



Female Board Independency in Corporate Governance and Firm Performance

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Abstract

Purpose – This research examines female board independence and influence on company performance. The concept of female leaders in work should be discussed since gender inequality assumes that they are considered not socially accepted, have a non-business background, and are appointed due to nepotism.

Methodology – The research uses a quantitative approach - research data from companies listed on the Indonesia Stock Exchange in the KOMPAS100 index from August 2021 to January 2022. The data was collected from the company's financial reports from 2014 to 2020.

Findings – It was found that both Tobin's Q and ROA were significantly negative for female board independency. It reduces the effectiveness of a company's profitability. Females are considered incompetent since they were appointed for family ties and not based on skills or qualifications. The robustness test reveals that the female board independence dummy test with Tobin's Q and ROA is considerably negative. Furthermore, female board members do not affect the company's success or ability to persuade investors.

Originality – Females are discouraged from serving as independent members to avoid harmful performance impacts. Therefore, the idea of considering them as members of the board of independence should be discouraged, as it will affect the opinions of investors.

1. Introduction

Corporate governance has evolved over the centuries and is often used to respond to crises or corporate failures. The history of this governance is interspersed with a series of events, such as the US. Furthermore, the securities law enacted many laws after the stock market crash of 1929, the banking crisis in England in the 1970s, and the US disaster. Savings and loans in the 1980s, the 1998 financial crisis in Russia, and the worst Asian financial crisis in 1997-1998, significantly impacted Indonesia, South Korea, Thailand, and the global financial crisis in 2008. The problems and failures also occurred in corporate collapses, bankruptcies, trade scandals, and frauds. These incidents often happen due to a lack of supervision and an inability to handle the problems. Therefore, corporate governance is developed and implemented towards a trend where regulatory oversight is becoming more stringent in institutions, especially banks and other financial institutions (International Finance Corporation (IFC), 2018).

The 1997-1998 financial crisis triggered a social, economic, and political crisis that caused the Indonesian rupiah to depreciate nearly 80% and dramatically increased poverty. Recession has been fueled by poor oversight of the financial sector and weak law enforcement from the central bank, which has exacerbated irregular banking practices. Indonesian business awareness and public understanding of the importance of corporate governance have increased dramatically, and the changes are consistent with ongoing progress in corporate governance. Several initiatives have been implemented to strengthen corporate governance, such as establishing institutions, enforcing laws, and supporting corporate governance. In the first good corporate governance code in Indonesia, the capital market and financial institution supervisory bodies were merged into the Otoritas Jasa Keuangan (OJK) and increased investor protection (International Finance Corporation (IFC), 2018).

Corporate governance has become a familiar term to cover various relationships between management, the board of directors, shareholders, and other stakeholders. The organization describes its aims, ways of attaining them, and monitoring structure. The Indonesian Company Law of 1995 encouraged economic growth and create jobs. Two decades after, the law introduced Indonesia to more sophisticated private companies, and global competition increased. Corporate governance was implemented by introducing internal structures and processes that enable companies to maintain shareholder trust and reduce vulnerability to financial crises (International Finance Corporation (IFC), 2014). Kyere & Ausloos (2021) explained that corporate governance is the primary influence affecting all company processes, such as controlling, supervising, organizing production, and selling goods and services. Corporate governance also actively protects stakeholders' interests, considering that it affects the company. Therefore, it promotes companies to modify corporate governance that maximizes shareholder goals. Some evidence shows that investors will be willing to pay a high premium for shares in companies with good corporate governance. Company or business performance is regarded to have a link to corporate governance (Al-Homaidi et al., 2019; Rodriguez-Fernandez, 2016).

According to Hastuti (2018), firm or company performance describes the achievement of company activities to realize goals, vision, and mission, which then evaluates and assesses performance. Kao et al. (2019) and Wang et al. (2020) argued that firm or company performance is based on an identical measurement. This measurement system is a concise and precise action in analyzing performance. It helps companies assess the contribution of workers, suppliers, and stakeholders that support the achievement of company goals. In achieving strategic objectives, firm performance measurement helps companies develop, implement, assess, and monitor strategic planning according to the agreement. Jakpar et al. (2019) and Taouab & Issor (2019) described the firm performance as a financial and non-financial indicator offering information on the level of achievement of goals and results. Firm performance is dynamic and requires judgment and interpretation, which can explain the effects of current actions on future results.

