Political Connection and Board Characteristic's effect on Financial Performance: Evidence from Indonesian Banking Firm

Maulida Nurul Innayah[1], Bima Cinintya Pratama[2]
maulidanurul.ump@gmail.com[1], pratamabima@gmail.com[2]

Faculty of Economics and Business Universitas Muhammadiyah Purwokerto[12]

Abstract. This study investigates how political connection and board characteristic affect the financial performance of Indonesian banking firms. The population used in this study was the Indonesian banking sector, as determined by company annual reports. Purposive sampling was the method of sampling that was employed in this study. The 164 company-years of observation for 41 listed Indonesian banks from 2017 to 2020 make up the study's sample. According to Resource Dependence Theory, which explains why politically connected banks are viewed as high-quality assets because they are more likely to obtain support from their political connections in the event of financial difficulties, the study's findings were in line with this theory. This study also discovered that board characteristics, such as the participation of foreign directors and women on the board, have no effect on the financial performance of Indonesian banks. According to the study's statistics, women and foreign directors are among the minority of people who have no influence over financial performance. There are some inherent limitations in this study. The results of this study cannot necessarily be generalized to businesses in other industries because it only includes a sample of businesses that are involved in the banking sector. The demographics of the directors were also examined in this study, specifically the gender and nationality diversity represented by the number of women and foreigners on the board.

Keywords: Political Connection, Board Characteristic, Performance

1 Introduction

The role of banks is crucial in a nation with a bank-based financial system, like Indonesia. If bankruptcy occurs, it will reduce public confidence in the institution and increase systemic risk. In a financial system based on banks, the duty of the banks is not only to make loans, but also to share ownership in the firm to lower the costs of bankruptcy by supporting the firm when it faces challenges. Due to the significance of banks in Indonesia, it is important to carefully manage their health, which includes overseeing their performance. There are several factors that determine the company's performance, which are political connections and corporate governance.

Politically connected firms are those whose stock is held by the state or the federal government [1]. The political connection and governmental interference in economic activities is where the political connection first appears [2]. Gaining influence or power is the goal of political connection [3]. Indonesia is one of the emerging nations where politically connected businesses can be found [1] [4]. Developing nations are thought to have poor governance structures, extensive government interference, high rates of nepotism and corruption, and large amounts of informal relationships.

Businesses rely on governments to control many of the limited resources even in emerging nations. However, businesses are constantly looking for methods to use these resources and gain a competitive edge. These characteristics of developing nations foster an environment that is beneficial to business for forging political connection and securing political support in terms of the resources that the government controls. Dinc [5] discovered that government ownership of banks is particularly prevalent in emerging nations like Indonesia.

It has been extensively researched how politically connected affect firms' performance. Indonesia is the sixth country with the most political connection companies, according to Faccio [6] analysis of political connection in various nations. In addition, the study discovered a notable distinction in the performance of politically connected and politically disconnected companies in Indonesia. The findings of earlier research on the impact of political connections on performance, however, also produced ambiguous findings.

According to prior studies, businesses with political connection can more easily obtain bank loans and investment opportunities [7], increased stock prices [1], increased accessibility to high barrier industries [8], face lower tax rates [9]. Political connection has been found to improve firm performance [10] [11] [12] [3] [7] because businesses tend to increase sales levels and reduce unit costs, facilitating access to credit markets and lowering financing costs [10]. Additionally, the link between the politically connected corporation and the government can be

ICBAE 2022, August 10-11, Purwokerto, Indonesia

DOI 10.4108/eai.10-8-2022.2320876

considered as an unofficial safety net that frequently results in a decrease in operational risk and an improvement in their level of performance [11].

Previous research has also shown the detrimental effects of political connections on business activity and performance. Politically connected companies have been found to overinvest, be less productive, and have higher debt ratios [13] [6] [14]. Additionally, companies with political connection may have social and political objectives, which could lead to poorer financial performance [15] [16] [17] [18] [13]. This is since companies can use political connections as a safety net against outside shocks as opposed to acquiring resources [18]. Since businesses generally have easier access to long-term financing, they can make costly investments that will ultimately harm their own financial success [13] [19].

Developing nations are often associated with bad governance, heavy government involvement, high levels of corruption, and strong informal ties. The Corporation Law of Indonesia, according to Darmadi [20], employs a two-tier board structure. The Board of Commissioners and the Board of Management are the two boards that corporations are required by law to have in place within their organizational frameworks. The executive management of the company is carried out by the Board of Management. A larger board has more connections and access to more resources, which leads to an improvement in business performance, according to the resource dependency theory [21].

