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Ownership Structure and Contributions of Female Directors: Impact on Financial Performance in Malaysian Public Listed Companies

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ABSTRACT

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Despite increasing recognition of the valuable contributions of female directors, their representation on corporate boards still needs to be improved. This study investigates the relationship between female directors' contributions to stakeholder representation, decision-making, and corporate social responsibility (CSR), and the financial performance of companies. Additionally, the study examines how ownership structures, such as family, government, institutional, and foreign ownership, might moderate the relationship between female directors' contributions and financial performance. The study utilised primary and secondary data to achieve the aims of the study. Survey questionnaires about female directors' contributions were distributed to 250 companies selected using a purposive sampling technique. Data on financial performance, ownership structures, and control variables were collected from annual reports for the year 2019. The study's findings reveal that Malaysian public listed companies with female directors tend to exhibit lower financial performance. Surprisingly, no evidence supported the idea that female directors' contributions positively impact financial performance. However, government ownership moderates the relationship between female directors' contributions and company performance. These results provide practical and policy implications for female representation on corporate boards.

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1. INTRODUCTION

The Gross Domestic Product, income and standard of living in Malaysia can all increase with the inclusion of more women in the workforce (The Worldbank, 2020). However, research by Khazanah Research Institute titled the 'State of Households 2018' discovered that around 2.6 million women, many of whom are educated and of prime working age, are not employed as a result of household responsibilities (Khazanah Research Institute, 2018). This figure is extremely concerning because it implies that the country is underutilising its female population and cannot use their skills and abilities to help develop and improve the country for future generations.

In 2015, Datuk Seri Najib Razak, the former Prime Minister of Malaysia, introduced the 'Malaysia 30% Club' policy, which intended to double the proportion of women on corporate boards to 30% by 2020. The Malaysian government has not made a mandatory quota for females to hold top senior management and director positions in the public and private sectors. However, the Bursa Malaysia regulations require large, listed companies to comply with the 30% club policy. Nevertheless, Malaysian women made up only around 17.2% of boards of publicly listed Malaysian corporations as of March 2021 (Aljunid, 2020). The Chairman of The Securities Commission of Malaysia reported that only 52 top 100 Malaysia listed companies have achieved the target of 30 percent women on their boards and less than 37 percent or 350 listed companies out of 959 total listed companies have one woman director on their boards. This statistic is far from what was targeted by the government under the 2022 Budget, where all listed companies were required to have at least one female director by January 2023.

In 2021, Deloitte released a report titled 'Women in Boardrooms: a Worldwide View," which found that advancements in the representation of female directors in corporate boardrooms, especially within Asian nations, were observed. For example, in Malaysia, the proportion of board seats held by women increased by 3.4%, from 20.6% in 2018 to 24% in 2021. This percentage seems encouraging even though Malaysia has a strong culture and religion that believes women should stay at home (Low et al., 2015). Although the proportion of board chairs that are women increased in 2021 to 6.5% compared with 3.9% in 2018, the proportion of women CEOs and CFOs showed less than a 1% increase from 2018 to 2022 with 0.5% and 0.7%, respectively. These statistics indicate that there is still room exists for Malaysia to recognise the significant contributions of female directors.

An increasing number of female directors and top management can significantly enhance the accounting performance of companies (Au Yong and Tan, 2018; Bennouri et al., 2018; Liu et al., 2014; Low et al., 2015) and reduce risks (Perryman et al., 2016). However, previous studies have been conducted in developed countries, such as France, USA and China. Only a few studies have examined the relationship between female directors and company performance in Malaysia (Au Yong and Tan, 2018). By contrast, Francoeur (2006) found no relationship exists between gender diversity and a company's financial performance. Thus, the mixed results of these studies have indicated that no conclusive evidence can convince companies, specifically the nomination committees and shareholders, to nominate female candidates to the board of a corporation. This phenomenon raises the question of what kind of contributions female directors might make to enhance a company's financial performance. By highlighting the contributions made by female directors, the nomination committee and board members may be persuaded to recommend a possible female candidate for the company's board.

Numerous previous studies have provided evidence that female directors' participation in corporate decision making can enhance board effectiveness, resulting in better firm financial performance (Adams and Ferreira, 2009; Bart and Mcqueen, 2013; Low et al., 2015; Terjesen et al., 2016). Boards with gender diversity characteristics tend to be more proactive and have a more comprehensive corporate social responsibility (CSR) strategy than boards with less gender diversity (Shaukat et al., 2016). Female directors on boards can also represent a wider range of stakeholders in decision making, namely, institutional investors (Pucheta-Martinez et al., 2019), shareholders and the broader group of stakeholders (De-Masi et al., 2021; Garcia-Torea et al., 2016). According to Beji et al. (2021), boards with higher female directors are positively associated with specific CSR areas, such as human rights and corporate governance, because female directors are more empathetic and sensitive to social issues compared with male directors. On the basis of the above discussion, by conducting in-depth research to investigate female directors' contributions to effective decision making, stakeholder representative and CSR initiatives may challenge the theoretical assumptions about the role of female directors on boards (Campopiano et al., 2022). Hence, a study could be conducted to understand the contributions of female directors in respect of effective decision-making, stakeholder's representative and CSR.

Studies from the past contend that the different ownership structures have an impact on the appointment of women to the board. Women connected to the founder or any family members of the director of a company with highly concentrated ownership, such as a family-owned companies, are likely to be appointed to the board of directors (Al-Duais et al. 2019; Haslindar and Fazilah, 2010). It has been stated that family-owned businesses prefer to select female directors for their boards to keep family quotas, practise nepotism, and protect friends. Some claim that female directors selected through this appointment method will only serve as tokens and not properly carry out their oversight responsibilities (Bianco et al., 2015; Samuel et al., 2016). Thus, in this study, ownership structures are included and expected to play a moderating role that either strengthens or weakens the relationship between female directors' contributions and the company's financial performance.

