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# Firm Performance and Financial Distress: The Moderation Role of Board Gender Diversity

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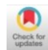

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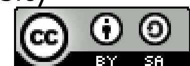
ABSTRACT

This study contributes to the understanding of financial distress by examining the role of gender diversity on corporate boards as a moderating variable in the relationship between company performance and financial distress. Focusing on the property and real estate sector, the research utilized a sample of 120 observations collected through purposive sampling techniques. The analysis was conducted using regression techniques to assess the impact of board gender diversity while controlling for company performance. Findings reveal that neither company performance nor board gender diversity alone has a significant relationship with financial distress. However, the study highlights the importance of board gender diversity as a moderating factor, suggesting that the composition of the board can influence the dynamics between a company's performance and its susceptibility to financial distress. The practical implications of this research are particularly relevant for companies in the property and real estate sector, as it underscores the need for balanced gender representation on boards. It suggests that shareholders should take care when selecting new board members, ensuring a well-rounded mix of male and female directors. This diversity is valuable because it brings together different perspectives, experiences, and expertise that can enhance decision-making processes, potentially leading to better management of financial risks and overall company performance. Ultimately, this study advocates for a more inclusive approach to corporate governance that recognizes the benefits of gender diversity in the boardroom.

Keyword: Financial Distress, Firm Performance, Board Gender Diversity



## INTRODUCTION

Uncertainty in economic conditions can have an impact on going concern aspects of a company. The uncertainty of economic conditions is represented by the Covid-19 pandemic that has occurred in Indonesia since 2020. The phenomenon of the Covid-19 pandemic that has hit various countries has triggered a severe economic crisis and caused an impact that has never been felt before in

financial markets globally (Tampakoudis et al., 2021). The framing of the global economy has shifted as a result of the Covid-19 pandemic (Vasenska et al., 2021) as well as having a severe impact on world economic activity (Liu et al., 2021).

Didier et al. (2021) explained that the Covid-19 pandemic has impacted economic activity worldwide. The uncertainty about its magnitude and duration resulted in the collapse of economic activity in various countries. Fassas et al. (2021) revealed that the ongoing impact of the Covid-19 pandemic could result in a recession for most of the world's economies. The most apparent economic consequences are the fall in sales and profitability of all firms (Fassas et al., 2021). Hu & Zhang (2021) revealed that the company's performance deteriorated during the Covid-19 pandemic.

One of the declines in the company's performance occurred in PT Bumi Serpong Damai Tbk, which recorded a sharp decline in the performance of the first quarter of 2020. The revenue of BSDE-coded issuers for the first quarter of 2020 fell 57.1 percent compared to the fourth quarter of 2019. Meanwhile, on an annual basis or YoY the decline was recorded at 8.2 percent. The results of the Apindo and Real Estate Indonesia (REI) study show that if the property industry and its derivatives are disrupted due to corona, then 30.34 million workers will be affected. The number of workers comes from two sources. First, as many as 19.17 million workers from the property sector. Second, as many as 11.18 million workers from industries related to the property sector. This downturn condition should be evaluated by property and real estate sector companies so as not to lead to financial distress.

Financial distress is a critical issue in recent decades (Balasubramanian et al. 2019). Dance and Made (2019) define financial distress as a condition where the company experiences financial difficulties that can cause the company to go bankrupt. Another definition is stated by Vegan Zones Dan Severin (2020) which states that financial distress is a form of failure where the company has difficulty fulfilling its obligations. While according to Paule-Vianez et al. (2019), financial distress Defined as a situation where a company has problems regarding solvency at various levels so that it cannot carry out its operational activities without assistance from external parties until it reaches bankruptcy and has to exit the market.

The economic consequences caused by the company are enormous, especially for Stakeholders related to public companies. The economic consequences of company failure are the potential for harm to the company, creditors, shareholders, government and employees (Jayasekera 2018; Sunarji and Sufyani 2017; Geng et al. 2015). Ben Jabeur (2017) explained that the failure of the company can affect the company's position and incur high costs for financial institutions if they lose most of the company's loans. Before going bankrupt, the company undergoes a long process where symptoms of difficulty appear several months or even a few before the company is declared bankrupt (Boratyńska and Grzegorzewska 2018). Thus, identifying the condition of the company's financial difficulties as early as possible is an important aspect for the company, financial institutions, investors and regulatory authorities involved (Choi et al. 2018; Shen et al. 2020).

