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# Board Gender Diversity, Dividend Policy, and Market Valuation in Emerging Market Banking: Evidence from Indonesia

Anggi Gayatri Setiawan [1,a)]

[1] *Faculty of Economics and Social Sciences, Universitas Bakrie, Jakarta, Indonesia*

[a)] Corresponding author: anggi.setiawan@bakrie.ac.id

**Abstract.** *This research investigates the impact of board gender Diversity, dividend policy, and firm value as well as the mediating effect of dividend policy at Indonesian Conventional Commercial Banks listed on Indonesian Stock Exchange (IDX) in 2022–2024. Through balanced panel data and Random Effect Model estimation, it was found that percentage of female commissioner and board director does not have a significant effect on dividend payout ratio and firms value (Tobin's Q), but dividend policy is significantly negative towards firm value, this indicates the Indonesian banking sector investors prefer retained earnings to be distributed in the form of capital reinforcement rather than dividends allocation for regulatory purpose. The Barons and Kenny mediation tests which further reveal that dividend policy does not act as a mediator between board gender diversity and firm value. This extends the growing literature on gender diversity and corporate governance in emerging economies, offering the insight that financial fundamentals are more powerful predictors of firm value than board gender composition for banks operating in a highly regulated environment.*

**Keywords :** gender diversity, dividend policy, Tobin's Q, firm value, Indonesian banking

## INTRODUCTION

Extensive research has linked corporate governance to firm performance, but the precise link between board gender diversity and financial policy decisions, as well as market valuation, remains a matter of debate especially for emerging markets. With regulators and practitioners calling for more women in top corporate positions, it is imperative to determine if this diversity leads to systematic differences in financial policies and market values.

In Indonesia, the effort to promote gender diversity has also been supported by the financial services authority (Otoritas Jasa Keuangan/OJK) through POJK No. 55/2016 and as part of Sustainable Development Goals (SDGs). However gender representation on Indonesian bank boards is still low, averaging only 16.6% in the commissioner board and 16.5% in the director board over 2022–2024 (based on data collected in this study). It provides a unique context in which to investigate the impact of variation in gender composition on strategic financing decisions: dividend policy and firm value.

Those relationships have been examined through numerous theoretical lenses in earlier research. Based on several fundamental corporate government theories: Agency Theory (Jensen & Meckling, 1976) argues that female board members are stronger monitors and they lead to greater dividend payouts in order to alleviate the free cash flow problem. Upper Echelon Theory (Hambrick & Mason, 1984) believes that board demographic heterogeneity improves the quality of firm decision-making which may positively affect firm valuation. Complementarily, the Resource Dependence Theory (Pfeffer & Salancik, 1978) asserts that various boards provide more extensive stakeholder representation and consequently alter strategic rewards.

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Despite the fact that studies from China (Ain et al., 2021), Asian emerging markets (Mustafa et al., 2020) and Indonesian non-financial firms (Utomo et al., 2022) provide important background, none have examined the role of past psychological experience in the specific situation of post-pandemic recovery in Indonesia in the period 2022-2024 and neither focused on banks. In addition, this study aims to fill the gap that no prior study has investigated, dividend policy as a mediator in the relationship between gender diversity and firm value in Indonesia.

This study addresses the above gap by examining: (1) the impact of board gender diversity on dividend policy; (2) the impact of board gender diversity on firm value; (3) the impact of dividend policy on firm value; and (4) whether dividend policy mediates the relationship between board gender diversity and firm value. The findings provide practical implications for regulators, bank managers, and investors in Indonesia's rapidly developing capital market.

# LITERATURE REVIEW

**Gender Diversity and Dividend Policy**

Agency Theory (Jensen & Meckling, 1976) provides the foundational rationale for linking board gender diversity to dividend policy. When managers are entrusted with shareholder resources, agency conflicts may lead to inefficient retention of free cash flow. Dividend payments function as a disciplining mechanism that reduces managerial discretion over retained earnings. Boards with superior monitoring capabilities are therefore expected to enforce higher dividend payouts to signal accountability.

