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Research article

Board gender diversity and corporate financial performance in the Vietnamese stock market

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ABSTRACT

Enterprises are considered as an important entity in the economies of all countries. The Board of Directors is the heart of the enterprise and plays a decisive role in all activities of the enterprise and also implements policies on investment, capital mobilization and dividend distribution in the enterprise. The choice of board of directors in a joint-stock enterprise significantly affects the business activities of the enterprise and thereby affects the contribution of the enterprise to the economy. In the current development process, in addition to enhancing board independence and expanding the board of directors, the board of directors aims at gender diversity in order to maximize the contribution of all kinds of people to the development of enterprise. Using 98 firms listed on the Hanoi Stock Exchange and Ho Chi Minh City Stock Exchange in the period of 2014 – 2019, and using quantitative analysis on unbalanced panel data, the research results indicate that the participation of women helps the board of directors for gender diversity as well as the independence of the board has not yet had an impact on the financial performance of the business. However, the larger board size is consistent with a greater financial performance, and the smaller board size can lead the lower the financial performance. The research also confirms that choosing the optimal capital structure has the potential to improve corporate profitability and help businesses take advantage of tax shields and business supervision. In this research, we have not found the benefits of large enterprises on the financial performance on the stock exchange. It can confirm that the size of the business has not had an impact on the profit of the business.

Key words: gender, stock, firm, performance

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INTRODUCTION

Businesses significantly play an important role in contributing to the output of the economy. Businesses operating with high profits mean efficient enterprises, capable of carrying out business, creating jobs for the economy and at the same time making contributions to the national budget and economic development. In Vietnam's economic conditions, most of the businesses are small and medium sized and medium sized and have limited business capacity. When the enterprise is profitable, the enterprise has the ability to accumulate its own capital and thus has the ability to be more proactive in production and business, from which the enterprise is more likely to achieve financial efficiency.

In this era, the role of women is becoming more and more important not only in social life but also in economic and business activities. Many businesses have female leaders, they become the captains to steer their business in the marketplace and many of them have achieved certain successes. The positions that female leaders can take in the enterprise can be: (1) they are in the position of chairman of the board of directors with the role of leading all activities of the business and having the highest responsibility for shareholders, employees and the development of the business, (2) they are in the position of directors with a direct role in running the business to achieve the interests of the owner and shareholders, (3) or they may be in the position of head, deputy head of a department, or a supervisory board, or a similar position in the enterprise.

Research on the influence of female board members and financial performance has been carried out through a number of recent studies. Typically, the study of Ahmadi et al. (2018) [1], Low et al. (2015) [2], Nguyen et al. (2021) [3] or Mohsni et al. (2021) [4], and the research results show that the influence of female members of the board of directors on financial performance can be positive, but it can also have a negative effect. This relationship depends on specific conditions and economic and political characteristics in each country. The objective of this study is to evaluate the influence of gender on the financial performance of enterprises, which is a research topic that has not been paid much attention by many scholars, especially in the context of Vietnam - a country with a

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changing economy. rapid economic changes in recent years.

In addition to the introduction, the remainder of this paper is divided as follows: Part 2 indicates the literature review while data collection and research methodology for Part 3. The research results and conclusions in Part 4, and Part 5.

LITERATURE REVIEW

In the theory, gender diversity in the board of directors (BOD) helps to make the management and the leadership of BODs more diversified and harmonious. Most authors argued that female participation in leadership has the potential to improve firm performance, Ahmadi et al. (2018)[1] argued that gender diversity helps businesses operate more efficiently. Nguyen et al. (2021)[3] also affirmed a significant and positive impact of gender diverity and its impact on firm performance. However, countries with low quality of governance, gender diversity can have a negative impact on corporate profits, similar to Mohsni et al. (2021)[4] confirmed in one of his studies.

Research by Low et al. (2015)[2] in four countries such as Korea, Hong Kong, Singapore and Malaysia, and showed that increasing the number of female directors in the board of directors has a significant and positive impact on firm performance, which is measured by ROE. In addition, Low et al. (2015)[2] also confirmed a positive impact of gender diversity appears to be diminished in countries with higher women's economic participation, and empowerment. On the contrary, a positive impact of gender diversit that becomes stronger should be stronger in a country where women are less economically empowered. It can be explained that joint stock companies that forcing the appointment of female directors or requiring gender quotas can reduce corporate financial performance in countries with strong cultural resistance.