Predictions regarding financial distress in a company useful for Stakeholders In taking strategic steps to overcome financial difficulties, helping employees and customers to identify companies with low bankruptcy risk and helping to investors and banks to allocate capital efficiently (Giannopoulos and Sigbjørnsen 2019). According to Khoja et al. (2019), predictors of financial difficulty can provide

warning signals as early as possible to creditors, investors, regulators, and other policymakers.

Companies can experience financial difficulties due to various factors. Factors that are alleged to be the cause of financial difficulties include continuous operating losses, deterioration of payments by customers, poor management of working capital, and various other reasons that result in a good economic position that cannot be maintained. Based on studies conducted by Shahwan (2015), explaining that the financial difficulties faced by the company can result from poor corporate governance. The separation of ownership and control in a company can create conflicts of interest between company owners (principal) with management (agent) as loaded on agency theory.

The main paradigms of Agency Theory First put forward by Jensen Meckling (1976) which states that agent not always acting in the interests of the owner (principal). Paradigm Agency Theory gave birth to important concepts about agency cost as an overall cost that must be borne by the owner of the company to ensure that the management acts in accordance with the interests of the owner of the company. Further, Altman and Hotchkiss (2006) explained that agency cost arising from the conflict of interest of the owner with the company's management can increase the threat of bankruptcy for the company.

Corporate governance in this study was reviewed by considering the female board of directors in the board of directors. Board gender diversity is considered to have a role in company performance. Hindasah &; Harsono (2021) explained that the presence of female directors is associated with supervisory attributes, including their presence as directors, independent directors, and positions as chairman, committee chair, and CEO chairman. The existence of female directors is also associated with the board's human capital attributes based on (1) demographics, including education level, business education, and nationality, and (2) relational board experience, which consists of the experience of directors (tenure), access to other boards (multiple directors), and the reputation of female board members.

Furthermore, the effect of gender diversity on performance can be grouped into financial and non-financial performance. Most studies use financial performance proxies, consisting of Return On Asset, Return On Equity, Profit margin, Tobin's Q, stock market liquidity, and abnormal returns. Some studies also link it to risk, profit management, and other measures of financial performance. While the proxy of non-financial performance is Corporate Social Responsibility (CSR), social performance, and other indicators.

According to Lee & Thong (2022), the company's performance has an influence on financial distress, and board gender diversity has an influence on company performance and financial distress. In this research, we developed research of Lee & Thong (2022). We assume that the effect of corporate performance on financial distress is moderated by a gender diversity board that reflects how corporate governance works. In the property and real estate sector in Indonesia, relatively few companies place women on the board of directors. Thus, further research on the role of women in the proportion of boards of directors is still needed.

On the study financial distress In different countries, various methods have been developed to analyze the conditions financial distress Among others, using the logit model (Mselmi et al., 2017;), artificial neural networks (Barboza et al., 2017), model deep learning (Mai et al., 2018; Ogachi dkk., 2020), discriminant analysis (Pham Vo Ninh et al., 2018; Švábová & Michalková, 2020; Agrawal & Maheshwari, 2019), logistic regression (Agrawal & Maheshwari, 2019; Shrivastava

et al., 2018; Barboza et al., 2017), multi-period logit model (Charalambakis & Garrett, 2019), CART binominal tree method (Švábová & Michalková, 2020), multiple binary regression logistic (Yazdanfar & Ohman, 2020), and decisions trees (Klepac & Hampel, 2017).

Research Previous financial distress, variable has a role to play in explaining variability financial distress among other characteristics of the company (e.g. Profitability leverage, liquidity, ratio of net working capital to total assets, ratio of retained earnings to total assets, inventory turnover, asset turnover, company size, propensity to pay dividends) (Charalambakis & Garrett, 2019; Moch et al., 2019; Ogachi dkk., 2020; Kisman &; Krisandi, 2019; Dewi & Wahyuliana, 2019; Tobback et al., 2017; Shrivastava et al., 2018; Yazdanfar & Ohman, 2020; Pham Vo Ninh et al., 2018), market factors (such as market value equity, volality equity and price) (Pham Vo Ninh et al., 2018), corporate governance (such as board structure and ownership structure) (Liang et al., 2016), and macroeconomic factors (such as export variables, growth rates in real GDP and the global financial crisis) (Yazdanfar & Ohman, 2020; Pham Vo Ninh et al., 2018; Charalambakis & Garrett, 2019). This research is a research that provides novelty by placing the gender diversity board as a moderator variable in the relationship between financial performance and financial distress. This study aims to provide empirical evidence on the role of moderation of the Gender Diversity Board on the relationship between company performance and financial distress.

