

How Does Board Gender Diversity Impact Firm Performance? The Mediation Effect Of Dividend Payout Ratio

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Abstract

This study looks at how the dividend payout ratio acts as a mediating factor between the impact of gender diversity on the board and firm performance. The percentage of female commissioners, female executive directors, female independent directors, and female directors served as a proxy for board gender diversity. In the meantime, return on equity and assets are used to gauge the company's performance. Using secondary data from the financial and annual reports of sample firms posted on the official IDX website (www.idx.co.id) and company websites, a quantitative technique was used to research companies indexed in the IDX High Dividend 20 between 2018 and 2022. Panel regression is the analysis technique employed. The E-Views application is utilized for data processing and testing. Board gender diversity, especially the percentage of female directors (FDP), has a positive effect on the DPR. On the other hand, firm performance as measured through ROA and ROE is not influenced by DPR. The presence of female independent directors (FID) contributes positively to firm performance as measured through ROA, while firm performance as measured through ROE is positively influenced by female directors (FDP).

Keywords: Board gender diversity, dividend payout ratio, firm performance

Sitasi: Candy, Joycelin, Hesniati, Fendy Cuandra. (2024). How Does Board Gender Diversity Impact Firm Performance? The Mediation Effect Of Dividend Payout Ratio. Jurnal Wawasan Manajemen, 12(3): 215-204

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INTRODUCTION

The implementation of the SDGs emphasizes the importance of global business to ensure sustainability by caring more about the environment, people, and planet. Considering that the resources and scope of activities of the private sector are quite extensive, the private sector is considered one of the key factors in achieving the SDGs (Mio et al., 2020). The adoption of this agenda will certainly bring transformation in the business world. Companies that were initially only oriented towards profitability, now also have to pay special attention to achieving the SDGs. The United Nations has been working towards gender equality since the Commission on the Status of Women was established in 1946. This is reflected in the fifth Sustainable Development Goal (SDG) point, which is "achieving gender equality and empowering all women and girls" (UN Women, 2020). The 5th SDG point has provided the impetus for action in many countries regarding gender equality or gender diversity in the business world (Yarram & Adapa, 2021).

Gender-based discrimination in the workplace has long been recognized as a major cause of inequality (Foley & Cooper, 2021). Highly feminist work is undervalued and underpaid, women struggle to gain access and advancement in more lucrative or male-dominated fields (Cooper et al., 2021; Foley et al, 2022). However, there has been progress in some areas of discrimination. Environmental, Social, and Governance (ESG) challenges from the external require the development of new tactics, which is a vigorous push for greater representation of women in leadership roles to promote diversity. (MSCI ESG Research LLC, 2022). Grant Thornton (2023) identified rapid growth in the percentage of women in senior management positions which has increased 15% since 2019. Currently, 28% of middle-market companies have a female managing director or CEO. This trend will probably pick up steam and give rise to new diversity initiatives that emphasize gender equality in the workplace and diversity at the senior management level.

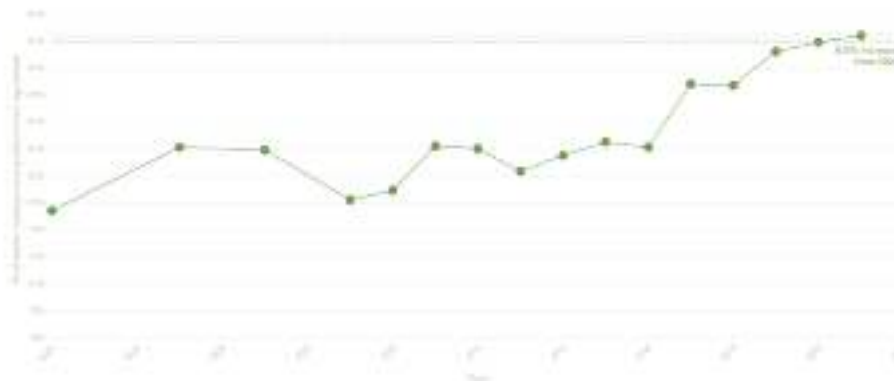


Figure 1. Percentage of women in senior management positions (Grant Thornton, 2023)

The presence of women in companies is not solely based on the goal of achieving SDGs regarding gender equality, but also influences corporate governance and company management decisions. Women contribute to the boardroom and influence decision-making, tasks, and processes on the board (Jimenez et al., 2020). The presence of women is believed to produce real and significant value for companies and stakeholders (Guping et al., 2020). Identifying stakeholder interests and concerns is critical to the long-term planning and survival of an organization (Serna, 2022).

Dividends are one of the most important financial elements that influence stakeholders because dividends are one of the main tools in measuring the level of return on investment (Bankar, 2023).

There is a correlation between board gender diversity in a company and the ratio in dividend payments which is indicated by the DPR (Dividend Payout Ratio). Research from Trinh et al. (2021) shows that companies having a larger percentage of female directors on their boards of directors are probably going to give out bigger dividends. It is believed that the presence of women in corporate governance can minimize agency conflicts because women tend to be neutral and pay attention to all shareholders, which can increase the transparency of corporate decision-making, also the company's reputation with different stakeholders (Guping et al., 2020).

Due to its dual purpose of quantifying investment profits and firm performance through ROA (Return on Assets) and ROE (Return on Equity), DPR is a crucial metric for all parties involved, but particularly investors (Jati, 2020.; Shabrina & Hadian, 2021). Adeiza et al., (2020) revealed that there is a substantial correlation between DPR and firm performance. A higher DPR indicates that the company is reinvesting less of its profits into its business. Companies with higher DPR typically draw investors who prioritize the assurance of a consistent revenue stream over the possibility of rapid share price increases. Conversely, a business that pays out less in dividends is likely to reinvest its earnings to grow the company and increase investors' future capital gains (Nguyen et al., 2021). Generally, investors prefer businesses that pay out larger dividends than those that retain earnings. Investors tend to have a preference for choosing companies that have more dividends than retained earnings (Raed, 2020).

