there is a correlation between types of stocks. Tests related to autocorrelation were also carried out as shown at Table 5. The test produces a p-value of 0.000 which is smaller than the 5% test level. Thus, with a significance level of 5%, there is sufficient evidence to state that there is autocorrelation problem.

Table 5. Correlation Test

Wooldridge test for autocorrelation in panel data	
H0:	no first-order autocorrelation
F (1, 699)	= 22.755
Prob > F	= 0,000

Source: Data by Author

The model violates the assumptions of heteroscedasticity and cross sectional correlation. Hence, it is necessary to improve the estimation of the standard error of the fixed effect model using a robust estimator. Furthermore, the normality assumption test was carried out with the following results. Table 6 shows the normality test for ROA as the financial indicators. The results show a p value that is greater than the 5% test level. Thus, it fails to reject H0. At a significance level of 5%, it can be concluded that the assumption of normality has been met.

Table 6. Normality Test

Anderson-Darling Z Test	291,9989	P > Z(42,013)	1,0000

Source: Data by Author

Moreover, author uses VIF for the multicollinearity test. The result is as shown at table 7. It can be seen that none of the VIF values exceed 10, so the multicollinearity assumption is met.

Table 7. Multicollinearity Test

Variable	VIF	1/VIF
INDPBRD	1,15	0,866982
PWOMENBOD	1,13	0,887217
PWOMENAUDC	1,11	0,903818
BODSIZE	1,09	0,917573
AUDITCOMMT~E	1,09	0,921126
LEV	1,08	0,923210
SIZE	1,03	0,970268
MEAN VIF	1,10	

Source: Data by Author

The following is regression model that meets the classical assumptions. Author decides to apply fixed effect method as it meets all the requirements.

Table 8. Regression Result

ROA	**Coef.**	**Robust Std. Err.**	**t**	**P>|t|**
PWOMENBOD	0,0960126	0,0335797	2,86	0,004
PWOMENAUDC	0,0209631	0,0199278	1,05	0,293
BODSIZE	0,0058970	0,0020487	2,88	0,004
INDPBRD	-0,0755786	0,044456	-1,70	0,090
AUDITCOMMTSIZE	-0,0391149	0,0176193	-2,22	0,027
LEV	-0,0987539	0,0310416	-3,18	0,002
SIZE	-0,0020498	0,0010373	-1,98	0,049
_CONS	0,2429233	0,0737244	3,30	0,001

Source: Data by Author

The regression result through fixed effect method shows a test statistic value of 8.3 with a p-value of 0.0000. This means that with a significance level of 5%, there is sufficient evidence to say that together the independent variables have an effect on the ROA variable. The r-square value of 0.062 indicates that 6.2 percent of the variation in ROA can be explained jointly by all independent variables, while the remaining 93.8 percent is explained by other variables that are not included in the model. The partial test shows that the other variables of pwmebod, bodsize, auditcommtsize, lev, and size have a significant effect on ROA, because their p-value is less than 5%. This means that every increase of 1 pwmebod unit will increase 0.04 roa units, assuming other variables are constant. Likewise with the bodsize, a coefficient of 0.006 is interpreted as any increase in bodsize of 1 unit will cause an increase in ROA of 0.006 units assuming other variables are constant. An increase in auditcommtsize by one unit will cause a decrease in ROA by 0.039 units, assuming other variables are constant. An increase in lev by one unit will cause ROA to decrease by 0.099 units, assuming other variables are constant. An increase in size by one unit will decrease the size by 0.002 units, assuming other variables are constant.

PER

For the classical assumption test, author needs to know the homoscedasticity, autocorrelation, multicollinearity, and normality. First, author conducts heteroskedasticity test to examine whether there is an error in the data and the variance depends on the values of the independent variables. Table 9 shows the Breusch-Pagan / Cook-Weisberg test to examine heteroskedasticity. The results show that the p value of the test is smaller than the 5% test level. So with a significance level of 5%, it can be concluded that there is a heteroscedasticity problem.

Table 9. Heteroskedasticity Test

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of per
chi2(1) = 273,57
Prob > chi2 = 0.0000

Source: Data by Author

Second, author conducts testing for data correlation. The results show that the p value of the test is greater than the 5% test level. So with a significance level of 5%, it can be concluded that there is not enough evidence to conclude that there is an autocorrelation problem.

Table 10. Correlation Test

Wooldridge test for autocorrelation in panel data	
H0:	no first-order autocorrelation
F (1, 699)	= 7,755
Prob > F	= 0,0055

Source: Data by Author

Third, author conducts normality test. Table 11 depicts the normality test. The results show a p value that is greater than the 5% test level. Thus, failed to reject H0. At a significance level of 5%, it can be concluded that the assumption of normality has been met.

