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Gender Mainstreaming on the Boards of Directors of Banks: Its impact on Bank Performance

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Abstract: Gender mainstreaming is an approach to achieve gender equality. It entails incorporating a gender viewpoint into the development, planning, implementation, monitoring, and assessment of policies, regulatory measures, and expenditure plans. While promoting gender equality mainstreaming, alliances between men and women, results in good return which encourages inclusive growth. Corporate governance regulations all over the world encourage the inclusion of women on corporate boards. In 2013, it became mandatory for a company's board of directors to include at least one female director. Board directors play a vital role in any organisation.

The primary responsibility of board directors is to increase shareholder wealth. Because of the opacity in banks, the position of board directors is crucial. Their role isn't just to make policies; it also includes putting forth efforts to ensure banking's long-term viability. A well-functioning banking system is regarded as a prerequisite for growth. An attempt is made to investigate the role of female directors in Indian banking, using return on assets and return on equity as performance measures. The panel data is used to examine five public banks and five private banks listed on the BSE. Research articles on the role of gender diversity in the board of directors in affecting bank performance have been collected from several refereed journals to review the related literature.

Keywords: Banking, Gender, Director, Performance, Woman

I. INTRODUCTION

Gender mainstreaming is a strategy for promoting gender equality in the workplace. Mainstreaming entails incorporating a gender viewpoint into the development, planning, implementation, monitoring, and assessment of policies, regulatory measures, and expenditure plans. It implies making gender perspectives and the objective of gender equality prominent in all activities. Gender diversity (supporting gender equality) was earlier viewed as a social problem inside the administrative board; however, for numerous reasons, it is now viewed as a "value-driver" in the framework of organisational strategy and corporate governance (Terjesen, 2009).

In the past, the World Bank has made substantial and timely contributions to the creation of commitments to promote gender equality more effectively. According to a survey on gender diversity in the financial services sector in the year 2020 across 468 firms in 37 countries and jurisdictions, the financial-services industry has made the most progress in terms of expanding the number of women in senior leadership posts.

Women were represented on 20% of executive committees and 23% of boards in 2019, with more than 30% of corporations having more than 30% of women on executive committees and 37% on boards (Oliver Wyman, 2020).The Indian banking sector contributes to economic growth by not just channeling savings into investment but also by enhancing resource allocation efficiency. An efficient banking system is viewed as a prerequisite for economic growth. The changing corporate environment around the world has necessitated the creation of a diverse board of directors. Diversity increases the organization's flexibility and innovation, allowing it to better meet the needs of its customers.

The executive board supervises and controls the organization's operations. According to Ferreira (2010), diversity on the board of directors is an important factor that has caught the attention of companies. Gail and Dechant (1997) observed that gender diversity helps to solve the company's central problems by utilising new ideas and promoting the social image of the company.

The Companies Act of 2013 mandated that a company's board of directors include at least one female director. In many countries, the proportion of female directors was never more than 1%. Women's representation in businesses is gradually increasing as many countries implement gender quotas to promote gender diversity. India has one of the lowest percentages of women in business in the world, whereas Shafique et al. (2014) argue that the number of women on the Board of Directors improves the performance of the banks.

II. REVIEW OF LITERATURE

Women leaders have made an indelible mark in every aspect of the corporate world. With more women on the board, the company can make better decisions, and the women's analytical and innovative skills can result in long-term growth (**Acker, 1990)**, According to Owen and Temesvary (2019), banks with more gender diversity on their boards perform better once they reach a critical level of gender diversity, which corresponds to a female board share of roughly 13-17 percent. Garba and Abubakar (2014) studied 12 publicly traded Nigerian insurance companies and discovered that gender diversity has a positive impact on financial performance. Martin-Ugedo and Minguez-Vera (2014) investigated gender diversity in boards and discovered that, when family ownership and return on assets are taken into account, women on boards had a favourable impact on the firm's performance. From 2003 to 2013, Haldar et al. (2015) studied large listed Indian companies during 2003 to 2013 and revealed that gender diversity on boards is associated with higher performance. According to Vishwakarma (2017), women on the board have a beneficial impact on the micro financial institution's return on assets and social image. Hassan (2018) examined 42 BSE-listed firms, to see how gender diversity affected the financial performance of the organisations. He discovered that an increase in female directors had a detrimental influence on RoA.

Endraswati (2018) investigated 11 Indonesian Sharia banks and discovered that the tenure and educational level of women directors have a beneficial impact on the performance of banks. While the percentage of women directors on the board shown a negative impact on Sharia banks' Return on Equity (ROE). In a study of 21 public sector banks and nine private sector banks, Kishore (2019) found that the shift in gender diversity in the board of directors stipulated by the Companies Act, 2013, required the appointment of at least one female director to the board of directors. Only 11 to 15% of the board members were female directors, according to the findings. Handa and Singh (2019) studied 36 banks for their research and discovered a significant negative association between RoA and female directors. They also discovered that having more female directors means having less board meetings. Yu et al. (2017) discovered in their study that as the percentage of female executives increases, so does the variability of bank performance. Similarly, as the proportion of women on boards of directors grows, the variability of bank performance also increases. However, as the proportion of women on the audit and corporate governance committees increases, so does the variability of bank performance.

