Impact of Board Gender Diversity on The Financial Performance of Conventional and Islamic Banks – An Evidence from Pakistan

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ABSTRACT

This study has been conducted to determine the impact of board gender diversity on the financial performance of the Pakistani Conventional and Islamic Banks. The overall objective is to quantify the impact of gender diversity and the performance of banks. The study included a panel of 12 banks and data from 2008 to 2018 was obtained and using the multiple regression approach the results of the study indicates that performance of banks is not predicted by the measures of gender diversity. The study also indicates a lower level of female presence on the boards of conventional and Islamic banks. It has been recommended to increase the level of female presence on bank boards of Pakistan to increase the board independence, reduce the diversity gap and to resolve the ethical issues.

Keywords: Gender Diversity, Bank Performance, Conventional vs Islamic Banks.

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INTRODUCTION

Gender equality has been defined as equality between men and women in a work environment in terms of opportunities, treatment and economic achievement (Council, P.B. , 2019). According to the Pakistan Business Council, if the diversity is not maintained at the workplace, a huge potential of talent can remain untapped. Gender diversity increases the diversity of thoughts which improves the organizational decision making (Council, P.B. , 2019). Following the concept of gender diversity, this study aims to determine the impact of board gender diversity on the financial performance of Pakistani Conventional and Islamic Banks.

According to Andres and Vallelado (2008) board of directors of a company are responsible for the management and control of the top management of a company. If there is a problem in the governance structure of a company, it can lead to significant costs of failure (Pathan & Faff, 2013). Hence, according to these studies an optimal combination of the board structure leads to an optimal performance of the firm. This study aims to measure and quantify the impact of certain gender diversity traits on the financial performance of a sample of banks taken from the Pakistani Banking Sector. The study based on its results, provides certain policy recommendations for the gender diversity in Pakistani banks.

This study adds to the existing body of knowledge by taking into account comparison of Islamic Vs Conventional Banks in the corporate landscape of Pakistan. This study also covers the gap identified by Marinova, Plantenga & Remery (2016) by using two measures of organizational performance, one market performance measure and the second an accounting measure in this regard. The findings of the study have suggested that there is no significant relationship between the financial performance of banks and the board gender diversity in context of Pakistani banks. The study also finds that there is no difference in case of conventional and Islamic banks in terms of board gender diversity and the financial performance and the results

of both panels are the same. The policy recommendation suggests that there should be an increase in the proportion of women directors in Pakistani banks to increase the board independence, reduce the diversity gap and to resolve the ethical issues.

The remaining sections of this study covers a comprehensive literature review, theoretical framework consisting of agency theory and the resource dependency theory, data and methodology, results of the study and a conclusion.

LITERATURE REVIEW

The board of directors of an organization are viewed as a team who have the responsibility to govern and lead a firm and their primary objective is to protect the interest of the shareholders in an organization (Abdullah, 2004). Additionally, they are responsible for the development of effective strategies and to evaluate the appropriateness of such strategies (Abdullah, 2004). Abdullah (2004) in his study of board composition and its effects on the performance of Malaysian listed companies identified that board independence and leadership effects don't have any relationship with performance of the firms.

Although the board of directors also exist in the case of a bank, in case of a manufacturing company or in the case of a non-financial firm but their role in the performance of banks is critical due to the fiduciary requirements (Macey & Hara, 2003). The study conducted by Macey & Hara (2003) states that the commercial banks have unique problems of corporate governance for managers and regulators as well as for the depositors and the investors. They recommend that the scope of the fiduciary duties should be increased to include the creditors as well (Macey & Hara, 2003). Hence, the role of the board in the performance of a bank and effective governance is critical (Pathan & Faff, 2013).

