

GENDER DIVERSITY IN BOARD OF DIRECTORS AND AUDIT REPORTS LAG: EVIDENCE FROM INDONESIA

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ABSTRAK

Di sejumlah negara dan wilayah yang semakin bertambah, penerapan kuota gender dalam dewan perusahaan telah banyak dibahas, namun Indonesia bukan salah satunya. Tujuan dari penelitian ini adalah untuk mengkaji hubungan antara keberagaman gender dalam dewan perusahaan dan keterlambatan laporan audit dengan menggunakan bukti empiris. Data yang digunakan dalam penelitian ini berasal dari 2.937 observasi dari seluruh perusahaan publik di Indonesia dari tahun 2012 hingga 2020. Hipotesis yang diajukan diuji menggunakan metode regresi efek tetap (fixed effect), serta uji ketahanan lain yang menunjukkan hasil yang kokoh. Temuan dari penelitian ini mengungkapkan bahwa adanya keberagaman gender dalam dewan, terutama di dewan direksi, mendukung peningkatan keterlambatan laporan audit. Namun, jika keberagaman gender terjadi di dewan komisaris, hal ini tidak memiliki signifikansi terhadap panjangnya keterlambatan laporan audit. Selanjutnya, penelitian ini juga menemukan bahwa ketika dewan perusahaan mencapai keberagaman maksimum, keterlambatan laporan audit meningkat. Ini adalah penelitian pertama yang memberikan bukti tentang dampak keberagaman gender dalam dewan terhadap keterlambatan laporan audit di Indonesia. Sebagai hasilnya, para pemangku kepentingan akan sangat diuntungkan dari penelitian ini ketika mempertimbangkan adopsi keberagaman gender dalam dewan perusahaan.

Kata kunci: keberagaman gender, dewan perusahaan, keterlambatan laporan audit, kualitas pelaporan keuangan, tata Kelola.

ABSTRACT

In numerous countries, the establishment of gender quotas on corporate boards has been widely considered. However, Indonesia is not one of them. The research's purpose is to explore the association between gender diversity on corporate boards and audit report lag with a form of empirical data. From 2012 to 2020, there were 2,937 observations from all publicly traded Indonesian enterprises. The proposed hypothesis is tested with the fixed effect regression approach, and further robustness checks show that the conclusion is robust. The study's findings demonstrated that having gender diversity on the board, in particular on the board of directors, improves the enhancement of the audit report lag. However, if gender diversity occurs in the board of commissioners, it has no effect on the length of the audit report lag. Furthermore, this study also reveals that the audit report latency increases when the company's board achieves maximal diversity. Its first evidence indicates the impact of gender diversity on board firms on audit report lag evidence from Indonesia. The stakeholders will benefit significantly from this study regarding implementing gender diversity on corporate boards.

Key words: gender diversity, corporate boards, audit report lag, financial reporting quality, governance.

INTRODUCTION

Throughout this decade, despite being able to compete with their male counterparts, women still need to be represented in corporate boards and executive roles (Reddy

and Jadhav, 2019; Terjesen et al., 2015). It raises ethical issues, as many organizations have been urged to break down career barriers in top management positions. Empowered by this concern, researchers and

academics have shown efforts to seek evidence of women's involvement in corporate performance as board members. Indeed, the presence of women on boards is associated with improved corporate performance (Tleubayev et al., 2020), higher financial performance (Isidro and Sobral, 2015; Martínez and Rambaud, 2019), and even increased governance and monitoring efforts, leading to further considerations and foundations for promoting gender diversity in boards.

According to some studies, the participation of women in corporate boards only sometimes influences the company's success (Gordini and Rancati, 2017; Herrera-Cano and Gonzalez-Perez, 2019). However, conversely, some research has found concrete benefits to adding women's representation to corporate boards. According to Kilic (2015), women on boards are more compassionate and universally caring than their male counterparts and, importantly, less power-oriented. They are also more concerned about safety but are willing to take risks. Additionally, Nadeem et al., (2019) found that having more women on boards can decrease risks while increasing profits.

Women in high-level positions have also been shown to reduce agency costs and demonstrate better presence (Ain et al., 2021). In other words, women on boards have been proven to have significant positive benefits and provide balance to boards consisting solely of men. Thus, gender diversity on boards should be encouraged. Additionally, companies that mandate gender diversity on their boards are found to be more ethical; for example, they are more transparent in disclosing information (Ben-Amar et al., 2017; DeBoskey et al., 2018; Saggat et al., 2021), promote better environmental practices (García Martín and Herrero, 2020), and corporate social responsibility (Boukattaya and Omri, 2021; Dang et al., 2020). As a result, several countries, including Norway, Denmark, Belgium, Finland, France, Iceland, and others, have decided to implement laws requiring gender quotas in companies (Terjesen et al., 2015).

In 2021, Poland was among the highest in implementing gender diversity on boards, with a rate of 22.9% (Deloitte, 2022). On the other hand, Indonesia is one of the countries that has not been very vocal about gender quota policies. According to research conducted by Deloitte (2022), gender diversity on boards in Indonesia is relatively low, with only 8.3% of female representation in board seats, which is far behind its neighboring countries, Singapore and Thailand, with 17.6% and 17.8% representation, respectively. In Indonesia, there is no fixed percentage requirement for women on boards, although women must make up one-third of political party candidates in legislative elections. Unfortunately, even with this requirement, the representation still falls below the set target of 20.5% (Deloitte, 2022).