The current study differs from most research on this topic, either globally or locally. Prior studies seem to focus more on the characteristics of female directors [age, tenure of appointment, education level, the status of appointment (either independent or non-executive director) and its link to company performance, either financially or non-financially]. This study focuses on the contributions of female directors instead of their characteristics. The current study applies agency theory, stakeholder theory, stewardship theory and resource dependency theory to examine the contribution of women directors toward the financial performance of the company. No known study has applied all four theories in one study. In addition, the current study's data source is primary (questionnaire) and secondary (annual reports). Prior studies mostly used annual reports as the main source of data.

The significance of the study is that it could provide valuable insights into how ownership structure, including the presence of female directors, influences decision-making processes and corporate strategies. This understanding is crucial for investors, regulators, and policymakers seeking to enhance board diversity and improve corporate performance. Next, the findings of the study could have practical implications for companies, especially in Malaysia, where there is a growing emphasis on gender diversity in corporate governance. By identifying the positive contributions of female directors to financial performance, the study could encourage more companies to promote gender diversity on their boards.

On the basis of the above discussion, this study examines whether female directors' contributions in terms of decision making, CSR and stakeholder representation improves a company's financial performance. This study also attempts to investigate the moderating effects of different ownership structures (family, government, institutional and foreign ownership) on the association between the contributions of female directors and the financial performance of a company. The paper is organised as follows - the next section reviews prior studies related to corporate governance, which focuses on the contributions of female directors, summarises the relevant theories and highlights the theoretical framework of the study. Section 3 presents the research methods adopted for the study, followed by the findings and discussion of the key results in Section 4. Finally, in section 5, the conclusion of the study with implications, limitations and future research are provided.

2. LITERATURE REVIEW

2.1 Director

One of the most important positions in a corporation is the director, who is often in charge of setting direction and guiding the company toward maximising shareholder value. Before being appointed as a corporate director, a person is not required to meet any prerequisites. The Malaysian Companies Act 2016 simply stipulates the basic minimum qualifications for the appointment of a director, stating that the candidate must be a natural person, at least 18 years old and has a primary residence in Malaysia. However, the Act stipulates that a person who is disqualified by either legislation or company charter should be barred from serving as a director of a company. Furthermore, the Act provides no restrictions on the candidate's gender, ethnicity, age, religion or nationality when it comes to the selection criterion.

Given that the Act does not mention any specific gender, any competent woman may be nominated as a company director. The need to have a diverse corporate board is particularly emphasised in the Malaysian Code on Corporate Governance 2017 and 2021. The Malaysian government introduced a policy to encourage companies to appoint and promote women's participation at the corporate board level to foster a positive workplace culture and recognise the significant contributions of women to nation-building. Listed firms are urged to establish gender diversity policies and disclose how company strategies can increase and meet the targeted 30% female directors on their corporate boards, even though the 30% female directors' quota is not mandatory.

2.2 Contributions of Female Directors

Female directors have aided boards, in general, in performing their responsibilities successfully, which improves companies' financial performance. Stakeholder representation, decision making and CSR are the three key contributions of female directors that stand out from others based on the evaluation of pertinent literature. The following section discusses in more detail these important contributions.

2.2.1 Stakeholder Representation

Directors who function as spokespersons for stakeholder groups, either internally or outside, are referred to as having stakeholder representation. The interests and concerns of stakeholders will be heard and protected if directors are sensitive to stakeholders' needs. According to Rossi et al. (2017) three or more women on the board will improve communication with the company's diverse stakeholder groups and financial performance.

Empirical research has shown that female directors are more likely to consider a more extensive range of stakeholders when making decisions, which supports their assertion (Bart and Mcqueen, 2013; Francoeur et al., 2006; Rosener, 2003).

From the viewpoint of internal stakeholders, female directors might serve as role models for female workers at an organisation. This position can assist female employees in overcoming the long-held misconception that the working community holds that women are inferior and belong at home. Female directors are also legitimate individuals to look out for the welfare of all women working for the company. Lukerath-Rovers (2013) asserted that the presence of women on boards lends credibility to various stakeholder groups, mainly existing and prospective employees, by representing career opportunities and equitable hiring practices.

Female directors can take advantage of a business opportunity that female consumers dominate from the standpoint of external stakeholders. Women are the primary market force because they control the purchasing power in the household or family (Rosener, 2003). Therefore, having women on the board may aid in the board's development of a thorough grasp of the perspective of female consumers, which will aid in maintaining the company's competitiveness and producing high-quality goods and services that satisfy customers' wants and needs. In addition, in comparison with their male colleagues, women are more likely to consider their external stakeholders' interests before making any decisions (Prabowo et al. 2017). Bart and Mcqueen (2013) demonstrated that a board with male and female directors protects stakeholders' interests better than one with only male members.

2.2.2 Decision Making

The participation and input of different viewpoints or judgments, as well as the independent thought of each director, will likely result in a board with gender-diverse members, subsequently leading for a better and more sound decisions. Therefore, having more women on boards may lower the danger of corporate corruption because the boards have a propensity to scrutinise management techniques. Bart and Mcqueen (2013) and Perryman et al. (2016) found evidence to support these claims. Their findings suggest that gender-diverse boards might prevent immoral choices that could damage the company's performance and reputation.

Today's female directors are more educated and have degrees from prominent universities (Solimene et al. 2017). These women's inclusion on the corporate board will influence the business to choose investment initiatives that will yield better returns for investors. According to Arfken et al. (2004), a diverse board typically conducts a more in-depth analysis of choices than one with members of similar demography. In other words, a diverse board will be more watchful during the decision-making process and result in more effective decisions than a board with only one gender.

2.2.3 Corporate Social Responsibility

According to Ibrahim and Hanefah (2016), female directors can recognise and express their emotions. In comparison with male directors, women are more compassionate, sympathetic and concerned regarding social and moral issues in the community (Tunyi et al., 2023). Employers seek these characteristics in their staff members to increase their business accountability to stakeholders. Today's consumers are more inclined to support socially conscious businesses by making purchases or using their services. Thus, a company that prioritises market success will pay particular attention to CSR initiatives. The company will actively engage in CSR initiatives due to the presence of female directors on the board, which

will improve product quality and ultimately increase sales (Korenkiewicz and Maennig, 2023). As a result, investors will be more inclined to put money into the business because they are more confident that successful businesses will also be profitable.

