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Political Connection and Performance in Indonesian Banking Firms: The Role of Board Gender Diversity

Maulida Nurul Innayah[1], Hardiyanto Wibowo[2], Safitri Mukarromah[3], Bima Cinintya Pratama[4]
Faculty of Economics and Business, Universitas Muhammadiyah Purwokerto, Central Java, Indonesia[1,2,4], Faculty of Islamic Religion, Universitas Muhammadiyah Purwokerto, Central Java, Indonesia[3]

Abstract
This study examines the effect of board gender diversity on the relationship between political connection and banking performance in Indonesia. The population in this study was the banking industry in Indonesia, obtained from the firm annual reports. The sampling technique used in this study was purposive sampling. The sample in the study consisted of 164 firm-years of observation for 41 listed banks in Indonesia. The period of the analysis was from 2017 to 2020. The results showed that political connection has a positive effect on banking performance. The results revealed that politically connected banks detect and interpret relevant political signals, use appropriate diplomatic language, and take appropriate steps to achieve greater performance. These results are consistent with resource dependence theory which explain that organizations need to acquire and exchange resources, leading to dependency between firms and external units such as governments. This dependence creates risk and uncertainty, which can be reduced by building political connections that allow the firm to acquire a stronger resource base to increase its value. This paper then confirms that banks in Indonesia are family-controlled. Hence, the presence of women on the board is only due to their familial relationship with the controlling shareholder compared to their expertise and experience. Therefore, the management carried out by women directors has no effect on managing the political connection to improve banking performance. There is still a lack of previous studies that examined the effect of board diversity on the relationship between political connection and bank performance in Indonesia, especially regarding the heterogeneity of gender. Based on the explanation, this research is expected to contribute to the knowledge regarding the diversity of directors in Indonesia in managing political connections and bank performance
Keywords: Political Connection, Board Gender Diversity, Bank Performance

Introduction

Company and government have had a long-standing relationship, with continuing political and government influence in business activity (Hillman, 2005). This is a political partnership to gain power or authority (Wong and Hooy, 2018). According to Faccio (2006); Attia et al

(2016), many politically-related enterprises are present in developing nations, one of which is Indonesia. Developing countries are associated with bad governance, a lot of government interference, nepotism, corruption, and a lot of informal relationships. Even in developing countries, businesses depend on governments for controlling most of the scarce resources. However, companies are always trying to find strategies to take advantage of these resources and achieve a competitive advantage. These characteristics of developing countries create a business-friendly environment for establishing political relations with the government and ensuring political support in terms of resources controlled by the government. Based on Faccio's (2006) research, a company is said to be politically connected if the government or the state owns company shares.

Previous research has indicated that political ties have an impact on performance (Hung et al., 2017; Wong and Hooy, 2018), financial markets (Faccio et al., 2006), fiscal policy (Adhikari et al., 2006; Lin et al., 2015), and job creation (Adhikari et al., 2006; Lin et al., 2015). (Menozzi et al., 2012). However, past research findings are still equivocal. Previous research has found that companies with political ties have an easier time obtaining investment projects and bank loans (Wang et al., 2018), pay lower taxes (Adhikari et al., 2006), have higher stock prices (Faccio, 2006), and have an easier time breaking into high-barrier industries (Wang et al., 2018). (Chen et al., 2014). Furthermore, previous research has shown that political connections have a positive impact on employment (Menozzi et al., 2012) and are linked to the ability to rescue firms in financial distress (Faccio, 2006; Faccio et al., 2006), which has an impact on reducing systemic risk and, as a result, lower capital costs (Boubakri et al., 2013).

On the other hand, a previous study has demonstrated that political links have a negative impact on company activity and performance. Politically connected businesses have been found to overinvest (Ling et al., 2016), have lower productivity (Domadenik et al., 2016), and have larger debt ratios (Faccio, 2010). Furthermore, earlier studies into the impact of political ties on performance yielded mixed results. Companies with strong political ties have been found to perform better (Hung et al., 2017; Song et al., 2016; Su and Fung, 2013; Wang et al., 2018; Wong and Hooy, 2018) because they tend to raise sales and unit costs, cut costs, and have easier access to credit markets (Su and Fung, 2013).