Furthermore, research has found that implementing gender diversity on boards correlates with the quality of financial reporting. According to Dobija et al., (2022), having a more significant proportion of women on boards is associated with better quality financial reporting in companies listed in Poland, as Poland is one country that complies with gender quota laws, increasing the number of gender representatives on boards. The quality of financial reporting, as defined by the Financial Accounting Standards Board (FASB), refers to financial statements that provide factual and objective information about a company's performance, financial position, and economic serviceability. High-quality financial reporting is a hallmark of trustworthy and ethical companies.

Additionally, several qualitative attributes determine the quality of financial reporting, among which timeliness is crucial (Xie et al., 2020). When a company discloses its financial reports publicly promptly, it contributes to the functioning of the economy, particularly in the capital markets (Lourenço et al., 2018). Some studies have indicated various methods to measure timeliness. Companies typically have fixed dates for their fiscal year-end and disclosures of when auditors sign off on financial state-

ments. The duration or number of days between these two dates is known as the audit report lag, which is a method to calculate the timeliness of financial reporting (Herath and Albarqi, 2017). Blankley et al., (2015) reported that the longer the audit report lags, the higher the likelihood of future restatements, which also signifies poor financial reporting quality. Therefore, this study will examine whether board gender diversity correlates with audit report lag. We hypothesize that gender-diverse boards will contribute to the company's efforts to ensure superior accounting quality before audits occur, thus reducing the audit report lag.

For these reasons, this research will contribute to the academic literature. Firstly, a lack of research in Indonesia depicts how gender diversity on boards correlates with audit report lag. Secondly, this research could serve as a basis for the Indonesian government to consider forming gender quota laws that promote equality. Furthermore, despite the increasing number of studies conducted to explain the presence and roles of women on corporate boards (Bhuiyan et al., 2020; Fernández-Méndez and Pathan, 2022; Tosun et al., 2022; Martínez and Rambaud, 2019), this research fills the gap by focusing on board diversity, which considers representation of both men and women. Focusing on gender diversity on corporate boards will provide a fair and balanced analysis from both sides, thus yielding broader insights into the impact of cooperation between genders within organizations, unlike other researchers who only examine one gender.

Due to the abovementioned reasons, the researchers aim to investigate the relationship between gender diversity on corporate boards and how it affects audit report delays in listed Indonesian public companies. Gender diversity on boards, measured by the Blau Index, is the independent variable in this study, while Audit Report Delay is the dependent variable. This research utilizes a sample from companies listed on the

Indonesia Stock Exchange from 2011 to 2020. The study will be structured into five sections: Introduction, Literature Review, Research Design, Results and Discussion, and Conclusion.

THEORETICAL REVIEW

Indonesia is one of the countries that utilizes a two-tier system for corporate boards. This structure separates supervisory and executive tasks into two bodies: the Board of Commissioners, responsible for oversight, and the Board of Directors, which controls the company's day-to-day operations. These senior management bodies must collaborate to fulfill their separate responsibilities to achieve optimal company performance. Furthermore, previous research has indicated that boards implementing gender diversity benefit the company's overall performance. Gender diversity on their boards is found to be more ethical; for instance, they are more transparent in disclosing information (Ben-Amar et al., 2017; DeBoskey et al., 2018; Saggat et al., 2021), promote better environmental practices (García Martín and Herrero, 2020; Xie et al., 2020), and engage in corporate social responsibility initiatives (Boukattaya and Omri, 2021; Dang et al., 2020). Additionally, boards representing women and men in their seats are more effective in advisory and oversight functions (Kim and Starks, 2016; Reguera-Alvarado et al., 2017).

This study refers to the Upper Echelon Theory and the Resource Dependence Theory. The Upper Echelon Theory discusses how top executives interpret situations, challenges, or decisions they face, influenced by their experiences, values, and personalities. The theory influences strategic choices and the organization's effectiveness (Hambrick, 2007). This theory argues that the executive team's individual characteristics determine the organization's outcomes and decisions (Hambrick and Mason, 1984). Since the introduction of the Upper Echelon Theory, financial research has provided ample evidence that top managers, especially CEOs and CFOs, have a significant impact on

financial reporting decisions (Plöckinger et al., 2016) and that their experiences, values, and traits influence the quality of financial reporting (Hrazdil et al., 2022, 2024). This theory helps us assess whether gender diversity among key executives creates a unique cognitive framework that positively influences the quality of financial reporting compared to teams dominated solely by men (Hrazdil et al., 2023).