According to Garcia-Meca et al. [22], the resource dependency theory states that diversity could boost the unique information stored by various directors. The nationality and gender of the board of directors are three crucial factors when it comes to board characteristics. In Europe, there is a lot of discussion about the nationality of directors. Struggles [23]estimates that nearly one in four European board directors are non-national or foreign nationals. Foreign directors reflect the desire for global expertise. Particularly, the economy of Indonesia has grown and attracted significant foreign investment.

The presence of women in director's positions is also receiving more attention. Gender inequalities in directors have been found in earlier research, but the results are still unclear. The leadership style is one potential indicator of gender influence in the workplace [24]. Differences in gender and nationality are likely to produce a special collection of data that management can use to make better decisions [25]. With varied directors, though, decision-making might be slower and more contentious. As a result, variety is often seen by academics as a "double-edged sword" [26], increasing group processing on some tasks and producing high-quality answers but simultaneously lowering cohesion and interrupting group processes. Academic studies have not been able to conclusively link board diversity to effective board performance in this area, particularly in banks.

Because Indonesia is the fifth country with the highest concentration of political connection corporations, academics are interested in researching the impact of political connection on banking performance in Indonesia [6]. The influence of political connection in Indonesia is interesting in doing this research because there are many politically connected companies in Indonesia and because the findings of earlier studies are still inconclusive. Additionally, due to the significance of banks in Indonesia, it is vital to properly maintain their health, which includes controlling performance. Because developing nations like Indonesia are thought to be similar in having weak governance systems, extensive government intervention, high levels of nepotism, corruption, and high informal relations that can affect business performance, this research is also interested in looking at board characteristics in conducting board governance.

This study has several research aims. The primary goal of this study is to determine how political connections impact the performance of companies operating in Indonesia's banking industry. The second goal of this research is to determine how board composition affects the performance of companies operating in Indonesia's banking industry. This study also makes several contributions. This study is contributed to add to the theoretical understanding of political connections and board features, particularly regarding performance. This study is contributed to add empirically to the concept of political connection and board characteristic by examining its effects on performance, particularly in the banking industry. This study is contributed to provide a contribution to business policy by helping managers make decisions on board composition and political connection in banks, particularly in firms located in developing nations like Indonesia.

2 Literature Review

2.1 Resource Dependence Theory

The resource dependence theory (RDT), put forth by Pfeffer and Salancik [21]. According to Pfeffer and Salancik [21], having an external relationship has four advantages: it gives the company access to resources like information and expertise; it opens channels of communication with significant members of the company; it offers a commitment to support from significant organizations or groups in the external environment; and it gives the company legitimacy in the external environment. Politically connected companies are those with a political connection [7]. The

Resource Dependence Theory, which contends that organizations must acquire and exchange resources, resulting in dependence between corporations and external bodies like the government, explains this connection [27]. A firm can boost its worth by obtaining a bigger resource base and lowering the risk and uncertainty this reliance involves by forging political connections [2] [3].

Theoretically, RDT explain the characteristic of directors. According to RDT, having a board of directors enables the business to collaborate with other outside organizations to reduce its reliance on the environment. Hillman et al. [28] developed the RDT to show how a diverse board of directors would be a beneficial and unique resource for the business. Due to the unique knowledge that comes from variety, diversity may also improve the information that the board of directors gives to management. RDT asserts that diversity on the board of directors will bring distinct expertise that will support better decision-making [25]. Therefore, a more diverse board of directors will provide more worthwhile resources, which will improve business success [25].

This study looked at the nationality and gender diversity of directors. Businesses would possess distinctive human capital if there was gender diversity among directors [29]. Different nationalities may lead to firms having distinctive human resources, according to researchers. The variety of the board's human capital, which makes these resources stand out, is thought to affect the company's actions, which in turn affect performance.

2.2 Political Connection and Firm Performance

Resource Dependence Theory explains the relationship between political connection and performance (hence referred to as RDT). A dependency between businesses and external entities, such as governments, results from organizations having to acquire and exchange resources, according to RDT [27]. By establishing political connection, a company can increase its value by acquiring a wider resource base and reducing the risk and uncertainty this reliance entails [2] [3].