Furthermore, the link between a politically connected corporation and the government can be viewed as an informal protective mechanism that often results in a reduction in operational risk and an increase in performance (Song et al., 2016). Caretta et al., 2012; Chen et al., 2018; Chong et al., 2018; Garcia-Meca and Garcia, 2015; Jackowicz et al., 2014; Ling et al., 2016; Saeed et al., 2016) have found that corporations with political ties can have political and social goals (Chong et al., 2018). Companies might use political connections to defend themselves from external shocks rather than obtaining resources (Jackowicz et al., 2014). Companies have easier access to long-term finance, which allows them to invest excessively, lowering their financial performance (Ling et al., 2016; Zhang et al., 2014). According to Resource Dependence Theory, politically tied enterprises are less stable and have a weaker resource base since they are linked to a single powerful politician (Wong and Hooy, 2018).

The makeup of a company's board of directors is rapidly attracting the attention of both investors and shareholders in the business world (Tanaka, 2019; Wang et al., 2018). Due to financial scandals in recent decades, such as WorldCom's bankruptcy and the 2008 financial crisis, corporations must improve the performance of their board of directors (Nyamongo and Temesgen, 2013; Reguera-Alvarado et al., 2017). Directors in businesses have a wide range of skills, abilities, and information that they can bring (Walt and Ingley, 2003). In recent research, the contribution of corporate directors based on these attributes has gotten a lot of attention.

According to a previous study, politicians or former politicians among the firm's board create political links within the corporation (Chen et al., 2018; Lin et al., 2015; Wong and Hooy, 2018). Furthermore, organizations have recently developed policies and procedures that aim to incorporate parties with specific relationships within the firm, resulting in an inclusive culture (Herring, 2009) that values gender diversity (Adusei et al., 2017; Owen and Temesvary, 2018; Rodr'guez-Ruiz et al., 2016; A-Meca et al., 2018; Owen and Temesvary, 2018; Rodr'guez-Ruiz et al., 2016).

However, past research on the impact of gender diversity on the relationship between political connections and bank performance is still few. According to agency theory, women are better at monitoring management and more conscientious than men (Kirsch, 2018). Women are also more conservative, less prone to taking unnecessary risks (Palvia et al., 2014), and have stronger ethics (Ismail and Abdul Manaf, 2016). As a result, the inclusion of women on a company's board of directors can help to reduce unethical actions that might harm banking assets' profitability and quality.

Several countries have implemented legislation governing the makeup of the board of directors to ensure the inclusion of women on the board. Norway was the first country to establish a gender quota on board members in 2006, requiring a minimum of 40% of board members to be women. Scandinavian countries and Spain, Iceland, and France have enacted legislation requiring a quota for women on boards of directors (Adams & Ferreira, 2009). The EU Commission (2012) approved a draft regulation requiring women to serve on boards of directors by 2020.

Regulations highlighting the necessity of having a woman at the top of a corporation are implemented in Europe and around the world. The World Bank created a program in 2011 through the International Finance Corporation (IFC) to promote understanding and awareness of the presence of women directors in developing nations, particularly ASEAN. Several ASEAN countries have begun to impose gender quotas, according to Staffing Industry Analysts (2015). Malaysia implemented a 30% quota for women on the board of directors in 2016, and Singapore is considering expanding gender diversity among board members. The previous study on women directors has primarily been conducted in European countries, owing to the European culture's emphasis on gender equality. Gender equality has not been frequently debated in Asian countries such as ASEAN.

Because of the cultural differences in ASEAN, which are not particularly concerned with gender equality, the researchers are interested in examining the role of women in directorships, particularly considering the "glass ceiling" phenomenon, which requires women to have additional competencies to obtain directorships. This implies that top-level female executives should be more capable than male executives. Women have the necessary abilities and intelligence to serve as directors (Eagly and Carli, 2003). As a result, academics are looking into the impact of gender diversity on the relationship between political ties and banking performance, which has not been explored in previous studies. Several earlier research (Adusei et al., 2017; Garc'a-Meca et al., 2018) employed a moderating effect to explain the association between performance and gender diversity, including the culture or presence of women in corporate management.