Ahmadi et al. (2018)[1] studied the relationship between the dual role of the CEO, and especially the gender diversity in the board, the impact on the performance of listed companies. The study found that board characteristics are positively correlated with firm performance. However, there is a significant relationship between ROE, ROA and board composition on financial performance. In addition, the study found a negative association between financial information and management compensation based on equity. Ahmadi et al. (2018)[1] also highly appreciated the presence of the independent directors on the BODs to the financial performance. At the same time, there exists a negative relationship company performance and CEO tenure. In particular, the more gender diversity in the board of directors is consistent with the better firm performance, thereby reflecting that the participation of women on the board of directors has the potential to improve operations.

According to Nguyen et al. (2021[3] the relationship between the gender diversity and financial performance across economies may be significantly impacted because of the existence of the moderating effect of the quality of national governance. Based on a sample dataset of 15.051 observations from 2931 firms in 46 economies, the research results indicated that the quality of the national governance is more likely to impact on the relationship between gender diversity and financial performance. Specifically, gender diversity in the board of directors has a positive impact on the performance of companies operating in countries with the threshold of national governance quality, whereas in countries with poor governance. If governance is low, gender diversity has no impact on financial performance. Thus, it can be seen that the impact of gender diversit on the performance of enterprises gradually decreases and turns negative in the case the quality of the national governance declines. These results suggested that countries with improved governance are likely to improve financial performance.

Further discussed on this relationship, Mohsni et al. (2021)[4] studied how gender diversity in BODs impact on risk taking and corporate financial performance in 27 emering and developing economies. Mohsni et al. (2021)[4] suggested that gender diversity in BODs is negatively related to both financial and operational risk, and positively associated with financial performance. The study also indicated the impact of cultural indicators on gender diversity, and the country ranks high in masculinity, individualism and long-term orientation. Therefore, it tends to accept higher risk-taking, and culture reduces the risk- mitigation effect of gender diversit on the board. It partly explains why the years after the financial crisis normally shows an increase in the number of women on corporate board. Further, it significantly coincides with the regulatory impact of risk reduction, and ultimately improves corporate financial performace. At the same time, the study also revealed that society needs to eliminate the mentality of men and women, give women more rights and participate in leadership positions, which helps businesses have more sustainable profits.

Research by Kahloul et al. (2022)[5] assessed the relationship of gender diversity in the board of directors and financial performance in the regulatory impact on corporate social responsibility. Using panel datasets collected from French companies for the period 2008–2015, Kahloul et al. (2022)[5] confirmed a neutral impact from corporate social responsibility using Tobin's Q to measure efficiency, and a negative impact was observed with ROA. The study also suggested that corporate social responsibility is likely to bring higher financial performance to the company in the case of gender diversity in the board of directors. In addition, the presence of a controlling shareholder is associated with better firm performance[6]. Or a female CEO leads to decrease the financial performance for a firm[7].

DATA AND METHODOLOGY

Data

The study uses data from 98 firms listed on the stock market of Vietnam in the period of 2014 – 2021. The firms are usually selected based on a long listing period and stable operation. The study collects data from audited financial statements, and, in some cases, handles errors and treats missing items before entering into regression analysis.

Methodology

In this study, based on the original study by Low et al. (2015)[2], we calibrate the research model by adding new variables, then the regression equation is written as follows:

ROEit= β_0 + β_1 GENDERit + β_2 INDEit + β_3 BOARDit + β_4 LEVit + β_5 SIZEit + μi + μ'it

Where:

ROEit is the indicator to measure the financial performance of the enterprise (%), measured by the profit after tax divided by the equity of firm i in year t;

GENDERit is the proportion of women in BODs, measured by the total number of female members compared to the total number of members of BODs, of firm i year t;

INDEit is the indicator to measure independent member in BODs, measured by the total number of independent members compared to the number of mumbers of BODs, of firm i year t;

BOARDit is the size of BODs, measured by the number of members in BODs, of firm i year t;

LEVit is the company's capital structure, measured by total debt versus total assets, of enterprise i in year t;

SIZEit is the size of the enterprise, measured by the logarithm of natural total assets, of enterprise i in year t;

μ, μ' is the error term; β_0 is intercept; β_i is the regression coefficient.

In this study, Perasan test is used to analyze the cross-relationship between enterprises. To test for stationarity, the study uses Im - Perasan - Shin (CIPS) and Dickey - Fuller (CADF) test, this test is suitable for stationarity test when the data exists cross-sectional relationship among the enterprises.

In addition, the study uses Kao, Pedroni and Westerlund tests to evaluate co-integration among variables in order to assess long-term effects between factors. To evaluate the long-term impact, the study uses the Driscoll - Kraay standard errors test to consider the cross-dependence and heteroskedasticity in the research model. In addition, the study also applies the FGLS – feasible generalized least squares to test the robustness of the research model.