Political connection has a good effect on corporate performance, according to the prior study. Companies with political connection enjoy easier entry into markets with high entry barriers and better access to investment projects and bank financing [7]; higher stock prices [1]; lower tax rates [9]; and higher stock prices [7] [8]. Additionally, previous studies have shown that political connection are advantageous for employment [30] and make it simpler for companies to deal with financial difficulties [1] [6], which can lessen systemic risk due to lower capital costs [31].

Research on political connections in Indonesian banking is still scarce. In a banking study setting in China, Hung et al. [12] found that politically connected banks benefited from the practice of extending loans to politically related businesses. Since they are more likely to obtain support from their political connections in the event of financial difficulties, banks with strong political connection are regarded as high-quality assets. Additionally, the study shows that politically connected banks understand and interpret pertinent political cues, speak diplomatically acceptable words, and act diplomatically appropriate to achieve superior performance [12]. The researcher's hypothesis, based on the previous explanation, is as follows:

H1: Political connection has a positive effect on banking performance in Indonesia

2.3 Board Characteristic and Firm Performance

In this study, board characteristics were viewed in terms of gender diversity and nationality diversity, with the presence of women on the board representing gender diversity and the presence of foreign directors as nationality diversity. Businesses would possess distinctive human capital if there was gender diversity among directors [29]. Different nationalities may lead to firms having distinctive human resources, according to researchers. Researchers assert that the decisions made by the company will be influenced by the variety of the board's human capital, which distinguishes these resources, and will influence financial performance.

Gender diversity in evaluation and discussion of more difficult themes that are also judged unsuitable by male directors might have an impact on the performance of directors [32]. According to Francoeur et al. [33], women should address ethically challenging issues that have the potential to stunt the development of intelligence processes from a fresh perspective. They should also promote improved communication and the development of stronger connection [34]. More women on the board of directors will boost the company's effectiveness, according to numerous studies [35]–[38]. The researcher's hypothesis, based on the previous explanation, is as follows:

H2: Women directors have a positive effect on performance.

Organizations in industrialized countries have a variety of opportunities due to the presence of foreign directors [39]. A key announcement regarding the company's international expansion strategy will be made by foreign directors. International directors offer a range of insights, experiences, and viewpoints [40] [41]. Additionally, board diversity would improve foreign directors' independence, lessen intelligence asymmetry and related agency costs, enhance the pool of prospective customers and investors for domestic enterprises, and broaden the transfer of knowledge and technology across international boundaries [42]. The researcher's hypothesis, based on the previous explanation, is as follows:

H3: Foreign directors have a positive effect on performance.

3 Research Method

3.1 Sample

The banking industry in Indonesia was the study's population, as established by the annual reports of the participating companies. With the criteria of Indonesian banking organizations with comprehensive data used in this study between 2017 and 2020, the sample method employed for this study was purposeful sampling. The study's sample included 164 firm-years of observation for 41 Indonesian banks. The banking industry was chosen because it is crucial to maintaining economic stability and must be tightly regulated.

3.2 Variable

Independent Variables

Political connection (POL). Political connection (POL) is measured by the percentage of shares owned by the government or the state [1].

The percentage of Women on Board (WOB). According to Garcia-Meca et al. [22] and Innayah et al. [43], the percentage of women directors, which was determined using the following formula:

The proportion of Woman Director = Number of Woman in Director/Number of Members of Directors

The percentage of Foreign on Board (FOB). According to Du et al. [44], the percentage of foreign directors in the composition was determined by using the following formula:

The proportion of Foreign Directors Composition = Number of Foreign Directors in Directors/Number of Members of Directors.

Dependent Variable

Firm Performance (Performance). Referred to Garcia-Meca et al. [22] and Innayah et al. [43], by ROA (return on assets) was used to gauge the firm performance. The ROA is calculated using the formula below:

ROA = Profit before tax/Total assets.

Control Variables

Bank Size (BankSize). The natural logarithm of the banking firm's total assets in year t was used to calculate the size of the bank [12] [15] [16] [22] .