This research adds to the existing body of knowledge. The banking sector focuses on this study because it plays a critical role in the economy, contributing to the payment system and liquidity (Fama, 1985). The speed and pattern of a country's economic development can be influenced by the financial sector's development (Levine, 1997). As a result, bank corporate governance decisions impact banking performance as well as society (Garc'a-Meca et al.,

2018). Furthermore, the banking industry has specific characteristics, such as asymmetric information, which has the possibility for concealed political motivations in loan decisions and favours parties with political clout when it comes to obtaining bank loans (Dinc, 2005).

The banking industry is governed by special rules that considerably impact the board of directors' composition (Booth et al., 2002) and capital structure (Adams and Mehran, 2012). As a result, the impact of political ties on banking performance has ramifications for broader economic and financial stability, making banking study crucial. This study contributes to a greater understanding of the elements that influence bank performance, particularly those linked to gender diversity and political ties. This study may potentially be relevant to Indonesian financial regulators. Regulators will be able to analyze the success of gender quotas, the robustness of bank directors' political ties under their supervision, and the impact of their policy requirements on banking performance. Based on the background above, this study has several research objectives.

- First, this study aims to examine political connection effect on banking performance in Indonesia;
- Second, this study aims to examine women directors's effect on banking performance in Indonesia;
- Third, this study aims to examine the moderating effect of women directors on the relationship between political connection and banking performance in Indonesia.

Literature Review and Hypotheses Development

Resource Dependence Theory

Pfeffer and Salancik proposed the resource dependence theory (hence referred to as RDT) (1978). According to Pfeffer and Salancik (1978), there are four benefits of having an external relationship: providing resources such as information and expertise, establishing communication channels with important constituents of the company, providing a commitment to support from important organizations or groups in the external environment, and creating legitimacy for the company in the external environment.

Companies that are politically related are known as politically connected companies (Chen et al., 2018; Saeed et al., 2016). Resource Dependence Theory, which holds that organizations must acquire, and exchange resources, leads to dependence between firms and external units such as the government, explains this link (De Cabo et al., 2012). This reliance introduces risk and uncertainty, which can be mitigated by forging political ties (Hillman, 2005) that enable the corporation to acquire a larger resource base and raise its value (Wong and Hooy, 2018). Furthermore, RDT provides a theoretical foundation for diversity on the board of directors. The existence of a board of directors, according to RDT, can help the company connect with other external groups to overcome environmental reliance. The RDT was created by Hillman et al. (2000), who demonstrated that a diverse board of directors would be a valuable and differentiated resource for the company. Furthermore, because of the unique knowledge that originates from the board of directors' variety, diversity can potentially improve the information offered by the board of directors to managers. Diversity on the board of directors, according to RDT, will provide unique knowledge that will aid in making better judgments (Carter et al., 2010). As a result, a more diverse board of directors will bring more valued resources, resulting in improved firm performance (Carter et al., 2010).

The gender diversity of directors is examined in this study. According to Terjesen, Sealy, and Singh (2009), organizations with gender inequalities in directors have distinctive human capital. The researcher claims that the diversity of human resources on the board of directors,

which makes these resources unique, can influence firm performance through influencing decisions made within the corporation. Because of the "glass ceiling" phenomenon, where women face an invisible barrier to occupying top management positions, the presence of women as directors is under-represented in most organizations throughout the world, gender diversity in companies is an intriguing topic to research (Jamali et al., 2007; Yap. et al., 2017). However, because of the potential positive effects of gender diversity in corporate director positions, several European countries, including Norway, Spain, Finland, Iceland, France, Italy, and Belgium, have established quotas for gender diversity in corporate director positions (Terjesen et al., 2015).

Agency Theory

Jensen and Meckling proposed the agency hypothesis (1976). The separation of shareholders and management, according to this idea, will result in knowledge asymmetry, which is an agency problem. Directorships with political ties will be enticed to utilize their political clout for personal gain because of agency difficulties. This will, of course, be harmful to shareholders and may result in the seizure of shareholder money (Bebchuk and Fried, 2004).

