

EXPANDED ABSTRACT

The gender issue at the boards of directors of co-operative banks

Objectives

Even though management talent is not, or should not be, a gender-related question, the smaller representation that women have in the executive governing bodies of companies is a well-known fact. Achieving adequate gender diversity on corporate boards does not only constitute a challenge on a level of ethics, policy and corporate social responsibility, it can also be an objective of efficiency, the veracity of which should be examined.

Starting from this point of view, the aim of this work is to analyze if an increase in the feminine presence in the Boards of Management of companies leads to an improvement of its economic profitability (measured by the Rentability over Assets -RoA-). Specifically, for this research, we have opted for a sectoral analysis of credit cooperatives, which have been expressly elected for being non-listed financial entities, as well as being very homogeneous in their business model, both for its territorial nature and for the retail banking model implemented. Additionally these entities incorporate the cooperative principles as a differentiating element of its corporate culture.

The intention is nor to analyze the possible barriers that currently exist for the promotion of women to managerial positions, since they have already been included in several studies that analyze this issue, including the case of Spain (Ribas and Sajardo, 2005; Mateos et. al., 2010; Esteban, 2013). On the contrary, we want to know to which extent gender diversity affects the performance of credit unions both as companies and as financial institutions.

Methodological approach

The methodology that has been applied is based on the Generalized Method of Moments (GMM), used for the estimation of a dynamic linear equation with a panel composed of 78 entities during the period 2000-2014. This has been using the best source of public data of the sector; the Spanish Association of Credit Unions (UNACC).

The dependent variable in the model is the economic profitability or rentability over assets (RoA), being the independent variables two measures of gender (proportion of female counselors and gender diversity on boards) and several main indicators of the economic and financial structure of the entities (efficiency, financial profitability, leverage, financial gap and solvency). Firstly, to run the analysis, the independent variables have been included on an individual basis, and then the impact of those rela-

ted to gender through their interaction with the remaining independent variables, differentiating in both cases the effect according to the economic cycle.

Results/Implications/Limitations

The results obtained show the low female presence in the councils of the credit unions, since, on average, the proportion of female counselors reaches only 7.7% of the total membership, all of which explains the low value of the average Arithmetic of the Blau index (0,12), since these are not diversified Councils. Therefore, these results confirm that Spanish credit cooperatives have a gender gap even greater than the listed companies, both from Spain (13% in 2014) and from Europe (21% in 2015), according to the Spencer Stuart Board of Directors' Index (2015) and the European Commission (2016), respectively, which may be explained by the lack of regulation on mandatory gender quotas in their Boards.

The results also indicate that the existence of a greater proportion of women on the boards of these entities contributed positively to improving their rentability over assets (RoA) through increased rentability over equity (RoE) and financial leverage. However, during the period of economic crisis (from 2008 to 2014) for each percentage point that the proportion of women in the council increased, the rentability over assets (RoA) was reduced by 2.39%, the rest of the variables remaining constant.

The analysis of the research hypotheses allows us to observe, firstly, that the gender diversity in the Boards of Directors of the credit cooperatives analyzed is an important element to be taken into account in explaining the evolution of their rentability over assets (RoA), as well as through other economic-financial magnitudes, such as financial profitability, leverage or efficiency (H1 hypothesis). Secondly, the results obtained show that the effect of gender on the rentability over assets (RoA) has been subordinated to the existing economic cycle, since a negative impact is shown directly from 2008 onwards. Indirectly, through financial profitability and efficiency, the role of women has gone from being positive to zero or negative after the beginning of the crisis, depending on the proportion of women or gender diversity, respectively, as well as through the financial gap, therefore the negative effect (H2 hypothesis) becomes more intense.

Conclusions/Findings

As a main conclusion, it is possible to emphasize that the economic crisis has conditioned both the direct impact of the analyzed variables and the indirect one of gender in profitability. Thus, when we analyze the direct effect of women on the rentability over assets (RoA), we can see that the relationship between women and men is null or negative depending on the economic cycle, while the impact is both positive and negative, depending on the indirect approach used.

This study has tried to fill a gap in the literature that analyzes the effect of gender on business profitability, such as the analysis in a sector of unlisted companies and for a broad period of time, which allows to contemplate different scenarios according to the economic cycle. In order to do this, a dyna-

mic linear equation has been estimated by working with a panel of 78 Spanish cooperative credit institutions during the period 2000-2014 using the MGM. By doing this, it has been possible to measure both the direct impact of the proportion of women counselors and gender heterogeneity in the rentability over assets (RoA), as well as the consequences of the interaction with other variables, differentiating in both cases, whether this effect has been conditioned to the financial crisis in Spain (2008-2014).

A further improvement of this research could be a qualitative aspect of a more difficult measurement that can be approached with a different methodology, analyzing the capacity of influence on the decisions that each woman can have on the rest of the members of the board in relation with deliberations and decision-making. This problem statement would mean focusing in the analysis of female leadership that can help understand the results obtained in this work, since the numerical increase in the number of women in boards cannot provide differentiation if they do not exercise the appropriate leadership in boards, that are generally composed of an average of 10 to 12 members.

This study has been conditioned by a series of limitations, among which, fundamentally, are the non-possession and inclusion of data and valuations on certain characteristics that can be conditioned to the effect of gender on business performance, such as the characteristics of governance and the type of tasks performed by women on the boards.

From another point of view, due to the fact that credit unions have a social purpose, it should be of interest to analyze other aspects of governance that allow studying not only the impact of women on the economic profitability of this entities, but also the possible effect that they may have in their social profitability, all of which stands as future lines of research.

KEYWORDS: Board of directors, Gender, Co-operative Banks, Profitability, Social Economy.