These guidelines can improve corporate governance monitoring, reduce company problems and improve firm performance. The more companies minimize conflicts or existing problems, the firm performance will increase and be guaranteed by a corporate governance mechanism (Puni & Anlesinya, 2020). This research raises female board independency as an independent variable that discusses how much influence and the number of females occupying high positions in a company. It emphasizes the effect of females' representation on the board, particularly when appointed as independent members. Female directorship may better indicate a board's independence than the usual measure.

Females on the board bring losses to the company because they tend to be more risk-averse than men in making financial decisions (Khan & Vieito, 2013). Hence, the decision-making process slows down and affects the allocation of organizational resources. In small companies that are more likely to be owned and run by a single family, female employees are more likely to be present. Females occupying board positions in this type of company are partly due to family ties to the founder or controlling shareholder (Darmadi, 2013). In the context of gender inequality,

women's leadership is still a topic of discussion since it is assumed that those who can work freely are not socially acceptable because they have forgotten their nature (Lim et al., 2019).

Hence, this research will deepen the participation of female board independency in the effectiveness and performance improvement of a company using a sample of companies listed in KOMPAS100 by Kompas Gramedia Group as the publisher of the Kompas daily newspaper. This index measures the performance of 100 companies with excellent and significant liquidity and market capitalization. Therefore, the KOMPAS100 index was selected from a solid fundamental perspective, good performance and a trusted index. This is because the companies are capable of driving the Composite Stock Price Index.

This research is conducted to determine the influences of female board independence on firm performance to provide benefits for companies, investors, and academics by applying the theory of female board independency where a high proportion will direct the company for better supervision. Tobin and ROA also support this theory to analyze the influences on firm performance to provide benefits for companies, investors, and academics. Recommendations are also provided to companies to pay attention to factors that can affect the company's development. Furthermore, this research will highly expect insight, references, benefits, and input for further research, especially in the development of science.

2. Research Methods

This research uses a quantitative approach to test an objective theory of the variables. In other words, these variables have distinct measures that can be retrieved and tested while collecting, analyzing, and interpreting survey findings, normally carried out quantitatively. This quantitative approach creates hypotheses and datasets, tests objective theories, and determines when they can support or refute the hypothesis. At the beginning, it contains a large amount of literature that compares the results and provides the direction of the research hypothesis (Creswell & Creswell, 2018).

This research increases knowledge from various studies by Walia & Uppal (2020), categorized as fundamental, primary, or pure research related to theory formulation, development of existing theories, and application in problem-solving. The quantitative research applied in the causal-comparative analysis involves two or more independent variables. It aims to identify the causes or effects of existing differences (Fraenkel et al., 2011). The variables raised are return on assets (ROA) and Tobin's Q as the dependent variable, female board independency as an independent variable, board size, CEO female, leverage, market to book ratio, and dividend payout ratio as control variables, as follows:

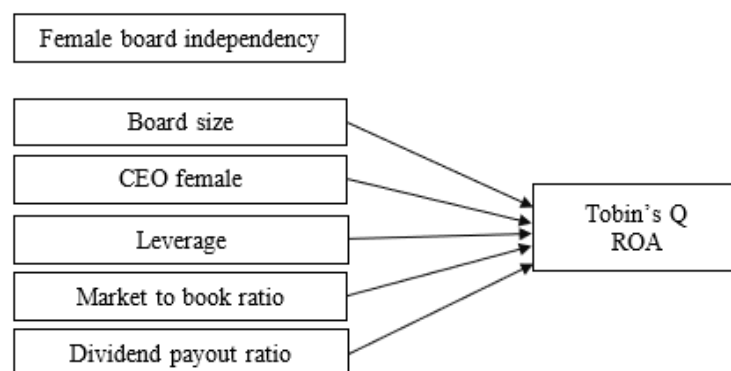


Figure 1. Research Model

The population is companies listed on the Indonesia Stock Exchange (IDX). The sample of this research are companies listed in the KOMPAS100 index. This index measures the performance of stocks with high liquidity and market capitalization. Furthermore, the sampling method represents the available variables. It applies target sampling to determine specific characteristics based on the information needed (Fraenkel et al., 2011).