Optimizing the role of the board of directors in controlling, managing, and supervising the company can be done within the framework of the corporate governance mechanism, which includes a mechanism for regulating the role and behaviour of the board of directors (board governance), as well as the composition of the board of directors in the company. The issue of board diversity, particularly gender diversity, is one of the essential components of board governance implementation. According to agency theory, women are more diligent than males and keep a better eye on management. As a result, a woman supervising activities can lower agency costs due to political connections and affect performance. Because women are more conservative, less prone to excessive risk-taking (Palvia et al., 2014), and better at controlling ethics than men (Ku Ismail and Abdul Manaf, 2016), having more women on the board of directors will boost bank profitability and asset quality.

Political Connection and Bank Performance

Resource Dependence Theory explains the relationship between political ties and performance (hence referred to as RDT). According to RDT, organizations must acquire and exchange resources, resulting in a reliance between businesses and external entities such as governments (De Cabo et al., 2012). This reliance introduces risk and uncertainty, which can be mitigated by forging political ties (Hillman, 2005) that enable the corporation to acquire a larger resource base and raise its value (Wong and Hooy, 2018).

The previous study has demonstrated that political connections positively impact corporate performance. Companies with political ties have better access to investment projects and bank loans (Wang et al., 2018), higher stock prices (Faccio, 2006), reduced tax rates (Adhikari et al., 2006), and easier entry into industries with high barriers to entry (Wang et al., 2018). (Chen et al., 2014). Furthermore, past research has demonstrated that political relationships have a favourable impact on employment (Menozzi et al., 2012) and make it easier for businesses to face financial challenges (Faccio, 2006; Faccio et al., 2006), which can reduce systemic risk due to lower capital costs (Boubakri et al., 2012).

Political links in Indonesian banking are still a rarity in research. Hung et al (2017) discovered that politically connected banks benefited from the practice of giving credit to politically connected enterprises in a banking study environment in China. Politically

connected banks are seen as high-quality assets since they are more likely to receive assistance from their political relationships in the event of financial troubles. Furthermore, the research demonstrates that politically connected banks recognize and comprehend relevant political signals, utilize suitable diplomatic language, and take appropriate actions to achieve higher performance (Hung et al., 2017). The researcher's hypothesis, based on the previous explanation, is as follows:

H1: Political connection has a positive effect on banking performance in Indonesia

Board Gender Diversity and Bank Performance

Men and women behave differently, according to previous research. Women, for example, are more risk-averse in competing than men (Croson and Gneezy, 2009). Women can also better control ethics (Ku Ismail and Abdul Manaf, 2016) formulate less aggressive strategies, invest less in R&D, and take more initiative in carrying out activities related to social sustainability (Apesteguia et al., 2012). They can also take socially related actions, implying that their company has a higher level of social responsibility (Galbreath, 2018). Previous research has also revealed that men, when compared to women, tend to be overconfident in their decision-making abilities (Huang and Kisgen, 2013).

Gender diversity has been demonstrated to boost performance in several prior research (Chong et al., 2018; Garca-Meca et al., 2015; Pathan and Faff, 2013; Reguera-Alvarado et al., 2017; Yap et al., 2017). Because greater gender diversity in the board of directors can promote a better understanding of the market, increase innovation, and improve problem-solving through more alternatives/visions (Campbell and M'nguez-Vera, 2008), there is a positive relationship between gender diversity and performance.

Previous studies in the banking sector (Adusei et al., 2017; Garc'a-Meca et al., 2015; Hung et al., 2017; Owen and Temesvary, 2018; Pathan and Faff, 2013; Rodr'guez-Ruiz et al., 2016) have looked at the impact of director diversity on performance. According to De Vita and Magliocco (2018), the banking sector is more hesitant to adopt gender diversity in decision-making than other industries due to cultural restrictions and preconceptions. As a result, there should be a gender balance on the board of directors because it can bring good to the organization. The researcher's hypothesis, based on the previous explanation, is as follows:

H2: Board gender diversity has a positive effect on banking performance in Indonesia.