There is a view regarding the board diversity in terms of economic and ethical benefits (Ujunwa, Okoyeuzu & Nwakoby, 2012). Ujunwa et al. (2019) in their study of corporate board diversity and the firm performance used a panel of 122 Nigerian firms. The results of the study show that there is a negative link between the firm performance and the gender diversity and in contrast to it, board ethnicity and nationality are positive predictors of the firm performance (Ujunwa et al., 2019). The economic and ethical gains have been further discussed by the researchers and the study conducted by Carter, Simkins and Simpsons (2003) presents the ethical perspective in this regard. They study the relationship between the firm value and the board diversity in case of Fortune 1000 firms and it is the first study of its kind presenting an evidence between the board diversity and improved financial performance (Carter et al., 2003). The study finds a positive relationship between the firm value and a fraction of minorities or women on the board (Carter et al., 2003). The economic case of a diversified board as presented by Carter, D'Souza, Simkins & Simpson (2008) that a diversified board creates value for the owners of the company and leads to a profitable organization in this regard. Carter et al. (2008) investigates that diversity impacts the financial performance of a firm and they study the three functions of the board director remuneration, executive compensation and audit in this regard.

This discussion on the gender diversity in context of board of director also includes the studies performed on board heterogeneity. Erhardt, Werbel & Shrader (2003) in their study states the examination of relationship between firm financial performance and the demographic diversity of the boards. In their study, correlation and regression analysis were used and it indicates that the board diversity and financial performance are positively associated in this regard (Erhardt et al., 2003). Rose (2007) indicated that the Danish boardrooms are still largely dominated by men and there is no significant evidence of relationship between firm performance and female representation.

When it comes to the female directors' representation in boardrooms compared in Asian and Anglo-American contexts, there is a big difference as indicated by Yi (2012). According to Yi (2012), only 8.1% of the directors composed of female directors in China, 6.4% in Singapore and 7.8% in Malaysia as compared with the same figures which are 15% in UK and 16.1% in US. Hence, a big difference can be observed by taking into account the presented figures.

Tacheva and Huse (2006) states that the presence of women on the board affect the performance of the company and their findings suggests that number of women on board has a negative impact on the service task and the financial controls, which are two of the important factors of the board of directors. The study also suggests that effects of women on board also differs by the nature in case of team effectiveness in context of tasks performed (Tacheva & Huse, 2006).

In literature, the strategic involvement of women directors has been analysed as well and based on the primary data of 120 Norwegian firms, it has been found that the women directors influence the strategic decision making of the board through their contributions (Nielsen & Huse, 2010). The study also suggests that if the women are thought of an unequal board member, it can reduce their potential decision making capability (Nielsen & Huse, 2010).

The study also suggests that there is a positive relationship between the firm profitability and the board gender diversity (Lehobo, 2011). Lehobo (2011) states that a company on proiftability grounds is successful than others if the key measures ROA (Return on Assets), ROE (Return on Equity) and ROS (Return on Sales) are higher than the other companies with less number of female directors in this regard. If a company wants to innovate in terms of creative skills, it is also dependent on the presence of good percentage of women on board and it will also ensure a better working environment for the females by accommodating them at top positions (Cox & Blake, 1991).

There is sufficient literature available in context of Pakistan in terms of gender diversity and firm performance. A study conducted by Mirza, Mehmood, Andleeb and Rizwan (2012) suggests that inclusion of female directors in a company can bring a decline in the performance of that company. They also presented an argument regarding the view of the society women are destructive, disturbing, less confident, not well educated and avoids risk taking (Mirza et al., 2012). According to Yaseer (2012) it has been suggested that there is no significant relationship between the firm performance and the board gender diversity. Shafique, Idress and Yousaf (2014) suggests that the women on board have a significant impact on the performance of firm profitability and they also suggest that the presence of female CEO has nothing to do with the performance of the firm.

THEORETICAL FRAMEWORK

The theoretical framework of this study is based on two theories, the agency theory and the resource dependency theory. These theories are explained as follows:

AGENCY THEORY

The agency theorists suggest that the ownership and the management of a company are two different aspects and when manager is working in self-interest is not always in the best interest of the owners (shareholders) in this regard as the basic function of a manager is to work in a way to maximize the shareholder's wealth (Ujunwa et al., 2019). The role of board of directors in this case of agency problems is critical as they are considered as one of the many factors which can control such problems (Fama & Jensen, 1983). Hence, the presence of female directors is expected to reduce the tensions between the owners and the managers as the board of directors is expected to perform a mediating role in case of a conflict (Ujunwa et al., 2019). According to Dang, Nguyen & Vo (2013) female directors can be more engaged in terms of asking questions and highlighting different aspects into the boardroom. According to Carter et

al. (2013) the diversity is expected to increase the board independence due to the people in the board will be belonging to different culture, gender and ethnicity will raise certain points which are not expected to be raised by the directors of traditional background.