This research is under the umbrella of agency theory. Basic assumptions of agency theory Namely the separation between ownership and company control. The main paradigm of agency theory Stated by Jensen dan Meckling (1976) states that Management as a contracted party by the owner of the company does not always act in accordance with the interests of the owner of the company. Paradigm Agency Theory gave birth to important concepts about agency cost. Agency cost is defined as the overall costs that must be borne by the owners of the company to ensure that management acts in accordance with the interests of the owners of the company.

The development of traditional theory has taken into account financial distress cost (bankruptcy cost) and agency conflicts (Altman & Hotchkiss, 2006). Altman (1968) measure the cost of bankruptcy through direct costs (e.g., costs for lawyers, accountants and opportunity costs lost due to the transfer of management while running the business) as well as indirect costs incurred as a result of lost sales and profits and increased costs from business activities when the company is in a state of financial difficulty (e.g. greater debt costs).

Veganzones Dan Severin (2020) states that financial distress is a form of failure where the company has difficulty fulfilling its obligations. While according to Paule-Vianez et al. (2019), financial distress Defined as a situation where a company has problems regarding solvency at various levels so that it cannot carry out its operational activities without assistance from external parties until it reaches bankruptcy and has to exit the market. Mousavi et al. (2015) explain the factors that cause the occurrence of financial distress comes from internal factors as well as external factors. Internal factors include lack of manager experience that causes managerial errors, adjustments to managerial structures, low commitment of company leaders, and poor company operational activities.

While external factors include the economic climate, industries that have experienced declines and changes in legislation. Ross et al., (2013) summarize previous studies and reveal that the condition financial distress can be represented through several conditions, namely (1) Business failure, It is a condition where the company is unable to pay its debts after being liquidated. (2) Legal

bankruptcy, is a condition where the company has been declared legally bankrupt. (3) Technical bankruptcy, It is a condition where the company is unable to fulfill the agreement on the principal and interest debt payment schedule. (4) Accounting bankruptcy, It is a condition where the company has a book value of net assets of negative value.

In this study, factors that are thought to have a role in financial distress are company performance and board gender diversity. The company's performance reflects the company's condition on the risk of corporate pressure and the risk of company difficulties (Lee & Thong, 2022). Corporate performance refers to aspects of reducing agency costs, improving the company's information environment and transparency, promoting innovation, improving the quality of financial reporting, reducing corporate risk-taking and reducing the tendency to commit fraud. Next, Board Gender Diversity defined as gender diversity in board members. The board's gender diversity drives better decision-making (Lee & Thong, 2022).

Gender diversity on the board of directors has a positive influence on company performance, through ROA performance (Arvanitis et al., 2022). ROA is one of the measurement indicators that can describe the quality of a company's performance when viewed from the management of its assets. According to Carmo et al. (2022), companies that have more gender diversity on directors have a higher ROA. While Gerged et al. (2022) stated that measures of board composition, such as board independence, board gender diversity and audit committee independence, significantly and negatively affect the likelihood of companies experiencing financial difficulties.

Guizani &; Abdalkrim (2022) state that board gender diversity can help improve board effectiveness by reducing the risk of financial distress. Diversity on the board can make it possible to increase the chances of more diverse consideration in each decision-making. As leadership teams become more diverse, enhanced monitoring can reduce monitoring costs, thereby affecting optimal incentive portfolios of stocks and options (Core & Guay, 1999 in Loh et al., 2022). Garcia & Herrero (2021) state that a greater number of women participation on boards can lead to a capital structure that reduces the likelihood of bankruptcy.

According to Guizani & Abdalkrim (2023), female directors act as powerful monitors, as they are considered more effective in strengthening supervision of managerial behavior. Women directors perform their monitoring responsibilities better, increase the legitimacy of the company, and expand the company's external resources, resulting in better board operations, which leads to better performance (Arvanitis et al., 2022). However, Loh et al. (2022) stated that the relationship between the gender diversity of directors and financial performance shows a curvilinear relationship, where financial performance benefits from a higher portion of women in leadership. However, consistent with the reasoning behind the theoretical concept of diversity, there are limits to such positive effects.