Political Connections, Diversity of Directors and Banking Performance

The impact of gender diversity and political ties on banking performance is investigated in this study. According to Agency Theory, women are more dynamic than men and keep a greater eye on management. As a result, women directors can provide better oversight to boost the favourable influence of political connections and thus improve performance. Because women are more conservative, less prone to excessive risk-taking (Palvia et al., 2014), and better at controlling ethics than men (Ku Ismail and Abdul Manaf, 2016), having more women on the board of directors will boost bank profitability and asset quality. The researcher's hypothesis, based on the previous explanation, is as follows:

H3: The gender diversity of directors strengthens the positive influence of political connections on banking performance.

Methodology of Research

Sample

Secondary data is the sort of data used in this study. Financial data from the company's yearly financial statements can be obtained from various sources. The study's observation period runs from 2017 through 2020. This year was selected since it contains the most recent data changes. Because developing countries are associated with weak governance systems, significant government interference, high nepotism, corruption, and high informal relations, this study is interested in conducting research in a developing country like Indonesia (Faccio, 2006; Attia et al., 2016). These characteristics of emerging countries offer a business-friendly atmosphere for building political contacts with government officials and assuring political backing in government-controlled resources.

Because Indonesia has a two-tier governance structure rather than a one-tier governance system, this study analyzes data from directors to measure diversity. Directors oversee everyday business management activities, unlike in a one-tier governance system. In a two-tier governance system, the board of directors plays a different role than in a one-tier governance system. Because members of the board of directors cannot become commissioners, there is a clear separation of responsibilities under a two-tier governance system (Davies et al., 2013). Furthermore, in a two-tier governance system the board of directors conducts the company's day-to-day operations while the commissioner reviews the board's decisions; in a one-tier governance system, all board members engage in corporate decisions (Pletzer et al., 2015).

In several prior research, banking samples were utilized as a part of a two-tier governance scheme (Farag and Mallin, 2017; Fernandez-Temprano and Tejerina-Gaite, 2020; Kramaric and Miletic, 2017; Matuszak et al., 2019; Nomran and Haron, 2019). As a result, the researchers will concentrate on the impact of political ties on bank administrative choices, whereas the directors were picked since Indonesia has a two-tier governance system. The companies in the banking industry in Indonesia make up the study's sample. It was picked because banking plays such an essential role in the economy and contributes to the payment system and liquidity (Fama, 1985). Furthermore, the banking industry has specific characteristics, such as asymmetric information, leading to concealed political motivations in loan choices and differential treatment for parties with political clout when it comes to obtaining bank loans (Dinc, 2005).

Variables

a. Independent variable

Political connection variable as the independent variable **(POL)**. Political connection **(POL)** is measured by the percentage of shares owned by the government or the state (Faccio, 2006).

b. Dependent variable

Banking performance as the dependent variable **(Bank_Perf)**. In line with previous research (Chen et al., 2018; Hung et al., 2017; Talavera et al., 2018), the proxy used to measure banking performance is the return on assets (ROA) which reflects the level of bank profitability. ROA is calculated using the formula below:

$$ROA = \frac{\text{Profit after tax}}{\text{Total asset}}$$

c. Moderating Variable

Gender diversity of directors (WBO) was measured by the percentage of women as directors, in line with Adusei et al. (2017), Garcı´a-Meca et al. (2018), Owen and Temesvary (2018) and Rodrı´guez-Ruiz et al. (2016). This study also analyzes the interaction between gender diversity and political connections (POL*WBO) conducted by Salachas et al. (2017).

$$\text{Percentage of Women Directors} = \frac{\text{Number of Women on the Board of Directors}}{\text{Number of Directors}}$$

d. Control Variable

- Board Size (BoardSize) (Carter et al., 2003). The size of the board of directors is proxied by the number of members of the board of directors in the banking company.
- Bank Size (Carretta et al., 2012; Chen et al., 2018; Garcı´a-Meca and Garcı´a, 2015; Hung et al., 2017; Talavera et al., 2018). The size of the bank is proxied by using the total assets of banking companies in year t; then, the natural logarithm is used.