3.3 Statistical Test

This study employed a panel data regression model analysis. The researcher first carried out a Hausman test to decide whether to use fixed effect regression or random effect regression as the panel data regression model [45]. Based on the results of the Hausman test, the fixed effect regression panel data regression model was selected for this inquiry. The following is the model that was used to test the three assumptions in this study:

$$Performance = \beta_0 + \beta_1 POL + \beta_2 WOB + \beta_3 FOB + \beta_4 Size$$

Where:

Performance	= Firm Performance
POL	= Percentage of shares owned by the state or government
WOB	= Proportion of Women Directors
FOB	= Proportion of Foreign Director
Size	= Control Variable of Bank Size
ε_t	= error term

4 Result and Discussion

4.1 Descriptive Statistic

The descriptive statistical values of the variables utilized in this investigation are shown in Table 1. According to descriptive data, the banking performance variable (Performance) has an average value of 0.007. The ability of Indonesian banks to earn profit from their assets is 0.7 per cent on average. The Political Connection Variable (POL) has an average value of 0.1187223, indicating that in average, the state or government owns 11.9 per cent of banking shares in Indonesia.

According to the study's data, the Indonesian banking industry, which served as the study's focus, had two women directors (WOB), or.1829451 of all the directors. As was already said, Indonesia does not have any official regulations governing the appointment of women as directors. The World Bank began a campaign in 2011 to increase public awareness of the existence of women directors in developing nations, including Indonesia, through the International Finance Corporation (IFC). According to the Women in Business 2020 survey, Indonesia and the other ASEAN nations rank third globally in terms of the proportion of women director [46]. This could be a hint that Indonesia's banking sector is starting to pay attention to the proportion of women holding senior executive roles.

In the sample of Indonesian banks used for this study, the average proportion of foreign directors (FOB) was 0.10218166, or one foreign director out of every eight directors. The fact that there are foreign directors in Indonesian financial organizations suggests that these organizations are starting to internationalize. There are benefits to strategy creation that foreign directors might provide to businesses in emerging nations. Foreign directors who have held a variety of managerial roles and responsibilities during their careers may have knowledge of the nuances of several strategic approaches and be able to influence the strategic management process in businesses [22]. Table 1 displays the descriptive statistics.

Table 1. Descriptive Statistic for Selected Variables

Variable	Max	Min	Mean	Std. Dev.
Performance	0.039653906	-0.089924083	0.007092465	0.020781651
POL	0.871	0	0.118722309	0.26162501
WOB	0.75	0	0.182945126	0.180927466
FOB	1	0	0.10218166	0.157779504
Size	34.95208045	27.22256174	31.18603412	1.859770813

4.2 Hypotheses Testing

Table 2. Results of Hypotheses Testing

Independent Variable	**Dependent Variable Performance**
Const	.3157087
	(15.79)***
POL	.7083894
	(4.82)***
WOB	-.0365602
	(-1.89)
FOB	-.012465
	(-1.19)
SIZE	-.0123374
	(-13.04)***
R^2 Within	0.1571
F	1124.45
Prob > F	0.0000

Note: *** significant at 1%; ** significant at 5%; * significant at 10%

The outcomes of the study's overall hypothesis testing are displayed in Table 2. To determine if the political relationship has a favorable impact on financial performance, hypothesis testing 1 was conducted. A proxy for financial performance is ROA. With a coefficient of.7083894 at a significance level of 5%, test hypothesis 1 demonstrates a positive relationship between POL and Performance. As a result, hypothesis 1, which contends that having political connections improves financial performance, was supported.

The findings suggest that the corporation will do better if there is a political connection. According to the Resource Dependence Theory, organizations must obtain and exchange resources, and this necessitates a dependence between businesses and external entities like the government [27]. Building political connection will help the company get a stronger resource base and thus minimize risk and uncertainty, which will help it become more valuable [2]. This dependence produces risk and uncertainty, which can be mitigated [3].

In China, Hung et al. [12] conducted banking study and discovered that banks with political connection benefited from the practice of providing credit to businesses with political connection. Because they are more likely to receive assistance from their political connections in the event of financial crises, politically connected banks are regarded as high-quality assets. Additionally, the study demonstrates that politically connected banks recognize and interpret pertinent political cues, employ proper diplomatic lingo, and take the necessary actions to achieve greater performance [12].

The second hypothesis test looked at whether women directors improved financial performance. Testing on Hypothesis 2 revealed a coefficient of -.0365602 indicating that WOB had no impact on Performance. It showed that the company's performance was unaffected by the presence of women directors. As a result, hypothesis 2, which claimed that women directors had a favorable impact on firm performance, was unsupported.

The unsupported hypothesis 2 is in line with Carter et al. [25] which states that decision-making will be slower and cause more conflict if there is a diversity of directors. The data in this study indicate that there is inequality in gender diversity in the directors, where the average female directors in the sample amount to 18% of the total company directors. This shows that women on the board of directors are in the minority.