Based on the phenomena and studies presented previously, the purpose of this study is to examine the impact of board gender diversity in companies, especially on boards of directors and commissioners, on firm performance mediated by the DPR, especially in companies in Indonesia that are indexed in IDX High Dividend 20. Reasons why Indonesia was chosen as the focus of this research study because research results from Grant Thornton (2023) show that the ASEAN region experienced the largest percentage point increase in the growth of the proportion of women in senior management among other regions, increasing from 37% to 40%. Indonesia is also classified as a country that has a high level of gender diversity in ASEAN and implements a two-tier system, specifically the positions of the board of directors and the board of commissioners (Fauziah et al., 2022).

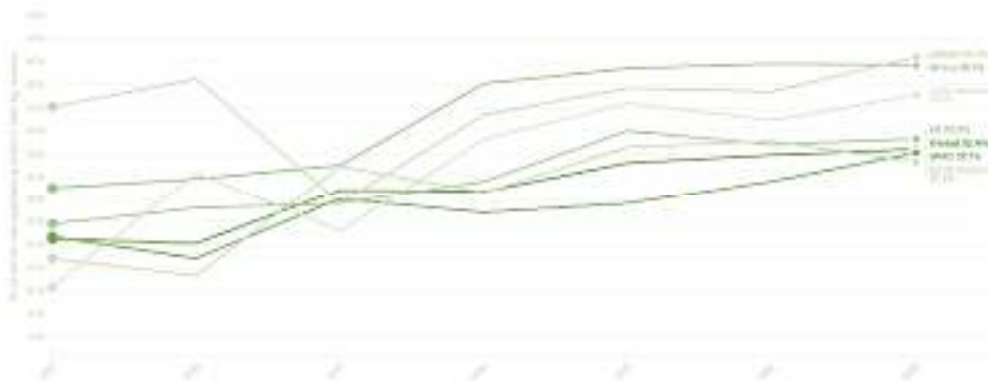


Figure 2. Growth in the proportion of women in senior management between regions (Grant Thornton, 2023)

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HYPOTHESIS DEVELOPMENT

Board Gender Diversity and Dividend Payout Ratio

Gender diversity can encourage dividend payments by protecting shareholder interests and improving governance mechanisms (Ain et al., 2021). Agency theory suggests that high dividend payments help reduce the funds available for managers to utilize. According to this theory, gender diversity on the board can have a positive impact in terms of the effectiveness of monitoring and communication with investors which has the potential to mitigate agency conflicts (Anuar et al., 2020). Female directors on the board can reduce agency conflicts regarding free cash flow because it tends to pay more dividends, thus generating more incentives between managers and shareholders (Vivian et al., 2022)

The inclusion of women in management brings up significant difficulties that are not the product of stereotypically male directors from homogenous cultural backgrounds. Due to their influence over the dividend policy of the company, managers and shareholders may get financial incentives that are aligned with gender diversity (Almeida et al., 2020). Women's leadership is more social and stakeholder-oriented due to traits like universalism, empathy, tendency to abide by laws and regulations, also compassion (Malik et al., 2021; Sun et al., 2021). These characteristics make female directors more attentive to stakeholder demands and more sensitive to requests for dividend payments from minority shareholders (García-Meca et al., 2022). Indirectly, women on the board use dividend payments as a tool to control managers, so that fewer agency conflicts may occur between owners and management (Anuar et al., 2020).

Positive findings are found in Trinh et al., (2021) study, which examined 90 non-financial companies listed in the UK between 2006 and 2016. The study found that companies with a larger percentage of female on their director's boards have a higher likelihood of paying higher dividends. Additionally, these outcomes are consistent with studies from Nharo et al. (2021) which looked at companies that were in the top 40 on the Johannesburg Stock Exchange in South Africa from 2013 to 2018. The findings indicate a positive influence between board gender diversity and dividend payments, confirming the agency's hypothesis that boards with greater involvement of female directors are more likely to award higher compensation. The findings of this study are aligned with several previous research that shows the positive effects of board gender diversity on a company's DPR (Ain et al., 2021; Anuar et al., 2020; Aslam, 2021; Mulchandani et al., 2021)

Utilizing 131 non-financial enterprises registered in Spain between 2003 and 2017 as an example, research by García-Meca et al. (2022) found a negative effect on female directors proportion and company dividend payments. This result was linked to characteristics of women, such as attitude, conservative, and financially prudent, as well as low overconfidence, which affects reduced dividend payments. The findings of this research are also in line with several other studies which also show a negative influence between board gender diversity against the company's DPR (Dissanayake & Dissabandara, 2021; Muhammad et al., 2023; Risfandy et al., 2021; Tahir et al., 2020)

H₁: Dividend payout ratio is positively influenced by board gender diversity

Dividend Payout Ratio and Firm Performance

Dividend payments can signal to investors that the company complies with good corporate governance practices (Ellili, 2022). The management of the company always decides what proportion of dividends should be paid out if they decide to pay out to shareholders or keep them for future reinvestment. Managers of companies must coordinate with internal and external stakeholders as well as shareholders (Nguyen et al., 2021). DPR helps in checking whether the company's income can support current dividend payments which will be used as a policy in distributing dividends (Candy & Cahyani, 2021).