The criteria applied are companies listed on the Indonesia Stock Exchange (IDX) in the KOMPAS100 index for August 2021 to January 2022, completely present financial and annual reports in rupiah currency, and provide related data to research variables during the 2014-2020 period. Research data sources are secondary, where information is obtained through intermediary media available from each company's website for 2014-2020. The multiple regression method clarifies the relationship between multiple independent and dependent variables and analyzes research data to determine the contribution of each independent variable to the dependent. The software used is STATA, which tests descriptive statistics, correlation, and regression.

3. Results and Discussions

3.1 Statistic Descriptive

Statistic descriptive test helps users in obtaining a better understanding of the data. In other words, it provides an overview of the research object by presenting the average (mean), minimum (min), and maximum (max) values and measuring the data distribution (standard deviation) of the research object through the sample. Table 1 shows that from 456 data, the mean of the dependent variable Tobin's Q (TQ) is 2.331 with a standard deviation of 2.807, and the mean for ROA is 0.077 with a standard deviation of 0.086. The lowest and highest values for Tobin's Q variable are 0.406 and 23.286, while the ROA variable is -0.190 and 0.463. Female board independency measured the mean of 0.083 with a standard deviation of 0.125. At the same time, the mean was 0.346, with a standard deviation of 0.476. The two variables have the smallest value of 0, with the highest of 0.667 and 1.

Table 1. Statistic Descriptive

Variable	N	Mean	Min	Max	Std Dev
TQ	456	2,331	0,406	23,286	2,807
ROA	456	0,077	-0,190	0,463	0,086
FBI	456	0,083	0,000	0,667	0,125
FBID	456	0,346	0,000	1,000	0,476
BS	456	9,932	0,000	23,000	4,882
CEOF	456	0,026	0,000	1,000	0,160
LEV	456	0,414	0,000	0,953	0,253
MBR	456	4,022	0,000	274,821	14,873
DPR	456	0,331	-0,672	5,236	0,497
DPRD	456	0,711	0,000	1,000	0,454

Source: processed data, 2022

Control variables such as board size (BS) measured 9.932 as the mean with a standard deviation of 4.882 and had the lowest and highest values of 0 and 23. The CEO female (CEOF) mean was 0.026 with a standard deviation of 0.160. Leverage (LEV) is at 0.414 as the mean with a standard deviation of 0.253, and the highest value is 0.953. Meanwhile, the market-to-book ratio (MBR) is 4.022 and 14.873, with a standard deviation. The dividend payout ratio (DPR) and the

dividend payout ratio dummy (DPRD) mean 0.331 and 0.711, with standard deviations of 0.497 and 0.454. The lowest and highest values for DPR are -0.672 and 5.236, while the lowest and highest values for the DPRD are 0 and 1.

3.2 Correlation Test

This correlation analysis test is conducted to determine the strength of the relationship between variables and the conditions to be met. It analyzes the relationship between the dependent and the independent variable. The correlation test shows in Table 2 that TQ and ROA as the dependent variables are negatively related to the FBI and FBID as the independent. Therefore, the relationship between TQ and FBI is at -0.050, and TQ with FBID is at -0.055. The relationship between ROA and FBI is at -0.019, and ROA with FBID is at -0.032. This is in line with the hypothesis that female board independence has a negative effect on firm performance.