Minority directors typically exhibit higher levels of turnover intent, poorer levels of psychological commitment, and higher absenteeism [47]. In addition, minority directors will exhibit additional unfavorable behaviors and attitudes, suffer greater prejudice, and have lower levels of satisfaction [48].

Gender diversity within the team suggests that the group is varied, with men and women acting in ways that differ from each other in terms of leadership [49]. Team members are consequently more likely to be less cooperative (Williams and O'Reilly, 1998), communicate less frequently [50] [51], and have an impact on top management's ability to communicate effectively [52] [53]. Additionally, according to Fauzi and Locke [54], one of the reasons that the appointment of female directors is only limited to complying with the rules and decency so that they may not have sufficient knowledge and experience so that they do not have added value for the company is that this is one of the reasons that the presence of female directors has no impact on performance.

Furthermore, Darmadi [20] contends that as many Indonesian businesses are family-controlled [55], the participation of women on the board is primarily a result of their kinship with the controlling shareholders rather than their knowledge and experience. Female directors will therefore not be able to manage well, which will not affect performance. The third hypothesis test looked at whether foreign directors improved financial performance.

Testing on Hypothesis 3 revealed a coefficient of -.012465 indicating that FOB had no impact on Perf. It showed that the company's performance was unaffected by the presence of foreign directors. As a result, theory 3, which claimed that foreign directors had a favorable impact on firm performance, was unsupported. The findings of the study showed that foreign directors were a minority. According to Marimuthu and Kolandaisamy [47], the presence of a few foreign directors wouldn't affect performance. Foreign directors often have less knowledge with the country in which they operate, which precludes them from comprehending management approaches, claim Masulis et al. [56]. This will affect their decisions, ensuring that the presence of foreign directors won't have an impact on the company's financial performance.

5 Conclusion, Limitations and Suggestions

5.1 Conclusion

This study looked at the impact of board characteristics and political connections on the financial performance of Indonesian banking firms between 2015 and 2019. The first objective of this study was to examine the relationship between political connections and performance in Indonesian banking firms. The outcomes demonstrated that political connection had a favorable impact on financial performance. It suggests that due to the advantages associated with the relationship, the existence of political connections may enhance bank performance. The second objective of this study was to examine board characteristics and financial performance. The findings demonstrated that board characteristics not seen favorably by women and foreign directors had little bearing on financial performance. According to the study's statistics, women and foreign directors are among the minority of people who have no influence over financial performance.

5.2 Limitations and Suggestions

There are a few limitations on this study. First, because only organizations involved in the banking industry were included in the study's sample, the findings may not necessarily apply to companies in other industries. To assess the impact of financial performance characteristics more fully from the perspective of various businesses, future study might compare companies from various types of industries. Second, only gender and nationality are examined in this study when it comes to demographic traits. Additional characteristics may be used or added in future study.

REFERENCES

[1] M. Faccio, “Politically connected firms,” *Am. Econ. Rev.*, vol. 96, no. 1, pp. 369–386, 2006, doi: 10.1257/000282806776157704.

[2] A. J. Hillman, “Politicians on the board of directors: Do connections affect the bottom line?,” *J. Manage.*, vol. 31, no. 3, pp. 464–481, 2005, doi: 10.1177/0149206304272187.

[3] W. Y. Wong and C. W. Hooy, “Do types of political connection affect firm performance differently?,” *Pacific Basin Financ. J.*, vol. 51, pp. 297–317, 2018, doi: 10.1016/j.pacfin.2018.08.009.

[4] M. B. R. Attia, N. Lassoued, and A. Attia, “Political costs and earnings management: evidence from Tunisia,” *J. Account. Emerg. Econ.*, vol. 6, no. 4, pp. 388–407, 2016.

