

**GENDER DIVERSITY IN THE BOARDROOM AND FIRM
PERFORMANCE: EVIDENCE FROM INDONESIAN PUBLICLY-
LISTED FINANCIAL FIRMS**

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Abstract

The study has two objectives: first, to examine the impact of the presence of women in the boardroom on firm financial, social and environmental performance; second, to explore the perceptions of women in the boardroom regarding the roles they play in enhancing firm financial, social and environmental performance. Both quantitative and qualitative approaches were utilized. The sample was the Indonesian financial firms publicly-listed in the Indonesian Stock Exchange in 2005-2008. The quantitative data was taken from annual reports of the sample firms and it was analysed using STATA 11. Several women board members were also interviewed to gain further insights and thematic analysis was utilized to analyse this qualitative data. Agency theory, stewardship theory, stakeholder theory, and legitimacy theory were used to explain the link between gender diversity in the boardroom and firm performance. Surprisingly, the result of the quantitative analysis shows that gender diversity has both positive and negative influence on firm financial performance, which was measured by using ROA and Tobin's Q respectively. There is no link found between gender diversity in the boardroom and firm social and environmental performance. Moreover, the results from the qualitative approach demonstrate that the women board members, especially women directors, believe that they may bring positive effect in organizational improvement, which may then enhance firm performance as a whole. It is found further that women board members in the Indonesian context seem to be the steward of the firms. This means that, gender diversity in this context may not by itself achieve much for firm value although women board members may enhance the profitability of firms as a result of their collaborative work with management. Consequently, firms may need to carefully consider what 'added value' is likely to result from the inclusion of women in the boardroom.

Keywords: gender diversity in the boardroom, firm performance, agency theory, stewardship theory, stakeholder theory, legitimacy theory, quantitative approach, qualitative approach

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List of Acronyms

ADB	: Asian Development Bank
ASEAN	: Association of Southeast Asian Nations
BoC	: Board of Commissioners
BoD	: Board of Directors
BPS	: Badan Pusat Statistik (Indonesian Statistic Center)
CAMAC	: Corporations and Markets Advisory Committee
CEO	: Chief Executive Officer
ECGI	: European Corporate Governance Institute
FCGI	: Forum for Corporate Governance in Indonesia
GLS	: General Least Square
IDX	: Indonesian Stock Exchange
ILO	: International Labor Organization
IMF	: International Monetary Fund
KNKG	: Komite Nasional Kebijakan Governance
MoF	: Indonesian Ministry of Finance
MoNDP	: Indonesian Ministry of National Development Program
MoWE	: Indonesian Ministry of Women Empowerment
NCCG	: National Committee for Corporate Governance
OECD	: Organisation for Economic Cooperation and Development
ROA	: Return on Assets
ROE	: Return on Equity
ROI	: Return on Investments

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