Table 2. Correlation test

	TQ	ROA	FBI	FBID	BSLN	CEOF	LEV	MBR	DPR	DPRD
TQ	1.000									
ROA	0.781	1.000								
FBI	-0.050	-0.019	1.000							
FBID	-0.055	-0.032	0.875	1.000						
BSLN	-0.077	-0.090	0.245	0.285	1.000					
CEOF	-0.015	-0.068	0.043	0.168	0.081	1.000				
LEV	-0.128	-0.267	0.113	0.122	0.685	0.108	1.000			
MBR	0.550	0.466	-0.033	-0.045	0.113	-0.012	0.188	1.000		
DPR	0.168	0.202	-0.001	0.031	0.264	-0.054	0.007	0.114	1.000	
DPRD	0.040	0.113	0.210	0.231	0.646	-0.046	0.360	0.125	0.425	1.000

Source: processed data, 2022

The tendency for more females on the board can bring some downsides to businesses. Therefore, having a female on the board of directors harms the company's performance. This is explained by the time taken to decide on a more diverse board of directors. The diversity of board independence creates additional costs for the company, and improving the performance may not be sufficient to offset these costs (Simionescu et al., 2021).

3.3 Female Board Independency (FBI) and Tobin's Q

This test was followed by a classical assumption test in which the processed data satisfy the assumption. The multicollinearity test showed that all variables have a tolerance value > 0.10 and $VIF < 10$. It means there is no multicollinearity between the use of independent variables in the regression model. Moreover, a heteroscedasticity test was also conducted and the result indicated that variables can be used in the model. Processed data satisfy which probability $P > |t|$ is greater than 0.05. The result indicates the lack of heteroscedasticity in the regression model. This led to further tests conducted on regression test with the result that partially the dependent variable affects the independent variable where the profitability value is smaller than 0.05 and simultaneously there is an influence between the independent variables on the dependent. The regression test results between Tobin's Q and female board independency (FBI) show a significant negative relationship between the two variables. It is reviewed in Table 3, measured at -3.09, which implies that it has a significant negative 1% effect between the FBI and TQ. Therefore, the effect of female representation on the board, exceptionally when appointed as an independent member,

is likely to be ineffective for enforcing managerial oversight and strengthening the quality of decision-making (Benkraiem et al., 2017). The FBI acting as a corporate governance mechanism turns out to have lower corporate performance in companies. Most females are appointed to the board and have high positions. Therefore, their participation in the effectiveness of corporate governance is concluded to be lower. The proportion of females on the company's board is inversely proportional to the performance (Lim et al., 2019). Therefore, females cannot benefit from paying close attention to their aptitudes and abilities since they are believed to be inexperienced in performing the work of ordinary men. Even though female and male directors have the same personal skill level, it is claimed that the appointment of female managers does not affect the company's performance (Simionescu et al., 2021).

Table 3. Female Board Independency (FBI) and Tobin's Q

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q
<i>Constant</i>	2,5695*** (9,52)	2,6939*** (7,11)	2,6973*** (7,08)	2,7122*** (7,22)	2,8458*** (8,01)	2,8591*** (7,95)	2,7796*** (7,80)
FBI	-3,1628*** (-3,50)	-3,0090*** (-3,27)	-3,0095*** (-3,26)	-3,0798*** (-3,42)	-2,2446*** (-3,16)	-2,0858*** (-3,03)	-2,1630*** (-3,09)
BSLN		-0,0668 (-0,49)	-0,0684 (-0,50)	0,0458 (0,27)	0,0913 (0,58)	-0,0259 (-0,17)	-0,2502 (-1,42)
CEO			0,1001 (0,33)	0,1059 (0,36)	0,2311 (1,02)	0,3653 (1,53)	0,5843** (2,45)
LEV				-0,5858 (-0,89)	-1,8290*** (-4,68)	-1,5744*** (-3,74)	-1,4764*** (-3,60)
MBR					0,0802*** (2,61)	0,0789*** (2,62)	0,0772*** (2,61)
DPR						0,4246* (1,93)	0,2697 (1,41)
DPRD							0,7080*** (2,81)
<i>Fixed effect:</i>							
<i>Industry Code</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
<i>Adj, R-squared</i>	0,4096	0,4086	0,4073	0,4070	0,5639	0,5676	0,5724
<i>Obs,</i>	456	456	456	456	456	456	456

Source: processed data, 2022

Due to the rising number of women on the board of directors, it may no longer be vital to the company's performance. Furthermore, females are not well represented on the company board, causing insignificant associations (Oware et al., 2022). They are not expected to improve the company's performance because of their non-business background and are appointed due to nepotism. Therefore, the presence of a female on the company's board of directors does not affect the company's performance (Khan & Subhan, 2019; Saidat et al., 2020). According to Ugedo et al. (2019), females are not recommended to be appointed to the company's board because the high proportion does not convince investors and increases the company's value.