Empirical evidence broadly supports this linkage. Adams and Ferreira (2009) showed that female directors have a stronger monitoring orientation, leading to higher dividend payouts. Ye et al. found that gender diversity on boards positively affects dividend payouts, in a study of 22 countries (2019). More recently, Ain et al. (2021) reported a strong positive correlation between board gender diversity and cash dividends in firms listed on stock exchanges during the analysis period, Kingsley & Gao M. Alvi et al. (2020) found the same evidence with family-owned firms in Asian emerging economies. Studies drawing on context outside the China–India comparison by Saeed and Sameer (2017) and Vinjamury (2023) from India lend support to the notion that gender–dividend relationship is stable in other emerging market contexts.

However, Utomo et al. (2022) examined Indonesian non-financial firms and found mixed results, pointing to the moderating role of ownership structure in the gender–dividend relationship. This study extends their work to the banking sector, where unique regulatory constraints further condition the gender–dividend nexus. In the Indonesian banking context, dividend decisions are constrained by OJK capital adequacy regulations and often directed by majority shareholders rather than through boardroom deliberations (Warrad et al., 2012; Kusumastuti et al., 2007). This institutional mediation may attenuate the theoretical gender–dividend nexus. Furthermore, the token diversity phenomenon, where female representation is insufficient to alter group dynamics, has been shown to limit the practical influence of female board members in collective decision-making (Kara et al., 2022).

**Gender Diversity and Firm Value**

Prior literature justifies the effect of gender-diverse boards as follows: Upper Echelon Theory (Hambrick & Mason, 1984) states that those from a broad diversity of backgrounds engage to take varied perspectives when making decisions, producing more creative output and more deliberative debate during decision-making sessions; as their enhanced performance is directly reflected in market valuation. Erhardt et al. (2023) discovered statistically significant positive relation with financial performance and board diversity at short time horizon (2003). In their meta-analysis of 140 studies, Post and Byron (2015) found that the national institutional context is a substantial moderator of the gender diversity–performance relationship, with larger effects seen in countries higher in gender parity. More recently, Kara et al. (2022) found that board gender diversity facilitated better responsible banking decisions during COVID-19, while Karim et al. (2023) applied ownership structure as a moderating variable in the relationship between diversity and sustainable performance in emerging markets.

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In Indonesia's context, Kusumastuti et al. (2007) found that board diversity did not consistently translate into higher firm value. Karim et al. (2023) similarly report that in emerging markets with weaker governance environments, the diversity–performance nexus is muted. These findings underscore the importance of contextualizing the gender diversity–firm value relationship within the specific institutional setting of Indonesian banking, particularly in the post-pandemic period where capital preservation concerns may further suppress the governance–valuation channel.

**Dividend Policy and Firm Value**

Bird-in-the-Hand Theory (Gordon, 1959; Lintner, 1956) states that investors prefer certain dividends to uncertain capital gains which can be interpreted as higher dividend payouts should increase firm value. According to the Signaling Theory (Miller & Modigliani, 1961) dividends payments reflect private information regarding future profitability and thus a constant dividend represents good health in terms of financial management.

In the banking sector, however, these conventional relationships are complicated by regulatory capital requirements. Basel III & OJK's Capital Adequacy Ratio (CAR) requires banks to hold minimum capital buffers that can run against high dividend payout policy. Ali (2022) studied G-12 countries during COVID-19 and observed that firms tended to retain capital instead of distributing it, a pro-cyclical behavioral trend widely believed to continue in this case (period covered is now post-COVID 2022–2024). Essel (2024) showed that elements of board structure somehow moderate the extent to which dividends affect firm performance in emerging economies and provide evidence further attesting why governance variables would need to be included as controls into your model of firm value. As Uwuigbe et al. (2012) demonstrated in the Nigerian banking context and Warrad et al. (2012) in Jordan, excessive dividend distribution in regulated banking environments may signal limited reinvestment capacity, leading to lower market valuation.

**Research Gap**

The evidence researching board gender diversity, dividend policy and firm value are still in need of examination, particularly in Indonesia. First, previous studies in Indonesia (Utomo et al., 2022) only focused on non-financial firms and did not include banks that are in a very different category of regulation and capital adequacy. Second, all of the previous research focused mainly on results with data up to 2020 (not on a post-pandemic recovery period of 2022–2024) as many factors related dividend behavior have changed during this specific period (Ali, 2022). Third, Aint et al. (2021) and Utomo et al. (2022) tested the direct impact of gender diversity on dividends and firm value in isolation, but none have examined whether a firm's dividend policy mediates the relationship between gender diversity and firm value, which is precisely what Agency Theory predicts. Without evidence on this mediated pathway, it remains unclear whether gender diversity affects firm value directly, through dividends, or not at all. This study addresses all three gaps, contributing new empirical evidence on board gender diversity in Indonesian banking during the post-pandemic period.