RESOURCE DEPENDENCY THEORY

According to the Pfeffer & Salancik (1978), the resource dependency theory states that the companies in order to survive in the market, rely on the external resources. A total of four benefits have been illustrated by the resource dependency theory including creation of communication with the constituents, creation of legitimacy, availability of specific resources and benefits from external linkages (Pfeffer & Salancik, 1978). The role of board of directors is critical in the case of managing external dependency (Pfeffer & Salancik, 1978). A board having a composition of diversified directors will bring heterogeneous experience, information, skill and potential links to the constituencies (Hillman, Cannella, & Paetzold, 2000). According to Hillman et al. (2000), the companies can respond to the changes which are occurring in their external environment by strategically making changes in their board. Hence, this view of diversity is similar to the one presented by Dang et al. (2013) that the women directors are desirable due to their legitimacy, skills, prestige, knowledge and links with the external sources of dependency.

Hence, based on the two theories, the theoretical framework has been illustrated as follows:
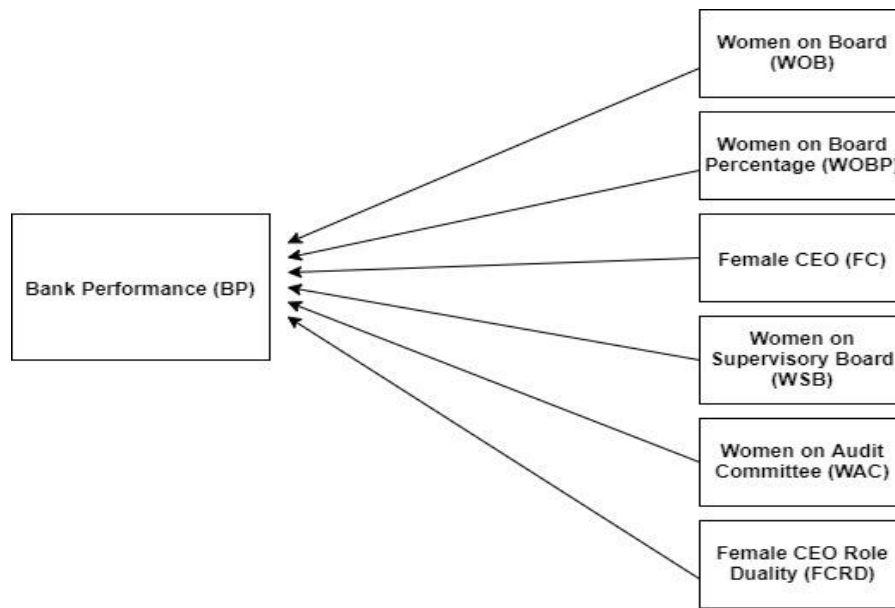
RESEARCH HYPOTHESES

The hypotheses of this study are based on the determinants of board diversity. One of the key characteristics of the board diversity is the gender and according to Javed, Saeed, Lodhi and Malik (2013) that even in developed countries, the women representation on board is low; for example, it is 12.4% in United States, 6.4% in United Kingdom and only 5% in Canada. Hence, a number of studies have provided the evidence that the firm performance is positively influenced by the presence of women directors (for example, Carter et al., 2003; Erhardt et al., 2003).

Hence, the following hypotheses are suggested for this study:

H1: The presence of women on board has a significant impact on the bank performance.

H2: The percentage of women on board has a significant impact on the bank performance.

H3: The presence of female CEO has a significant impact on the bank performance.

H4: The presence of women on supervisory board has a significant impact on the bank performance.

H5: The presence of women on audit committee has a significant impact on the bank performance.

H6: The female CEO duality has a significant impact on the bank performance.

