

EXTENDED ABSTRACT

THE IMPACT OF FEMALE DIRECTORS ON CORPORATE SOCIAL RESPONSIBILITY: A STUDY OF LISTED BANKS IN SRI LANKA

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Abstract

This study aims to examine the impact of female members of the board of directors on Corporate Social Responsibility (CSR) of listed banks in Sri Lanka from 2016 to 2020. Pearson Correlation Coefficients and step wise regression employed to find the relationship between female directors and CSR reporting. All the listed banks in Colombo Stock Exchange selected for the study. The results expose that the proportion of female directors in board has strong positive association with environmental, production and customer, human resource, community involvement and overall CSR reporting. As representation of female on corporate boards in Sri Lankan banks is limited at this moment. This study can contribute to policymakers and managers across the world who are interested in the role of female directors.

Keywords: Corporate social responsibility, female directors, listed banks

1. Introduction

Corporate Social Responsibility (CSR) has been getting importance in organizations due to mounting concern in society. After 2000's CSR became contemporary thought in business and organizations give more concentration on CSR for the sustainable development and economic stability of the organization. Therefore, the board of directors' concern were expanded from shareholders to stakeholders. The regulations related to reporting standard, International Financial Reporting Standards (IFRS), also insisted to disclose CSR activities in the financial reports. IFRS bring it as voluntary disclosure in corporate financial reporting and in Sri Lanka it's a mandatory disclosure for banking and finance sector (CBSL, 2006). Previous CSR related studies strongly concluded CSR has significant positive impact on corporate performances of business (Kuldeep & Madhvendra, 2021; Sang et al., 2019; Duaa & Ahmed , 2021). However, board diversity is one of the factors determine the CSR in the organizations. The debate on gender diversity in board has been getting more important because gender diversity affect CSR activities. Empirical researchers arguing on gender diversity and their ethical behaviors and responsibilities on society through business. Along with liberal feminism, females are able to achieve educational and career goals easily (Ayesha et al., 2011). Accordingly the percentage of female participation in workforce and board membership increased in Sri Lankan listed companies (IFC, 2019). Therefore, objective of the study is to examine the female board of directors and CSR activities in listed banks in Sri Lanka.

2. Literature Review

Ayman and Hong (2019) found that there is a significant positive relationship between the number of female directors and the level of CSR disclosure in the Arab Gulf states. Furthermore, the board gender diversity is positively associated with the level of CSR reporting in Bahrain and Kuwait. Similarly, the findings reveal that there is a weak positive relationship between the presence of female on the boards and CSR reporting index in Oman, Qatar, Saudi Arabia and the UAE. Board gender diversity is expected to have a positive impact on CSR activities. Female directors are more motivated to promote their firms' social practices because of their psychological characteristics, unlike their male colleagues, that possibly will create them more sensitive to diverse groups of stakeholders' claims (Jain & Jamali, 2019).

In Sri Lanka, it is found that the diversity of board characters positively impacts on CSR. Sri Lankan's female directors have a positive effect on CSR disclosure, which indicates that female on a board may improve CSR. Hence business able to improve their values and growth (Pratheepkanth & Arulvel, 2020). Mohammad et al. (2014) investigate the effects of gender diversity on CSR. Their results showed that despite of qualified superiority of female placement to the CSR, however there is no significance variances between male and female's positioning to the CSR activities. Previous studies found multiple results on gender diversity and CSR and so this study aim to fulfill this gap in emerging market.

3. Methodology

All the listed banks in Colombo stock exchange selected for the analysis. After civil war, banking environment in Sri Lanka has undergone many regulatory and financial developments. These developments have brought about many structural changes in the sector. Banks establish strategies to perform multitasks to achieve values, sustainability and acknowledge and respond to their obligations to the society. Banks secondary data were collected from 2016 to 2020 through the published annual reports. The dependent variable CSR was calculated with CSR index (Sang et al., 2019).

$$\sum r_j/n \text{ (} r_j = 1 \text{ if the } j \text{ item is disclosed, } r_j = 0 \text{ if the item is not disclosed, } n = \text{ No of items)}$$

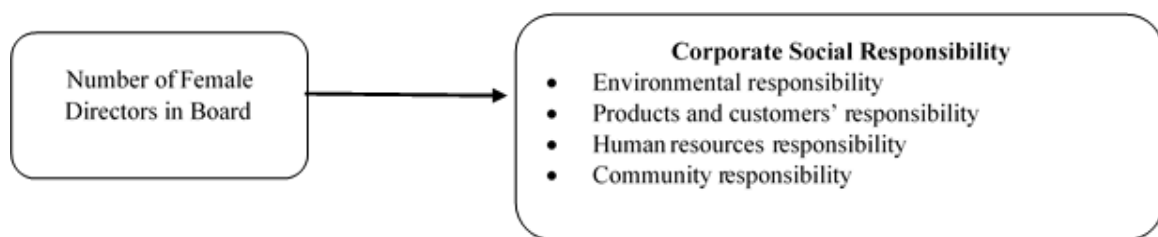


Figure 1. Conceptual Framework (Cho, Chung, and Young 2019)

4. Hypotheses

H1: There is a significant relationship between female directors and CSR.

