The Effect of the Women's Ratio on the Board of Directors on Business Performance

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Abstract. The media's portrayal of women on boards is a sensitive subject. On the one hand, in today's culture where economic instability is expanding, there are more and more women on the boards of the company's upper echelons in this era of rapidly developing gender diversity. People are starting to realize that women may be very influential in some areas of corporate boards. As a result, an increasing number of businesses are diversifying their boards of directors by gender in order to mitigate the risks associated with women's stability personalities. Studies have even demonstrated that organizations with a high proportion of female directors are adept at addressing contemporary slavery and other related concerns. Thus, it has long been worthwhile to research how gender diversity affects a company's board of directors. This paper employs a multiple case study approach to investigate the impact of gender diversity on corporate board performance, utilizing data analysis from the UK's top four banks.

Keywords: Gender diversity; Women on boards; Company performance.

1. Introduction

The issue of women's underrepresentation on boards is not given enough attention (Jasmin J& Keratin P.,2012). The media's portrayal of women on boards is a sensitive subject. Gender diversity is rapidly emerging in the current generation, and most corporations now have a higher proportion of women on their boards. The percentage of women serving on boards in the UK's financial services industry climbed from 22.9% to 33.3% in 2018 and from 2021 to 37.2% in 2021, respectively, between 2018 and 2023. This illustrates the considerable increase in the proportion of females this year. Global awareness of gender diversity is growing, and some countries are beginning to enact laws to increase the proportion of women on boards. One of the first nations to pass a rule requiring public limited corporations to have at least 40% female representation on its boards by 2008 was Norway in 2003(Ahern K,R& Dittmar A,K., 2012). The performance and governance of a firm can be significantly impacted by the gender diversity of its board of directors (Adams R,B& Ferreira D.,2009). Studies in psychology and economics reveal that women are less risk-takers than men (B.M.Barber 2001). As a result, during the pandemic in 2021–2022, some companies focused on recruiting more women to join their boards. According to certain research, welfare states that support women have a positive or neutral impact on women's access to positions of authority and financial gain (Kowalewska.,2013). According to an article, female directors typically hold attitudes that are more in line with corporate social responsibility (Byron K.,2016). Some of the largest banks in the UK will serve as the research subject for this study, and the corporate performance will be divided into three categories: financial revenue, customer satisfaction, and ESG score. to ascertain whether there is a relationship between the number of women on the board and the company's success.

2. Cases Introduction

First of all, the following banks are the largest in the United Kingdom in terms of total assets

Table 1. Largest banks in the United Kingdom (UK) in 2023, by total assets

Company's name	U.S. dollar assets(billion)	GBP assets(billion)
HSBC Holdings	3038.68	2387.03
Barclays	1880.86	1477.5
Lloyds Banking Group	1122.15	881.5
Natwest Group	881.81	692.7

At the end of 2023, HSBC Holdings was the biggest bank in the UK, according to Table 1, with Barclays having the second-highest asset worth in the country. Standard Chartered, NatWest Group, and Lloyds Banking Group came next. The primary banking services provided by these banks are wealth management, insurance, commercial, investment, and personal banking because they are all based in the same nations and are governed by the same laws. These banks are highly comparable and homogeneous as a result.

3. Data Analysis

Table 2. Share of women on boards of directors in the financial services industry in United Kingdom (UK) from 2018 to 2023

YEAR	Proportion of women
2018	22.9%
2021	33.3%
2023	37.2%

Table 2 displays the percentage of women on corporate boards in the financial services sector of the United Kingdom from 2018 to 2023. It is evident that the percentage has increased, particularly between 2018 and 2021.

Table 3. Gender diversity on the board of directors of the largest banks in the United Kingdom as of January 2024

Company name	Percentage of women on company boards
Nationwide Building Society	54.5%
HSBC Holdings	50%
Lloyds Bankings Group	42.9%
NatWest Group	41.7%
Average	39.7%
Barclays	38.5%
Virgin Money UK	37.5%

Table 3 illustrates that, in the UK, the percentage of women on the boards of directors of Nationwide Building Society, HSBC Holdings, Lloyds Banking Group, and NatWest Group is higher than the national average. Barclays, on the other hand, has the second-highest total assets but a lower percentage of women on its board than the average. After investigating, we discovered that the coronavirus outbreak in 2020 had an impact on it. (Table 4). Barclays Corporation has drastically reduced the number of female board members as part of a huge layoff. It wasn't until 2020 that it started to steadily improve, which caused gender diversity at Barclays to decline.

Table 4. The income of largest banks in United Kingdom

	2018	2019	2020	2021	2022	2023
Barclays	27%	33%	25%	33%	38%	38%
HSBC	27%	30%	31.6%	33.3%	/	/
Lloyds	30%	30.8%	33.3%	40%	45.5%	45.5%

We can analyze the financial situation of the company.