DATA AND METHOD

The data and research methodology have been presented in the following sections:

RESEARCH MODEL

This study is based on the determination of the impact of board gender diversity on the financial performance of conventional and Islamic banks in context of Pakistan. This study includes a total of 7 variables out of which 6 variables are independent and 1 is dependent. The variables in form of a multiple regression model are illustrated as follows:

$$BP_{it} = \alpha + \beta_1 WOB_{it} + \beta_2 WOBP_{it} + \beta_3 FC_{it} + \beta_4 WSB_{it} + \beta_5 WAC_{it} + \beta_6 FCRD_{it}$$

Where:

BP = Bank Performance

WOB = Women on Board

WOBP = Women on Board Percentage

FC= Female CEO

WSB = Women on Supervisory Board

WAC = Women on Audit Committee

FCRD = Female CEO Role Duality

MEASUREMENT OF VARIABLES

The measurement of variables has been illustrated in the following table:

Variable	Type
Bank Performance	Dependent Variable
Women on Board	Independent Variable
Women on Board Percentage	Independent Variable
Female CEO	Dummy Variable
Women on Supervisory Board	Independent Variable
Women on Audit Committee	Independent Variable
Female CEO Role Duality	Dummy Variable

TABLE 1: CLASSIFICATION OF VARIABLES

Bank Performance is to be measured by Return on Assets (calculated by taking the ratio of sales revenue to total assets) and Price/Earnings Ratio (calculated by taking the ratio of market price per share to earnings per share**). Women on Board** represents the total number of women directors on board and **Women on Board Percentage** is calculated by dividing the number of female directors on the board by total number of directors. **Female CEO** is a dummy variable which will take the value of 1 if there is a female CEO otherwise 0. **Women on Supervisory Board** reflects the number of women on supervisory board and the **Women on Audit Committee** represents the strength of women on audit committee of the bank. **Female CEO Role Duality** is a dummy variable which will take the value of 1 if there is role duality otherwise 0. Hence, based on the measurements, the research model is re-written as follows:

$$ROA_{it} = \alpha + \beta_1 WOB_{it} + \beta_2 WOBP_{it} + \beta_3 FC_{it} + \beta_4 WSB_{it} + \beta_5 WAC_{it} + \beta_6 FCRD_{it}$$

And:

$$P/E\ Ratio_{it} = \alpha + \beta_1 WOB_{it} + \beta_2 WOBP_{it} + \beta_3 FC_{it} + \beta_4 WSB_{it} + \beta_5 WAC_{it} + \beta_6 FCRD_{it}$$

DATA AND SAMPLE

This study is based the comparison of conventional and Islamic banks of Pakistan in context of board gender diversity. The secondary data has been used and obtained from the financial statements of the selected sample banks. A total of 12 banks from Pakistan are selected (6 Conventional and 6 Islamic). The time period of study is from 2008 to 2018 (11 years) and hence making a total 132 data observations. The sample of banks has been selected from Pakistan Stock Exchange in this regard. The analysis on conventional and Islamic banks has been performed separately according to the research model.

RESULTS OF THE STUDY

This study has been conducted in order to determine the impact of board gender diversity on the financial performance of banks (a comparison between conventional and Islamic banks) in context of Pakistan. Hence, based on a sample 12 banks, the results of the study have been produced with the help of IBM SPSS as follows in terms of descriptive statistics, correlation analysis and regression analysis.

DESCRIPTIVE STATISTICS

The key descriptions of the data have been presented in the following sections comparing conventional and Islamic banks.

CONVENTIONAL BANKS

The descriptive statistics on the basis of 66 observations of the data indicates that the minimum return on assets during the period of time is -1.56% and the maximum ROA is 103.00% and the average ROA is 8.00%. The minimum P/E ratio is -9.70 times and the maximum is 28.18 along with the average P/E ratio being 7.32 times. The maximum number of women on board is 2 and the mean is 0.20. It reflects that in case of Pakistan, the ratio of female board members

is very low. According to the sample, no female member is the CEO of a bank and only 2 members were found during the course of analysis on the audit committee of the board. The role duality in case of female board members is also nil.