Female directors have a better record of board meeting attendance than male directors and CEO turnover correlates more strongly with poor stock return performance when the board's gender diversity increases. In addition, female executives show a higher tendency to comply with regulations and laws and women are more sensitive to ethical issues. Another study posits that board gender diversity improves company performance by reducing agency costs. Companies with a higher percentage of female directors on the board have lower debt costs. Furthermore, female directors are associated with more conservative financial accounting policies and a lower likelihood of manipulating financial statements. In addition, the board's gender diversity increases share price

information, increases dividend payments and reduces the likelihood of risk of falling share prices. According to Lee & Thong (2022), Gender diversity board has an influence on the company's performance.

Greater board diversity leads to lower volatility and better performance. The lower level of risk is largely due to diverse boards adopting more persistent and less risky financial policies. In addition, women are more conservative in their investment choices and less confident than men. The investment portfolio of female investors is less risky compared to male investors. Female executives are less confident than their male counterparts. The percentage of female directors is negatively related to leverage, cost of debt, and risk of financial distress.

Hartantri &; Elsye Hatane (2017) explained that governance proxied through board size has an influence on financial distress, while board composition has no influence on financial distress. According to Lee & Thong (2022), Gender diversity board has a relationship to financial distress. The company's financial difficulties refer to the risk that the borrower cannot repay his debt by the time it is due. Lower corporate risk-taking will translate into a lower risk of corporate financial distress. So, if a board's gender diversity is associated with lower corporate risk-taking, the risk of financial hardship should be lower in companies with a higher proportion of female directors on the board.

In this study, we assume that the proportion of female board of directors will affect how the company's performance will avoid or push the company into financial distress. The company's increasing performance, with the quality of good corporate governance through the diversity of the board, will prevent the company from being in financial distress.

## RESEARCH METHOD

This research belongs to the type of causal research. This type of research is conducted to investigate the causal relationship between the independent variable and the dependent variable (Sekaran Bougie, 2016). Causal research in this study Used to explain the relationship of company performance, board gender diversity, executive foreign experience towards financial distress. In this study, the population represents all property & real estate sector companies listed on the Indonesia Stock Exchange. Sampling is carried out using a non-random sampling method with purposive sampling techniques.

The method was chosen with the aim of obtaining research samples in accordance with the specified criteria. The sampling criteria used in this study include:

1. Property and real estate sector companies that consecutively list their shares on the Indonesia Stock Exchange for the 2018-2022 period;
2. Property and real estate sector companies successively publish financial statements and annual reports for the 2018-2022 period both on the official website of the Indonesia Stock Exchange and on the official website of the company;
3. Property and real estate sector companies have complete data related to financial distress indicators for the 2020-2021 period;
4. Property and real estate sector companies have complete data related to financial performance; and 5. Property and real estate sector companies have complete data related to gender diversity boards consecutively and are not valued at 0 for the 2020-2021 period. Based on these criteria, 24 companies were obtained that met the sampling criteria (120 observations).

This study used secondary data. Research data is obtained from financial statements and annual reports of companies published on the Indonesia Stock

Exchange and related company websites. The data is in the form of panel data, meaning a combination of cross section and time series data. In this study, the research variables consist of financial distress, company performance, Gender diversity board and executive foreign experience. Financial distress identified using Altman's Z-score (Lee & Thong, 2022), where the measurement scale is the ratio. Altman's Z-score formula is as follows:

Altman’s Z-score = 1.2 * (Working Capital/Total Assets) + 1.4 * (Retained Earnings/Total Assets) + 3.3 * (EBIT/Total Assets) + 0.6 * (Market Value of Equity/Total Liabilities) + (Sales/Total Assets)

The company's performance in this research is proxied by Return on Assets, which represents the ratio between net income and total assets. The measurement scale used is a ratio. Board gender diversity In this study it is proxied by the composition of the women's board divided by the number of boards in the company (Lee & Thong, 2022). The measurement scale used is a ratio. This study considered the control variables of company size. The size of the company is measured through the natural logarithm of total assets. Data analysis in research using inferential statistics to Inferential statistical methods in this study are carried out to estimate data so that statistical decision making can be done. Data analysis was performed using regression analysis techniques. Regression analysis in this study was conducted with the help of SPSS software version 22. The research model can be written as follows:

FD = b0 + b1 KP+ b2 BGD + b3 MODERASI (KP*BGD) + b3 UP + e

Information:
FD = Financial Distress
BGD = Board Gender Diversity
KP = Company Performance
B1- B4 = Variable coefficients
UP = Company size
E = error term.