The Resource Dependence Theory is popularly utilized in governance studies (Pfeffer and Salancik, 2015; Reddy and Jadhav, 2019; Wijethilake et al., 2015). This theory depicts organizations as open systems closely interconnected with their external environments (Wijethilake et al., 2015). The Resource Dependence Theory associates the benefits of gender-diverse partners with their distinct resources, such as expertise, experience, and information flow channels (Pfeffer and Salancik, 2015). The inherent socialized differences in characteristics and experiences make men and women evaluate the same evidence using different perspectives, experiences, inherent traits (Eagly and Wood, 1991), and distinct communication styles (Tannen, 1990). The effectiveness of gender diversity on corporate boards documented in prior literature Cumming et al., (2015) can be extended to corporate executive duos. Hrazdil et al., (2023) hypothesize that differences in socialized experiences and traits summarized in the previous section make it more likely that executive officers in a gender-diverse duo bring more diverse perspectives to financial reporting compared to all-male or all-female duos. This effect of perspective expansion indicates a potential increase in the quality of financial reporting when both male and female executives are present, as opposed to when only male or female executives are present.

Hypothesis Development

The benefits of having a gender-diverse board can strengthen evidence of improved financial reporting quality. Several studies indicate that gender-diverse boards have a

positive impact on financial reporting quality (Davis and Garcia-Cestona, 2021; Dobija et al., 2022; Oradi and Izadi, 2020), while others suggest that, due to various other aspects within the board, gender diversity on boards can have a negative impact on financial reporting quality (Bhuiyan et al., 2020). One attribute that enhances financial reporting is audit report delays. According to Blankley et al., (2015), longer audit report delays increase the likelihood of future restatements, indicating low financial reporting quality. Furthermore, in line with critical mass theory, even though still a minority, female directors can influence board culture and decisions (Oradi and Izadi, 2020). Boards in Indonesia are still predominantly male-dominated; therefore, the presence of female board members in Indonesia becomes crucial to bring balance to the board.

On the other hand, the presence of both male and female representation on boards, along with contributions from members with significant expertise in their fields, can create various new perspectives that decrease the risk of fraud and misrepresentation (Wahid, 2017). However, Chen et al., (2016) explored weaknesses in internal controls, where gender-diverse boards might disprove the critical mass theory. Therefore, due to the differences in previous research, this study employs a non-directional hypothesis, as indicated below.

- H₁: Gender diversity on boards has a different audit report delay level than gender-homogeneous boards.
- H₂: Gender diversity on the Board of Commissioners has a different level of audit report delay compared to gender-homogeneous Boards of Commissioners.
- H₃: Gender diversity on the Board of Directors has a different level of audit report delay compared to gender-homogeneous Boards of Directors.

RESEARCH METHOD

The data for this research will be sourced from the Indonesia Stock Exchange (IDX),

annual reports disclosed on the company's official websites, and the OSIRIS database. This study relies on secondary data collected from the annual reports of all companies listed on the Indonesia Stock Exchange for the years 2012-2020 and from the OSIRIS Database. In total, this research utilizes 2,937 observations. The sample selection process is outlined in the table 1.

Table 1
Sample Selection

Description	Total
Total data from the companies listed in IDX from 2012-2020	7.845
Less: Data from SIC 6 companies	(1.704)
Less: Missing data	(3.204)
Final Sample	2.937

Source: processed data by author

Audit Report Delay is the dependent variable in this study. High-quality financial reporting provides analysts with valuable, relevant, complete, and error-free data to assess a company's performance and prospects. Timely financial reporting indicates the board's efforts to maintain financial data quality before audits, resulting in fewer financial restatements. We use audit report delay by focusing on the duration between the company's fiscal year-end date and the day of the audit report signing to measure timeliness.

This research employs three independent variables. The first variable is gender diversity on corporate boards, depicting the participation of both women and men on the company's board, gender diversity on the Board of Commissioners, and gender diversity on the Board of Directors. These variables are referred to as BLAU, BLAUBOC, and BLAUBOD in this study, as they utilize the Blau Index as the measurement method. The square of the fraction of males and females is added to the Blau calculation. The situation becomes more diverse (heterogeneous) if one gender's

proportion reaches 50%, whereas if one group is all male or all female, the situation becomes more homogeneous. Therefore, the index results range from 0 to 5 (Blau, 1977). The Blau Index is widely used to calculate board diversity variables, especially concerning gender. This index is used because it considers both group proportions, such as the proportion of female and male board members. Therefore, the research aims to provide a balanced view of gender diversity research, which does not solely focus on one gender. Various studies have utilized the Blau Index to measure gender diversity (Dobija et al., 2022; Ren and Zeng, 2022; Saggat et al., 2021; Sultana et al., 2015). The calculation for the gender diversity variable on corporate boards according to the Blau Index is as follows:

$$BLAU = 1 - \sum P_i^2$$

Where BLAU is the board's Blau Index score. P represents the proportion of the group present in the company (women and men working on the board), and i is the number of categories divided between women and men on the board.

This research incorporates various control variables based on previous studies (Davis and Garcia-Cestona, 2021; Dobija et al., 2022; Golmohammadi Shuraki et al., 2021; Harymawan, 2020) to avoid and minimize biased results, control variables include both firm characteristic variables and governance variables. Firm characteristic variables comprise Profitability (ROE), Loss (LOSS), Leverage (LEV), Company Size (FSIZE), Growth (GROWTH), Inventory (INV), and Capital Intensity (CAPINT). Governance variables include affiliation with Big Four public accounting firms (BIG4) and board size (BOARD SIZE). Variable operational shows in the table 2.