Descriptive Statistics					
Variable	**N**	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
ROA	66	-1.56%	103.00%	8.00%	23.15%
P/E	66	-9.70	28.18	7.32	5.09
WOB	66	0	2	.20	.503
WOBP	66	0.00%	50.00%	3.33%	10.77%
FC	66	0	0	.00	.000
WSB	66	0	0	.00	.000
WAC	66	0	2	.11	.434
FCRD	66	0	0	.00	.000
Valid N (list wise)	66				

TABLE 2: DESCRIPTIVE STATISTICS - CONVENTIONAL BANKS

ISLAMIC BANKS

The descriptive statistics on the basis of 66 observations of the data indicates that the minimum return on assets during the period of time is -5.12% and the maximum ROA is 1.91% and the average ROA is 0.39%. It indicates that the Islamic banks are making less return on assets as compared to the conventional banks. The minimum P/E ratio is -65.90 times and the maximum is 160.20 along with the average P/E ratio being 8.81 times and on the basis of average P/E ratio, Islamic banks are performing better. The maximum number of women on board is 1 and the mean is 0.80. It reflects that in case of Pakistan, the ratio of female board members on

Islamic banks is also very low. There is no female CEO nor female member on supervisory board in this regard and the female role duality is also absent.

Descriptive Statistics					
Variable	N	Minimum	Maximum	Mean	Std. Deviation
ROA	66	-5.12%	1.91%	0.39%	1.01%
P/E	66	-65.90	160.20	8.81	24.41
WOB	66	0	1	.08	.267
WOBP	66	0.00%	10.00%	0.65%	2.30%
FC	66	0	0	.00	.00
WSB	66	0	0	.00	.00
WAC	66	0	0	.00	.00
FCRD	66	0	0	.00	.00
Valid N (list wise)	66				

TABLE 3: DESCRIPTIVE STATISTICS - ISLAMIC BANKS

CORRELATION ANALYSIS

The Pearson correlation analysis have been performed in the following sections in terms of conventional and Islamic banks:

CONVENTIONAL BANKS

Due to constant variables, a number of correlations were not possible to be computed but there are some combinations which are significant. For example, the correlation between Women on Board (WOB) and Women on Board Percentage (WOBP) is significant at the level of 0.01. Similarly, the correlation between WAC & WOB and WAC & WOBP is also positive and significant.

Correlations		ROA	P/E	WOB	WOBP	FC	WSB	WAC	FCRD
ROA	**Pearson Correlation**	1	-.046	-.109	-.085	.a	.a	-.066	.a
	Sig. (2-tailed)		.716	.386	.498	.	.	.598	.
P/E	**Pearson Correlation**	-.046	1	.079	.036	.a	.a	.020	.a
	Sig. (2-tailed)	.716		.529	.776	.	.	.872	.
WOB	**Pearson Correlation**	-.109	.079	1	.929**	.a	.a	.819**	.a
	Sig. (2-tailed)	.386	.529		.000	.	.	.000	.
WOBP	**Pearson Correlation**	-.085	.036	.929**	1	.a	.a	.965**	.a
	Sig. (2-tailed)	.498	.776	.000		.	.	.000	.
FC	**Pearson Correlation**	.a	.a	.a	.a	.a	.a	.a	.a
	Sig. (2-tailed)	.	.	.	.	.		.	.
WSB	**Pearson Correlation**	.a	.a	.a	.a	.a	.a	.a	.a
	Sig. (2-tailed)	.	.	.	.	.		.	.
WAC	**Pearson Correlation**	-.066	.020	.819**	.965**	.a	.a	1	.a
	Sig. (2-tailed)	.598	.872	.000	.000	.	.		.
FCRD	**Pearson Correlation**	.a	.a	.a	.a	.a	.a	.a	.a
	Sig. (2-tailed)	.	.	.	.	.	.	.	

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

a. Cannot be computed because at least one of the variables is constant.

c. List wise N=66

TABLE 4: CORRELATION MATRIX - CONVENTIONAL BANKS

ISLAMIC BANKS

In case of Islamic banks, a number of correlations have not been computed due to the constant variables. In terms of significant relations, the correlation between WOB and WOBP is positive and significant in this regard.