Kaspereit et al. (2016) found that female directors seek more CSR data before making investment decisions. Moreover, they noted that compared with males, females express greater worry for their stakeholders. Female directors are thought to improve the company's CSR because they tend to organise more donations, host more charity events and engage in other charitable activities. Due to their gender-specific qualities, female directors are also expected to be able to make a significant contribution to the business. Empathy, care, sensitivity and attention to detail will help the business succeed in the challenging business environment. Furthermore, enhancing CSR will draw in socially conscious investors, customers or both, thereby enhancing a company's success financially and non-financially (Kaspereit et al., 2016).

The following section explores how theories of corporate governance can deepen the knowledge of how women contribute to board effectiveness and improve business performance.

2.3 Corporate Governance Theories and Female Directors' Contributions

The three key contributions of female directors—effective decision making, stakeholder representation and CSR, can be linked together based on several corporate governance theories, including Agency, Stakeholder, Stewardship and Resource Dependence theories. The researchers followed the advice from Rubino et al. (2021) that a single theory prevents them from adequately observing the function of female directors in companies. Consequently, relying on a single theory limits the useful theoretical sources that encourage in-depth analysis of female directors' contributions. Furthermore, given the complexity, applying multi-theories is required to explain the relationship between female directors' contributions, ownership structure and firm performance.

Agency theory focuses on the connection between principals (shareholders) and agents (managers). Female directors can help the board make better decisions by bringing varied viewpoints to the table (Triana et al., 2014), which increases the efficacy of the board (Mathisen et al., 2013). Female directors can support stakeholder interests and assist businesses in making less risky decisions (Bruna et al., 2019; Muhammad et al., 2023). These contributions can improve financial performance by lowering agency conflicts, aligning managerial conduct with shareholder interests (Adams and Ferreira, 2009; El-Khatib and Joy, 2021), and improving monitoring (Jensen and Meckling, 1976; Liu et al., 2014).

The stakeholder theory argues that it is critical to consider the interests of all parties involved, including the community, customers, suppliers, and employees (Freeman et al., 2010). According to Seto-Pamies (2015), Karim (2021) and Prabowo et al. (2017), female directors can influence decision making by expressing stakeholder concerns, embracing multiple viewpoints, fostering social responsibility, and promoting accountability. Female directors can develop connections, improve financial performance, and increase board effectiveness by considering stakeholders' interests (Garcia-Torea et al., 2016).

According to the stewardship theory, directors serve as the stewards to protect shareholders' best interests (Davis et al., 1997). Female directors have a more inclusive and collaborative leadership style, and they can influence decision making by encouraging long-term

sustainability, moral behaviour, and stakeholder engagement (Du et al., 2016). Their stewardship strategy may result in stronger stakeholder interactions, better CSR practices, and better financial results.

The board of directors serves as an essential external resource that connects businesses to the outside world, and this dependence is highlighted by the resource dependency theory (Pfeffer and Salancik, 1978). Female directors can influence decision-making by supporting CSR projects that develop good relationships with stakeholders, reduce reliance on management, and have a positive ethical value (Terjesen et al., 2016). Female directors with distinctive personal traits can positively influence financial performance (Rubino et al., 2021) by accessing valuable resources, mitigating risks, gaining a competitive advantage (Abdullah et al., 2016), strategically managing resource dependencies (Zalata, et al. 2022), and incorporating stakeholder perspectives (Briano-Turrent, 2022).

In summary, agency theory suggests that female directors contribute to decision-making by reducing agency conflicts; stakeholder theory emphasises their role in representing stakeholder interests; stewardship theory highlights their potential for long-term sustainability and ethical behaviour; and resource dependency theory focuses on their impact on managing resource dependencies. Their contributions to decision making, stakeholder representation, and CSR can influence financial performance through improved governance, stakeholder relationships and CSR practices.

2.4 Financial Performance

According to research by Hamdan et al. (2021), businesses with greater board diversity in terms of gender and race are more likely to have above-average financial returns. By contrast, businesses with less diversity in both areas will perform financially on par with or less than average. Similarly, Low et al. (2015) discovered that company performance improves as more females become directors. However, the effect seems lessened in nations where more females participate in the workforce. According to a US study, firms with more females in senior management teams do better than those with fewer females in leadership positions (Perryman et al., 2016). Female directors can therefore improve the financial performance of the company.

Ning et al. (2022) asserted that having females on boards tends to increase a company's profitability. Businesses with more women on their boards often experience above-average operating profitability, better organisation and higher valuations (Korenkiewicz and Maennig, 2023). Companies with female directors on their boards typically experience greater average growth, lower gearing, higher return on equity (ROE) and higher price book values (Post and Byron, 2015). According to Ararat et al.'s (2015) findings, demographic diversity improves company performance by reducing the wedge's detrimental impact on board monitoring. Mohamad Yusof et al. (2022) also found further support that a company with one or more females on its board of directors would have a greater ROE than a company without any female representation.

In addition to improving the accounting value of a company, female directors can also enhance firm performance in terms of market value. For example, Luckerath-Rovers (2013) asserted that businesses with the highest levels of gender diversity would see higher ROE, earnings before interest and tax (EBIT) and stock price growth. The most gender-diverse businesses exhibit average ROE, EBIT and stock price increases of 11%, 91%, and 36%, respectively. According to this finding, companies with greater gender diversity outperform

those with less gender diversity in financial performance. Thus, the presence of female directors on boards significantly improves company accounting and market value.

2.5 Ownership Structures

Foreign ownership refers to the extent to which a company is owned by entities from other countries (Chen & Kim, 2013). This study suggests that foreign ownership can positively moderate the relationship between female directors' contributions and financial performance. Companies with significant foreign ownership often have exposure to international standards and practices, including gender diversity and CSR expectations (Hanousek et al., 2019). Female directors' contributions in decision making, stakeholder representation, and CSR may align with these expectations, leading to improved financial performance.