Table 11. Normality Test

Anderson-Darling Z Test	515,9415	P > Z(51,598)	1,0000

Source: Data by Author

Moreover, author thinks to involve VIF to test the multicollinearity assumption. Test the non multicollinearity assumption is as shown in table 12 The value of vif is not greater than 10, so the assumption of multicollinearity is met.

Table 12. Multicollinearity Test

Variable	**VIF**	**1/VIF**
INDPBRD	1,15	0,866983
PWOMENBOD	1,13	0,887218
PWOMENAUDC	1,11	0,903818
BODSIZE	1,09	0,917573
AUDITCOMMT~E	1,09	0,921126

Variable	VIF	1/VIF
LEV	1,08	0,923210
SIZE	1,03	0,970268
MEAN VIF	1,10	

Source: Data by Author

The following is regression model that meets the classical assumptions. Due to the homoscedasticity assumption is violation, the standard error estimator must be corrected with a robust standard error. Author decides to apply ordinary least square method as it meets all the requirements.

Table 13. Regression Result

PER	Coef.	Robust Std. Err.	t	P>|t|
PWOMENBOD	-32,71448	18,73065	-1,75	0,081
PWOMENAUDC	-16,66461	16,97667	-0,98	0,326
BODSIZE	2,717	2,7136	1,00	0,317
INDPBRD	-55,46681	37,24307	-1,49	0,137
AUDITCOMMTSIZE	-7,758803	22,58246	-0,34	0,731
LEV	-22,04124	7,88724	-2,79	0,005
SIZE	-0,2327996	0,8895459	-0,26	0,794
_CONS	87,11462	64,88933	1,34	0,180

Source: Data by Author

It can be seen that the statistical value of the F test is 4,11 with a p-value of 0.002. Because the p-value is less than 5%, it is decided to reject H0. With a significance level of 5%, there is at least one independent variable that influences PER. In addition, the r square value of 0.0043 indicates that 0,43 percent of the variation in the per variable can be explained by all independent variables. The results of the partial test showed that the p-values for pwomenbod and lev have a significant effect on PER at the 5% test level. Each increase in Pwomebod by 1 unit will decrease PER by 32,71 units assuming other variables are constant. Each increase in pwomenaudc by 1 unit will decrease PER by 16,66 units assuming other constant variables. Each increase in indpbrd by 1 unit will decrease PER by 55,47 units assuming other variables are constant. Every increase in auditcommtsize by 1 unit will decrease PER by 7,76 units with assumption of other variables being constant. Each increase in lev by 1 unit will decrease PER by 22,04 units assuming other variables are constant. Each increase of 1 unit in size will decrease PER by 0,23 units assuming other variables are constant. Whilst each increase in 1 unit of bodsize will increase PER by 2,71 units assuming other variables are constant.

Discussion

Impact of Female Board of Directors towards ROA and PER

Through the results above, it can be concluded that this research is consistent with Chijoke-Mgbame et al., (2020); Đặng et al. (2020); Simionescu et al. (2021). In addition, agency, signalling, and stewardship theory are consistent with the first hypothesis. More female board of directors can reduce agency costs which might possibly create effects to ROA by certain percents (Jensen & Meckling, 1976). Moreover, the results support stewardship theory that women have better ethical standards in approaching socioeconomic problems compared to males (Gavious et al., 2012). More diverse perspectives eventually increase financial performance monitoring abilities (Adams & Kirchmaier, 2016). There is no statistically significant difference in ROA between companies that have female representation on their corporate boards and those that do not. It is reported in Indian firms that the results support the concept of indifference, suggesting that women executives are perceived as fulfilling traditional expectations in a symbolic manner (Chauhan & Dey, 2017). This statement apparently applies the same to female board of directors in Indonesian companies. It is posited that the implementation of gender-diverse boards in Asia, based on Anglo-American ideologies, may lack depth due to variations in regulatory and socioeconomic status norms at each country (Chauhan & Dey, 2017). Hence, this might be a great suggestion for the companies to at least apply certain gender diversity standards among employees to increase the involvement of women. Furthermore, this research provides evidence to support the notion that women play a significant role in corporate governance. Even though this research does not include meeting attendance as one of the variables, this research indirectly indicates that women exhibit greater commitment to attending meetings, and that the inclusion of female directors can motivate male directors to improve their attendance as well (Adams & Ferreira, 2009).