III. RESEARCH METHODOLOGY

On the basis of market capitalization, an empirical study is conducted for five BSE-listed public sector banks and five private sector banks over a seven-year period, from 2013-14 to 2019-2020. The bank's financial success may be judged by its ability to create long-term profit compared to assets invested (Ferrouhi, 2018). The most common measure for a bank’s performance is Return on Assets (RoA) and Return on Equity(RoE). Return on assets (RoA) is calculated by dividing the net income for the year by the total assets, which is generally the average value during the year. RoE is an internal performance indicator of shareholder value that is by far the most often used performance metric. Return on equity (RoE) is calculated as net income average divided by total equity. The following banks have been chosen for the study:

Table-I: Banks selected for the study

Public Sector Banks	Private Sector Banks
State Bank of India (SBI)	HDFC Bank
Bank of Baroda (BOB)	ICICI Bank
Punjab National Bank (PNB)	Kotak Mahindra
Bank of India (BOI)	Axis Bank
IDBI Bank	IndusInd Bank

A. Objectives of the Study

1) To examine the impact of female board representation on RoA.
2) To explore the effects of female board representation on RoE.

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IV. RESULTS AND DISCUSSION

Table II shows that after implementation of Companies Act, 2013 to mandate at least one woman director in the board, there is increase in the number of women directors in the boards of public and private banks in the year 2019-20 as compared to 2013-14 except PNB and Axis Bank.

Table II: Female Directors

	2013-14	2019-20
	Female Directors	Female Directors
SBI	1	2
BOB	0	2
PNB	1	1
IDBI	1	2
Bank of India	1	2
HDFC Bank	1	2
ICICI Bank	1	2
Kotak Mahindra	0	1
Axis Bank	3	1
IndusInd Bank	1	2

Source: Annual Reports (various issues)

A. Return on Assets (ROA)

Return on assets (RoA) is a financial statistic that measures how profitable a bank is in relative to its total assets. A greater RoA implies that a bank is more effective and productive in managing its balance sheet to create profits, whilst a lower ROA suggests that there is still space for development.

Table III shows that the Return on Asset of various banks registered a negative CAGR of 7.38 percent in SBI, a negative CAGR of 32.08 percent in BOB, a negative CAGR of 32.85 percent in PNB, a negative CAGR of 243.50 percent in IDBI, a negative CAGR of 197.06 percent in BOI, a negative CAGR of 8.38 percent in ICICI, a negative CAGR of 1.64 percent in Kotak Mahindra Bank, a negative CAGR of 26.82 percent in Axis bank and in IndusInd bank, a 2.28 percent negative. While HDFC's CAGR was found to be positive by 0.07 percent.

Table III: Return on Assets (RoA) (in %age)

Years	SBI	BOB	PNB	IDBI	BOI	HDFC	ICICI	KOTAK MAHINDRA	AXIS	INDUSIND
2013-14	0.65	0.75	0.65	0.34	0.53	2.00	1.78	2.1	1.78	1.81
2014-15	0.68	0.49	0.53	0.25	0.29	2.02	1.86	2.3	1.83	1.90
2015-16	0.45	-0.78	-0.63	-1.00	-0.99	1.92	1.49	1.6	1.72	1.91
2016-17	0.41	0.20	0.19	-1.40	-0.25	1.88	1.35	1.73	0.65	1.86
2017-18	-0.18	-0.34	-1.6	-2.46	-0.91	1.93	0.87	1.73	0.04	1.90
2018-19	0.02	0.06	-1.25	-4.68	-0.84	1.90	0.39	1.69	0.63	1.39
2019-20	0.38	0.05	0.04	-4.26	-0.43	2.01	0.81	1.87	0.2	1.54
CAGR%	-7.38	-32.08	-32.85	-243.5	-197.06	0.07	-8.38	-1.64	-26.82	-2.28

Source: Annual Reports (various issues)

B. *Return on Equity (RoE)*

Table 5.3 shows that the Return on Equity of various banks registered negative CAGR of 3.63 percent in SBI, negative CAGR of 29.20 percent in BOB, negative CAGR of 33.57 percent in PNB, negative CAGR of 236.07 percent in IDBI, negative CAGR of 201.53 percent in BOI, positive CAGR of 3.32 percent in HDFC, negative CAGR of 9.32 percent in ICICI, negative CAGR of 0.12 percent in Kotak Mahindra Bank, negative CAGR of 24.94 percent in Axis bank and negative CAGR of 2.61 percent in IndusInd bank.

Table IV: Return on Equity (RoE) (in %age)

Years	SBI	BOB	PNB	IDBI	BOI	HDFC	ICICI	KOTAK MAHINDRA	AXIS	INDUSIND
2013-14	10.03	13.80	10.17	5.42	11.16	21.28	14.02	13.82	17.43	17.48
2014-15	10.62	9.21	8.48	3.92	6.32	19.37	14.55	14.12	17.75	18.59
2015-16	7.30	-13.65	-10.87	-16.37	-23.02	18.26	11.62	10.97	16.81	16.78
2016-17	6.97	3.44	3.59	26.28	-7.78	17.95	10.66	13.23	6.76	15.26
2017-18	-3.78	-5.81	-32.44	-58.3	-31.07	17.87	6.81	12.55	0.11	16.48
2018-19	0.42	0.92	-24.20	-48.94	-24.57	16.5	3.24	12.18	7.19	13.25
2019-20	7.74	1.23	0.58	-46.82	-12.41	16.8	7.07	13.7	2.34	14.53
CAGR%	-3.63	-29.20	-33.57	-236.07	-201.53	-3.32	-9.32	-0.12	- 24.94	-2.61

Source: Annual Reports (various issues)

V. CONCLUSION

Based on the information presented above, it is determined that there is an increase in the number of female directors on the board in 2019-20 as compared to 2013-14. However, it does not result in a rise in the banks' RoA and RoE. CAGR percent demonstrates that, with the exception of HDFC Bank, all other banks have a negative CAGR percent of RoA. All of the banks under consideration have a negative CAGR percent of RoE. There is no effect of increasing the number of female directors on the performance of the banks. It is advised that an in-depth qualitative research be conducted to examine the impact of Women Directors' participation on the board.

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