Government ownership occurs when a significant portion of a company's shares is held by government entities (Farhan & Freihat, 2021). The impact of government ownership on the relationship between females directors' contributions and financial performance can be context-dependent. Government ownership may sometimes prioritize social objectives, including gender equality and CSR initiatives. Thus, women directors' contributions aligning with these objectives can positively influence financial performance. However, in other cases, government ownership may be associated with bureaucratic decision-making processes that can hinder the effectiveness of female directors' contributions (Wang et al., 2021).

Institutional ownership involves ownership of company shares by institutional investors such as pension funds, mutual funds, and insurance companies (Zaid et al., 2020; Ghazali, 2007). Institutional ownership can positively moderate the relationship between women's contributions and financial performance (Dezhu Ye et al., 2019). Institutional investors often emphasize corporate governance, including gender diversity and CSR practices, seeking long-term sustainable returns. Female directors' contributions aligning with these expectations can enhance financial performance through improved governance and CSR practices.

Family ownership refers to companies where control is held by a family or a few individuals (Ghazali, 2007; Nguyen et al., 2021; Zaid et al., 2020). Jiang et al. (2011) argued that the impact of family ownership on the relationship between female's contributions and financial performance can vary depending on the level of minority shareholder protection. Family-owned companies may value continuity, reputation, and long-term sustainability, leading to a positive relationship. Female directors' contributions can support these values, positively impacting financial performance (Jiang et al., 2011). However, in other cases, family ownership may prioritize preserving family control, which could limit the influence of women directors and hinder their contributions.

2.6 Conceptual Model of the Study

In this study, agency theory contends that female directors contribute to decision-making by reducing agency conflicts. Stakeholder theory emphasises their role in representing stakeholder interests. Stewardship theory emphasises their potential for long-term sustainability and ethical behaviour. Finally, resource dependency theory concentrates on their influence on managing resource dependencies. Thus, having female directors could enhance governance in decision making, improve stakeholder engagement and CSR practises that result in better financial performance.

This study proposed that ownership structures have moderating effects that may strengthen or weaken the relationship between female directors' contributions and financial performance. The study adopted four types of ownership structures: foreign, government, institutional, and family. Agency theory suggests that concentrated ownership negatively impacts company performance because boards tend to make decisions biased towards a particular controlling shareholder due to high information asymmetry and conflict of interest (Ali Amin et al., 2022; Jensen & Meckling, 1976). However, companies with strong institutional shareholders may benefit because they can play an influential monitoring role to protect the interest of the shareholders (Jiang & Liu, 2021). Thus, certain types of ownership structures may strengthen or weaken the relationship between female directors' contributions and financial performance.

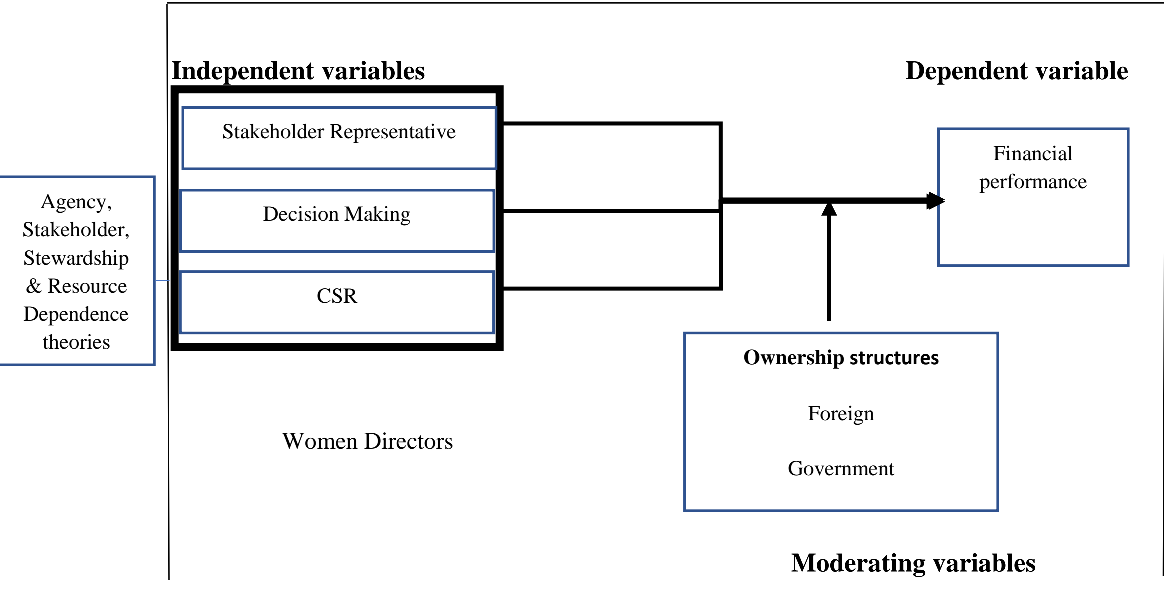

Figure 1: Conceptual model of female directors contributions, ownership structures and financial performance

2.7 Hypotheses Development

Companies that have more female directors on their boards perform better than boards with less female participation (Arora, 2021; El-Khatib and Joy, 2021). A board with female directors was also said to perform better financially because they play a critical role in board involvement in mitigating risk taking (Muhammad et al., 2023). Moreover, according to Francoeur et al. (2008), in 2004, Catalyst, a reputable organisation, examined the relationship between gender diversity and financial performance using a sample of 353 of Fortune 500 companies taken from 1996 to 2000. The results of this study show that companies that belong to the top quartile in having gender diversity, achieved better financial performance than the low quartile. Ararat et al. (2015) discovered that having diverse genders of board members has a beneficial influence on ROE and ROI. The presence of women on boards was found to have a strong positive connection with Tobin’s Q (Compton et al., 2019). However, Chapple and Humphrey (2014) discovered some flimsy evidence of a negative relationship between performance and having several female directors on the board. By representing the shareholders' interests, mitigating agency problems, and considering stakeholders' interests, female directors contribute to sustainable financial performance through improved decision-

making and resource utilisation. Thus, this study proposed the following hypothesis based on the existing research:

H1: Companies with female board members perform better financially.