3.4 Female Board Independency (FBI) and ROA

ROA and female board independency (FBI) results also show a significant negative relationship of 10%, while in Table 4, the coefficient value is at -1.79. The appointment of a female to high management positions can pessimistically affect the company's profitability. Therefore, it affects the effectiveness of generating profits that negatively impacts earnings management. Darmadi (2013) stated that the composition of female boards does not improve company

performance. In contrast, firms with a high proportion of females on management boards have much smaller assets and are underperforming. According to Kweh et al. (2019); Mahrita & Setiawan (2021), negative stereotypes against females are still inherent in investors' views. Female who occupy company board positions partly because of family ties to the founders or shareholders will reduce investor confidence because they are considered incompetent. Moreover, the choice is not based on ability and quality but because of family relationships.

Females are still a minority on boards and other top management positions. As an investor, business leaders are more interested in skills than gender factors. The paradigm supports that female-led companies are less successful in financial performance as they have less capital and talent. Meanwhile, they cannot escape their professional experience, which was previously restricted to the family business. Females are related to less aggressive investment policies and tend to avoid risk more than men, which increases ambiguity and uncertainty when investing (Marpaung et al., 2022; Vu & Dang, 2021). Female-led companies are more likely to suffer from suboptimal decisions and obstacles due to the patriarchal culture, with higher agency costs and lower relative performance than male-led companies. In other words, female leadership status is negatively perceived by investors in improving the board's decision-making process (Assenga et al., 2018).

Table 4. Female Board Independency (FBI) and ROA

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	ROA	ROA	ROA	ROA	ROA	ROA	ROA
<i>Constant</i>	0,0902*** (8,64)	0,1000*** (7,06)	0,0991*** (6,98)	0,1023*** (7,35)	0,1066*** (7,48)	0,1070*** (7,47)	0,1027*** (6,74)
FBI	-0,0681** (-2,32)	-0,0558* (-1,84)	-0,0557* (-1,84)	-0,0709** (-2,51)	-0,0444* (-1,82)	-0,0389 (-1,60)	-0,0431* (-1,79)
BSLN		-0,0053 (-1,19)	-0,0049 (-1,08)	0,0197*** (3,11)	0,0211*** (3,75)	0,0170*** (2,76)	0,0047 (0,68)
CEOF			-0,0273* (-1,79)	-0,0261** (-1,97)	-0,0221* (-1,86)	-0,0174 (-1,45)	-0,0054 (-0,50)
LEV				-0,1259*** (-4,80)	-0,1653*** (-9,48)	-0,1565*** (-8,19)	-0,1511*** (-8,34)
MBR					0,0025*** (3,35)	0,0025*** (3,39)	0,0024*** (3,43)
DPR						0,0147 (1,37)	0,0062 (0,67)
DPRD							0,0389*** (3,68)
<i>Fixed effect:</i>							
<i>Industry Code</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
<i>Adj, R-squared</i>	0,2164	0,2176	0,2180	0,2678	0,4340	0,4387	0,4559
<i>Obs,</i>	456	456	456	456	456	456	456

Source: processed data, 2022

3.5 Robustness Test

Table 5 also gives a significant negative 1% relationship between the female board independency dummy (FBID) and TQ at a coefficient of -2.69. It impacts the potential for future growth of the company, as measured by the performance that leverages the assets. Females can increase board conflicts and reduce performance due to excessive oversight impairing communication between managers and directors. Furthermore, stewardship theory opposes board

independence because outsiders are unaware of the strengths and weaknesses of the company and cannot provide helpful advice for solid performance (Lim et al., 2019; Waheed & Malik, 2019). The corresponding membership of female directors on the board independence has been negatively recognized by market investors, confirming the results regarding the leadership position of female directors and detailing the business environment (Bennouri et al., 2018). There is a negative relationship due to a lack of interest in decision-making, or female directors do not significantly impact the company's performance. It happens when they do not have sufficient qualifications, knowledge, and abilities to make business decisions (Hussain et al., 2022). Therefore, the research concluded that the presence of an independent board with a large female portion would impact ineffective company operations and increase conflict with inefficient decisions.