This research employs fixed-effects regression to test the hypotheses. This regression is used to address variations across different industries or years. The following regression model is used to evaluate the hypotheses.

Table 2
Variable Operational

Variable	Measurement	Data Source
Independent Variable		
Blau Index		
Gender Diversity on the Board (BLAU)		Annual Report
Gender Diversity on the Board of Commissioners (BLAUBOC)		Annual Report
Gender Diversity on the Board (BLAU)		Annual Report
Dependent Variable		
Financial Reporting Quality (ARL)	The number of days between the fiscal year-end date and the day when the audit report is signed.	Annual Report
Control Variable		
Profitability (ROE)	Profit before tax divided by total equity	OSIRIS
Loss (LOSS)	Total company losses	OSIRIS
Leverage (LEV)	Total liabilities divided by total assets	OSIRIS
Firm Size (FSIZE)	Natural logarithm of total assets	OSIRIS
Growth (GROWTH)	The change in sales compared to last year	OSIRIS
Inventory (INV)	Total inventory divided by total assets	OSIRIS
Capital Intensity (CAPINT)	Total PPE divided by total assets	OSIRIS
Big 4 (BIG4)	Affiliation with public accounting firm	Annual Report
Board Size (BOARDSIZE)	The total number of commissioners and directors in the company	Annual Report

Source: processed data by author

$$H_1: ARL_i = \beta_0 + \beta_1 BLAU_i + \beta_2 ROE_{i,t} + \beta_3 LOSS_{i,t} + \beta_4 LEV_{i,t} + \beta_4 FSIZE_{i,t} + \beta_5 GROWTH_i + \beta_6 INV_i + \beta_7 CAPINT_{i,t} + \beta_8 BIG4_{i,t} + \beta_9 BOARDSIZE_{i,t} + \epsilon_{i,t}$$

$$H_2: ARL_i = \beta_0 + \beta_1 BLAUBOC_i + \beta_2 ROE_{i,t} + \beta_3 LOSS_{i,t} + \beta_4 LEV_{i,t} + \beta_4 FSIZE_{i,t} + \beta_5 GROWTH_i + \beta_6 INV_i + \beta_7 CAPINT_{i,t} + \beta_8 BIG4_{i,t} + \beta_9 BOARDSIZE_{i,t} + \epsilon_{i,t}$$

$$H_3: ARL_i = \beta_0 + \beta_1 BLAUBOD_i + \beta_2 ROE_{i,t} + \beta_3 LOSS_{i,t} + \beta_4 LEV_{i,t} + \beta_4 FSIZE_{i,t} + \beta_5 GROWTH_i + \beta_6 INV_i + \beta_7 CAPINT_{i,t} + \beta_8 BIG4_{i,t} + \beta_9 BOARDSIZE_{i,t} + \epsilon_{i,t}$$

ANALYSIS AND DISCUSSION

Preliminary analysis before the primary analysis provides broader information about the variables. The first preliminary analysis is descriptive statistics, as shown in table 3. The average audit report delay in Indonesian companies is 84 days, as seen in the table

above. The shortest audit report delay is 34 days, obtained by PT Unilever Indonesia, and the most extended audit report delay is 272 days, conducted by Central Proteina Prima Tbk. Longer audit report delays may indicate that the company has undergone some restatements, implying poor financial reporting quality (Blankley et al., 2015; Oradi and Izadi, 2020).

The BLAU variable, which encompasses both the board of commissioners and the board of directors, measures the diversity of the company's board using the Blau Index. Although the Blau Index ranges from 0 to 5, we multiplied it by 100 for ease of measurement.

Table 3
Descriptive Statistics

	Mean	Median	Minimum	Maximum
ARL	84.815	83.000	34.000	272.000
BLAU	18.571	19.753	0.000	49.778
BLAUBOC	13.762	0.000	0.000	50.000
BLAUBOD	16.381	0.000	0.000	50.000
ROE	5.554	7.795	-156.970	88.140
LOSS	0.246	0.000	0.000	1.000
LEV	0.473	0.477	0.030	0.935
FSIZE	28.587	28.561	24.610	32.277
GROWTH	0.934	0.944	0.396	1.457
INV	0.142	0.110	0.000	0.565
CAPINT	0.380	0.349	0.002	0.910
BIG4	0.398	0.000	0.000	1.000
BOARDSIZE	8.904	8.000	4.000	18.000

Source: processed data by author

In this study, the smallest BLAU value is zero, indicating that some boards are homogeneous, and the highest BLAU value is 49.778, indicating nearly perfect variation. BLAUBOC and BLAUBOD, respectively, measure the diversity of the board of commissioners and the board of directors. BLAUBOC and BLAUBOD have a maximum value of zero, indicating that the board is filled with the same gender. BLAUBOD and BLAUBOD have a maximum value of 50, indicating that diversity has been achieved.