De Masi (2021) investigated the association between the proportion of female directors on the board and company disclosure level and strategy adoption about environmental, social and governance. He found that female directors on corporate boards are seen as a mechanism to transit to stakeholder governance. Garcia-Torea et al. (2016) found a partial contribution of female directors to board effectiveness in protecting shareholder interests. The result implies that boards that are effective in protecting shareholder value can also effectively respond to the interests of the rest of the firm's stakeholders. In a similar vein, Lukerath-Rovers (2013) reported that a negative association exists between the presence of females on boards and the service industry. Despite these results, Nielsen and Huse (2003) suggested that through their input into board decision-making, which in turn depends on the professional experiences and unique values that female directors contribute, female directors have an impact on the strategic control of the board. Since females are now just as educated as their male counterparts, having females on boards may help a company's financial performance by attracting a larger pool of female directors on the corporate board (Solimene et al., 2017).

Ben-Amar (2017) examines how companies' responses to stakeholder demands for more frequent public reporting of risks related to climate change are impacted by the proportion of females on their boards of directors. They found that the frequency of voluntary climate change disclosures rise with the percentage of females on boards, based on data collected from a sample of publicly traded Canadian companies between 2008 and 2014. These findings support global efforts to increase gender diversity in corporate governance while highlighting the effectiveness of boards in stakeholder management. Last but not least, Bart and Mcqueen (2013) showed that females on boards are better equipped to safeguard stakeholders' interests than men. Stakeholder theory indicates that female directors consider stakeholders, leading to better decision-making and resource utilisation and enhancing financial performance. On the other hand, stewardship theory implies that female directors, acting as stewards, prioritise the company's long-term well-being over individual interests, contributing to sustainable financial performance. Although previous research has produced mixed results, the following hypothesis remains logical:

H2: A significant relationship exists between the contributions of female directors as stakeholder representatives and the company's financial performance.

A board with female directors is assumed to make sound decisions that benefit the company. Doan and Iskandar-Datta (2020) studied the influence of the CFO's gender on corporate decision making. They found that female CFOs are more ethical and avoid making riskier decisions than male CFOs. Agency theory suggests that female directors can improve financial performance by representing shareholders' interests and mitigating agency problems. Female directors in Australian companies are also perceived to make value-creating acquisition decisions (Lucas et al., 2021). Bart and Mcqueen (2013) discovered that women score considerably higher on Complex Moral Reasoning than men do when making judgments. Given that women are maybe better at problem solving, businesses will face fewer risks and see more revenues.

In addition, a study by Alvarado et al. (2011) utilising the Hausman test revealed a favourable correlation between the presence of female directors on boards and performance of

companies. A study by Adam and Ferreira (2009) also indicated a strong and favourable association between gender diversity and decision-making participation, which could result in improved business performance. Last, Smith et al. (2005) and Nielsen and Huse (2010) discovered a positive correlation between female directors' decisions and firm performance caused by female directors' educational backgrounds. Women directors may strengthen boards by giving specialised functional knowledge that is sometimes lacking on corporate boards. The increased board heterogeneity caused by the added expertise, as demonstrated by Kim and Starks (2016), can enhance business value. Resource dependency theory highlights those female directors, through diverse networks and resources, reduce the company's dependency on a narrow set of resources, enhancing financial performance. Thus, the third hypothesis is as follows:

> *H3: A significant relationship exists between the contributions of female directors as good decision makers and a company's financial performance.*

Ararat et al. (2015) and Prabowo et al. (2017) found a substantial positive link between gender diversity and CSR, supporting the idea that having more women on the board is advantageous for CSR performance. The finding is corroborated with a study by Ibrahim and Hanefah (2016), who discovered a favourable correlation between the number of independent female directors and a firm's CSR score. They found that the proportion of senior female executives favoured the CSR rating. A recent study by Cruz et al. (2019) found that companies with family-related female directors are likely to increase CSR performance because they have more power to influence board decisions. Similarly, Formigoni et al. (2021) found that boards with a higher proportion of female directors in Brazilian companies disclose more CSR practices. Board gender diversity is favourably correlated with corporate governance and human rights disclosures, according to Beji et al. (2021). Stakeholder theory suggests that by considering the interests of diverse stakeholders, female directors can lead to more inclusive decision-making processes and better outcomes for all stakeholders, including improved CSR performance. Meanwhile, stewardship theory posits that female directors, as stewards of the organisation, prioritise the organisation's long-term well-being over individual interests, leading to sustainable CSR practices that enhance financial performance. On the basis of the above discussion, the next hypothesis is proposed:

> *H4: A significant relationship exists between CSR contributions of female directors and a company's financial performance.*

Haldar et al. (2020) investigated how specific female characteristics, social capital factors and ownership structures in Indian companies influence female directors' chances to be nominated and appointed as directors. They found that ownership structure moderates the relationship between the social capital factors in appointing an independent female director. Saito (2017) examined listed companies in Japan from 2014 to 2016 and discovered a correlation between foreign ownership and the proportion of female board members. The results revealed that companies with higher levels of foreign ownership favour the appointment of female board members. Given the data were only available through 2012, Morikawa (2016) suggested that foreign ownership does not significantly affect the gender diversity of the board.

Furthermore, Ibrahim and Hanefah (2016) discovered a favourable correlation between government ownership and corporate social reporting in Jordanian listed companies but negative relationship between family and managerial ownership. The reason may be that politicians will act quickly in response to outside pressure to increase the participation of

women in numerous aspects of life, including business. The fact that women were solely appointed to fill quotas and that some were appointed because of their political ties, led the authors to conclude that state ownership could negatively affect a company's financial performance. Ozdemir's (2020) study found that board diversity has a more significant effect on financial performance when institutional ownership is low in tourism companies. Cordeiro et al. (2020) discovered that family ownership moderates the relationship between board gender diversity and corporate environmental performance. Family ownership may conflict with female directors' goals due to prioritised family interests and limited external perspectives. Institutional ownership aligns with agency theory, supporting monitoring and resources for female directors. Foreign ownership introduces external oversight and resources, benefiting female directors. Government ownership may prioritise political interests over financial performance, limiting female directors' influence. The formulation of the fifth hypothesis for this study, which is as follows, has been supported by prior studies:

H5(a): Foreign ownership moderates the relationship between female directors' contributions and a company's financial performance.