**Hypothesis Development**

- H1: Female Commissioner composition has a positive impact on Dividend Payout Ratio.
- H2: Female Director composition positively influences on Dividend Payout Ratio.
- H3: Female Commissioner composition has a positive effect on firm value (Tobin's Q)
- H4: Female Director composition positively influences firm value (Tobin's Q).
- H5: Dividend Payout Ratio (DPR) has a positive influence on firm value (Tobin's Q).
- H6: DPR is the mediator of gender diversity and firm value.

# METHODS

**Sample and Data**

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This study employs a quantitative approach using balanced panel data. The population comprises all conventional commercial banks listed on the Indonesia Stock Exchange (IDX) during 2022–2024, totaling 18 banks. The sample was selected using purposive sampling with the criterion that banks must have consistently paid cash dividends throughout the entire research period. Seven banks were excluded due to inconsistent or zero dividend payments during the observation period: BNII, PNBN, BSIM, BVIC, BNBA, BINA, and BTPN. Data were obtained from audited annual financial statements and annual reports submitted to the IDX (2022–2024) and stock closing prices from Yahoo Finance as of December 31 of each year. The final sample consists of 11 banks and 33 observations, as presented in Table 1.

**TABLE 1. Sample Banks**

| No. | Code | Bank Name | Ownership |
|---|---|---|---|
| 1 | BBRI | PT Bank Rakyat Indonesia (Persero) Tbk | State-owned |
| 2 | BMRI | PT Bank Mandiri (Persero) Tbk | State-owned |
| 3 | BBNI | PT Bank Negara Indonesia (Persero) Tbk | State-owned |
| 4 | BBTN | PT Bank Tabungan Negara (Persero) Tbk | State-owned |
| 5 | BBCA | PT Bank Central Asia Tbk | Private |
| 6 | BNGA | PT Bank CIMB Niaga Tbk | Private |
| 7 | BNLI | PT Bank Permata Tbk | Private |
| 8 | BDMN | PT Bank Danamon Indonesia Tbk | Private |
| 9 | MEGA | PT Bank Mega Tbk | Private |
| 10 | NISP | PT Bank OCBC NISP Tbk | Private |
| 11 | BBMD | PT Bank Mestika Dharma Tbk | Private |

Source: Indonesia Stock Exchange, 2026

The research variables are defined as follows:

**TABLE 2. Variable Measurement**

| Variable | Proxy | Measurement | Role |
|---|---|---|---|
| FemCom | Female Commissioner Proportion | # Female Commissioners / Total Commissioners | Independent Variable |
| FemDir | Female Director Proportion | # Female Directors / Total Directors | Independent Variable |
| DPR | Dividend Payout Ratio | DPS / EPS | Mediating Variable |
| Tobin's Q | Firm Value | (Market Cap + Total Liabilities) / Total Assets | Dependent Variable |
| ROA | Return on Assets | Net Income / Total Assets | Control Variable |
| NPL | Non-Performing Loan | NPL / Total Loans | Control Variable |
| Leverage | Financial Leverage | Total Liabilities / Total Assets | Control Variable |
| LnAsset | Firm Size | Natural log of Total Assets | Control Variable |
| Own | Ownership Type | 1 = State-owned (BUMN), 0 = Private | Control Variable |

Source: Compiled by authors, 2026

**Model Specification**

The model was developed based on the theoretical framework and prior literature. Variables were selected based on foundational studies by Adams and Ferreira (2009), Ye et al. (2019), Ain et al. (2021), and Uwuigbe et al. (2012). The panel data regression structure follows standard econometric methodology as outlined in Baltagi (2005). Two regression models are estimated:.