Then, we conducted a Pearson Correlation Analysis presented in table 4. The independent variables (BLAU and BLAUBOC) do not have a significant relationship with audit report delay, as seen in the table below (ARL). LOSS, LEV, GROWTH, and INV have a significant positive relationship with ARL, while ROE, FSIZE, BIG4, and BOARD SIZE have a strong negative relationship with ARL. BLAUBOC, BLAUBOD, ROE, and INV are variables that have a significant positive relationship with BLAU. BLAUBOD, LEV, and INV are factors that have a significant positive relationship with BLAUBOC. ROE, LEV, FSIZE, and INV are variables that have a significant positive relationship with BLAUBOD. The rest of the variables either

have a negative or no significant relationship.

In this study, the regression test used is multiple linear regression. The purpose is to use a multivariate approach to test the relationship between two variables. The relationship between two variables is modified by additional factors included in the regression when using the multivariate approach. The regression results from this study are displayed below.

Based on the table 5, the authors document a significant negative relationship between gender diversity on the board (BLAU) and audit report delay (ARL). Its correlation has a coefficient of -0.059 with a t-value of -2.08, which has a significance level of 5%. This coefficient indicates that every company with a diverse gender board will have a shorter audit report delay. A shorter ARL delay implies fewer restatements, improving financial reporting quality. These results confirm the first hypothesis.

Table 4
Pearson Correlation Analysis

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]
[1] ARL	1.000												
[2] BLAU	0.001 (0.934)	1.000											
[3] BLAUBOC	0.007 (0.685)	0.621*** (0.000)	1.000										
[4] BLAUBOD	-0.030* (0.099)	0.709*** (0.000)	0.030* (0.094)	1.000									
[5] ROE	-0.218*** (0.000)	0.030* (0.097)	0.026 (0.149)	0.035* (0.052)	1.000								
[6] LOSS	0.203*** (0.000)	-0.033* (0.067)	-0.055*** (0.002)	-0.029 (0.108)	-0.620*** (0.000)	1.000							
[7] LEV	0.051*** (0.005)	-0.043** (0.016)	0.062*** (0.001)	-0.067*** (0.000)	-0.249*** (0.000)	0.172*** (0.000)	1.000						
[8] FSIZE	-0.140*** (0.000)	-0.170*** (0.000)	-0.065*** (0.000)	-0.076*** (0.000)	0.133*** (0.000)	-0.122*** (0.000)	0.223*** (0.000)	1.000					
[9] GROWTH	0.117*** (0.000)	-0.002 (0.897)	-0.023 (0.199)	-0.000 (0.991)	-0.310*** (0.000)	0.295*** (0.000)	-0.034* (0.061)	-0.131*** (0.000)	1.000				
[10] INV	0.034* (0.062)	0.109*** (0.000)	0.097*** (0.000)	0.072*** (0.000)	0.087*** (0.000)	-0.097*** (0.000)	0.035* (0.061)	-0.213*** (0.000)	0.011 (0.544)	1.000			
[11] CAPINT	-0.001 (0.938)	-0.038** (0.034)	-0.000 (0.992)	-0.044** (0.013)	-0.145*** (0.000)	0.151*** (0.000)	0.100*** (0.000)	0.083*** (0.000)	0.068*** (0.000)	-0.379*** (0.000)	1.000		
[12] BIG4	-0.115*** (0.000)	-0.115*** (0.000)	-0.063*** (0.000)	-0.033* (0.067)	0.185*** (0.000)	-0.093*** (0.000)	0.001 (0.936)	0.405*** (0.000)	-0.040** (0.026)	-0.009 (0.637)	0.045** (0.011)	1.000	
[13] BOARDSIZE	-0.220*** (0.000)	-0.125*** (0.000)	-0.077*** (0.000)	0.011 (0.549)	0.170*** (0.000)	-0.147*** (0.000)	0.071*** (0.000)	0.637*** (0.000)	-0.088*** (0.000)	0.080*** (0.000)	0.036** (0.042)	0.390*** (0.000)	1.000

Source: processed data by author

Table 5
Regression Results for BLAU

	Predicted Sign	(1) ARL
BLAU	-	-0.059** (-2.08)
ROE	-	-0.073*** (-2.92)
LOSS	+	6.208*** (4.49)
LEV	+	6.429*** (2.65)
FSIZE	-	-0.628 (-1.51)
GROWTH	-	-2.441 (-0.75)
INV	+	9.142*** (2.06)
CAPINT	-	-2.687 (-1.24)
BIG4	+	0.284 (0.27)
BOARD SIZE	-	-1.038*** (-5.96)
CONS		104.153*** (8.94)
Year FE		Yes
Industry FE		Yes
F		24.574
Adjusted R ²		0.217
N		2937

Source: processed data by author

Two control variables, ROE and BOARD SIZE, show a significant negative relationship with ARL. ROE has a coefficient of -0.073 ($t=-2.92$). BOARD SIZE has a coefficient of -1.038 ($t=5.96$), both with a significance level of 1% that the higher the values of these two control variables, the lower the value of ARL, indicating that companies with high ROE and more people on the board will shorten the audit report delay. On the contrary, other control variables show a significant positive relationship with ARL, such as LOSS, LEV, and INV. These variables have coefficients of 6.208 ($t=4.49$), 6.429 ($t=2.65$), and 9.142 ($t=2.06$), all with a signi-

ficance level of 1%. These results indicate that the higher the values of these three variables, the higher the value of ARL, resulting in longer audit report delays.