RESULT AND DICUSSION
1. Goodness of Fit Regression Model
a. Coefficient of Determination

Based on the results of data processing in table 1, the value of the coefficient of determination is 0.765 or 76.5 percent. The value of the coefficient of determination concluded that 76.5 percent of financial distress variability was influenced by company performance, board gender diversity and moderation variables. Meanwhile, 23.5 percent were influenced by other variables outside the model.

Table 1. Coefficient of Determination Test Results

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .874a | .765 | .757 | 1.3534680 |

Source: processed data, 2023

b. Statistical Test F

Table 2. Statistical Test Results F

| ANOVA[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | df | Mean Square | F | Itself. |
| 1 | Regression | 690.338 | 4 | 172.585 | 94.212 | .000b |
| | Residual | 212.498 | 116 | 1.832 | | |
| | Total | 902.836 | 120 | | | |

Source: processed data, 2023

The results of statistical test F in this study show the conclusion that company performance variables, board gender diversity and moderation variables are proven simultaneously or together to have an influence on financial distress variables. This conclusion can be proven by the value of Prob>F (0.000) lower than the assumption of significance level (α=5%). Based on the results of the F Statistical Test, it proves that the regression model in this study has been precisely specified.

c. Statistical Test t

In this study, the results of the Statistical Test t generally stated that the company's performance variables did not have a significant influence or direct influence on financial distress variables. The gender diversity board variable did not have a significant influence on the financial distress variable. And board gender diversity has a significant influence as a moderation variable on the relationship between financial performance and financial distress. The results of the Statistical Test t regression model can be summarized through the following table:

Table 3. Statistical Test Results t

| Coefficients[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardize d Coefficients | t | Itself. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.082 | 2.060 | | .525 | .601 |
| | KP | -1.188 | 1.707 | -.328 | -.696 | .488 |
| | BGD | .377 | .684 | .027 | .551 | .583 |
| | Moderation | 30.291 | 11.701 | 1.206 | 2.589 | .011 |
| | UP | .021 | .068 | .016 | .304 | .761 |

Source: processed data, 2023

Statistical Test Analysis t in a quantitative approach is not only reviewed through the significance of each independent variable, but it is also necessary to consider the suitability of hypotheses built through literature review. The results of the statistical t test in table 3 show that the significance value obtained by the company's performance variable is 0.488 with a calculated t value of -0.696, which means that the company's performance does not have a significant effect on financial distress. Significance value in the variable of board gender diversity was obtained at 0.583 with a calculated t value of 0.551. A significance value of 0.583 indicates that board gender diversity has no direct influence on financial distress.

The significance value obtained by the moderation variable is 0.011 with a calculated t value of 2.589. A calculated t value of 2.589 indicates that the direction of the coefficient of the moderation variable is positive. The significance value of the Statistical Test t shows a value of 0.011 < the assumption of the significance level (α=5%) which means it is proven that the gender diversity board

variable has a role in moderating the relationship between company performance and financial distress.

2. Impact of Board Gender Diversity on Company Performance and Financial Distress: A Moderating Role in Corporate Risk Managemen

This study provides empirical evidence that company performance and board gender diversity do not have a direct influence on financial distress. The direction of the influence of company performance on financial distress which is negative represents that the higher the performance value, the lower the possibility of the company experiencing financial distress. In this study, it is proven that board gender diversity is a variable that moderates the relationship between company performance and financial distress. The direction of influence that is positive means that the gender diversity board strengthens the relationship between financial performance and financial distress. The company's financial difficulties refer to the risk that the borrower cannot repay his debt by the time it is due. Lower corporate risk-taking will translate into a lower risk of corporate financial distress. So, if board gender diversity is associated with lower corporate risk-taking, the risk of financial hardship should be lower in companies with a higher proportion of female directors on boards (Lee & Thong, 2022).

Female directors have a better record of board meeting attendance than male directors and CEO turnover correlates more strongly with poor stock return performance when the board's gender diversity increases. In addition, female executives show a higher tendency to comply with regulations and laws and women are more sensitive to ethical issues. Furthermore, female directors are associated with more conservative financial accounting policies and a lower likelihood of manipulating financial statements. In addition, the board's gender diversity increases share price information, increases dividend payments and reduces the likelihood of risk of falling share prices. So that Gender diversity board has an influence on company performance (Lee & Thong, 2022).

