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WOMEN ON BOARD AND FIRM FINANCIAL PERFORMANCE

Submitted for the degree of
Master of Science in International Accounting

November 2009

HD
6054.3
F5460
2009

Acknowledgements

Firstly I would like to say thank God for making this effort possible to complete, and in the spirit of making this thesis could be useful for human kind in general and women in specific.

I would like to thank for a generous assistance and personal helps from my supervisor DR. Shamharir Abidin. I also must thank to Associate Professor DR. Zuaini Ishak whose her classes became a conducive room for me to share, discuss and get knowledge and experiences to enhance this research's quality.

My special thanks to my family in USA and Indonesia, for all their supports, understanding, long distance discussions and prayers during my study. I also must thank to some best friends for being so supportive and helpful in four continents around the globe.

This thesis is dedicated to my mother and my late father. You are still inspiring and strengthening me in the ways that I never imagined.

Abstract

Board diversity is one among factors from the Good Governance Internal Mechanisms. From corporate governance perspective, the board diversity will enhance the firm performance. Gender diversity as the one among factors that is required since the rising amount of women in this 21st century; that the nation needs to empower women's ability to enhance its' economic ability. Without developing and empowering women, their big amount only becomes a burden to the nation.

Indonesia is a country that adopts strong patriarchal system and under this system hiring women becomes unfavorable factor to do, especially at the strategic level like on Board Room. Tokenism is the popular reason for a firm to hire women on board to avoid punishment from government. But this reason raises the question to whether women performances really have a positive affect to the firm's financial performance or just a "make up" strategy without any positive effect to firm financial performance itself.

This thesis reviews corporate governance point of view about gender diversity specifically women presence on board room and their effect to firm financial performance. These reviews include some recent researches about women on board room in international level and a little evidences and previous research about women presence in Indonesia. To date, however, only a limited number of studies on women presence on board room are available, especially in Indonesia setting.

This study seeks for the answer whether or not ratio of women on board affects the firm financial performance. The women presences on board room have measured by three ratios namely: women presence on board of commissioner; women presence on board of director/board of executive; and women presence on audit committee. The evidences from 205 companies listed in Jakarta Stock Exchange Indonesia in 2007 have founded that either women have been hired based on tokenism or not, and the following are the results:

1. Ratio of women on audit committee is significantly positive to ROA.
2. Ratio of women on board of commissioner is insignificantly positive to ROA
3. Ratio of women on board of executive/ board of director is insignificantly negative to ROA.

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ABBREVIATIONS

KNKG	Komite Nasional Kebijakan Governance
OECD	Organization for Economic Cooperation and Development
WICOM	Ratio of women to men on Board of Commissioner
WIEX	Ratio of women to men on Board of executive/ Board of Director
WIAC	Ratio of women to men on Audit Committee

CHAPTER 1 : INTRODUCTION

1.1 INTRODUCTION AND MOTIVATION TO THE STUDY

This thesis investigates women on board to firm financial performance, namely the women presence in board of commissioner; the women presence on board of director or board of executive; and the women presence on audit of committee. The first part deals with women presence on general jobs regarding their rising in population around the world. The second part deals with the women condition in Indonesia, in particular it investigates whether the women presences on board room of the company in Indonesia affect the firm's financial performance.

Take a look into our work environment, colleges, schools and public community that surrounds us. Ever have noticed that women's amount is increasing? This amount could never be imagined before 21st century while the sex ratio was always in balance amount (even women ratio was less than man ratio) and job fields were more proper for male workers. But the advanced computer technology in 21st century that helps human being now is not only helpful for man workers. The machine makes it possible for whoever to participate with little power and the machine has aided all workers specifically the less strong power worker like women. Women are perceived less strong than men and computer could help the women workers to participate in the work field as well, equal with men, especially in service based industry such as education, health, insurance, etc.

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