Regression Model

Because the data in this study is panel data, a panel data regression model employing fixed-effect regression or random effect regression is used to test it (Gujarati and Porter, 2009). As a result, this study employs panel data regression model analysis, namely fixed effect regression or random effect regression, by first performing a Hausman test to decide which panel data regression model is most appropriate. In this study, only one research model is used to evaluate hypotheses. The model is used to investigate the impact of political ties and gender on banking performance and the interplay between political connections and female directors. The following is the model that was used to test the three assumptions in this study:

$$\boldsymbol{Bank_Perf = \beta_0 + \beta_1 POL + \beta_2 WBO + \beta_3 POL * WBO + \beta_4 BoardSize + \beta_5 BankSize + \varepsilon_t}$$

Where:

Bank_Perf	= Bank Performance
POL	= Percentage of shares owned by the state or government
WBO	= Percentage Women Directors
POL*WBO	= Moderating variables of political connections and women directors
BoardSize	= Control variable of Board Size
BankSize	= Control variable of Bank Size
$\boldsymbol{\varepsilon_t}$	= *error term*

Result and Discussion

Descriptive Statistic

The descriptive statistical values of the variables utilized in this investigation are shown in Table 1. According to descriptive data, the banking performance variable (Bank Perf) has an average value of 0.0070925. The ability of Indonesian banks to earn profit from their assets is 0.7 per cent on average. The Political Connection Variable (POL) has an average value of 0.1187223, indicating that the state or government owns 11.9 per cent of banking shares in Indonesia. Banks must have three members on their board of directors, according to OJK laws (POJK, 2014). According to descriptive statistics, the average number of directors in the Indonesian banking sampled in this study was six persons, which met the 2014 POJK standards.

The average number of women directors (WBO) in the Indonesian banking sampled in this study is.1829451, which indicates two women directors out of the total number of directors. As previously stated, there is no official regulation in Indonesia regarding the inclusion of female directors. In 2011, through the International Finance Corporation (IFC), the World Bank launched an initiative to raise awareness of the presence of women directors in developing countries, including Indonesia. According to the Women in Business 2020 study (Grant Thornton International, 2020), ASEAN countries, including Indonesia, have the world's third-highest percentage of female directors. This suggests that Indonesian banking has begun to pay attention to women in top executive positions. Table 1 shows the descriptive statistics for each variable in general.

Table 1
Descriptive Statistic for Selected Variable

Variable	Max	Min	Mean	Std. Dev.
Firm_Perf	.0396539	-.0899241	.0070925	.0207817
POL	.871	0	.1187223	.261625
WBO	.75	0	.1829451	.1809275
POL* WBO	.871	0	.201883412	.209058304
Board_Size	17	2	6.341463	2.807612
Bank_Size	34.95208	27.22256	31.18603	1.859771

Hypotheses Testing

Table 2
Results of Hypotheses Testing

Independent Variable	**Dependent Variable Model Firm_Perf**
Const	.3427415 (6.30)***
POL	.7673949 (7.32)***
WBO	-.0404747 (-3.37)***
POL* WBO	.0054508 (0.74)
Board_Size	-.0011789 (-2.14)
Bank_Size	-.0132423 (-9.09)***
R^2 Within	0.1613
F	40.38
Prob > F	0.0059

Note: *** significant at 1%; ** significant at 5%; * significant at 10%

The results of the overall hypothesis testing in this study are shown in Table 2. The purpose of Hypothesis 1 testing is to determine whether political connections have a beneficial impact on banking performance. Financial performance, specifically ROA, is used to

measure banking performance. With a coefficient of.7673949 at a significance level of 5%, testing hypothesis 1 reveals a positive effect between POL and Bank Perf. As a result, hypothesis 1 is supported, which indicates that political connections have a beneficial impact on banking performance.

The findings show that if a political connection exists, the company's performance will improve. According to Resource Dependence Theory, organizations must acquire and exchange resources, resulting in a reliance between corporations and external units like the government (De Cabo et al., 2012). This reliance introduces risk and uncertainty, which can be mitigated by forging political ties (Hillman, 2005) that enable the corporation to acquire a larger resource base and raise its value (Wong and Hooy, 2018). The relationship between a politically connected corporation and the government can be viewed as an informal protective mechanism that reduces operational risk and improves performance (Song et al., 2016).