Moreover, this research provides evidence that an increase in female board of directors can reduce PER as shown in table 13. This decrease can be attractive to investors as some of them might be willing to spend money on companies with lower PER. High PER comes from higher price but lower earnings. Whilst lower PER is resulted from lower price but greater earnings to the company. This is consistent to signalling theory as more women are able to maximize company internal performance by showing their true value whether their critical thinking abilities or simply their communication skills (Spence, 1973). It has been posited that women in board of directors are inclined to offer novel perspectives and diverse interpretations of segmentation in the marketplace when serving on boards. Market segmentation strategy is a well-founded approach. In order to develop an appealing mix of marketing tactics, it is essential to possess an understanding of the diverse market segments and consumer groups. It is asserted that women on board of directors have the ability to broaden their outlook to cater to regional and worldwide demands, particularly for companies that operate in sectors with a significant proportion of female consumers, such as the luxury or automotive industry (Đặng et al., 2020). This study is supported by Daily et al. (1999). Even though other aspects might be considered in encouraging investors to invest on certain companies, this finding still proves that the presence of women on board can increase financial performance through contributions and maintaining positive relationships with investors.

Impact of Female Audit Committee members towards ROA and PER

It has been shown that author's second hypothesis is rejected and inconsistent with Chijoke-Mgbame et al., (2020): Simionescu et al., (2021). It is shown from table 4.10 that presence of women in audit committee in Indonesian public companies has no correlations in financial performance namely ROA and PER unlike women in board of directors that have significant impacts to both proxies. This might be due to the limited lower number of audit committee members compared to board of directors. Moreover, the limited scope of practice of audit committee members might be the reason as per why they do not create significant influence. Prior professional experiences of the female audit committees might also affect this nonsignificant effect of women audit committee members and financial performance. Author apparently does not include number of professional experiences to this research which might create a nonsignificant result to the regression analysis. A more highly experienced professionals seem to be the key to the ability of female audit committees in tackling financial problems rather than their presence itself (Mnif & Cherif, 2020). One plausible interpretation of this outcome is that directors with vast experience are more inclined to gain insights into the organization's operational context and internal regulatory mechanisms (Mnif & Cherif, 2020). Furthermore, it can be observed that they possess (Mnif & Cherif, 2020). Companies may have a heightened motivation to safeguard their brand reputation by requesting more substantial guarantees from external auditors (Mnif & Cherif, 2020). Even though this hypothesis is rejected, having female on boards and on audit committee still posits that the maximization of performance is achieved through board gender diversity, which enables the incorporation of a broad range of perspectives into governance processes. This, in turn, facilitates the making of strategic and operational decisions that are crucial for the long-term success of companies (Brammer et al., 2009; Chijoke-Mgbame et al., 2020; Miller & del Carmen Triana, 2009). Moreover, other factors such as company's profitability history, great management team members, the overall economical climate or even their specialized industry might have huge a huge influence on company's financial performance regardless the gender diversity in the group. Although there are some researches that have proved the mitigation of women audit committee members in earnings management (Setiawan et al., 2020), it seems that the same variable does not affect financial performance.

The results prove that having women on boards in Indonesian companies give out significant positive impact to financial performance but not to the market performance (Darmadi, 2013).

Conclusion

In conclusion, this study provides new insights for developing country in ASEAN where previous studies usually only focuses on certain industries, especially Indonesia. This research supports the first hypothesis of having more female board members can create better outcome for financial performance. Whilst this study apparently rejects the second hypothesis of having more female audit committee members of creating better outcome for financial performance. Overall, this study supports the agency, stewardship, and signalling theory of having better monitoring abilities and reduce agency cost to enhance financial performance.

The findings of author's research possess several pragmatic ramifications for policymakers and corporations operating in developing nations where governance structures and organizations are deficient. The findings of our study suggest that the presence of women in leadership positions can contribute not only to the financial performance of a company, but also to the promotion of gender diversity in both public and private spheres. The findings indicate that the involvement and presence of women in board and audit committee positions can decrease agency expenses, elevate credibility, and improve monitoring effectiveness, ultimately resulting in advantageous and significant impacts on company performance. The inclusion of women on boards of directors can enhance deficient governance structures that are prevalent in ASEAN countries especially Indonesia.

Although the results might demonstrate a high degree of reliability, it is important to acknowledge the constraints of the research. Notwithstanding the widespread utilization of our indicators for female board representation and involvement in previous research endeavours, equivalent to previous archival investigations of this kind, these indicators may not comprehensively encompass the committee's involvement.

Furthermore, this paper offers valuable insights to other developing nations worldwide as a case study of a singular country. However, further research is necessary to expand upon these findings. Subsequent research endeavours could explore the potential impact of board composition and engagement, as defined in the current study, on the financial performance of firms through the utilization of data across countries. Specifically, author recommends a broadening of the scope of this research to encompass additional ASEAN nations and other emerging nations through the implementation of a cross-national investigation.

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