RESULTS AND DISCUSSIONS

Descriptive statistics

Table 1 presents descriptive statistics of the variables used in the regression model. For corporate efficiency, ROE achieved an average value of 16.35%, which is a relatively high level, but there are also businesses that suffer losses. Regarding gender diversity, the proportion of women on the board of directors is quite low, averaging only 2.42%, while many enterprises do not have female participation on the board of directors, and enterprises have a high participation rate with the maximum participation of only 25%. As for the size of the board of directors, it has an average of 6.1 members and there are enterprises with 11 members, but there are also enterprises with 3 members. In terms of capital structure, the enterprise's capital source is 46.45% from debt and 53.55% from equity.

Correlation matrix

Table 2 presents the correlation matrix, it found that the correlation coefficients between pairs of independent variables were less than 0.8, so there was no possibility of multicollinearity. Further, Table 3 shows the VIF analysis and it is evident that the mean VIF is 1.20 and less than 10, the component VIF indexes are also in the range of 1.01 and 1.46, and less than 10, so multicollinearity is unlikely to occur.

Regression results and discussions

DISCUSSIONS

Research results in Table 4 and Table 5 show that there is no relationship between the selection of women in the board of directors and the financial performance. At the same time, the independence of the board of directors also has no impact on the performance of the enterprise, which reflects the increased independence of the board of directors which has not yet brought practical results to the enterprise.

Table 1: Descriptive statistics

Variable	Obs.	Mean	Std. Dev	Min	Max
ROE	784	0.1635	0.8716	-2.8389	21.1503
GENDER	784	0.0242	0.0606	0	0.25
INDE	784	0.7145	0.1677	0	1.1428
BOARD	784	6.1632	1.5441	3	11
LEV	784	0.4645	0.2240	0	1
SIZE	784	11.8313	0.6263	9.8480	13.4705

Source: Authors' analysis

Table 2: Correlation matrix

	ROE	GENDER	INDE	BOARD	LEV	SIZE
ROE	1.0000					
GENDER	-0.0339	1.0000				
INDE	-0.0362	-0.0606	1.0000			
BOARD	-0.0092	-0.0324	0.1239	1.0000		
LEV	-0.0421	-0.0420	-0.1195	0.1464	1.0000	
SIZE	-0.0533	-0.0283	0.0789	0.5449	0.2138	1.0000

Source: Authors' analysis

Table 3: VIF analysis

Variable	VIF	1/VIF
SIZE	1.46	0.683766
BOARD	1.44	0.694593
LEV	1.07	0.931272
INDE	1.04	0.960150
GENDER	1.01	0.993556
Mean VIF	1.20	

Source: Authors' analysis

Research results also suggest that the size of the Board of Directors has a significant and positive impact on firm performance, that is, firms with a large number of board members tend to be more profitable, and firms with fewer members tend to be less profitable. This suggests that businesses should prioritize choosing a large-scale board of directors in order to receive the collective wisdom and thereby have the right direction for business development.

It is evident that enterprises that choose a reasonable capital structure are likely to bring financial efficiency and high profits. Usually, businesses can access funding from outside the business, this funding often has the advantage of helping businesses to take advantage of tax shield benefits and increase business value and benefits for shareholder. In addition, external funding often helps businesses improve their governance, because sponsors always require businesses to invest in projects with high financial efficiency and the ability to repay debts.

Finally, research results suggest that smaller businesses are generally more profitable. It can be explained that small businesses often have the advantage in changing business plans and the ability to adapt to macroeconomic fluctuations, small businesses must adapt to survive. Secondly, in this study, the surveyed enterprises are all small and medium sized, and have recently been rising to become larger enterprises.

Table 4: Regression results

Variable used in the study	Coefficients		
	Driscoll - Kraay	FGLS	no FE
GENDER	-0.5577** (0.037)	-0.5577 (0.277)	-0.5577 (0.279)
INDE	-0.2226 (0.248)	-0.2226 (0.238)	-0.2226 (0.240)
BOARD	0.0191* (0.067)	0.0191 (0.427)	0.0191 (0.428)
LEV	-0.1587 (0.251)	-0.1587 (0.269)	-0.1587 (0.270)
SIZE	-0.0845 (0.229)	-0.0845 (0.158)	-0.0845 (0.159)
_cons	1.2924 (0.183)	1.2924** (0.044)	1.2924** (0.045)
Number of obs	784	784	784
Number of groups	113	113	113

*Note: *,** at the 10%, 5% significance level. Pvalue value displayed in brackets "()"*
Source: Authors' analysis