Dividend policy entails sharing income between shareholders and reinvesting in the company. If a company distributes dividends, the proportion of funds available for investment will decrease. This will impact the company's growth prospects and negatively impact its value. If funds are insufficient, profitable investments will be neglected and this will hurt the company (Bossman et al., 2022). However, if the company consistently refuses to pay dividends from the profits earned, a bad signal will be sent to existing and potential investors so that the company value (company share price) will react to this signal and will start to fall (Ali, 2022; Hassan et al., 2021; Thompson & Adasi Manu, 2020). Ukpong dan Amos (2023) state that high dividend-paying firms are usually appealing to investors who want the assurance of a steady flow of money. Low dividend-paying corporations, on the other hand, demonstrate that they are reinvesting in business expansion, which may provide greater capital benefits for investors in the future.

Research from Nguyen et al. (2021) using a sample of 450 firms that were listed on the Vietnam Stock Exchange between 2008 and 2019, it is shown that dividend levels and choices about when to pay them out positively impact a company's financial success as determined by ROA, ROE, and Tobin's Q in various ways. Similar results were also obtained from the research of Raed (2020) between 2015 and 2019 on companies listed on the Amman Stock Exchange, especially on 92 industrial and service sectors also produced similar findings, proving that there is a positive correlation between DPR and business performance. This is because, due to their propensity for greater liquidity, investors prefer companies with bigger dividends than those with retained earnings, which satisfies Amman Stock Exchange investor needs. Several other studies have also examined and obtained the same results regarding the positive influence of the DPR on firm performance (Bunnun & Chancharat, 2022; Murtaza et al., 2020)

The research findings of Adeiza et al. (2020) demonstrate that the DPR is entirely dependent on financial performance ratios, which suggest a significant influence. The study examined the impact of dividend payments as measured through DPR regarding the operations of Nigerian oil and gas firms as measured through ROA and ROE in the 2015–2018 period. The DPR had a detrimental impact on the performance of Nigerian oil and gas businesses during the bulk of the years that the study was conducted.

Shah (2023) found that Indian companies could improve firm performance without paying high dividends, indicating that the crisis period had a moderating effect on dividend policy and firm performance for the period of 2017 to 2021 on 433 companies listed on the Indian National Stock Exchange. However, the results were not statistically significant. These results are consistent with studies by Bossman et al. (2022) using a sample of all firms in the financial industry that are listed between 2015 and 2019 on the Ghana Stock Exchange, and Jakataofik et al., (2023) using a sample of 14 annual reports covering the years 2015–2021 from firms in the food and beverage

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industry listed on the Indonesia Stock Exchange. These studies also show similar, non-significant results regarding the influence of dividend payments and firm performance.

H₂: Firm performance is positively influenced by dividend payout ratio

Board Gender Diversity and Firm Performance

Gender-based board composition can influence the quality of the company's supervisory role and financial performance (Jimenez et al, 2020). In circumstances where there is a focus on innovation, companies can achieve better performance improvements by involving female directors which may bring diversity benefits, especially in the informational and social aspects of meetings and decision-making (Yarram & Adapa, 2021). According to Griffin et al., (2021), a company's ability to innovate is positively correlated with a variety of factors, including a more innovative corporate culture, a more diverse pool of inventors, a CEO who is more tolerant of failure, and a higher rates of new patents and innovative efficiency.

According to certain views, performance will improve with more diversity on the board. According to resource dependency theory, the business looks to draw in and appoint board members who will both enhance its resource profile and give it new directions. According to this hypothesis, the corporation and its external environment might form a strong relationship when the board of directors grows in size and gender diversity increases (Chen et al., 2021).

Board gender diversity can increase a company's competitive advantage by improving the company's image, a positive impact on customer behavior, and firm performance (Sánchez et al., 2021). In general, it is seen that large companies with a high percentage of female managers also have high ROS, ROA, ROI, and ROE (Duppati et al, 2020). Increased diversity fosters a better grasp of the market, spurs creativity and innovation, and can enhance problem-solving because a more varied board results in a greater evaluation of alternatives (Brahma et al., 2021).

Because they prepare meetings differently than males do, and because they have distinct perspectives and leadership styles, women's appearance on boards significantly affects the performance of the company (Chatterjee & Nag, 2023). Corporate governance practices like accountability and transparency can be enhanced by having more board of directors with women in it (Simionescu et al., 2021). According to Loukil et al. (2020), female executives diminish asymmetric information and improve transparency and disclosure. Because they attend meetings with greater commitment and because males prefer to go more often when there are female directors, women have a significant influence on corporate governance (Thakolwiroj & Sithipolvanichgul, 2021).

In contrast to their male colleagues, female CEO replacement rates are lower when firm performance is subpar (Dah et al., 2020). Having a diverse mix of genders on the board of directors is crucial for improving a company's reputation since the presence of women on the board suggests that the business does not experience prejudice, which presents a positive picture to the public (Goyal et al., 2023).

The association between gender diversity, particular characteristics of women, and financial performance in UK companies included in the FTSE 100 index was investigated by Brahma et al. (2021). The results of this study showed that gender diversity has a substantial and favorable impact on business performance. Similar research was also conducted by Raed (2020) utilizing a sample of 85 Jordanian

industrial and service firms that were listed between 2015 and 2019 on the Amman Stock Exchange (ASE), examining the impact of gender diversity on ROA and ROE—two metrics used to quantify business performance and the research results show a significant positive influence. Safiullah et al. (2022) examine how female directors in Spain play a role in influencing risk-taking and firm performance using 805 company-year observations from 165 companies for 2013–2018, the findings show that companies with board gender diversity those with higher levels experience better accounting-based firm performance. However, the performance of market-based companies is lower. The results of the study also show that companies that have more female directors take higher risks, thereby replacing the old perspective regarding female directors who are reluctant to take risks. Several other studies also highlight and obtain results about the enhancement of firm performance by gender diversity on the board (Arvanitis et al., 2022; Alodat et al, 2023; Arora, 2022; Duppati et al, 2021 Zhang, 2020)

Other research was also carried out by Cardenas et al. (2022) which shows that board gender diversity and financial performance for companies based in Latin America shows no significant effect. The research found that although women's representation has reached international standards in the region. However, women's representation still lags behind company representation, especially in terms of positions as directors on company boards which are the place for decision-making and management of companies with a broad economic reach. Pandey et al. (2023) also obtained similar findings, when looking at 204 non-financial companies that were listed on the Indian Mumbai Stock Exchange. According to the study's findings, a company's financial success is unaffected by gender diversity on the board; instead, it needs to be paired with other attributes of the board of directors.