Table 6
Regression Results for BLAUBOC

	Predicted Sign	(1) ARL
BLAUBOC	-	-0.022 (-0.99)
ROE	-	-0.074*** (-2.96)
LOSS	+	6.174*** (4.45)
LEV	+	6.681*** (2.74)
FSIZE	-	-0.562 (-1.35)
GROWTH	-	-2.367 (-0.73)
INV	+	8.733** (1.96)
CAPINT	-	-2.563 (-1.18)
BIG4	+	0.389

Source: processed data by author

Based on table 6, the authors document a non-significant negative relationship between gender diversity in the board of commissioners (BLAUBOC) and ARL. BLAUBOC has a coefficient of -0.022 with a t -value of -0.99. This result indicates that gender diversity in the board of commissioners is not associated with delays in the length of audit reports.

Table 7 presents the regression results for the third hypothesis. Gender diversity in the board of directors (BLAUBOD) is found to have a significant negative relationship with ARL. BLAUBOD has a coefficient of -0.044 ($t=-1.95$) with a significance level of 10%. This result indicates that gender-diverse boards of directors have shorter audit report delays. It ultimately enhances the quality of financial reporting. Therefore, the third hypothesis is accepted.

Table 7
Regression Results for BLAUBOD

	Predicted Sign	(1) ARL
BLAUBOD	-	-0.044* (-1.95)
ROE	-	-0.074*** (-2.96)
LOSS	+	6.240*** (4.52)
LEV	+	6.206** (2.55)
FSIZE	-	-0.629 (-1.50)
GROWTH	-	-2.404 (-0.74)
INV	+	9.026** (2.03)
CAPINT	-	-2.783 (-1.28)
BIG4	+	0.370 (0.35)
BOARD SIZE	-	-1.001*** (-5.70)

Source: processed data by author

Like previous results, ROE and BOARD SIZE show significant negative relationships with ARL, while LOSS, LEV, and INV exhibit significant positive relationships with ARL. Conversely, control variables FSIZE, GROWTH, CAPINT, and BIG4 do not have significant relationships with ARL.

Robustness Checks

To validate the findings in the primary analysis and ensure consistency across various situations and conditions, the researcher employs two robustness checks: the Two-Stage Heckman Regression and Coarsened Exact Matching (CEM). These methods are utilized to ensure this study's validity, reliability, and applicability to the greatest extent possible, consistent with the desired contributions.

Two-Stage Heckman Regression

The first robustness check to be conducted is the Two-Stage Heckman Regres-

sion. For this method, the study adopts instrumental variables, namely the probability of gender diversity in the board within an industry year (PROPBLAU, PROPBLAUBOC, PROPBLAUBOD). These variables are calculated by averaging the values of BLAU, BLAUBOC, and BLAUBOD within an industry year. These variables are expected to have a relationship with the independent variable but not the dependent one.

Table 8
BLAU Two-Stage Heckman Regression

	Predicted Sign	(1) BLAU	(2) ARL
main			
PROPBLAU	+	0.066*** (3.33)	
ROE		0.002* (1.74)	-0.069*** (-2.59)
LOSS	+/-	-0.108 (-1.42)	6.027*** (3.89)
LEV	-/+	0.101 (0.76)	6.626*** (2.65)
FSIZE	-	-0.116*** (-5.08)	-0.821 (-1.18)
GROWTH	-	-0.112 (-0.65)	-2.603 (-0.78)
INV	+	0.719*** (3.05)	10.303* (1.69)
CAPINT	-	-0.072 (-0.57)	-2.818 (-1.23)
BIG4	-	-0.198*** (-3.38)	-0.049 (-0.03)
BOARDSIZE	-	-0.036*** (-3.30)	-1.102*** (-4.31)
BLAU	-		-0.058** (-1.98)
MILLS	?		2.625 (0.35)
CONS		2.270*** (3.21)	107.118*** (7.32)
Year FE		Yes	Yes
Industry FE		Yes	Yes
F			22.693
Adjusted R ²			0.217
N		2937	2937

Source: processed data by author

Based on table 8, the PROPBLAU variable shows a significant relationship with BLAU in the first regression stage. So, organizations within a region (in the same industry and year) dominated by boards with gender diversity are more likely to have gender-diverse boards.

In the second stage of regression, gender diversity in the board (BLAU) shows a significant negative relationship with audit report lag (ARL). However, the newly added variable, MILLS, has no significant relationship with ARL. This result indicates that, despite adding the MILLS variable representing the outcome of the first regression stage, BLAU still exhibits a significant negative relationship with ARL, similar to the main regression results in table 9. Thus, the findings can be relied upon as the results from the Two-Stage Heckman Regression and the primary regression are consistent.

Based on table 9, the PROPBLAUBOC variable strongly correlates with BLAUBOC in the first regression stage. The result indicates that organizations with gender-diverse boards of commissioners are more likely to have gender-diverse boards of commissioners within the same industry and year.