Table 5. Revenue of the largest banks in the United Kingdom (UK) from 2010 to 2023 (billion)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
HSBC	48.19	48.47	47.21	42.21	42.3	36.88	36.71	42.99	51.92
Barclays	22.04	21.45	21.08	21.14	21.63	21.77	21.94	24.96	25.38
Lloyds	17.64	17.5	18.53	18.63	18.36	15.13	16.32	18.21	18.63
Natwest	12.92	12.59	13.13	16.66	18.43	13.84	12.79	16.57	14.75

Table 5 shows that from 2015 to 2019, the four banks' financial positions increased gradually. The new coronavirus caused a major fall in the company's finances in 2020–2021. The fact that growth resumed in 2022–2023 is another indication of the four companies' exceptional homogeneity.I will use the percentage of women on the boards of directors and the changes in Barclays and Lloyds' financial positions between 2018 and 2023 to calculate a linear link. The findings are as follows:

$$\text{Barclays: } Y=0.282X+13.6618 \quad R=0.8404 \tag{1}$$

$$\text{Lloyds: } Y=0.0295X+16.4399 \quad R=0.1431 \tag{2}$$

We can see that the slope of both expressions is greater than 1, suggesting that the company's financial status and the percentage of women on its board of directors are positively correlated. This means that the percentage of women on the board will positively affect the company's financial revenue, or, to put it another way, will help the company perform better. Barclays and Lloyds have a stronger correlation whereas theirs is weaker. While the impact of having a higher ratio of women on boards varies depending on the organization, overall, it improves performance.

Table 6. ESG score published by MSCI

	2020	2021	2022	2023	2024
HSBC	BBB	BBB	AA	AA	AA
Barclays	BBB	A	AA	AA	AA
Lloyds	AA	AA	AA	AA	AA
Natwest	AA	AA	AA	AA	AA

A firm's interaction with its stakeholders appears to mitigate both systematic and idiosyncratic risk, according to theory and empirical evidence from a board literature on CSR (R.E. Freeman.,1984). The ESG rating that MSCI published from 2020 to 2024 is displayed in Table 6. ESG responsibility fulfillment has become a critical component of high-quality business development (Wang H,J&Jiao S,P.,2023). It is clear that companies with larger total assets have a harder time achieving good ESG scores; among the companies ranked first and second in 2020–2021, respectively, HSBC and Barclays scored worse than the bottom two. When paired with data from Barclays, the company's ESG score increased from BBB to AA. The observed enhancement was ascribed to a noteworthy increase in the proportion of female board members between 2021 and 2022. Over the years, Lloyds and NatWest have been able to maintain a high percentage of female board members. Its relatively smaller size when compared to HSBC and Barclays, together with its lower managerial duties and more positive public opinion environment, are other contributing factors to its recent high AA rating.

It is common knowledge that happy clients are essential to a company's long-term success. Businesses that provide excellent customer service lead the industry in both sales and enduring client loyalty (Culiberg, B& RojÅ¡ek, I.,2010). It is believed that a major determinant of repeat business and purchase behavior is consumer satisfaction. The likelihood that a customer will return to a merchant increases with their degree of pleasure with them (Siddiqi, K. O.,2011). Although the board of directors' actions cannot directly affect customer satisfaction, they can nevertheless serve as a guide since the service orientation and quality standards that the board may decide upon will also have an indirect impact on customer happiness. The data in Table 7 can be acquired in a sequential manner by referring to the "Customer Satisfaction of Europe's Largest Banks by Bank 2023.”

Table 7. Customer satisfaction of largest banks in Europe in 2023, by bank

Country	Company name	Customer satisfaction
UK	HSBC UK	4.18
UK	Lloyds Bank	4.18
UK	Natwest	4.04
UK	Barclays Bank	4.01
Germany	Deutsche Bank	3.9
Netherlands	ING	3.88
Italy	Intesa Sanpaolo	3.79

Looking at the customer satisfaction of Europe's largest banks in the table above, we can see that the top four are all United Kingdom banks. Combining the previous table of women on the board of directors with the above (table3), we can conclude that the largest banks in the United Kingdom have a huge lead in user satisfaction in Europe as a whole, indicating that the United Kingdom is doing an exceptionally excellent job in this area. Moreover, if we combine the two tables, it is not difficult to find that companies with a greater or slightly lower proportion of women on the board of directors than the average and relatively high total assets have higher customer satisfaction, that is, better company performance.

4. Conclusion

In conclusion, in a time when gender diversity is expanding so quickly. The majority wants to see men and women granted equal rights. The results of this study, which looks at the connection between gender diversity and company performance on corporate boards, show that gender diversity improves business performance. In particular, it aims to assist businesses in carrying out their social obligations more effectively, which can boost sales and raise ESG ratings. This study does have several limitations, though, as diversity is a broad term that warrants investigation from a variety of angles in addition to gender. Since our study was limited to a single nation in the United Kingdom and the objects were only found in the four banks that were chosen, there is no assurance that similar circumstances will arise in other businesses, and the conclusions may only be applicable in particular situations that are hard to generalize to other situations. To test this theory, similar surveys may be expanded to include all of Europe or possibly the entire world in subsequent studies.

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