[5] I. S. Dinç, "Politicians and banks: Political influences on government-owned banks in emerging markets," *J. financ. econ.*, vol. 77, no. 2, pp. 453–479, 2005, doi: 10.1016/j.jfineco.2004.06.011.
[6] M. Faccio, "Differences between Politically Connected and Nonconnected Firms: A Cross-Country Analysis," *Financ. Manag.*, no. 1, pp. 905–927, 2010.
[7] Y. Wang, C. Yao, and D. Kang, "Political connections and firm performance: Evidence from government officials' site visits," *Pacific Basin Financ. J.*, vol. 57, no. February, 2018, doi: 10.1016/j.pacfin.2018.05.003.
[8] Y. Chen, D. Luo, and W. Li, "Political connections, entry barriers, and firm performance," *Chinese Manag. Stud.*, vol. 8, no. 3, pp. 473–486, 2014, doi: 10.1108/CMS-08-2013-0148.
[9] A. Adhikari, C. Derashid, and H. Zhang, "Public policy, political connections, and effective tax rates: Longitudinal evidence from Malaysia," *J. Account. Public Policy*, vol. 25, no. 5, pp. 574–595, Sep. 2006, doi: 10.1016/j.jaccpubpol.2006.07.001.
[10] Z. qin Su and H. G. Fung, "Political connections and firm performance in Chinese companies," *Pacific Econ. Rev.*, vol. 18, no. 3, pp. 283–317, 2013, doi: 10.1111/1468-0106.12025.
[11] Z. Song, A. Nahm, and J. Yang, "Institutional environment, political connections of partial state ownership, and performance: An empirical study on listed private sector firms in China," *Int. J. Soc. Econ.*, vol. 43, no. 8, pp. 856–870, 2016, doi: 10.1108/IJSE-10-2014-0210.
[12] C. H. D. Hung, Y. Jiang, F. H. Liu, H. Tu, and S. Wang, "Bank political connections and performance in China," *J. Financ. Stab.*, vol. 32, pp. 57–69, 2017, doi: 10.1016/j.jfs.2017.09.003.
[13] L. Ling, X. Zhou, Q. Liang, P. Song, and H. Zeng, "Political connections, overinvestments and firm performance: Evidence from Chinese listed real estate firms," *Financ. Res. Lett.*, vol. 18, pp. 328–333, 2016, doi: 10.1016/j.frl.2016.05.009.
[14] P. Domadenik, J. Prašnikar, and J. Svejnar, "Political Connectedness, Corporate Governance, and Firm Performance," *J. Bus. Ethics*, vol. 139, no. 2, pp. 411–428, 2016, doi: 10.1007/s10551-015-2675-4.
[15] A. Carretta, V. Farina, A. Gon, and A. Parisi, "Politicians 'on board': Do political connections affect banking activities in Italy?," *Eur. Manag. Rev.*, vol. 9, no. 2, pp. 75–83, 2012, doi: 10.1111/j.1740-4762.2012.01032.x.
[16] H. K. Chen, Y. C. Liao, C. Y. Lin, and J. F. Yen, "The effect of the political connections of government bank CEOs on bank performance during the financial crisis," *J. Financ. Stab.*, vol. 36, pp. 130–143, 2018, doi: 10.1016/j.jfs.2018.02.010.
[17] E. García-Meca and J. A. G. García, "Experience, political connections and efficiency in the financial sector," *Acad. Rev. Latinoam. Adm.*, vol. 28, no. 3, pp. 380–395, 2015.
[18] K. Jackowicz, Ł. Kozłowski, and P. Mielcarz, "Political connections and operational performance of non-financial firms: New evidence from Poland," *Emerg. Mark. Rev.*, vol. 20, pp. 109–135, 2014, doi: 10.1016/j.ememar.2014.06.005.
[19] H. Zhang, L. Li, D. Zhou, and P. Zhou, "Political connections, government subsidies and firm financial performance: Evidence from renewable energy manufacturing in China," *Renew. Energy*, vol. 63, pp. 330–336, 2014, doi: 10.1016/j.renene.2013.09.029.
[20] S. Darmadi, "Board diversity and firm performance: The indonesian evidence," *Corp. Ownersh. Control*, vol. 9, no. 1 F, pp. 524–539, 2011, doi: 10.22495/cocv8i2c4p4.
[21] J. Pfeffer and G. R. Salancik, "The external control of organizations: A resource dependence approach," *NY: Harper and Row Publishers*. p. 300, 1978.
[22] E. García-Meca, I. M. García-Sánchez, and J. Martínez-Ferrero, "Board diversity and its effects on bank performance: An international analysis," *J. Bank. Financ.*, vol. 53, pp. 202–214, 2015, doi: 10.1016/j.jbankfin.2014.12.002.
[23] Struggles and Heidrick, "Challenging board performance," 2011. [Online]. Available: http://www.heidrick.com/PublicationsReports/PublicationsReports/HS_EuropeanCorpGovRpt2011.pdf
[24] S. Nielsen and M. Huse, "Women directors' contribution to board decision-making and strategic involvement: The role of equality perception," *Eur. Manag. Rev.*, vol. 7, no. 1, pp. 16–29, 2010, doi: 10.1057/emr.2009.27.
[25] D. A. Carter, F. D'Souza, B. J. Simkins, and W. G. Simpson, "The gender and ethnic diversity of US boards and board committees and firm financial performance," *Corp. Gov. An Int. Rev.*, vol. 18, no. 5, pp. 396–414, 2010, doi: 10.1111/j.1467-8683.2010.00809.x.
[26] J. Milliken and L. L. Martins, "Searching for Common Threads : Understanding the Multiple Effects of Diversity in Organizational Groups," *Acad. Manag. Rev.*, vol. 21, no. 2, pp. 402–433, 1996.
[27] R. M. de Cabo, R. Gimeno, and M. J. Nieto, "Gender Diversity on European Banks' Boards of Directors," *J. Bus. Ethics*, vol. 109, no. 2, pp. 145–162, 2012, doi: 10.1007/s10551-011-1112-6.
[28] A. J. Hillman, A. A. Cannella, and R. L. Paetzold, "The resource dependence role of corporate directors: Strategic adaptation of board composition in response to environmental change," *J. Manag. Stud.*, vol. 37, no.