Gender diversity in the board (BLAU) exhibits a small negative relationship with Audit Report Lag (ARL) in the second regression stage. Furthermore, the newly included MILLS variable has no significant relationship with ARL. Despite adding the MILLS variable representing findings from the first regression stage, these results indicate that the BLAUBOC results remain consistent with table 6. These findings are accepted because the results from the Two-Stage Heckman Regression and the primary regression are consistent.

The PROPBLAUBOD variable exhibits a strong relationship with BLAUBOD, as shown in table 10. They indicate that companies with gender-diverse boards of directors are more likely to have gender-diverse boards of directors within the same industry and year.

Table 9
BLAUBOC Two-Stage Heckman

	Predicted sign	(1) BLAU BOC	(2) ARL
main			
PROPBLAUBOC	+	0.059*** (4.06)	
ROE	-	0.001 (0.92)	-0.074*** (-2.93)
LOSS	+	-0.167** (-2.13)	6.212*** (3.65)
LEV	+	0.509*** (3.79)	6.569* (1.92)
FSIZE	-	0.018 (0.77)	-0.565 (-1.31)
GROWTH	-	-0.082 (-0.49)	-2.354 (-0.71)
INV	+	0.833*** (3.56)	8.551 (1.46)
CAPINT	-	0.197 (1.53)	-2.604 (-1.10)
BIG4	+	-0.131** (-2.22)	0.416 (0.33)
BOARDSIZE	+	0.015 (1.33)	-1.043*** (-5.29)
BLAUBOC	-		-0.022 (-0.96)
MILLS	?		-0.306 (-0.05)
CONS		-2.155*** (-3.14)	102.110*** (6.39)
Year FE		Yes	Yes
Industry FE		Yes	Yes
F			22.642
Adjusted R ²			0.216
N		2937	2937

Source: processed data by author

Gender diversity in the board of directors (BLAUBOD) shows a strong negative relationship with Audit Report Lag (ARL) in the second regression stage. However, the newly introduced MILLS variable has no significant relationship with ARL. Despite adding the MILLS variable representing findings from the first regression stage, these

results reveal that BLAUBOD still has a significant negative relationship with ARL, consistent with the main regression results in table 7. The findings can be relied on due to the consistency of the results in table 7.

Table 10
BLAUBOD Two-Stage Heckman

Predicted Sign		(1) BLAUBOD	(2) ARL
main			
PROPBLAUBOD	+	0.061*** (4.76)	
ROE	-	0.000 (0.06)	-0.073*** (-2.86)
LOSS	+	-0.044 (-0.58)	5.976*** (4.16)
LEV	+	-0.391*** (-3.02)	4.044 (1.36)
FSIZE	-	-0.080*** (-3.50)	-1.086** (-2.03)
GROWTH	-	-0.084 (-0.48)	-2.906 (-0.89)
INV	+	0.937*** (4.01)	14.145** (2.17)
CAPINT	-	-0.215* (-1.74)	-3.998* (-1.65)
BIG4	-	-0.084 (-1.45)	-0.087 (-0.08)
BOARDSIZE	-	0.077*** (7.13)	-0.573 (-1.61)
BLAUBOD	-/+		-0.041* (-1.78)
MILLS	?		8.484 (1.40)
CONS		0.684 (1.03)	104.086*** (8.70)
Year FE		Yes	Yes
Industry FE		Yes	Yes
F			23.040
Adjusted R ²			0.218
N		2937	2937

Source: processed data by author

Coarsened Exact Matching (CEM)

Coarsened Exact Matching (CEM) addresses endogeneity issues by focusing on

previously identified observed variables in the primary analytical regression model. CEM regression analysis aims to evaluate the research sample with similar characteristics, in this case, similar values across various variables. In this study, the CEM regression testing utilizes all control variables as the basis to determine sample similarity.

Table 11
BLAU Coarsened Exact Matching

Predicted Sign		(1) BLAUBOD	(2) ARL
main			
PROPBLAUBOD	+	0.061*** (4.76)	
ROE	-	0.000 (0.06)	-0.073*** (-2.86)
LOSS	+	-0.044 (-0.58)	5.976*** (4.16)
LEV	+	-0.391*** (-3.02)	4.044 (1.36)
FSIZE	-	-0.080*** (-3.50)	-1.086** (-2.03)
GROWTH	-	-0.084 (-0.48)	-2.906 (-0.89)
INV	+	0.937*** (4.01)	14.145** (2.17)
CAPINT	-	-0.215* (-1.74)	-3.998* (-1.65)
BIG4	-	-0.084 (-1.45)	-0.087 (-0.08)
BOARDSIZE	-	0.077*** (7.13)	-0.573 (-1.61)
BLAUBOD	-/+		-0.041* (-1.78)
MILLS	?		8.484 (1.40)
CONS		0.684 (1.03)	104.086*** (8.70)
Year FE		Yes	Yes
Industry FE		Yes	Yes
F			23.040
Adjusted R ²			0.218
N		2937	2937

Source: processed data by author

Based on table 11, the number of samples meeting the requirements for CEM regression is only 2,840 observations, with a difference of 97 samples compared to the primary analytical sample. The table above shows that BLAU has a significant negative relationship with ARL. The coefficient is -0.053 ($t=-1.80$), with a significance level of 10%. This result indicates that companies with diverse gender boards have shorter audit report lag, implying fewer restatements and, thus, higher financial reporting quality. Therefore, with the robustness testing of CEM, the result is robust.