H3: Firm performance is positively influenced by board gender diversity

H4: Dividend payout ratio can intervene in the effect of board gender diversity on firm performance

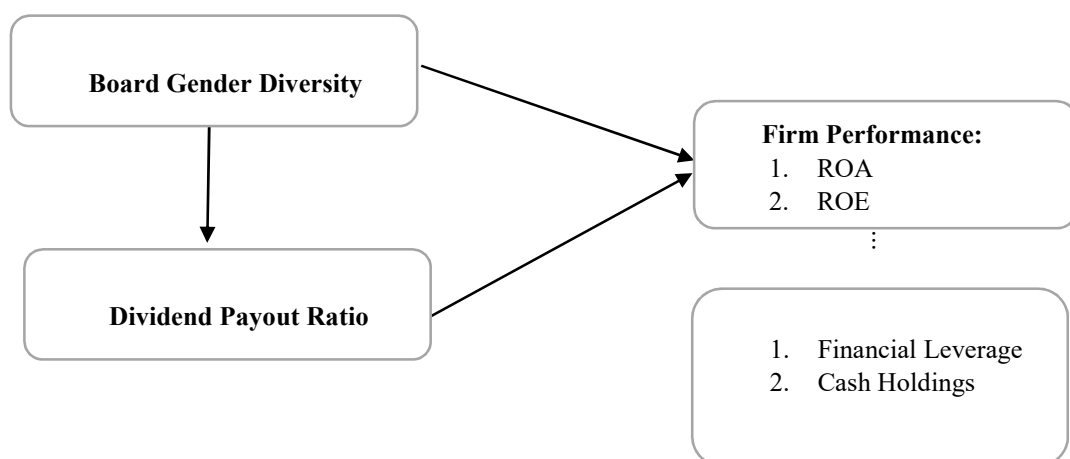


Figure 3. Research model

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RESEARCH METHODS

Based on the concept and research objectives, panel regression analysis, which examines the connection between independent and dependent variables in cross-sectional and time series study data, is the data analysis technique utilized. (Imai et al., 2023). The application used in data processing in the E-Views application has the advantage of IDX able to test independent variables individually or in combination with the dependent variable with more accurate variations in results and significance. Companies that are listed on the Indonesia Stock Exchange (IDX) comprise the population of this study. The samples in this study were companies listed on the Indonesia Stock Exchange (IDX) from all industrial sectors included in the IDX High Dividend 20 stock index category in the period 2018 to 2022. The sample selection method used was purposive sampling with several criteria that must be met: The company is registered on the IDX; The company is included in the IDX High Dividend 20 stock index category; Have complete annual report data for the 2018-2022 period and contain the information also data needed to measure all variables in this research.

A quantitative approach was used as the research design to obtain answers through theory testing using research variable measurements. In this research, the data source used is secondary data, which are annual reports and financial reports for 2018-2022 from each sample company published on the official website IDX (www.idx.co.id) and the company's official website. This research is a hypothesis testing research that aims to determine the significance of the correlation between variables by testing these variables.

Table 1. Measurement of variables

Variable	Code	Measurement	Source
Independent Variable			
Female Directors	FDP	<u>Female Directors</u> Total Directors	Garcia-Meca et al., 2022
Female Independent Directors	FID	<u>Female Independent Directors</u> Total Directors	Ain et al., 2021
Female Executive Directors	FED	<u>Female Executive Directors</u> Total Directors	Vivian et al., 2022
Female Commissioners	FC	<u>Female Commissioners</u> Total Commissioners	Fauziah et al., 2022
Mediation Variable			
Dividend Payout Ratio	DPR	<u>Dividend per Share</u> Earning per Share	Mohy-Ud-Din et al., 2022
Dependent Variable			
Return on Assets (ROA)	ROA	<u>Net Profit</u> Total Asset	Adeiza et al., 2020
Return on Equity (ROE)	ROE	<u>Net Profit</u> Total Equity	Adeiza et al., 2020
Control Variable			
Financial Leverage	LEV	<u>Total Debts</u> Total Assets	Mulchandani et al., 2021

Cash Holdings	CASH	<u>Cash + Current Investment</u> Total Assets	Mulchandani et al., 2021
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Source: Processed data (2024)

RESULT & DISCUSSION

Result

Based on data that has been collected by the criteria and research targets for companies classified as IDX High Dividend 20 with a period from 2018 to 2022, the total data used in this research was 100 data. The results of descriptive statistical testing can be seen in Table 2.

Table 2. Descriptive statistical test result

Variable	Minimum	Maximum	Mean	Standard Deviation
ROA	-0,25100	0,46300	0,10190	0,10783
ROE	-1,50300	1,44600	0,21710	0,35089
DPR	0,00000	2,03800	0,63155	0,35331
FDP	0,00000	0,75000	0,13717	0,16142
FID	0,00000	0,33333	0,00333	0,03333
FED	0,00000	0,10000	0,00283	0,01625
FC	0,00000	0,42857	0,08993	0,11328
LEV	0,04154	1,40373	0,53147	0,25498
CASH	0,00446	0,97054	0,35461	0,33235

Source: Processed data (2024)

The maximum result value, which shows that 75% of the company's board of directors is made up of women, demonstrates the dominance of female directors. The highest value for female independent directors is 33,3%, for female executive directors, it is 10%, and for female commissioners, it is 42,8%. These findings indicate that certain businesses place a high value on the representation of women on their boards of directors, both in terms of their overall performance and their efforts to further sustainable development objectives. Several firms do not have any female executive directors, independent directors, commissioners, or directors at all. This data represents this variable's lowest value. These findings suggest that, in terms of both the SDGs and the consequent performance, some organizations do not recognize the significance of including gender diversity in the position of board members.