- H1a: There is a positive relationship between female directors and environmental responsibility
- H1b: There is a positive relationship between female directors and products and customers' responsibility
- H1c: There is a positive relationship between female directors and human resources responsibility
- H1d: There is a positive relationship between female directors and community responsibility

5. Analysis

Table 1 shows Descriptive Statistics, which indicates all the banks have at least one female director in their board meanwhile DFCC bank has 5 female directors in 2020. In 2019, HNB has lowest female participation in board, which is one female director out of 15 directors (6.67%) consequently HDFC has higher female participation in board, which has 3 female directors out of 5 directors (60%). Environmental CSR index is higher in banks while production and customer base CSR index shows the lower values. Individually Ammana bank indicates the lowest overall CSR in 2017 while union bank disclosed the highest CSR activities in 2017. Overall in 2019 and 2020 banks show minimal CSR activities, because of Easter attack and COVID-19 pandemic banks may struggle to reach the society as a whole (Arachchi & Gnanapala, 2020).

Table 1. Descriptive Statistic

Variable	Obs	Mean	Std. Dev.	Min	Max
Female	60	2.05	1.080254	1	5
Total	60	11.16667	1.932476	5	15
Wome%	60	18.73633	11.09037	6.67	60
Env	60	0.270333	0.217746	0.07	0.72
Product	60	0.053667	0.025376	0.02	0.13
HR	60	0.128167	0.145701	0.03	0.63
Comm	60	0.152236	0.097799	0.05	0.5
CSR	60	0.0225	0.009851	0.01	0.06

Source: STATA

Table 2. Pearson Correlation Coefficients

	Female	Total	Wome%	Env	Product	HR	Comm	CSR
Female	1							
Total	0.134	1						
Wome%	0.8589	-0.2645	1					
Env	0.2062	0.3131	0.0911	1				
Product	0.1552	0.068	0.1093	-0.0376	1			
HR	0.1857	0.0314	0.1821	0.217	-0.0312	1		
Comm	0.1892	0.1995	0.2968	0.2476	-0.0001	-0.0426	1	
CSR	0.219	0.3428	0.0192	0.2991	0.4712	0.2595	0.4664	1

Source: STATA

Table 2, Pearson Correlation Coefficients results, shows the relationship between female participation and CSR variables. All type of CSR variables shows a positive correlation with the female director's participation in board. Moreover, there is a positive correlation between board female directors and environmental CSR but there is no statistical significant relationship with 5% significant level ($p > 0.05$), while percentage of female directors has strong positive correlation with production and customer, human resource, community related CSR ($p = 0.0057, 0.0063, 0.0213$). Overall CSR has strong positive correlation with number of female directors in board, total board members and percentage of female members on board ($p = 0.0092, 0.0073, 0.0085$).

Table 3 provides results of Stepwise Regression Models. Environmental CSR R^2 is 0.038796 indicates 3.8% of the in variation in environmental CSR explains by number of female board membership similarly variation in product and customer CSR explains 11.8%, variation in human resources CSR explains 8.2%, variation in community CSR explains 3.6%, and variation in overall CSR explains 16.7% by number of female board membership. while p value of environmental, product and customer, human resource, community and overall CSR flowingly 0.00134, 0.00995, 0.016931, 0.014481, 0.02729 which means female board membership highly significant to this model ($p < 0.05$).

Table 3. Stepwise Regression Models

Term	Coefficient	T Stat	Prob T	Partial R ²	Adjusted R ²
Panel A : Environment CSR					
Intercept	0.354362703	5.877561	0.00		
SumFemDir	-0.039766841	1.51678	0.00134	0.038796	0.021932
Panel B: Production and Customer CSR					
Intercept	0.05943184	8.657675	0.00		
SumFemDir	-0.003115837	1.04378	0.00995	0.118755	0.001154
Panel C: Human Resource CSR					
Intercept	0.179179561	4.408849	0.00		
SumFemDir	-0.024601741	-1.39205	0.016931	0.082879	0.015912
Panel D: Community Involvement CSR					
Intercept	0.117035499	4.275861	0.00		
SumFemDir	0.017596499	1.478371	0.014481	0.036928	0.020032
Panel E: Overall CSR					
Intercept	0.02685988	11.50408	0.00		
SumFemDir	-0.002058608	-2.02756	0.02729	0.167271	0.050907

Source: STATA

6. Conclusion

This study closely examined the female directors and CSR performance relationship using secondary data of all listed banks for the period of 2016–2020 in Sri Lanka. The female board members have significantly associates with bank's CSR. This results supports with the previous studies (Ayman

& Hong, 2019; Mohammad et al., 2014). The number of females in board is strongly correlated with social responsibility in three areas (production and customer, human resource and community involvement), with overall social responsibility. While environmental CSR significance is lower than other CSR components. The results indicate female directors in board are willing to express and initiate their concerns about CSR. The findings suggest that the firms which focus sustainability have perfect incentives to devote their resources to CSR initiatives through effective gender mix board of director. Because having female directors in the corporate boardroom can make a positive difference in firms' CSR behavior. It can lead to implications in CSR by all of those policymakers and managers across the world who are interested in the role of female directors. This study provides new insights and contributes to the emerging country literature on the practices of female board of directors and CSR reporting.

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