Correlations		ROA	P/E	WOB	WOBP	FC	WSB	WAC	FCRD
ROA	**Pearson Correlation**	1	.091	.185	.186	.a	.a	.a	.a
	Sig. (2-tailed)		.465	.136	.136	.	.	.	.
P/E	**Pearson Correlation**	.091	1	.019	.018	.a	.a	.a	.a
	Sig. (2-tailed)	.465		.880	.887	.	.	.	.
WOB	**Pearson Correlation**	.185	.019	1	.994**	.a	.a	.a	.a
	Sig. (2-tailed)	.136	.880		.000	.	.	.	.
WOBP	**Pearson Correlation**	.186	.018	.994**	1	.a	.a	.a	.a
	Sig. (2-tailed)	.136	.887	.000		.	.	.	.
FC	**Pearson Correlation**	.a	.a	.a	.a	.a	.a	.a	.a
	Sig. (2-tailed)	.	.	.	.		.	.	.
WSB	**Pearson Correlation**	.a	.a	.a	.a	.a	.a	.a	.a
	Sig. (2-tailed)	.	.	.	.	.		.	.
WAC	**Pearson Correlation**	.a	.a	.a	.a	.a	.a	.a	.a
	Sig. (2-tailed)	.	.	.	.	.	.		.
FCRD	**Pearson Correlation**	.a	.a	.a	.a	.a	.a	.a	.a
	Sig. (2-tailed)	.	.	.	.	.	.	.	

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

a. Cannot be computed because at least one of the variables is constant.

c. List wise N=66

TABLE 5: CORRELATION MATRIX - ISLAMIC BANKS

REGRESSION ANALYSIS

The regression analysis has been performed to determine the validity of the research hypotheses. The regression analysis has been divided into two components, first one performed for conventional banks and the other one for the Islamic banks. In each analysis, there are two models, in which one model is with ROA as a dependent variable and the other model is with P/E ratio as a dependent variable. The independent variables in both models are the same with their respective data series.

CONVENTIONAL BANKS

The model summary in context of conventional banks states a coefficient of determination of 0.014 which means only 1.4% of the variation in dependent variable is explained by the independent variables. This states a weaker or non-significant impact of independent variables on the dependent variable in this regard. This model has been presented for dependent variable (ROA) in this case.

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.117a	.014	-.034	23.54%
a. Predictors: (Constant), WAC, WOB, WOBP				

TABLE 6: MODEL SUMMARY - CONVENTIONAL BANKS (ROA AS DEPENDENT VARIABLE)

In this model, some variables have been excluded due to constant values and the excluded variables includes FC, WSB and FCRD in this regard. The coefficients of the other variables have been presented in the following summary.

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	9.138	3.144		2.906	.005
WOB	-10.995	25.658	-.239	-.429	.670
WOBP	.378	2.612	.176	.145	.886
WAC	-2.140	41.814	-.040	-.051	.959
a. Dependent Variable: ROA					

TABLE 7: COEFFICIENTS SUMMARY - CONVENTIONAL BANKS (ROA AS DEPENDENT VARIABLE)

The results of the coefficients in case of conventional banks states that there is a negative and insignificant relationship between ROA and WOB due to which one can fail to reject the null hypothesis that there is bank performance is not significantly influenced by the number of women on board. There is a positive and insignificant relationship between return on assets and the women on board percentage due to which the null hypothesis can't be rejected that bank performance is not significantly influenced by women on board percentage. The last relationship between ROA and WAC is negative and non-significant hence which fails to reject the null hypothesis that bank performance is influenced by the presence of women on audit committee in this regard.

The second model in the case of conventional banks have been presented which states similar results like the first model with a coefficient of determination of 0.022 which indicates that only 2.2% of the variation in the dependent variable is explained by the independent variables.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
2	.147a	.022	-.026	5.16
a. Predictors: (Constant), WAC, WOB, WOBP				

TABLE 8: MODEL SUMMARY - CONVENTIONAL BANKS (P/E AS DEPENDENT VARIABLE)

The results suggested by the individual coefficients in case of price earnings ratio taken as an independent variable, indicates P/E has a positive and non-significant relationship with WOB, a negative and non-significant relationship with WOBP and a positive and non-significant relationship with WAC. Based on the coefficients, the null hypotheses have been failed reject and there is no evidence of price earnings ratio of conventional banks being influenced by the number of women on board, the women on board percentage and the number of women on audit committee.