The average score of 0.13717 indicates that, for the majority of companies indexed on the IDX High Dividend 20, the proportion of female directors is on average 13%. This figure demonstrates how the number of male and female directors on the board of directors differs significantly. Even though the acquired standard deviation is 0,16142, it is clear that when comparing these two results, the standard deviation is greater than the mean, indicating that the data for this variable fluctuates. The average value of female independent directors in firms is 0.00333, indicating that there are relatively few average female independent directors in the index and that men predominate in this position. Based on a range of data, the average composition of female directors holding

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executive positions is similarly rather low, with a result of 0,00283, as indicated by the standard deviation of 0,01625. The percentage of female commissioners in the current commission makeup is 8% on average. The data was obtained in a diversified manner, with 0,11328 results from standard deviation. Based on the average findings, it can be inferred that the percentage of women serving as directors on the board is higher, compared to lower percentages in the roles of commissioner, executive director, and independent director.

Dividends paid by companies included in the index are on average equal to 0.63155 or 63% of the profits, this result generated that the company is allocated for dividend payments to shareholders, this average figure is relatively high because the sample taken in this study is IDX High Dividend 20 or 20 companies with the highest dividend payments on the Indonesian Stock Exchange. Even though it is classified as a company with the highest dividends, there are still some companies that do not pay dividends, and all their profits are reinvested in the company as indicated by the minimum value obtained. Meanwhile, the highest dividend paid by the company is at 2,03800 or 203%, which shows the company's great commitment to its shareholders. The standard deviation obtained is equal to 0,35331 which indicates that this variable is classified as not varied since the standard deviation is lower than the average.

Assets in companies included in this index are on average able to provide returns of 0.10190 or 10%, these results indicate that the company can provide quite good performance in terms of return on asset which is obtained. The highest performance in terms of return on assets from this sample is equal to 0,46300 or 46%, which reflects that the company has good capabilities in managing its assets so that it can provide maximum return, some companies that are inversely proportional to previous performance return on asset as -0.25100. These results reflect that there is unsatisfactory performance from the company which results in losses and has an impact on the minus ROA value. The data on this variable is varied in findings where the standard deviation is higher than the mean.

The company's capital ability to provide returns is indicated through return on equity in indexed companies has an average of 0.21710 or 21%, this figure is quite satisfactory because on average the indexed companies have quite good capital management capabilities. However, some companies have negative returns in terms of obtaining the lowest value of -1.50300 where invested capital gives a negative return. Some companies have maximum capital capacity performance in providing returns with a figure of 1.44600 or 144%. These results indicate that the data on this variable is classified as not varied with a result of 0,35089.

Selecting the right model must go through panel data regression testing that includes the common effect model (CEM), fixed effect model (FEM), and random effect model (REM) where one of the three models will be selected as the best model used to represent the test results.

The Chow Test is used in the initial round of data testing to determine which of the two models—CEM or FEM—has the best fit. The best model to use is FEM if the probability value of cross-section F is less than 0.05, while the best model to use is CEM if it is greater than 0.05, as suggested by the Chow Test results. All probability values of the cross-section F results produced are below 0.05, according to the Chow Test findings linked in Table 3, indicating that the fixed effect model approach (FEM) is the best model of all the relationships between these variables.

Table 3. Redundant fixed effect test/chow test results

Independent Variable: Board Gender Diversity (Female Director, Female Independent Director, Female Executive Director, and Female Commissioner)			
Dependent Variable: Dividend Payout Ratio			
Effect Test	Statistic	d.f.	Prob.
Cross-section F	3.575823	(30,63)	0.0000
Cross-section Chi-square	99.427823	30	0.0000
Independent Variable: Dividend Payout Ratio			
Dependent Variable: Firm Performance (ROA)			
Cross-section F	9.752872	(30,66)	0.0000
Cross-section Chi-square	169.251421	30	0.0000
Independent Variable: Dividend Payout Ratio			
Dependent Variable: Firm Performance (ROE)			
Cross-section F	7.278012	(30,66)	0.0000
Cross-section Chi-square	146.051719	30	0.0000
Independent Variable: Board Gender Diversity (Female Director, Female Independent Director, Female Executive Director, and Female Commissioner)			
Dependent Variable: Firm Performance (ROA)			
Cross-section F	7.827506	(30,63)	0.0000
Cross-section Chi-square	155.337194	30	0.0000
Independent Variable: Board Gender Diversity (Female Director, Female Independent Director, Female Executive Director, and Female Commissioner)			
Dependent Variable: Firm Performance (ROE)			
Cross-section F	4.611599	(30,63)	0.0000
Cross-section Chi-square	116.189990	30	0.0000

Source: Processed data (2024)

The Hausman Test is used in the following step to determine which model between the FEM and REM techniques is optimal. The probability value of the cross-section random is utilized as a reference parameter. If the value is less than 0.05, the optimum strategy is FEM; if it is more than 0.05, the optimal technique is REM. The best model for all four of the correlations between the variables that have a probability value of less than 0.05 is FEM, according to the Hausman Test findings shown in Table 4. The correlation between DPR and board gender diversity is 0.2353, a value over 0.05 that suggests a REM approach to the link between these variables.