H5(b): Government ownership moderates the relationship between female directors' contributions and a company's financial performance.

H5(c): Institutional ownership moderates the relationship between the contributions of female directors and the success of a company's financial performance.

H5(d): Family ownership moderates the association between the contributions of female directors and a company's financial performance.

3. RESEARCH METHODOLOGY

3.1 Sample and Data Source

The study adopted the quantitative research approach in data collection and analysis. The sample of the study was selected using purposive sampling. The company must meet two key criteria: (1) it must be listed on Bursa Securities' Main Market, and (2) it must have at least one female director on its board of directors. As of January 2020, 790 PLCs are listed in Bursa Malaysia's Main Market. However, only 250 of the 790 listed organisations met the criteria set, and 244 companies (98%) responded to the questionnaire. A set of survey questions were developed to collect data on the contributions of female directors. The questionnaire has four sections. The respondents' demographic profiles are presented in Section A. Five items make up Section B's assessment of the contributions made by female directors in their capacities as stakeholders' representatives. Five items in Section C and five more in Sections D and E deal with how female directors contribute to effective decision making and CSR, respectively. A five-Likert scale is adopted. Data on financial performance (ROE), type of ownership structures, size of the company (total assets), leverage (debt ratio) and profitability (return on assets) are collected from 2019 annual reports, which are accessible from the Eikon database.

3.2 Regression Equation Model

The equation model of the study:

$$FPer = a + \beta_1 Dec\text{-}M + \beta_2 Sta\text{-}R + \beta_3 CSR + \beta_4 Fam + \beta_5 Gov + \beta_6 Inst + \beta_7 Fore + \beta_8 CSize + \beta_9 Lev + \varepsilon_{it} \quad (1)$$

Please refer to Appendix A for the definition of variables and measurement instruments used in this study.

SPSS software is used to analyse the data to examine the contribution of women directors to financial performance and the moderating role of ownership structures.

4. FINDINGS AND DISCUSSION

Descriptive statistics show that female directors' contributions as stakeholder representatives are higher, with a mean value of 3.956, followed by CSR at 3.878 and decision making at 3.79. The ownership structure of the sample's listed companies reveals that they are owned by family, the government, institutions and foreigners. Each type of ownership has a different shareholding threshold, ranging from 0% to more than 50% of the total issued share capital of a company. The vast majority of the businesses included in this survey fall into the family-owned business category. In terms of financial performance, on average, the profit made by the sample of companies is RM131,000 with a maximum value of RM1,025,000 and a minimum value of -RM94,000, indicating negative profit, or, loss. For the ownership structure results, most businesses have concentrated ownership. With a mean vale of 5.896, the size of the company included in the study may be categorised as medium size. The average leverage among publicly traded corporations is 12.840, which is considered modest.

Table 2 Descriptive statistics of the study sample

Variables	N	Min	Max	Mean	Std Dev
Dependent Variable					
Fper	244	−0.094	1.025	0.131	0.186
Independent Variables					
Sta-R Perspective	244	2.83	5.00	3.956	0.484
Dec-M	244	2.83	5.00	3.739	0.449
CSR	244	3.00	4.67	3.878	0.333
Moderating Variables					
Fam	244	0.00	0.74	0.259	0.183
Gov	244	0.00	0.77	0.035	0.136
Inst	244	0.00	0.53	0.030	0.094
Fore	244	0.00	0.65	0.059	0.163
Control Variables					
CSize	244	3.25	8.92	5.896	0.809
Lev	244	0.00	60.93	12.840	13.321

Source: Authors' own work.

Table 3 Measurement scale for level of financial performance

Level of Financial Performance	Scale
High	0.76–1.13
Medium	0.38–0.75
Low	0.00–0.37

Source: Authors' own work.

The measurement scale for the level of financial performance was adopted using the same technique as Awis et al. (2017) and consists of high, medium, and poor categories. Based on the sample companies' mean ROE, which is 0.131, and as shown in Table 2, publicly traded Malaysian companies with women on the board have low ROE levels or poor financial performance. This result indicates that companies with female directors on corporate boards perform poorly financially. This outcome is congruent with research conducted on Malaysian companies (Lim et al., 2019). The reason is that female directors suffer from gender stereotypes and perceive tokenism. In contrast, a study by Ming and Hock Eam (2016) found no significant association between the presence of women directors on the board and the performance of companies. According to Hodigere and Bilimore's (2015) study, women directors are appointed to the board not because of their competency and professionalism but because of their network connection and social cohesion. They stated that this happens because, on average, women in the nation have less corporate board experience than male directors.

Table 4 Correlations analysis between independent, moderating, control and dependent variables of the study

No.	Construct Variables	(r)
	Independent Variables	
1.	Sta-R	−0.003
2.	Dec-M	−0.056
3.	CSR	0.003
	Moderating Variables	
4.	Fam	−0.155
5.	Gov	0.094
6.	Inst	−0.030
7.	Fore	0.235**
	Control Variables	
8.	CSize	0.001
9.	Lev	−0.083
10.	ROA	0.734**

Note: **Correlation is significant at the 0.01 level (2-tailed).

The results of the correlation analysis indicated that none of the independent variables correlates with financial performance. By contrast, there is a statistical correlation with foreign ownership and ROA. Overall, the findings of the correlation analysis do not support the idea that the contributions of female directors to the company's decision making, CSR and stakeholder representation may improve its financial performance. The findings of this study are corroborated by Francoeur et al. (2008) and Abdullah et al. (2016), who stated that the participation of women on boards has a limited influence on the financial performance of the company because they are only relevant for sensitive matters of women's interests. Similarly, Post and Byron (2015) found no correlation between the number of women on the board and the performance of the company.

Table 5 displays the results of the process analysis. Process analysis is used to examine the interactions between the independent variables (stakeholder representation, decision making and CSR) and types of ownership structure (family, government, institutional and foreign). The findings reveal that as measured by the value of $t = -2.7615$, $p = 0.05$, only government ownership substantially predicts the association between female directors' contributions to CSR and ROE. Moreover, government ownership has a moderating effect on CSR. No interaction exists between the other independent variables and ownership structures, such as family owned, institutional or foreign owned companies. Thus, only government ownership is

included in the regression analysis to determine the relationship between female directors' contributions and financial performance.