Greater board diversity leads to lower volatility and better performance. The lower level of risk is largely due to diverse boards adopting more persistent and less risky financial policies. In addition, women are more conservative in their investment choices and less confident than men. The investment portfolio of female investors is less risky compared to male investors. Female executives are less confident than their male counterparts. The percentage of female directors is negatively related to leverage, cost of debt, and risk of financial distress.

The results of this study support Guizani & Abdalkrim's (2022) research which states that board gender diversity can help improve board effectiveness by reducing the risk of financial distress. Diversity on the board can make it possible to increase the chances of more diverse consideration in each decision-making. As leadership teams become more diverse, enhanced monitoring can reduce monitoring costs, thereby impacting optimal incentive portfolios of stocks and options. Women directors serve as powerful monitors, as they are considered more effective in strengthening supervision of managerial behavior (Guizani &; Abdalkrim, 2023). Women directors perform their monitoring responsibilities better, increase the legitimacy of the company, and expand the company's external resources, resulting in better board operations, which leads to better performance (Arvanitis et al., 2022).

Because gender diversity on boards fosters a broader range of perspectives and approaches to governance, it enhances the quality of decision-making processes. This inclusivity allows for a more comprehensive evaluation of risks and opportunities, ultimately contributing to better organizational outcomes.

Furthermore, having women on boards strengthens the legitimacy and reputation of a company, making it more attractive to investors and stakeholders.

3. The future challenges and obstacles related to gender diversity

The future challenges and obstacles related to gender diversity on corporate boards and its impact on company performance and financial distress include several aspects:

a. Corporate Culture and Resistance to Change; Many companies still face internal resistance to implementing gender diversity at the board level. A corporate culture that tends to maintain the status quo and skepticism about women's abilities to hold strategic positions can be a significant barrier.
b. Gender Gap and Lack of Access to Opportunities ; The gender gap in corporate leadership remains a challenge, with women often facing limited access to business networks and mentors that could help them advance to board positions. This challenge may slow the progress toward increased gender diversity in many companies.
c. Awareness and Stakeholder Support; Not all company stakeholders fully understand the benefits of gender diversity. A future challenge will involve raising awareness among shareholders, investors, and regulators about the importance of gender diversity in improving company performance and reducing financial risk.
d. Gender Stereotypes and Perceptions; Stereotypes about women's roles and abilities in leadership positions still exist and could pose a challenge in the future. The perception that women are less competent in risk-taking or making strategic decisions needs to be shifted to build more trust in women's leadership capabilities.
e. Unsupportive Regulations and Policies; In some countries or industries, policies related to gender diversity are still weak. Without regulations that encourage or require companies to adopt gender diversity on their boards, progress will be slow. Stricter regulations may be necessary in the future to accelerate this change.
f. Global and Economic Challenges; Economic crises or global challenges, such as pandemics, can shift corporate priorities, where the focus may lean more toward business survival rather than developing diversity on boards. In such situations, gender diversity may become a secondary priority, delaying progress in this area.

Overcoming these obstacles and challenges will require long-term commitment from various stakeholders, both at the company and regulatory levels, to ensure that gender diversity on corporate boards continues to increase and brings tangible benefits to companies and their stakeholders.

## CONCLUSION

This study presents empirical evidence indicating that there is no direct influence of company performance and board gender diversity on financial distress. However, it uncovers an important role for board gender diversity in moderating the relationship between company performance and financial distress. This finding underscores that while gender diversity alone may not directly impact financial stability, it plays a significant supporting role in how well a company performs financially and how it navigates distress situations. Consequently, this moderation effect suggests that a more balanced representation of genders on corporate boards may enhance overall company resilience during financially challenging times.

The implications of these findings are particularly crucial for policymakers, especially within the property and real estate sectors. The research offers practical guidelines for shareholders involved in the process of selecting directors for their companies. When choosing new nominees for their boards, shareholders should pay careful attention to the gender composition and capabilities of potential board members. By fostering a more gender-diverse board, companies can harness a wide range of human resource attributes, including diverse perspectives, varied experiences, and a broader spectrum of knowledge and expertise. This strategic consideration can ultimately lead to improved decision-making processes and better overall outcomes for the company.

It is worth noting that this research is specifically focused on the property and real estate sector, where only about 30 percent of companies have achieved gender diversity on their boards. Given the limited scope of the study, future research should aim to incorporate a larger sample size that spans various sectors. By doing so, researchers can better understand how board gender diversity influences company performance and financial distress across different industries. As globalization continues to advance, there is growing interest in reforming corporate governance structures to enhance investor confidence and attract foreign investment, making this area of research particularly pertinent.

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