Table 4. Hausman test results

Independent Variable: Board Gender Diversity (Female Director, Female Independent Director, Female Executive Director, and Female Commissioner)			
Dependent Variable: Dividend Payout Ratio			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.037790	6	0.2353
Independent Variable: Dividend Payout Ratio			
Dependent Variable: Firm Performance (ROA)			
Cross-section random	48.696473	3	0.0000

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Independent Variable: Dividend Payout Ratio			
Dependent Variable: Firm Performance (ROE)			
Cross-section random	22.958333	3	0.0000
Independent Variable: Board Gender Diversity (Female Director, Female Independent Director, Female Executive Director, and Female Commissioner)			
Dependent Variable: Firm Performance (ROA)			
Cross-section random	94.081831	6	0.0000
Independent Variable: Board Gender Diversity (Female Director, Female Independent Director, Female Executive Director, and Female Commissioner)			
Dependent Variable: Firm Performance (ROE)			
Cross-section random	83.073711	6	0.0000

Source: Processed data (2024)

Connection between board gender diversity and DPR show different best approach results where the Chow Test suggests a FEM approach, while the Hausman Test suggests a REM approach, therefore, a Lagrange Multiplier Test is needed to ensure the best model for the relationship between these variables. Based on the test results attached in Table 5, more specifically on the cross-section from Breusch-Pagan indicators shows that the results obtained are 0.0005, which is less than 0.05, so the best model used is REM.

Table 5. Lagrange multiplier test results

Independent Variable: Board Gender Diversity (Female Director, Female Independent Director, Female Executive Director, and Female Commissioner)			
Dependent Variable: Dividend Payout Ratio			
	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	12.12408	0.115123	12.23921
	(0.0005)	(0.7344)	(0.0005)

Source: Processed data (2024)

By focusing on the indicators derived from the Prob. (F-statistic), the F test is performed to ascertain if the independent variable has a simultaneous effect on the dependent variable. The independent variable is said to have an impact on the dependent variable simultaneously if the Prob (F-statistic) results are less than 0.05. On the other hand, if it is greater than 0.05, it means that the independent and dependent variables are not influenced at the same time. All associations between the variables have a simultaneous influence on the independent and dependent variables, as can be seen from all of the findings of the Prob (F-statistic) is below 0.05, according to the F Test results that are attached to Table 6.

Table 6. F test results

Independent Variable: Board Gender Diversity (Female Director, Female Independent Director, Female Executive Director, and Female Commissioner)	
Dependent Variable	Prob(F-statistic)
Dividend Payout Ratio	0.000256

Independent Variable: Dividend Payout Ratio	
Dependent Variable	Prob(F-statistic)
Firm Performance (ROA)	0,000000
Independent Variable: Dividend Payout Ratio	
Dependent Variable	Prob(F-statistic)
Firm Performance (ROE)	0,000000
Independent Variable: Board Gender Diversity (Female Director, Female Independent Director, Female Executive Director, and Female Commissioner)	
Dependent Variable	Prob(F-statistic)
Firm Performance (ROA)	0,000000
Independent Variable: Board Gender Diversity (Female Director, Female Independent Director, Female Executive Director, and Female Commissioner)	
Dependent Variable	Prob(F-statistic)
Firm Performance (ROE)	0,000000

Source: Processed data (2024)

In research, a t-test is needed which aims to test the influence of each independent variable on the dependent variable of the research hypothesis. The indicators applied in the t-test refer to probability values which indicate whether a relationship between variables is significant or not, then another indicator is the coefficient value which is a reference in determining the positive or negative influence between variables

Table 7. Regression test results

Dependent Variable: Dividend Payout Ratio					
Variable	Coefficient	Std. Error	t-Statistic	Prob.	Conclusion
FDP	0.635591	0.264612	2.401970	0.0183	Positive Significant
FID	-1.648004	0.863606	-1.908282	0.0594	Not Significant
FED	0.612274	2.158457	0.283663	0.7773	Not Significant
FC	0.366216	0.316471	1.157186	0.2502	Not Significant
LEV	-0.870467	0.181648	-4.792064	0.0000	Negative Significant
CASH	0.128764	0.151304	0.851030	0.3969	Not Significant
C	0.920848	0.103076	8.933663	0.0000	
Dependent Variable: Firm Performance (ROA)					
DPR	-0.028951	0.026528	-1.091343	0.2791	Not Significant
LEV	-0.419118	0.133212	-3.146249	0.0025	Negative Significant
CASH	0.620635	0.097095	6.392058	0.0000	Positive Significant
C	0.122854	0.095438	1.287269	0.2025	
Dependent Variable: Firm Performance (ROE)					
DPR	-0.006876	0.103143	-0.066660	0.9471	Not Significant
LEV	-1.936384	0.517947	-3.738577	0.0004	Negative Significant
CASH	0.999541	0.377518	2.647665	0.0101	Positive Significant
C	0.896124	0.371075	2.414940	0.0185	
Dependent Variable: Firm Performance (ROA)					
FDP	0.013861	0.087619	0.158194	0.8748	Not Significant
FID	0.584359	0.206011	2.836552	0.0061	Positive Significant
FED	-0.811602	0.503923	-1.610568	0.1123	Not Significant

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FC	0.011429	0.091512	0.124886	0.9010	Not Significant
LEV	-0.314301	0.134423	-2.338140	0.0226	Negative Significant
CASH	0.626868	0.096717	6.481494	0.0000	Positive Significant
C	0.044075	0.087798	0.502005	0.6174	
Dependent Variable: Firm Performance (ROE)					
FDP	0.823244	0.345843	2.380400	0.0203	Positive Significant
FID	0.132630	0.813149	0.163107	0.8710	Not Significant
FED	1.646467	1.989048	0.827767	0.4109	Not Significant
FC	-0.250896	0.361211	-0.694598	0.4899	Not Significant
LEV	-2.505829	0.530586	-4.722757	0.0000	Negative Significant
CASH	0.812161	0.381753	2.127455	0.0373	Positive Significant
C	1.165402	0.346551	3.362854	0.0013	

Source: Processed data (2024)

The t-test results presented in Table 7 show that the presence of female directors represented by the FDP variable has a significant positive influence on the DPR where the probability value obtained is less than 0.05, which is equal to 0.0183 and the coefficient value is 0.63559. These results indicate that the greater proportion of female directors on the board of directors and the ratio of dividends paid by the company has the potential to be higher compared to companies that have a smaller proportion of female directors. Apart from that, there is a significant negative influence between LEV and DPR that is indicated by probability values of 0.0000 and the coefficient value is -0.870467.