Table 5 Process analysis results on interaction effect among CSR, government ownership and company's financial performance

Model Summary						
R	**R^2**	**MSE**	**F**	**df1**	**df2**	**p**
0.2208	0.0488	0.0334	2.4405	5.0000	238.000	0.0351
Model						
	Coeff	**se**	**t**	**p**	**LLCI**	**ULCI**
constant	0.0309	0.1575	0.1963	0.8446	−0.2794	0.3413
CSR	0.0175	0.0365	0.4786	0.6326	−0.0544	0.0894
Gov	3.2435	1.1281	**2.8751**	**0.0044**	1.0211	5.4659
Inst	−0.7936	0.2874	**−2.7615**	**0.0062**	−1.3598	−0.2275

The R^2 value of the study model is 55.9%. The adjusted R^2 result indicates that the model of the study is acceptable, and the variables used in the study can predict the outcome by 54.6%. None of the independent factors (stakeholder representatives, decision making and CSR) significantly affects the dependent variable (company financial performance). Thus, the regression result presented in Table 6 supports the earlier correlation analysis results. Government ownership appears to moderate the relationship between female directors' contributions and company performance in a favourable, meaningful but limited way ($r = 0.134$, $p < 0.05$).

Table 6 Regression model summary

R	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin–Watson**
0.747[a]	0.559	0.546	0.1250640	1.993

a. Predictors: (Constant), Stakeholder representative, decision making, CSR, government ownership, size of Company, leverage and profitability
b. Dependent variable: ROE

Table 7 Regression analysis on female directors' contributions, government ownership and financial performance

Coefficients[a]							
Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	−0.051	0.114		−0.451	0.653		
Sta-R	0.001	0.020	0.003	0.057	0.955	0.718	1.392
Dec-M	−0.018	0.022	−0.045	−0.844	0.400	0.668	1.498
CSR	0.011	0.027	0.019	0.401	0.689	0.797	1.254
Gov	**0.134**	0.060	0.098	2.255	**0.025**	0.982	1.018
CSize	0.012	0.011	0.053	1.103	0.271	0.807	1.239
Lev	0.001	0.001	0.045	0.924	0.356	0.795	1.258

a. Dependent Variable: FPer

The findings of the study are consistent with the prior study by Ahmad et al. (2020), who concluded that female directors are not the main factors for a Malaysian company to have better financial performance. Yang et al. (2019) justified that a mandated quota of female directors will negatively affect firm performance and the risk of Norwegian companies. However, the current study results contradict those of Bennouri et al.'s (2018) and Terjesen et al. (2016) who claimed and found evidence that the contributions made by female directors can improve a company's financial performance. The reason may be that in this study, family-owned companies make up the bulk of the sample companies. Women who sit on the boards of family-owned businesses may not be carrying out their true duties as directors and were only chosen to meet quotas. Next, the selected sample companies have one or two women directors, which is fewer than three women directors, as suggested by Liu et al. (2014), if the companies wish women directors to contribute to effective decision-making that can enhance the firm's erformance significantly. In addition, both research was conducted in industrialised nations, where attitudes toward women were not skewed and laws were carefully enforced to promote women on corporate boards. The study's findings also show that the association between female contribution and corporate financial performance is only moderated by government ownership. This finding aligns with Saraswati et al. (2020), who found that government ownership encourages companies to participate in more CSR initiatives which later enhance financial performance.

5. CONCLUSION, IMPLICATION, LIMITATIONS AND FUTURE RESEARCH

This section details the conclusion, implications, limitation and suggestions for future research. The study aims to examine the relationship between female directors' contributions in terms of decision making, stakeholder representation and CSR on the financial performance with moderating effect of ownership structures of Malaysian publicly listed companies. The study results show that Malaysian public listed companies with female directors are underperforming because their ROE appears to be in the lower range. Next, none of the predicted contributions (stakeholder representation, decision making and CSR) of female directors has a favourable, appreciable effect on financial performance. Furthermore, government ownership can pressure companies to disclose more CSR information, encouraging them to participate in more charitable endeavours and drawing in socially conscious investors.

The lack of significant influence of women directors' contributions, including decision-making, stakeholder representation, and CSR activities, on financial performance could be attributed to various factors. One possible explanation is that the impact of women directors' contributions may be diluted or overshadowed by other factors that substantially influence financial performance, such as market conditions, industry trends, or overall corporate strategy. Additionally, the effects of women directors' contributions may take time to manifest fully, and the study period may not capture these long-term effects.

From the agency theory perspective, the lack of significant influence could suggest that the mechanisms through which women directors' contributions are supposed to enhance financial performance, such as improved oversight and alignment with shareholder interests, may not be effectively realised in practice. Stakeholder theory posits that women directors' efforts to represent diverse stakeholders' interests may not directly translate into improved financial performance, as stakeholder interests do not always align with shareholder value maximisation.

Stewardship theory would suggest that women directors, acting as stewards of the company, may prioritise the organisation's long-term well-being over short-term financial gains, which may take time to reflect in financial performance metrics. Resource dependency theory might indicate that women directors' diverse networks and resources may not be fully utilised or integrated into the company's operations, limiting their impact on financial performance.

The finding of the study has two main implications. The first implication to practice is that the nomination committee should fully exploit female directors' potential skills. The nominating committee members can use these findings to appropriately analyse which contributions from women are most appropriate for the company's future strategic direction. The nomination committee should also consider appointing at least three female directors to ensure they can significantly contribute to better decision-making, stakeholder representation and CSR practices. The second implication is related to the recruitment policy to prevent women's appointments based on favouritism and quotas. Thus, the regulators should require listed firms to fully disclose the process and procedures of directors' appointments with rationale or basis of appointment to avoid nepotism and cronyism.