Females on the company board are not expected to improve the company's performance. It can be predicted that they have non-business backgrounds and are appointed based on nepotist considerations. Consequently, having females on the board does not affect the company's performance and investors. It also does not improve the performance that protects shareholders, and their presence is relatively low compared to male directors (Saidat et al., 2020; Sofian et al., 2020; Ugedo et al., 2019). Female executives need to consider economic channels affecting the company's performance. These insights better explain their underperformance as CEOs in many developing countries. Existing literature shows that females make business decisions differently than men (Jadiyappa et al., 2019).

Table 5. Female Board Independency Dummy (FBID) and Tobin's Q

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q
<i>Constant</i>	2,6035*** (9,55)	2,7182*** (7,22)	2,7352*** (7,22)	2,7526*** (7,40)	2,8727*** (8,09)	2,8860*** (8,04)	2,8082*** (7,91)
FBID	-0,7558*** (-3,13)	-0,7120*** (-2,85)	-0,7372*** (-2,87)	-0,7618*** (-3,06)	-0,5325*** (-2,70)	-0,5048*** (-2,62)	-0,5230*** (-2,69)
BSLN		-0,0644 (-0,47)	-0,0673 (-0,49)	0,0532 (0,31)	0,0923 (0,59)	-0,0282 (-0,18)	-0,2507 (-1,44)
CEOF			0,4300 (1,34)	0,4472 (1,46)	0,4697** (1,97)	0,5980** (2,35)	0,8235*** (3,04)
LEV				-0,6133 (-0,93)	-1,8451*** (-4,75)	-1,5799*** (-3,77)	-1,4829*** (-3,65)
MBR					0,0804*** (2,61)	0,0789*** (2,62)	0,0773*** (2,62)
DPR						0,4450** (2,00)	0,2922 (1,50)
DPRD							0,7017*** (2,80)
<i>Fixed effect:</i>							
<i>Industry Code</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
<i>Adj, R-squared</i>	0,4068	0,4058	0,4050	0,4047	0,5622	0,5664	0,5711
<i>Obs,</i>	456	456	456	456	456	456	456

Source: processed data, 2022

Similarly, Table 6 shows a significant negative 5% relationship between ROA and female board independency dummy (FBID) with a coefficient of -2,16. Female representatives on board independence show weaknesses in encouraging businesses to earn wealth. Increasing the number can undermine the company's profits. The more significant the company becomes, the more negative the investor's reaction to the appointment as CEO. Investors will believe that females cannot keep the company running properly (Kweh et al., 2019; Mahrita & Setiawan, 2021). The investor's perspective supports the notion that the presence of women on a company's board of

directors is partly influenced by familial ties to the company's founders and owners. They face discrimination in many societies, claiming it is difficult for them to gain experience. This discrimination is reflected in the corporate term that they may not have the same level of work experience as men (Jadiyappa et al., 2019). Therefore, the composition of the female board does not improve the company's performance but leads to increased conflict and poor communication. Conflicts of interest between minority and majority shareholders can lead to different perceptions of the role of the board of directors.

Table 6. Female Board Independency Dummy (FBID) and ROA

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q	Tobin's Q
<i>Constant</i>	2,6035*** (9,55)	2,7182*** (7,22)	2,7352*** (7,22)	2,7526*** (7,40)	2,8727*** (8,09)	2,8860*** (8,04)	2,8082*** (7,91)
FBID	-0,7558*** (-3,13)	-0,7120*** (-2,85)	-0,7372*** (-2,87)	-0,7618*** (-3,06)	-0,5325*** (-2,70)	-0,5048*** (-2,62)	-0,5230*** (-2,69)
BSLN		-0,0644 (-0,47)	-0,0673 (-0,49)	0,0532 (0,31)	0,0923 (0,59)	-0,0282 (-0,18)	-0,2507 (-1,44)
CEOF			0,4300 (1,34)	0,4472 (1,46)	0,4697** (1,97)	0,5980** (2,35)	0,8235*** (3,04)
LEV				-0,6133 (-0,93)	-1,8451*** (-4,75)	-1,5799*** (-3,77)	-1,4829*** (-3,65)
MBR					0,0804*** (2,61)	0,0789*** (2,62)	0,0773*** (2,62)
DPR						0,4450** (2,00)	0,2922 (1,50)
DPRD							0,7017*** (2,80)
<i>Fixed effect:</i>							
<i>Industry Code</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
<i>Adj, R-squared</i>	0,4068	0,4058	0,4050	0,4047	0,5622	0,5664	0,5711
<i>Obs,</i>	456	456	456	456	456	456	456