DPR does not have a significant relationship with firm performance as measured through ROA with a probability value of 0.2791 or above 0.05. This reveals that the dividend ratio paid by the company does not affect the company's ROA. On the other hand, LEV and CASH affect ROA, where LEV and ROA show a significant negative effect with a probability value of 0.0025 and a coefficient of -0.419118, while CASH has a significant positive impact on ROA with a probability value of 0.0000 and a coefficient of 0.620635.

Apart from the firm performance which is measured through ROA, firm performance as measured by ROE is also not affected by DPR with a probability value obtained of 0.9471. LEV and CASH also have the same influence on ROE, where both influence with probability <0.05, specifically 0.0004 and 0.0101. But LEV has a negative coefficient of -1.936384, which means the effect between LEV and ROE is a negative effect.

Firm performance as measured through ROA is significantly positively affected by the presence of a female independent director or FID with a probability value of <0.05 and a positive coefficient value, specifically 0.0061 and 0.584359. Meanwhile, firm performance as measured through ROE is positively affected by the presence of female directors (FDP) with probability and coefficient values of 0.0203 and 0.823244.

In measuring the ability of the best model used to explain the influence between variables, it is necessary to test the coefficient of determination which aims to simultaneously explain the influence between independent and dependent variables. The coefficient of determination test refers to Adjusted R-Square values which are obtained. If the result is close to 1, then the independent variable is considered to provide the information required by the dependent variable.

Table 8. Coefficient of Determination Test Results

Independent Variable: Board Gender Diversity (Female Director, Female Independent Director, Female Executive Director, and Female Commissioner)	
Dependent Variable	Adjusted R-Square
Dividend Payout Ratio	0.187745
Independent Variable: Dividend Payout Ratio	
Dependent Variable	Adjusted R-Square
Firm Performance (ROA)	0.788243
Independent Variable: Dividend Payout Ratio	
Dependent Variable	Adjusted R-Square
Firm Performance (ROE)	0.697672
Independent Variable: Board Gender Diversity (Female Director, Female Independent Director, Female Executive Director, and Female Commissioner)	
Dependent Variable	Adjusted R-Square
Firm Performance (ROA)	0.808676
Independent Variable: Board Gender Diversity (Female Director, Female Independent Director, Female Executive Director, and Female Commissioner)	
Dependent Variable	Adjusted R-Square
Firm Performance (ROE)	0.718495

Source: Processed data (2024)

Table 8 demonstrates that the board gender diversity variable, which depends on the dependent variable DPR, has an Adjusted R-Square value of 0.187745. This suggests that the study model's independent variable can provide the data required for 18% of the dependent variable. In the meantime, the independent variable board gender diversity provides 80% of the information required by the dependent variable ROA, while the independent variable DPR can supply 78% of the information needed to measure firm performance, which is measured through ROA. In terms of information on the dependent variable, which is ROE, DPR supplied 69%. The percentage of female board members who provide the data needed to calculate ROE, the dependent variable, is 71%. The overall Adjusted R-Square value is highly significant, except for the correlation between the DPR factors and the board gender diversity.

To determine the indirect impact of gender diversity on the board on firm performance as determined by ROA and ROE mediated by DPR, the last test, known as the mediation test, was conducted. The outcomes of the mediation test derived from the Sobel test are shown in Table 9.

Table 9. Mediation test results

Dependent Variable: Firm Performance (ROA)			
Variable	t-Statistic	P-Value	Conclusion
FDP	-0.99359005	0.32042249	Not mediated
FID	0.94735578	0.34345752	Not mediated
FED	-0.27454046	0.78366931	Not mediated
FC	-0.79395111	0.42722389	Not mediated
Dependent Variable: Firm Performance (ROE)			
FDP	-0.06663907	0.94686904	Not mediated

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FID	0.06662409	0.94688097	Not mediated
FED	-0.06489664	0.9482563	Not mediated
FC	-0.06655438	0.94693646	Not mediated

Source: Processed data (2024)

Based on Table 9, it was found that the results of the mediation test between board gender diversity and ROA produce a P-Value above 0.05, specifically with details of 0.32042249, 0.34345752, 0.78366931, and 0.42722389. These findings clarify that the relationship between board gender diversity and ROA is not mediated by the DPR. Conversely, comparable outcomes were also attained in the intermediation test between board gender diversity and ROE; P-Values of 0.94686904, 0.94688097, 0.9482563, and 0.94693646 indicate that DPR has no intervention on the intermediate influence between board gender diversity and ROE. The overall P-value is greater than 0.05, indicating that there is neither a mediation nor an intervention in the relationship between the variables.