**Model 1 (Gender Diversity on Dividend Policy):**

DPR it:

$$\alpha + \beta_1 \text{FemCom it} + \beta_2 \text{FemDir it} + \beta_3 \text{ROA it} + \beta_4 \text{NPL it} + \beta_5 \text{Leverage it} + \beta_6 \text{LnAsset it} + \beta_7 \text{Own it} + \varepsilon \text{ it}$$

**Model 2 (Gender Diversity and DPR on Firm Value):**

Tobin's Q it:

$$\alpha + \beta_1 \text{FemCom it} + \beta_2 \text{FemDir it} + \beta_3 \text{DPR it} + \beta_4 \text{ROA it} + \beta_5 \text{NPL it} + \beta_6 \text{Leverage it} + \beta_7 \text{LnAsset it} + \beta_8 \text{Own it} + \varepsilon \text{ it}$$

Subscript i represents individual banks (i = 1, 2,...11) and t represents the time period (t =2022-2023). Where α is intercept, β are regression coefficients and ε is error term.

**Panel Data Estimation and Model Justification**

The appropriate panel estimation technique is determined through two sequential tests following Baltagi (2005). The Chow Test (Redundant Fixed Effects Test) determines whether the Fixed Effect Model (FEM) is superior to the Common Effect Model (CEM) by testing whether cross-sectional individual effects are statistically significant. If the null hypothesis is rejected, the Hausman Test subsequently determines whether Fixed Effect or Random Effect Model (REM) is more appropriate, by testing the null hypothesis that individual effects are uncorrelated with the regressors. If the Hausman Test fails to reject the null, the Random Effect Model is preferred as it produces more efficient estimates under this condition (Baltagi, 2005).

The Random Effect Model is further justified by the specific characteristics of this dataset. First, the 11 banks were selected through purposive sampling and can be conceptually treated as a random draw from the broader population of dividend-paying Indonesian banks, making the random effects assumption theoretically defensible. Second, with only T=3 time periods, a Fixed Effect Model would consume excessive degrees of freedom through cross-sectional dummy variables, reducing estimation efficiency. Third, the Random Effect Model also includes time-invariant variables (i.e. ownership type/Own), which would be absorbed and erased in Fixed Effects. Collectively, these considerations make Random Effect specification the most strongly suggested and simplest appropriate model for this dataset.

The introduction of dividend policy (DPR) as a mediating variable is grounded in the theoretical argument that board gender diversity does not directly create market value, but rather operates through its influence on corporate financial decisions. Specifically, Agency Theory (Jensen & Meckling, 1976) posits that female board members, as stronger monitors, enforce higher dividend payouts to reduce managerial free cash flow. These dividend payments in turn signal financial health to the market (Miller & Modigliani, 1961; Signaling Theory), thereby influencing firm value. Testing this mediated pathway, rather than only direct effects, allows this study to examine the mechanism through which board governance translates into

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market outcomes, representing a contribution beyond prior studies that tested only direct gender–value relationships (Ain et al., 2021; Utomo et al., 2022).

The mediation analysis follows the four-step procedure of Baron and Kenny (1986), which requires: (1) the independent variable must significantly affect the dependent variable; (2) the independent variable must significantly affect the mediating variable; (3) the mediating variable must significantly affect the dependent variable; and (4) the effect of the independent variable on the dependent variable must weaken when the mediating variable is introduced. The Baron and Kenny (1986) procedure was selected for three reasons: first, it is theoretically appropriate for testing the causal chain posited by Agency Theory; second, with 33 observations, it is more suitable than bootstrapping methods such as Hayes' PROCESS macro that require larger samples to produce reliable confidence intervals; and third, it is widely applied in corporate governance and finance research, facilitating direct comparison with prior studies (Ain et al., 2021; Utomo et al., 2022).

# RESULTS AND DISCUSSION

## Descriptive Statistics

**TABLE 3. Descriptive Statistics**

| Variable | Mean | Std. Dev. | Min | Max | N |
|---|---|---|---|---|---|
| FemCom | 0.1660 | 0.0980 | 0.0000 | 0.3000 | 33 |
| FemDir | 0.1650 | 0.1230 | 0.0000 | 0.4444 | 33 |
| DPR | 0.9047 | 0.8180 | 0.1997 | 4.0305 | 33 |
| Tobin's Q | 1.0710 | 0.2062 | 0.7423 | 1.6303 | 33 |
| ROA | 0.0271 | 0.0107 | 0.0083 | 0.0440 | 33 |
| NPL | 0.0196 | 0.0073 | 0.0066 | 0.0338 | 33 |
| Leverage | 0.7848 | 0.0892 | 0.6146 | 0.9247 | 33 |
| LnAsset | 12.9834 | 1.2145 | 9.7154 | 14.7032 | 33 |

