Advances in Economics, Business and Management Research, volume 117
3rd Global Conference On Business, Management, and Entrepreneurship (GCBME 2018)

CEO Gender and Firm Debt Policy: An Empirical Study in Indonesia

R. Setiawan (Author)
Universitas Airlangga
Surabaya, Indonesia

D.R. Navianti
Universitas Airlangga
Surabaya, Indonesia

***Abstract*— This research was aimed to investigate the influence of female director and female commissioner in the firm structure capital of nonfinancial companies listed on Indonesia Stock Exchange (IDX) from 2010-2014 with 372 observations. A structure capital of the firms was measured by the leverage ratio that implicated to debt policy. The leverage ratio showed the level of usage in the company as variable dependent. Dividend payout ratio, return on asset, size of director, and size of commissioner served as control variables. Modeling the leverage's firm using multiple regression, the result of this study indicated that firms with a larger fraction of female director had negative effect on debt policy significantly. Otherwise, female commissioner's did not significantly affected debt policy. The control variables that significantly affected debt policy were dividend payout ratio and size of director.**

Keywords—Female Director; Female Commissioner, Indonesia Stock Exchange; Debt Policy

I. INTRODUCTION

The Upper Echelons theory says that managerial characteristics influence the company's decision-making and performance [1]. When women are at the top of management, these gender differences have implications on company policies and performance [2] [3] [4] [5] [6] [7]. The presence of women in the board of directors can provide a new perspective in decision making [8]. Women man-agers have an effective monitoring role as a role of corporate governance [9]. More di-verse board of directors, more capable decision-making. Working and non-working experiences of men and women enhance the decision-making process [10]. Women in different racial, ethnic, and other councils expand the company's re-sources and add multiple points of view in the problem-solving and strategic planning process [11]. Gender diversity within the council can improve the quality of discussions within the council [12]. Therefore, it is incomplete to ignore the personal characteristics of managers in the research of the firm's capital structure.

Management preference for risk and management style has a role in relation to capital structure [13].Women-owned businesses are likely to have lesser debt for several reasons, including due to large-scale discrimination and risk aversion [14].The judgments made by the bank (creditor) differ when the loan application is filed by women, because the bank (lender) prefers it to be filled by men despite the fact that the business owned by both men and women has similarities in debt and creditworthiness [15].

This study was aimed to determine the effect of gender diversity on the capital structure of firms in Indonesia, in particular to see the effect of the presence and proportion of women on the board of di-rectors in the company's capital structure considering that research on gender and debt policy is still very few in Indonesia. This study examined the effect of gender diversity in the board of directors on the decision of the capital structure of the company.

II. METHOD

We surveyed female director and female commissioner in the firm structure capital from 372 observations on nonfinancial companies listed on Indonesia Stock Exchange (IDX) since 2010 to 2014 and analyzed the data using Multiple Regression. This study obtained secondary data female board of commissioners, female directors, dividend payout ratio, return on asset, leverage, size board of commissioners and board of directors.

A. Identification Of The Variables

Based on the formulation of the problem, hypothesis and model of analysis, this study employed variables that are differentiated into dependent variables, independent and control variables. These variables include:

- Dependent Variable: Debt Policy with proxy leverage (LEV).
- Independent variable: Board of commissioner of women (GENKOM), board female directors (GENDIR).
- Control Variable: The size of the board of commissioners (COMSIZE), size board of directors (DIRSIZE), ROA, DPR.

B. Operational Definition

- Leverage:

Leverage is the ratio of measurement of corporate debt usage rate which shows how much funding the company needs to finance with debt with formula as follows:

$$〖LEV〗_{(i,t)} = \text{Debt Total}_{i,t} / \text{Asset Total}_{i,t} \quad (1)$$

- GENCOM:

This variable is the proportion of female commissioners compared to the total number of boards of commissioners in a company.

- GENDIR:

This variable is the proportion of female directors compared with the total number of directors in a company.

- DPR:

The dividend policy is the decision of dividend payout to the holder shares, in this study is measured by measuring by dividend payout ratio. The Dividend Payout Ratio shows the percentage of net profit after taxes distributed as dividends to shareholders with formula as follows:

〖DPR〗_(i,t) = Dividend it / Net Income i,t (2)

- ROA

ROA is a profitability measurement ratio that indicates ability companies to generate profit after tax by using all assets with formula as follows:

〖ROA〗_(i,t) = EBIT i,t / Asset Total i,t (3)

- DIRSIZE:

The size of the board of directors shows the number of members of a company's board of directors. This variable is used to see the effect of the size of the directors against dividend policy.