Discussion

Based on the panel regression test results presented in Table 9, it represents that board gender diversity, specifically the presence of a female director (FDP) has a positive effect on the dividends paid by the company. The involvement of women on the board of directors can reduce agency conflicts that are closely related to stakeholders' interests through effective monitoring and communication efforts to mitigate agency conflicts. Apart from that, the presence of women also brings attention to issues that are generally not considered by directors with homogeneous backgrounds. The characteristics of women are often associated with sensitivity and focus in solving problems, ethical behavior, and empathy, as well as traits that tend to pay attention to details and are more sensitive to surrounding conditions, making their leadership socially oriented towards company stakeholders so that this can influence the decision on dividends to be distributed to shareholders. The results of this study are in line with Trinh et al. (2021), Nharo et al., (2021), Ain et al., (2021), Anuar et al., (2020), Aslam (2021), dan Mulchandani et al., (2021). On the other hand, there are several other variables board gender diversity consisting of female independent directors, female executive directors, and female commissioners do not influence on dividend payments.

One of the important elements of agency conflicts is the dividend payout ratio (DPR), as businesses constantly contemplate whether to distribute dividends to shareholders or hold onto them for future reinvestment, as well as the appropriate percentage to use if dividend payments are made. The purpose of this is to balance the interests of external parties, internal parties, and shareholders. Since this decision affects the possibility of profit and provides funds for the business's operational activities, it will undoubtedly affect the performance of the organization. If the company reinvests its profits, the growth and prospects of the company that more potential. But on the other hand, if the company consistently refuses to pay dividends from the profits it earns, this has the potential to be a bad signal for investors because of course they want to get a share of the profits from the funds they invest. This can also have an impact on investors' reactions to the wrong value of the company, the other is indicated by the share price. The results of tests carried out by examining the influence of DPR on firm performance as measured through ROA and ROE show that there is no significant influence between the dividend ratio paid by the company and

the company's performance. These results are also in line with research by Shah (2023), Bossman et al., (2022), and Jakataofik et al., (2023).

Firm performance as measured through ROA is positively influenced by female independent directors' (FID) appearance. These results indicate female independent directors' presence can have positive implications for the company's ROA. This finding is related to the gender-based composition of the board which tends to influence the company's supervision and financial performance. Apart from that, there are benefits of diversity in terms of perspective, information, and collaboration which can have a positive impact on company decisions that affect its performance. Other specific variables from board gender diversity such as female directors, female executive directors, and female commissioners have no influence on firm performance as reviewed through ROA. On the other hand, the presence of female directors (FDP) has a positive effect on firm performance as measured through ROE. Appearance of a female director can increase the company's competitive advantage by improving the company's image which is seen as having no discrimination problems, a positive impact on customer behavior, and firm performance through a better understanding of the market, a spirit of creativity and innovation, and also increasing problem-solving through a diversity of perspectives also emerge so that more alternatives can be evaluated. To improve corporate governance processes like accountability and transparency and bolster company performance, having more board of directors with women in it offers a distinct set of leadership qualities. The findings of this research are also in line with other studies carried out by Arora (2022), Brahma et al., (2021), Raed (2020), and Duppati et al. (2021). Other specific variables from board gender diversity such as female independent directors, female executive directors, and female commissioners have no influence on firm performance as reviewed through ROE. This statement is in line with research obtained by Pandey et al. (2023).

The results of the mediation test show that board gender diversity does not affect firm performance with ROA and ROE indicators that are mediated by DPR. The results are related to the previous research which stated that DPR is not a determining factor that influences a company's ROA and ROE, although several variables from board gender diversity positively influence dividend decisions and firm performance. This finding runs counter to the resource dependency theory, which holds that the business looks to recruit and select board members who will both enhance its resource profile and give the business new directions. According to this hypothesis, a company's external environment can have a strong association with its growing board of directors and gender diversity.

SUMMARY

Examining the effect of gender diversity on the board and firm performance as it is mediated by the DPR is the aim of this research. A stand-in for board gender diversity was the proportion of female commissioners, female executive directors, female independent directors, and female directors. Meanwhile, a company's performance is measured by ROE and ROA. This research was done using a quantitative method on companies indexed in the IDX High Dividend 20 between 2018 and 2022 utilizing secondary data—financial reports and annual reports of sample companies provided on the official websites of the companies and IDX (www.idx.co.id). The method of

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analysis used is panel regression. E-Views is an application used for testing and data processing.

The study's findings demonstrate that board gender diversity, particularly the fluctuating proportion of female directors (FDP) has a positive effect on the DPR. Female directors can reduce agency conflicts that are closely related to stakeholders' interests through effective monitoring and communication efforts to mitigate agency conflicts. Tests carried out on the influence of DPR on firm performance as measured through ROA and ROE show that there is no significant influence between the dividend ratio paid by the company and the firm performance. Firm performance as measured through ROA is positively influenced by female independent directors' (FID) appearance. These results indicate that female independent directors can have positive implications for the company's ROA. This finding is related to the gender-based composition of the board which tends to influence the company's supervision and financial performance. However, as indicated by ROE, female directors (FDP) improve the performance of the company. A company's competitive advantage can be bolstered by having more female directors because they can enhance the company's reputation, positively influence customer behavior, and improve firm performance by fostering a culture of creativity and innovation, a better understanding of the market, and a diversity of perspectives that fosters problem-solving. The mediation test's findings demonstrate that, when it comes to ROA and ROE metrics mediated by DPR, corporate performance is unaffected by the gender diversity of the board.

The limitation of this research is that the results obtained are not able to represent the variables as a whole due to several factors in the form of research that only focuses on the 20 companies with the highest dividends that are classified as IDX HIGHDIV20 on the Indonesian Stock Exchange so that the data presented is less comprehensive. Apart from that, due to the limited previous research and references that use DPR as a mediating variable, this is also an obstacle and limitation in this research. Based on the limitations mentioned previously, a suggestion that can be considered for further research is that the research object taken can take a wider coverage in terms of the number of companies and sectors so that the data produced is quite comprehensive and represents all variables.

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