2, pp. 235–256, 2000, doi: 10.1111/1467-6486.00179.
[29] S. Terjesen, R. Sealy, and V. Singh, “Women directors on corporate boards: A review and research agenda,” *Corp. Gov. An Int. Rev.*, vol. 17, no. 3, pp. 320–337, 2009, doi: 10.1111/j.1467-8683.2009.00742.x.
[30] A. Menozzi, M. G. Urtiaga, and D. Vannoni, “Board composition, political connections, and performance in state-owned enterprises,” *Ind. Corp. Chang.*, vol. 21, no. 3, pp. 671–698, 2012, doi: 10.1093/icc/dtr055.
[31] N. Boubakri, J. C. Cosset, and W. Saffar, “The role of state and foreign owners in corporate risk-taking: Evidence from privatization,” *J. financ. econ.*, vol. 108, no. 3, pp. 641–658, 2013, doi: 10.1016/j.jfineco.2012.12.007.
[32] M. Huse and A. G. Solberg, “Gender-related boardroom dynamics: How Scandinavian women make and can make contributions on corporate boards,” *Women Manag. Rev.*, vol. 21, no. 2, pp. 113–130, 2006, doi: 10.1108/09649420610650693.
[33] C. Francoeur, R. Labelle, and B. Sinclair-Desgagné, “Gender diversity in corporate governance and top management,” *J. Bus. Ethics*, vol. 81, no. 1, pp. 83–95, 2008, doi: 10.1007/s10551-007-9482-5.
[34] A. J. Hillman, C. Shropshire, and A. A. Cannella, “Organizational predictors of women on corporate boards,” *Acad. Manag. J.*, vol. 50, no. 4, pp. 941–952, 2007, doi: 10.5465/AMJ.2007.26279222.
[35] C. L. Deszo and D. G. Ross, “DOES FEMALE REPRESENTATION IN TOP MANAGEMENT IMPROVE FIRM PERFORMANCE? A PANEL DATA INVESTIGATION,” *Strateg. Manag. J.*, vol. 33, pp. 1072–1989, 2012, doi: 10.1002/smj.
[36] M. Lückerath-Rovers, “Women on boards and firm performance,” *J. Manag. Gov.*, vol. 17, no. 2, pp. 491–509, 2013, doi: 10.1007/s10997-011-9186-1.
[37] C. Post and K. Byron, “Women on boards and firm financial performance: A meta-analysis,” *Acad. Manag. J.*, vol. 58, no. 5, pp. 2–58, 2013.
[38] H. Isidro and M. Sobral, “The Effects of Women on Corporate Boards on Firm Value, Financial Performance, and Ethical and Social Compliance,” *J. Bus. Ethics*, vol. 132, no. 1, pp. 1–19, 2015, doi: 10.1007/s10551-014-2302-9.
[39] K. Ramaswamy and L. Mingfang, “Foreign investors, foreign directors and corporate diversification: An empirical examination of large manufacturing companies in India,” *Asia Pacific J. Manag.*, vol. 18, no. 2, pp. 207–222, 2001, doi: 10.1023/A:1010620008101.
[40] A. Ezat and A. El-Masry, “The impact of corporate governance on the timeliness of corporate internet reporting by Egyptian listed companies,” *Manag. Financ.*, vol. 34, no. 12, pp. 848–867, 2008, doi: 10.1108/03074350810915815.
[41] K. Samaha, K. Dahawy, K. Hussainey, and P. Stapleton, “The extent of corporate governance disclosure and its determinants in a developing market: The case of Egypt,” *Adv. Account.*, vol. 28, no. 1, pp. 168–178, 2012, doi: 10.1016/j.adiac.2011.12.001.
[42] W. Ruigrok, S. Peck, and S. Tacheva, “Nationality and gender diversity on Swiss corporate boards,” *Corp. Gov. An Int. Rev.*, vol. 15, no. 4, pp. 546–557, 2007, doi: 10.1111/j.1467-8683.2007.00587.x.
[43] M. N. Innayah, B. C. Pratama, and M. M. Hanafi, “The Effect of Intellectual Capital towards Firm Performance and Risk with Board Diversity as a Moderating Variable: Study in ASEAN Banking Firms,” *J. Din. Manaj.*, vol. 11, no. 1, pp. 27–38, 2020, doi: 10.15294/jdm.v11i1.21487.
[44] X. Du, W. Jian, and S. Lai, “Do Foreign Directors Mitigate Earnings Management? Evidence From China,” *Int. J. Account.*, vol. 52, no. 2, pp. 142–177, 2017, doi: 10.1016/j.intacc.2017.04.002.
[45] D. N. Gujarati and D. C. Porter, *Basic Econometrics*. 2009.
[46] G. T. International, “Women in Business 2020: Putting the Blueprint into action,” 2020, doi: 10.4324/9781315669175.
[47] M. Marimuthu and I. Kolandaisamy, “Ethnic and Gender Diversity in Boards of Directors and Their Relevance to Financial Performance of Malaysian Companies,” *J. Sustain. Dev.*, vol. 2, no. 3, pp. 139–148, 2009, doi: 10.5539/jsd.v2n3p139.
[48] M. E. A. Jayne and R. L. Dipboye, “Leveraging diversity to improve business performance: Research findings and recommendations for organizations,” *Hum. Resour. Manage.*, vol. 43, no. 4, pp. 409–424, 2004, doi: 10.1002/hrm.20033.
[49] G. D. Fenwick and D. J. Neal, “Effect of gender composition on group performance,” *Gender, Work Organ.*, vol. 8, no. 2, pp. 205–225, 2001, doi: 10.1111/1468-0432.00129.
[50] T. H. Cox and S. Blake, “Managing cultural diversity: implications for organizational competitiveness,” *Acad. Manag. Perspect.*, vol. 5, no. 3, pp. 45–56, 1991, doi: 10.5465/ame.1991.4274465.
[51] W. E. Watson, K. Kumar, and L. K. Michaelsen, “Cultural Diversity’s Impact On Interaction Process and Performance: Comparing Homogeneous and Diverse Task Groups,” *Acad. Manag. J.*, vol. 36, no. 3, pp. 590–