Coefficients						
Model	**Unstandardized Coefficients**		**Standardized Coefficients**		**t**	**Sig.**
	B	**Std. Error**	**Beta**			
2 **(Constant)**	7.089	.690			10.277	.000
WOB	5.894	5.629	.581		1.047	.299
WOBP	-.440	.573	-.930		-.768	.445
WAC	5.186	9.173	.442		.565	.574
a. Dependent Variable: P/E						

TABLE 9: COEFFICIENTS SUMMARY - CONVENTIONAL BANKS (P/E AS DEPENDENT VARIABLE)

ISLAMIC BANKS

In the case of Islamic banks, the results are not much different and same methodology has been adopted by keeping ROA as dependent variable in the first model (Model 3) and P/E Ratio as a dependent variable in the second model (Model 4). The following model states a coefficient of determination of 0.035 which means only 3.5% of the variation in dependent variable is explained by the independent variables.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
3	.186a	.035	.004	1.01%
a. Predictors: (Constant), WOBP, WOB				

TABLE 10: MODEL SUMMARY - ISLAMIC BANKS (ROA AS DEPENDENT VARIABLE)

Due to constant variables, a number of variables have been excluded from the analysis and the result suggests that there is a positive and insignificant relationship between ROA and WOB. A similar relationship is also observed between ROA and WOBP. Hence, based on the findings of the following coefficients, one may fail to reject the null hypothesis that bank performance is not predicted by the women on board or the women on board percentage in case of Islamic banks.

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
3	(Constant)	.337	.130		2.59	.012
	WOB	.273	4.140	.072	.066	.948
	WOBP	.050	.479	.114	.105	.917
a. Dependent Variable: ROA						

TABLE 11: COEFFICIENTS SUMMARY - ISLAMIC BANKS (ROA AS DEPENDENT VARIABLE)

The following model indicates a coefficient of determination of 0.000 which states there is no explanation made by independent variables in the dependent variables.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
4	.021a	.000	-.031	24.79
a. Predictors: (Constant), WOBP, WOB				

TABLE 12: MODEL SUMMARY - ISLAMIC BANKS (P/E AS DEPENDENT VARIABLE)

The results of individual coefficients have been insignificant as well in case of keeping P/E ratio as a dependent variable and hence state that the bank performance is not influenced by the women on board and women on board percentage in case of Pakistani Islamic banks.

Coefficients						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
4	**(Constant)**	8.680	3.175		2.73	.008
	WOB	8.917	101.347	.097	.088	.930
	WOBP	-.836	11.735	-.079	-.071	.943
a. Dependent Variable: P/E						

TABLE 13: COEFFICIENTS SUMMARY - ISLAMIC BANKS (P/E AS DEPENDENT VARIABLE)

Hence, based on the above the regression analysis, it has been found that the bank performance is not influenced or predicted by the board gender diversity in context of Pakistani conventional and Islamic banks. The results of the study fail to reject the null hypotheses that the bank performance is predicted by the gender diversity characteristics (women on board, women on board percentage, female CEO, women on audit committee and female CEO role duality).

CONCLUSIONS

The objective of this study was to present a view that whether the performance of banks is predicted by the board gender diversity or not. The results of the study suggest that there is no evidence in context of Pakistani banks that their performance (measured in terms of return on assets and price earnings ratio) is influenced by the gender diversity traits (number of women on board, women on board percentage, female CEO, female CEO role duality, number of women on audit committee and the number of women on supervisory board). The findings of the study are consistent with the findings of Kilic (2015) that women on board don't necessary

return in increased financial performance. Kilic (2015) indicated a low level of female representation of the female on the bank boards in Turkey and a lower level has been indicated in case of Pakistani banks as well from this study.

This study has some policy recommendations based on the results. First, the ratio of female board members which in case of Pakistani banks is only 3.33% in case of conventional banks and only 0.65% in case of Islamic banks should be increased. Second, according to the arguments of Carter et al. (2013), the board diversity in terms of including female members is expected to increase the board independence as people in the board will have a different view (based on culture, gender and ethnicity) than the directors having a traditional background. Third, the ethical issues can be eliminated in the board rooms arising due to the under-representation of women in this regard (Nekhili & Gatfaoui, 2013). Hence, the policy makers in case of Pakistani banking sector need to make certain reforms so that the proportion of female directors in case of conventional and Islamic banks should be increased to cover the gap of gender diversity.

This paper has certain limitations, the first one is due to the sample size and if a larger sample consisting of banks from different countries, the results might differ. The future studies can also include the performance review of the banks based on different timespans (performance before women inclusion and performance after women inclusion). The impact of other key variables like impact of foreign directors, director's age, experience, financial expertise and time spent on board can also be accounted for the purpose of analysis.

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