Source: Processed data, 2026

The mean proportions of female commissioners and directors reflect the still-limited female representation in Indonesian bank boardrooms, consistent with the observation that emerging markets lag behind developed countries in board gender parity (Karim et al., 2023). The high standard deviation of DPR indicates substantial heterogeneity in dividend payout policies, spanning from large state-owned banks with regulated payout requirements to smaller private banks with more flexible capital allocation strategies. Three banks (MEGA, NISP, and BBMD) recorded DPR values exceeding unity, reflecting dividend payments from accumulated retained earnings rather than current-year profits. The mean Tobin's Q above one suggests market participants value the sample banks above their book value, consistent with the relative health of the Indonesian banking sector post-pandemic.

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**TABLE 4. Panel Model Selection Tests**

| Test | Model 1 Stat. | Prob. | Model 2 Stat. | Prob. | Decision |
|---|---|---|---|---|---|
| Chow Test (F) | 3.235 | 0.018** | 63.424 | 0.000*** | FE > CE |
| Hausman Test ($\chi^2$) | 3.095 | 0.797 | 4.053 | 0.774 | RE > FE |
| Selected Model | Random Effect | | Random Effect | | ✓ |

Note: *** p<0.01; ** p<0.05; * p<0.10 | Source: EViews 12 output, 2026

The Chow Test rejects the Common Effect Model for both models, confirming significant cross-sectional individual effects. The Hausman Test fails to reject the null hypothesis, supporting the Random Effect Model as the more efficient specification. This is theoretically consistent given the purposive sample composition: 11 banks selected based on dividend consistency criteria, making the Random Effect assumption defensible (Baltagi, 2005).

## Regression Result

**TABLE 5. Random Effect Model Regression Results**

| Variable | M1 Coef. | Prob. | M2 Coef. | Prob. | M3 Coef. | Prob. | Hypothesis | Result |
|---|---|---|---|---|---|---|---|---|
| Constant | -3.1224 | 0.3605 | 0.4349 | 0.5164 | 0.4471 | 0.5152 | - | - |
| FemCom | 2.0979 | 0.4290 | 0.1946 | 0.4888 | 0.0597 | 0.8585 | H1,H3,H6 | Rejected |
| FemDir | 0.5228 | 0.7391 | -0.1676 | 0.4638 | -0.0876 | 0.7294 | H2,H4,H6 | Rejected |
| DPR | - | - | -0.0455 | 0.0039*** | - | - | H5 | Accepted* |
| ROA | 46.3352 | 0.0206** | 14.6313 | 0.0000*** | 11.7691 | 0.0000*** | Control | Sig. |
| NPL | -29.0276 | 0.3395 | 11.4394 | 0.0001*** | 11.3864 | 0.0004*** | Control | Sig. |
| Leverage | 11.5254 | 0.0294** | 0.2820 | 0.6785 | 0.0131 | 0.9863 | Control | - |
| LnAsset | -0.4991 | 0.0286** | -0.0138 | 0.7676 | 0.0058 | 0.9016 | Control | - |
| R-squared | 0.4391 | | 0.7186 | | 0.5738 | | | |
| F-stat (Prob.) | 3.392 | 0.013** | 9.122 | 0.000*** | 5.834 | 0.001*** | | |
| Observations | 33 | | 33 | | 33 | | | |

Note: *** p<0.01; ** p<0.05; * p<0.10; *H5 accepted but in the opposite direction to hypothesis.
M1 = Gender on DPR (Dependent: DPR); M2 = Gender + DPR on Tobin's Q (Dependent: Tobin's Q); M3 = Gender on Tobin's Q without DPR, mediation prerequisite test (Baron & Kenny, 1986)
Source: EViews 12 output, 2026

## Effect of Gender Diversity on Dividend Policy (H1, H2)

Both FemCom and FemDir are statistically insignificant in Model 1, rejecting H1 and H2. These findings contrast with the positive gender–dividend relationships documented by Adams and Ferreira (2009), Ye et al. (2019), Ain et al. (2021) in China, and Mustafa et al. (2020) in Asian emerging economies. However, this divergence is analytically meaningful. In the Indonesian banking sector, dividend policy is fundamentally constrained by OJK's capital adequacy regulations and typically directed by majority shareholders (Warrad et al., 2012; Kusumastuti et al., 2007). Furthermore, unlike Utomo et al. (2022) who found mixed results in Indonesian non-financial firms, the banking context adds an additional layer of regulatory constraint that further suppresses any gender-driven variation in dividend decisions. The token diversity observed, with mean female commissioner proportion well below the critical mass threshold (Kara

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et al., 2022), suggests female board members may not yet possess sufficient collective influence to reshape entrenched dividend norms.