- COMSIZE:

The size of the board of commissioners indicates the number of members of the board of commissioners a company. This variable is used to see the effect of size directors of dividend policy.

III. Result and Discussion

The following descriptive analysis on each variable used in this study is presented in Table 1. Based on the table, the dependent research variables, namely the minimum and maximum values of the leverage variables were 0.0786 and 0.8401. The independent research variables, namely the female board of commissioners, had an average value of 0.0912, which meant that there were 9.12% of the research sample companies that have female commissioners. The minimum and maximum values of the female commissioner variables were 0.0000 and 0.6667, respectively. The existence of a female board of commissioners was measured by dividing the number of female commissioners with the total number of commissioners in one company. The number 0.000 indicated that the company did not have any female commissioner and the existence of a board of commissioners. The result showed that the highest number was 66.7% of the total members of the board of commissioners.

TABLE 1. DESCRIPTIVE ANALYSIS

9	N	Minimum	Maximum	Mean	Std. Deviation
LEVE	372	0.0786	0.8401	0.4639	0.1828
GENCOM	372	0.0000	0.6667	0.0912	0.1553
GENDIR	372	0.0000	0.7500	0.1105	0.1424
DPR	372	0.0002	0.9936	0.2669	0.1766
ROA	372	0.0017	0.5635	0.1144	0.0855
DIRSIZE	372	2.0000	11.0000	5.53	1.7490
COMSIZE	372	2.0000	11.0000	4.52	1.9580
Valid N (listwise)	372				

Dividend policy (DPR) was a variable control measured by dividend payout ratio with an average value of 0.2668. The minimum and maximum values of the DPR were 0.9936 and 0.0002, respectively. The DPR value reflected the percentage of dividends paid by the company. This showed that the average dividend paid by the company in this re-search sample was 26.68%.

The average variable value of ROA was 0.1143 which indicated that the average company gained a profit of 11.43% of its total assets. The minimum and maximum ROA values were 0.0017 and 0.5635, respectively. ROA represented the company's ability to generate profits using assets owned. The greater the value of ROA, the more efficient use of company assets, in the other words, by the same amount of assets a company can generate greater profits.

Variable size of directors and size of commissioners had a minimum value and maximum of 2 and 11 respectively. This referred to the number of directors and commissioners. The company's lowest number was 2 and the highest was 11.

Linear regression testing mark was performed with the statistical tools. The results of the linear regression test multiple in the field of this research can be seen in Table 2.

TABLE 2. REGRESSION MODEL FOR LEVERAGE.

Independent Variables	Regression Model			
	Coefficient	*T*	*Sig*	*Effect*
Constant	0.419	12.104	0.000	-
GENCOM	0.057	0.924	0.356	Not Sig
GENDIR	-0.122	-1.794	0.074*	Sig
DPR	-0.131	-2.317	0.021*	Sig
ROA	-0.045	-0.384	0.701	Not Sig
DIRSIZE	0.014	2.555	0.011*	Sig
COMSIZE	0.003	0.535	0.593	Not Sig

Note: (*) significant 10%.

The model of analysis to determine the effect of the existence of women commissioners and women directors on debt policy as measured by leverage is expressed in the following formulas:

$$LEV_{it} = \beta_0 + \beta_1 GENCOM_{it} + \beta_2 GENDIR_{it} + \beta_3 DPR_{it} + \beta_4 ROA_{it} + \beta_5 DIRSIZE_{it} + \beta_6 COMSIZE_{it} \quad (4)$$

$$LEV_{it} = 0{,}419 + 0{,}057\ GENCOM_{it} - 0{,}122\ GENDIR_{it} - 0{,}131\ DPR_{it} - 0{,}045\ ROA_{it} + 0{,}014\ DIRSIZE_{it} + 0{,}003\ COMSIZE_{it} \quad (5)$$

where β_0= intercept coefficient; β1, β2, β6 = coefficient for each of the independent variables; LEVit =leverage of firm i in year t; DPRit = the value of dividend payout firm i in year t measured using dividend payout ratio; GENCOMi = number of female commissioners divided by total number of company

commissioners i in year t; GENDIRit = number of female directors divided by total number of company directors i in year t; ROAit = profitability of firm i in year t; COMSIZEit = the number of directors on the firm board i in year t; and DIRSIZEit = the number of directors on the firm board i in year t.