Hung et al (2017) discovered that politically connected banks benefited from the practice of giving credit to politically connected enterprises in a banking study environment in China. Politically connected banks are seen as high-quality assets since they are more likely to receive assistance from their political relationships in the event of financial troubles. Furthermore, the research demonstrates that politically connected banks recognize and comprehend relevant political signals, utilize suitable diplomatic language, and take appropriate actions to achieve higher performance (Hung et al., 2017).

The purpose of Hypothesis 2 testing is to determine whether women directors have a favourable impact on banking performance. At a 5% significance level, testing hypothesis 2 reveals a negative relationship between WOB and Bank Perf, with a coefficient of -.0404747. As a result, hypothesis 2 (women directors have a beneficial impact on banking performance) is unsupported. The unsubstantiated hypothesis 2 is in line with social psychology theory, which suggests that when there is a diversity of directors (Carter et al. 2010), one of which is gender diversity of directors, decision making will be slower and generate more conflict. The findings of this study show a lack of gender diversity among directors, with the average number of women directors in the sample accounting for 18% of the total number of directors, or about two people, out of a total of six. This demonstrates that women make up a small percentage of the board of directors.

Minority directors, according to Marimuthu and Kolandaisamy (2009), show lower levels of psychological commitment, higher turnover intent, and more absenteeism. Furthermore, minority directors will have lower job satisfaction, greater discrimination, and undesirable behaviours and attitudes (Jayne and Dipboye, 2004). Gender variety in the team denotes that the group is diversified, with men and women leading in different ways (Fenwick and Neal, 2001). As a result, team members are less likely to communicate (Cox and Blake, 1991; Watson, Kumar, and Michaelsen, 1993), have a negative impact on top management communication (Carpenter, 2002), and are less cooperative (Williams and O'Reilly, 1998). This behaviour might lead to more disagreement, which can hurt the company's performance (Pelled, 1996). Furthermore, according to Fauzi and Locke (2012), one of the reasons that the presence of women directors can reduce or have no impact on performance is that the appointment of women directors is limited to following rules and decency, and they may not have sufficient knowledge and experience to add value to the company.

The purpose of testing hypothesis 3 is to see if women directors improve the favourable influence of political connections on banking performance. The interaction factors POL*WOB and Bank Perf have no effect when hypothesis 3 is tested. As a result, hypothesis 3, claiming

that women directors amplify the positive impact of political connections on banking performance, is unsupported. According to Darmadi (2011), most Indonesian businesses are family-owned (Claessens et al., 2000). As a result, women on the board are only there because of their familial ties to the dominant shareholder, not their competence or experience. As a result, the management of women directors has little impact on the performance of banks.

Conclusion, Limitations and Suggestions

Conclusion

From 2017 to 2020, this study looked at the impact of board gender diversity on the relationship between political connection and bank performance in Indonesia. The study's primary goal was to see if there was a link between political ties and financial success in Indonesian banks. The findings revealed that political ties have a positive impact on bank performance. It indicates that having a political connection can help a bank function better because of the perks that come with it. The study's second goal was to look into the relationship between female directors and bank performance. According to the findings, women directors have a negative impact on bank performance. Gender diversity among directors diminishes group cohesion, which negatively influences bank performance. The study's fourth goal is to see if women directors have a moderating influence on political connections and bank performance. According to the findings, women directors have no moderating effect on political connections or bank performance. In Indonesia, the majority of businesses are run by families. As a result, women on boards are only there due to their familial ties to the dominant shareholders, not their competence or experience. As a result, the management of women directors has little impact on the performance of banks.

Limitation and Suggestion

There are a few flaws in this study. First, because this study only looks at a sample of organizations in the banking industry, the findings cannot be applied to companies in other industries. Further research might compare organizations from various industries to see if the variety of directors has a moderating influence on the association between political ties and banking success from the perspective of diverse industries. Second, this study examines the diversity of directors only based on their demographic features, namely gender and nationality. Other types of diversity can be used or added in future studies.

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