Source: processed data, 2022

This discovery supports the paradigm of Marpaung et al. (2022); Terjesen et al. (2016), where female-led companies have been found to be less successful in terms of financial performance due to their lack of capital, human resources, and tendency to have limited family-owned experience. Family-owned companies appoint wives, children, and even female relatives for board positions, regardless of business ability or educational background. They only own shares and do not contribute to the company's performance (Rahman & Saima, 2018). Independent directors have nothing to do with the company, management, or controlling shareholders. Independence is likely to contribute to enhanced managerial supervision and performance. However, the consequences of linking independence to company performance are meaningless. It may be related to a lack of knowledge about the company's business strategy (Bennouri et al., 2018).

4. Conclusions

Research found that Tobin's Q (TQ) and ROA were significantly negative for female board independency (FBI). The regression results between the TQ and the FBI showed that female representatives on the board were ineffective. The company's performance declined due to oversight, increased conflict, and increased time and effort spent on decision-making. It showed that females could worsen, especially when they have a non-business background and are hired

based on nepotist considerations. Consequently, having females on the board does not affect the company's performance and investors. It also does not improve the performance that protects shareholders, and their presence is relatively low. The regression of ROA on FBI demonstrates a substantial negative where the nomination of a woman to the board might negatively affect a company's profitability and diminish its effectiveness. Females who serve as company directors for family ties are still associated with negative stereotypes. According to investors, females cannot maintain proper business operations and have limited work experience in terms of financial performance. They face discrimination in many societies, and this is reflected in the corporate term that female of a company may not have the same level of work experience as men. Furthermore, market investors' perception of women is mainly related to what they may bring to the board. The corresponding membership of female directors has received negative recognition from market investors, reviewing the above findings and detailing the business environment. There is a negative relationship due to a lack of interest in decision-making, or female directors do not significantly impact the company's performance. This occur when female directors do not have sufficient qualifications, knowledge, and skills to make business decisions. In the robustness test, there is a significant negative relationship between the female board independency dummy (FBID) with TQ and ROA. Female's participation in the effectiveness of corporate governance is concluded to be low in influencing company performance. Companies with a high percentage of females on the board have fewer assets and perform poorly. Therefore, this research is consistent with the hypothesis that female board independency negatively impacts firm performance.

However, the appointment as the independent director may not affect effectiveness in generating profitability or profits. The effectiveness of the female role becomes increasingly hostile when appointed based on family ties. Therefore, companies need to reconsider appointing females to the company's board of independence, as it will affect the opinions of investors. They are not advised to retain professionals as independent members or directors of the company to avoid adverse effects, and the tendency for more females can bring downsides. The higher the proportion of females on the company's board, the lower its performance. It will refer to excessive monitoring, more conflict, and more time and effort for decision-making. Therefore, females cannot benefit from paying close attention to their aptitudes and abilities because they believe they are inexperienced in doing the work of ordinary men. Additionally, the diversity of board independence creates additional costs for the company, and improving the performance may not be sufficient to offset these costs. This research does not escape the limitations to be considered for better results. The sample selected was specifically on companies listed in the KOMPAS100 index that measures the performance of stocks with high liquidity and market capitalization. Furthermore, the result obtained may not apply to companies outside of this index or research criteria. The collected sample was limited to 456 due to a lack of available and reliable data. This is only part of a research on the effectiveness of female's role in board independence for a company's performance. It is much more exciting to conduct another analysis and gain a deeper comprehension. These insights better explain how female board independency cannot influence a company.

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