From the above regression equation it can be interpreted that the existence of female directors affected significantly negative on funding decision making in the form of debt, while the presence of female commissioners had no significant effect on funding decision making in the form of debt. The control variables that significantly affected debt policy was dividend payout ratio and size of director.

Every increase in a proportion of female commissioners would increase funding decisions on the policy of debt by 5.7%, whereas each increase in a proportion of the board of directors would reduce funding decisions on the policy of debt by 12.2%.

For the control variable, every day the amount of dividends would reduce the decision cost by 13.1%. Every increase in profit would cancel the debt yield by 4.5%. Each level of directors will be used to increase the amount of debt by 1.4% and each time the number of commissioners would increase the loan decision by 0.3%.

IV. CONCLUSION

The result of this study indicated that firms with a larger fraction of female director had negative effect on debt policy significantly. Otherwise, female commissioners did not significant affect debt policy. The control variables that had significant effect on debt policy was dividend payout ratio and size of directors.

REFERENCES

[1] Hambrick, D.C. & Mason, P.A. 1984. Upper echelons: The or-ganization as a reflection of its top managers. Academy of Management Review, 9(2): 193-206.

[2] Adams, R.B. & Ferreira, D. 2009. Women in the boardroom and their impact on governance and performance. Journal of Financial Economics 94(2): 291-309.

[3] Ting, I.W.K., Azizan, N.A.B. & Kweh, Q.L. 2014. Human gov-ernance and firm's leverage decision: Evidence from Ma-laysian listed companies. Pertanika Journal 22(3): 879-890.

[4] Jaradat, M.S. 2015. Corporate governance practices and capi-tal structure: A study with special reference to board size, board gender, outside director, and CEO duality. Interna-tional Journal of Economics, Commerce and Management 3(5): 264-273.

[5] Ze-jiang, Z.H.O.U. & Zong-feng, X.I.U. 2015. Female execu-tives, macroeconomic environment and cash holdings.

[6] Zeng, S. & Wang, L. 2015. CEO gender and corporate cash holdings. Are female ceos more conservative?. Asia-Pacific Journal of Accounting And Economics 22(4): 449-474.

[7] Loukil, N. & Yousfi, O. 2016. Does gender diversity on corpo-rate boards increase risk-taking?. Canadian Journal of Administrative Sciences/Revue Canadienne des Sciences de l'Administration 33(1): 66-81.

[8] Campbell, K. & Mínguez-Vera, A. 2008. Gender diversity in the boardroom and firm financial performance. Journal of Business Ethics 83(3): 435-451.

[9] Lakhal, F., Aguir, A., Lakhal, N. & Malek, A. 2015. Do Women on Board and in Top Management Reduce earning man-agement? Evidence in france. Journal of Applied Business Research 31(3): 1107-1118.

[10] Smith, N., Smith, V. & Verner, M. 2006. Do women in top management affect firm performance? A panel study of 2,500 Danish firms. International Journal of Productivity and Performance management 55(7): 569-593.

[11] Ruigrok, W., Peck, S. & Tacheva, S. 2007. Nationality and gender diversity on Swiss corporate boards. Corporate Governance 15(4): 546-557.

[12] Gul, F.A., Srinidhi, B. & Ng, A.C. 2011. Does board gender di-versity improve the informativeness of stock prices?. Jour-nal of Accounting and Economics 51(3): 314-338.

[13] Moon, F. & Yuyetta, E.N.A. 2014. Pengaruh corporate govern-ance terhadap capital structure. Diponegoro Journal of Accounting 3(2): 1-12.

[14] Abor, J. & Biekpe, N. 2007. Corporate governance, ownership structure and performance of SMEs in Ghana: Implica-tions for financing opportunities. Corporate Governance: The International Journal of Business in Society 7(3): 288-300.

[15] Muravyev, A., Talavera, O. & Schäfer, D. 2009. Entrepreneurs' gender and financial constraints: Evidence from interna-tional data. Journal of Comparative Economics 37(2): 270-286.