602, 1993, doi: 10.5465/256593.

[52] A. C. Amason, “Distinguishing the Effects of Functional and Dysfunctional Conflict on Strategic Decision Making : Resolving a Paradox for Top Management Teams,” *Acad. Manag. J.*, vol. 39, no. 1, pp. 123–148, 1996.

[53] M. A. Carpenter, “The implications of strategy and social context for the relationship between top management team heterogeneity and firm performance,” *Strateg. Manag. J.*, vol. 23, no. 3, pp. 275–284, 2002, doi: 10.1002/smj.226.

[54] F. Fauzi and S. Locke, “Board structure, ownership structure and firm performance: A study of New Zealand listed-firms,” *Asian Acad. Manag. J. Account. Financ.*, vol. 8, no. 2, pp. 43–67, 2012.

[55] S. Claessens, S. Djankov, and L. H. P. Lang, *The separation of ownership and control in East Asian Corporations*, vol. 58, no. 1–2. 2000. doi: 10.1016/s0304-405x(00)00067-2.

[56] R. W. Masulis, C. Wang, and F. Xie, “Globalizing the boardroom-The effects of foreign directors on corporate governance and firm performance,” *J. Account. Econ.*, vol. 53, no. 3, pp. 527–554, 2012, doi: 10.1016/j.jacceco.2011.12.003.