## Effect of Gender Diversity on Firm Value (H3, H4)

Neither FemCom nor FemDir significantly affects Tobin's Q, rejecting H3 and H4. These results align with Post and Byron (2015), Kara et al. (2022), and Karim et al. (2023), who demonstrate that the governance–performance relationship is substantially weaker in emerging markets. The dominant determinants of Tobin's Q are financial fundamentals (ROA and NPL) rather than governance characteristics, suggesting Indonesian capital market participants conduct primarily fundamental-based bank valuations. The negative coefficient on FemDir further suggests that some female directorship appointments may be compliance-driven rather than merit-based, limiting their signaling value to the market.

## Effect of Dividend Policy on Firm Value (H5)

DPR has a significant negative effect on Tobin's Q, accepting H5 but in the opposite direction to Bird-in-the-Hand Theory. This finding reveals that higher dividend payouts are penalized by the market in Indonesian banking. Post-pandemic capital preservation concerns, as documented by Ali (2022) in the COVID-19 context may have carried over into the 2022–2024 period, making earnings retention strategically preferable. Under OJK's CAR requirements, banks distributing high proportions of earnings signal diminished capacity for capital buffer reinforcement. Essel (2024) further corroborated that board structure moderates the dividend–firm value relationship in emerging economies, providing additional contextual grounding for this finding. This result extends the evidence of Uwuigbe et al. (2012) in Nigerian banking to the Indonesian context.

## Mediation Analysis (H6)

Applying the Baron and Kenny (1986) framework, the first prerequisite for mediation requires that the independent variable must significantly affect the dependent variable in the absence of the mediator. As shown in the M3 column of Table 5, neither FemCom ($\beta = 0.060$, $p = 0.859$) nor FemDir ($\beta = -0.088$, $p = 0.729$) significantly predicts Tobin's Q without DPR. Since this foundational condition fails, the mediation pathway cannot be established, and H6 is not supported. This failure occurs because the causal chain requires gender diversity to first have a direct influence on firm value, a pathway that does not exist in Indonesia's heavily regulated banking environment where financial fundamentals dominate market valuation. This finding carries an important theoretical implication: neither the Agency Theory causal chain (gender on dividends on value) nor the Upper Echelon Theory direct pathway (gender on value) activates in the institutional environment of Indonesian banking during 2022–2024. This represents a meaningful contribution to the literature since prior studies such as Ain et al. (2021) and Utomo et al. (2022) tested direct effects only; this study demonstrates that even the mediated pathway through dividend policy fails to transmit any gender–value effect in the Indonesian banking context.

# CONCLUSIONS

The four key findings of this study are: (1) board gender diversity does not have significant influence dividend policy, as decisions are governed by regulatory capital requirements and majority shareholder directives; (2) gender diversity does not have significantly impact firm value, as financial fundamentals still becomes top priority; (3) dividend policy negatively and significantly affects firm value, reflecting the market's preference for capital retention under OJK regulatory requirements, a pattern consistent with post-pandemic dividend behavior documented by Ali (2022); and (4) dividend policy does not mediate the gender diversity–firm value relationship.

There are three new contributions in this study. First, it contributes to the evidence illuminations on gender diversity-dividend policy-firm value nexus in banking industry of Indonesia; where most of non-financial firms have previously been investigated (Utomo et al., 2022). Second, it spans the post-pandemic period 2022–2024, so dividend behavior reflects persistent capital preservation pressures. Third, it specifically investigates the mediating effects of dividend policy, which does not run in the Indonesian banking institutional framework. These results suggest that the governance channels of gender diversity act weaker under banking regulations and ownership structures specific to emerging markets (Kara et al, 2022; Karim et al, 2023). Future research may be required by adopting a longer observation period to apply dynamic panel methods and investigating the moderating conditions of board independence and ownership concentration.

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