Table 5: Regression results

Variable	Regression coefficient		
	Year FE	Firm FE	Year and Firm FE
GENDER	-5.2800 (0.133)	-4.6397 (0.187)	-5.2080 (0.133)
INDE	0.0408 (0.982)	-0.3787 (0.828)	0.0408 (0.982)
BOARD	0.6527** (0.039)	0.5887* (0.061)	0.6527** (0.038)
LEV	0.7069** (0.033)	0.5216 (0.107)	0.7069** (0.033)
SIZE	-1.5734*** (0.000)	-1.2411*** (0.000)	-1.5734*** (0.000)
_cons	14.3593*** (0.000)	11.2965*** (0.000)	14.6155*** (0.000)
Number of obs	784	784	784
Number of groups	113	113	113

*Note: *,**,*** at the 10%,5% 1% significance level. Pvalue value displayed in brackets "()"*
Source: Authors' analysis

CONCLUSIONS

A firm plays an important role in contributing to production, and increasing the output of the country. Businesses operating in the marketplace must achieve financial efficiency to meet benefits for employees, sponsors and shareholders. When the business achieves high profits, the share price increases, the firm value increases and the shareholder benefits are also higher. Using a dataset of 98 companies listed in the stock exchange in the 2014- 2021 period, and advanced quantitative analysis methods, the research results indicate that there is no relationship between gender diversity as well as independence of the board of directors and the financial performance. However, there is a positive association between board size and financial performance, and more profitable firms tend to have more board members. The research also suggests that small businesses should choose external funding, through the donor monitoring mechanism to help businesses become more efficient. The study also did not find a benefit of small businesses on corporate profits.

The study has several governance implications. Firstly, enterprises continue to be given favorable conditions to help them expand their production activities and expand the company's scale, thereby helping them to be more competitive and improve their performance. improve business efficiency. Second, the government continues to improve capital markets to help businesses access capital to finance their businesses and improve their financial performance.

The study has some limitations, there are many factors that can affect the financial performance of enterprises but have not been conducted in this study, such as factors: liquidity, quality of financial statements. In addition, there are many macro factors such as inflation, interest rates, growth, open market... that have an impact on business operations and have not been studied in the research. These are suggestions for other future studies.

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CONFLICTS OF INTEREST

We have no conflits of interest to disclose.

CONTRIBUTIONS

The entire content of the article is made by the author only.

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Bài nghiên cứu

Đa dạng giới trong hội đồng quản trị và hiệu quả tài chính doanh nghiệp trên thị trường chứng khoán Việt Nam

Nguyễn Văn Chiến*

TÓM TẮT

Doanh nghiệp là một thực thể quan trọng trong nền kinh tế của các quốc gia. Hội đồng quản trị là trái tim của doanh nghiệp có vai trò quyết định trong mọi hoạt động của doanh nghiệp và cũng như thực hiện các chính sách đầu tư, huy động vốn và phân chia cổ tức trong doanh nghiệp. Lựa chọn hội đồng quản trị trong doanh nghiệp cổ phần có ảnh hưởng tới hoạt động kinh doanh của doanh nghiệp và từ đó có ảnh hưởng tới sự đóng góp của doanh nghiệp vào nền kinh tế. Trong quá trình phát triển hiện nay, ngoài nâng cao tính độc lập và mở rộng hội đồng quản trị thì hội đồng quản trị hướng tưới sự đa dạng giới nhằm phát huy tối đa sự đóng góp của bất cứ thành phần xã hội để phát triển doanh nghiệp. Nghiên cứu trên 98 doanh nghiệp niêm yết trên sàn chứng khoán Hà Nội và Hồ Chí Minh trong thời gian 2014 đến 2021, và sử dụng phân tích định lượng trên dữ liệu bảng không cân bằng, kết quả nghiên cứu cho rằng sự tham gia của nữ giới giúp cho hội đồng quản trị có sự đa dạng giới và đồng thời sự độc lập trong hội đồng quản trị chưa có tác động đến hiệu quả tài chính trong doanh nghiệp. Tuy vậy, hội đồng quản trị có quy mô càng lớn thì thường doanh nghiệp có khả năng đạt được hiệu quả tài chính càng cao hơn và hội đồng quản trị có quy mô nhỏ hơn thường có hiệu quả tài chính thấp hơn. Nghiên cứu cũng khẳng định lựa chọn cấu trúc vốn phù hợp có khả năng cải thiện lợi nhuận của doanh nghiệp và giúp doanh nghiệp tận dụng được lợi ích tấm chắn thuế và hoạt động giám sát kinh doanh. Trong nghiên cứu này chúng tôi chưa tìm thấy lợi ích của doanh nghiệp lớn đối với hiệu quả tài chính trong doanh nghiệp trên sàn chứng khoán. Điều đó có thể khẳng định quy mô của doanh nghiệp chưa có tác động đến lợi nhuận của doanh nghiệp.

Từ khoá: giới, chứng khoán, doanh nghiệp, hiệu quả

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