This study, like many others, has some limitations. It has at least three shortcomings. First, the accounting statistics used in this study, ROE, serves as a proxy for financial performance. Although ROE has been acknowledged and utilised in numerous earlier studies, it is still regarded as historical data (De Wet and Du Toit 2007). Furthermore, the study analyses data from a single year to assess the profitability of the company, which is inappropriate given that it will take some time to assess the contributions of female directors to financial performance. Second, the study sample includes Malaysian listed companies with women directors, so the findings cannot be generalised to other companies with no women directors. Finally, the study focuses on three contributions made by female directors: stakeholder representation, decision making and CSR. Mentoring, negotiation, and lowering risks are some additional contributions that female directors might bring to the table. Future research should expand on this topic while considering the limitations above. In addition to the limitations mentioned, future studies should consider incorporating 2023 data, as Malaysian public-listed companies must now have at least one female director on their boards. This regulatory change could impact the dynamics and contributions of female directors, providing a more comprehensive understanding of their role in corporate governance and performance.

The findings in this study showed that different types of ownership structure have different moderating effects on female directors' contributions to firm financial performance. Government ownership influences the corporate board with female directors to be more sensitive and focused on CSR issues. The results of the current study do not offer conclusive proof that female directors can improve a company's financial performance. Applying agency, stakeholder, resource dependency and stewardship theories to this topic can help researchers understand that female directors' contributions to a company is not only to financial performance but also to sound decision-making, representing wider stakeholders and CSR practices. If all corporate players collaborate to give females more opportunities and empowerment to sit on corporate boards, their contributions could be significant in the long run. Numerous initiatives can be implemented by companies, regulators, policymakers and stakeholders to promote gender inclusion, which can boost the contributions of female directors, in addition to recognising and valuing the contributions of women. Setting up a suitable strategy and procedure for recruiting and selection is one option available to a company. A company should begin establishing a culture that values talent above gender. The nomination committee should actively encourage the culture of gender inclusiveness within their organisation. Law or regulation may be set up to require all businesses to have at least

one female director on corporate boards, but in the end, it is up to the female director to take the challenge and prove that they are worthy. Lastly, shareholders such as institutional investors and the government could pressure the business to add more female directors to its corporate board. With the abovementioned recommendation and efforts in place, the government's goal of having 30% female directors on corporate boards could be enabled and expedited.

Overall, promoting gender diversity and inclusivity is not only a matter of social responsibility but can also have positive effects on a company's long-term financial success, provided the right supportive structure and conditions are in place. It is important to note that the impact of women directors on decision-making can vary depending on various factors, such as their qualifications, experience, and the specific context in which they operate. Additionally, the contributions of women directors should not be viewed as inherently superior or inferior to those of male directors but rather as valuable additions that enhance the overall effectiveness and diversity of the board. The lack of significant influence of women directors' contributions on financial performance underscores the complexity of corporate governance dynamics and the need for further research to understand the interplay between gender diversity and financial outcomes.

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AUTHORS' CONTRIBUTION

SZA and NL carried out the introduction and literature review sections. SZA collected and refined the data and performed the data analysis using SPSS and Process. NL wrote the data methodology section. NL and MAR wrote the discussion and implication sections. All authors read and approved the final manuscript.

CONFLICT OF INTEREST

None declared.

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APPENDIX A

Table 1: Definition of Variables, Measurement Instruments and Sources

No	Variables	Instruments	Measurements	Sources
Dependent Variable				
1	Financial Performance (FPer)	Return on Equity	Ratio of net income to shareholders' equity	Bennouri et al. 2018; Perryman et al. 2016; Low et al. 2015
Independent Variables				
2	Stakeholder Representative (Sta-R)	Questionnaire	5-point Likert Scale	Bart and Mcqueen (2013).
3	Decision Making (Dec-M)	Questionnaire	5-point Likert Scale	Nielsen and Huse (2010); Bart and Mcqueen (2013); Azmi and Barret (2014)
4	Corporate Social Responsibility (CSR)	Questionnaire	5-point Likert Scale	Hyun et al. (2016).
Moderating Variables				
5	Ownership structures Fam Gov Inst Fore	 Family Government Institutional Foreign	 Proportion of shares held by family members Proportion of shares held by Government Proportion of shares held by institutional investors Proportion of shares held by foreigner	 Bennouri et al. 2018; Low et al. 2015; Liu et al. (2014)
Control Variables				
6	Company Size (CSize)	Total assets	Book value of total assets	Bennouri et al. 2018; Perryman et al. 2016; Garcia-Torea et al. 2016.
7	Leverage (Lev)	Debt ratio	Total debts divide by total assets	Bennouri et al. 2018 and Liu et al. 2014

APPENDIX B

Survey Instrument

Section B: Contributions of Female Directors (Stakeholder Representative)

No.	Items
1.	Female directors are more protective on the interests of the stakeholder compared to men.
2.	Female directors act as the role models to female employees.
3.	Female directors act as the legitimate persons to protect the welfare of all females in the company.
4.	Having more female directors on corporate boards enhance the ability of the company to attract higher female labour pools.
5.	Appointing female directors on corporate boards is considered vital for a customer-oriented company which majority of its customers are females.
6.	Female directors on boards understand more female customer's buying patterns and demands.

Section C: Contributions of Female Directors (Decision-Making)

No.	Items
1.	Female directors with different background lead to an effective decision making in the company.
2.	Highly educated female directors help boards to make effective decisions.
3.	Female directors are honest in making decisions thus reduce the risk of corruption in the company.
4.	Female directors are able to bring new ideas to the table.
5.	Female directors are more likely to be fair by taking into account everyone's point of view before deriving any decision.
6.	Female directors are able to reduce unethical decision making that would harm the company.

Section D: Contributions of Female Directors (Corporate Social Responsibility)

No.	Items
1.	Female directors lead the company to exercise effective corporate social responsibility (CSR) activities.
2.	Female directors are more likely concerned with voluntary social responsibility than their male counterparts.
3.	Female directors are more empathetic, sympathetic and active in taking care the needs of all stakeholder.
4.	Female directors are more caring towards moral and social issues rather than profits gains.
5.	Female directors are more likely to organize donation and charity programs.
6.	Female directors are more committed to do all philanthropic activities.