Table 12
BLAUBOC Coarsened Exact Matching

	Predicted Sign	(1) ARL
BLAUBOC	-	-0.016 (-0.70)
ROE	-	-0.084*** (-3.06)
LOSS	+	5.491*** (3.67)
LEV	+	6.686*** (2.59)
FSIZE	-	-0.269 (-0.61)
GROWTH	-	-2.676 (-0.77)
INV	+	9.329* (1.81)
CAPINT	-	-3.087 (-1.36)
BIG4	+	0.433 (0.38)
BOARD SIZE	-	-1.204*** (-6.41)
CONS		95.100*** (7.71)
Year FE		Yes
Industry FE		Yes
F		23.182
Adjusted R ²		0.222
N		2799

Source: processed data by author

Table 13
BLAUBOD Coarsened Exact Matching

	Prediction Sign	(1) ARL
BLAUBOD	-	-0.044* (-1.85)
ROE	-	-0.074*** (-2.72)
LOSS	+	6.333*** (4.26)
LEV	+	6.420** (2.52)
FSIZE	-	-0.660 (-1.48)
GROWTH	-	-1.822 (-0.53)
INV	+	9.906* (1.92)
CAPINT	-	-3.358 (-1.48)
BIG4	+	0.415 (0.37)
BOARD SIZE	-	-0.987*** (-5.24)
CONS		103.630*** (8.37)
Year FE		Yes
Industry FE		Yes
F		23.455
Adjusted R ²		0.220
N		2827

Source: processed data by author

According to table 12, only 2,799 samples meet the requirements for CEM regression, with a difference of 138 samples compared to the primary analytical sample. As the table above shows, BLAUBOC has an insignificant negative relationship with ARL. The coefficient is -0.016 ($t=-0.70$). This finding suggests that having a diverse gender board of commissioners does not influence financial reporting quality. Due to the consistency of results and the robustness assessment of CEM, we can conclude that the result is robust.

Based on table 13, there are only 2,827 samples that meet the requirements for CEM

regression, with a difference of 110 samples compared to the primary analytical sample. As seen in the table above, BLAUBOD has a significant negative correlation with ARL. With a significance level of 10%, the coefficient is -0.044 ($t=-1.85$). This finding reveals that companies with diverse gender boards of directors have shorter audit report lag, implying fewer restatements and, consequently, higher financial reporting quality. As a result of the robustness assessment of CEM, it can be concluded that the result is substantial.

CONCLUSION AND SUGGESTIONS

With the emergence of homogeneous boards in Indonesia and the long silence of this country regarding gender quota laws, this research aims to examine gender diversity on corporate boards and audit report lag, as well as the relationship between the two. By exploring several samples from 2012 to 2020, the findings indicate that this relationship is negatively related and significant for the first (BLAU) and third (BLAUBOD) independent variables. In other words, companies with gender representation on boards, particularly BOD, have shorter audit report lag. Therefore, companies should have fewer restatements and enhance the quality of their financial reporting. Conversely, the relationship between gender diversity on the board of commissioners and audit report lag remains insignificant.

The robustness checks conducted in this study validate the primary analysis. The persistent favorable relationship found in various robustness tests indicates this. This study used two robustness tests, Two-Stage Heckman regression, and Coarsened Exact Matching (CEM) regression. Additionally, the research conducted additional analyses to further understand the relationship between the two variables. It was intended to determine whether overly diverse boards are significantly associated with corporate audit report delays. The study results indicate that overly diverse boards have longer audit report delays, which impact poorer financial

reporting quality. However, overly diverse board directors do not show a significant relationship with audit report delays. The results remain robust after two robustness checks, Coarsened Exact Matching, and Two-Stage Heckman Regression.

The findings of this study make various theoretical and practical advancements. Previously, no research has been done on the relationship between gender diversity on boards and financial reporting quality using companies listed on the Indonesian stock exchange as a sample. The theoretical implications of this research are that it provides new evidence challenging the critical mass theory.

This research has two practical implications. First, governments, investors, and other stakeholders can use the findings of this study to explore and consider implementing gender quota policies on corporate boards to enhance financial reporting quality. Second, gender diversity on boards in Indonesian companies indicates that these companies have reliable financial reporting quality. Good financial quality can ensure the company's long-term viability, public trust, and the proper functioning of capital markets.

However, several limitations to this study were during its execution. The first constraint is that the OSIRIS database contains data that needs to be included, such as financial data. From 2012 to 2020, there were 3,204 missing data points out of 7,845. The missing data mainly consisted of total assets collected from the OSIRIS database and the limited number of boards with male and female representation. Most Indonesian corporate boards are still homogeneous in terms of gender instead. Another issue is that Indonesian boards do not have gender quota regulations, which limit the number of samples. As a result of these constraints, researchers recommend that future researchers use other data centers to fill in the gaps, thereby improving the quality of the research.

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