

DITERBITKAN OLEH:



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Future of Banking: Gender Equality in Banking boards in Indonesia



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Introduction

Indonesian banks have been competing with everyone, everywhere nowadays. Banks then bring strategical agendas to expand the business portfolio and increase its leverage towards customer. To acquire these strategies, diversity of thinking is necessary from the board to understand the needs of the customer. The board then is required to be diversified, including gender. However, in Indonesia, women are under represented on banking boards, since the needs of women representation on board are still questioned.

Women on Board is Critical to Sustain Performance

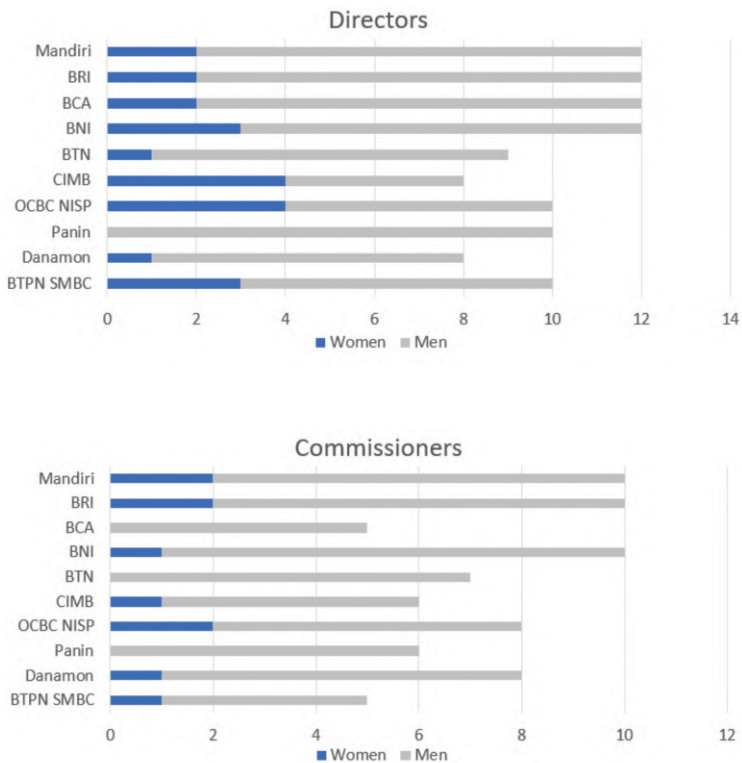
Surveying the literature, recent studies, and several data sources, gender-diverse board members have positive impact on companies' performance since women bring to the board different backgrounds, experiences, and opinions¹. Firstly, companies with gender-diverse board members are better dealing with risk since women on board tend to be more risk-averse², which would cause them to have high risk-appetite. Women also more effective on addressing concerns of customers, employees, and shareholders resulting effective decisions³.

Experts believe that women's representation on board will be seen as role model to other female employees. Therefore, it will improve female employees' performance and provide a stronger pipeline for female representation on board in both executive and nonexecutive roles. Furthermore, companies will achieve their Environmental, Social and Governance (ESG) commitment since it presents a more inclusive organization and improves corporate governance.

Women on Board in Indonesia is low, including Banking Industry

Women dominate more than half of the workforce in Indonesia with higher workforce adsorption more than men, yet, less than 15% women represented on board⁴. In State-Owned Enterprises(SOEs), the representation of women on SOEs board is still minimal, about 11 percent⁵. Minister of SOEs, Erick Thohir targets 25 percent representation of women in the board of SOEs in 2023. Destry Damayanti as Senior Deputy of Bank Indonesia(BI) also state a commitment of BI to support the initiative to increase women representative on board in 4 state-owned banks with the largest assets in the future⁶.

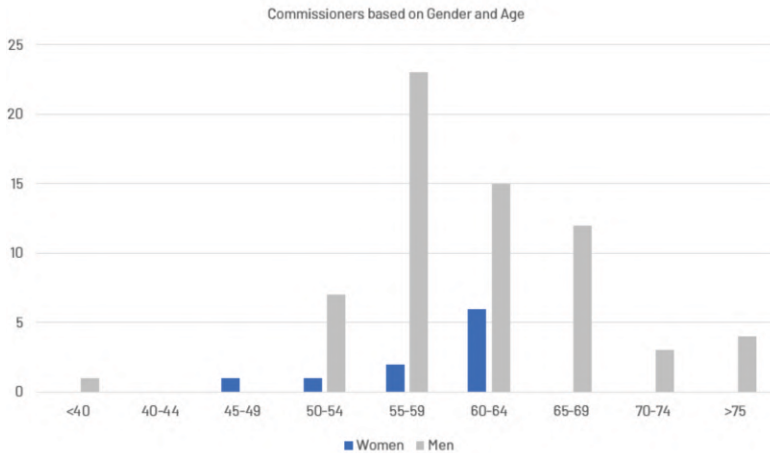
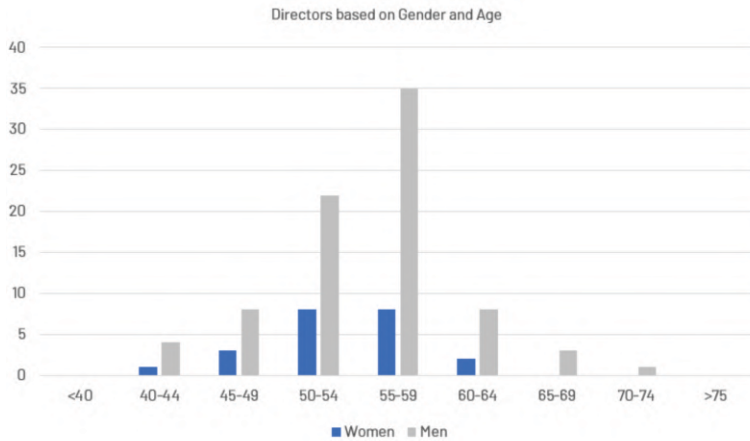
Bar Graph 1 & 2: Women Representation on Board



Source: Authors Data, 2021

In Indonesian banking industry, women representation on board is also relatively low. From top 10 banks with highest asset as cumulatively IDR 5.598,5 Trillions⁷, women representation as member of board of directors is only about 21.4% (22 of 103 directors) and member of board of commissioner is 13.3% (10 of 75)⁸. Although in 3 banks, namely OCBC NISP, Mandiri, and BNI, highest strategic position, such as president director and vice president director occupied by women bankers, there are few banks without women representation on board, either board of directors or commissioners.

Bar Graph 3 & 4: Board Representation based on Age and Gender



Source: Authors Data, 2021

Women representation on board trend in top 5 largest asset banks is also increasing for the past couple of years. However, in 2021, Indonesian banking boards is still dominated by men with age range between 50-64 representing 82% of board members.

Line Graph 1: 5 Years Trends of Women on Banking boards



Source: Authors Data, 2021

The Issues of the lack of Women on Board

There are two types banking ownership in Indonesia, share ownership by government as SOEs, or private ownership, whether foreign, national, or combined share ownership. The characteristic of the bank with these two ownerships are significantly different, including board member selection and appointment process. Both selections need to comply to certain banking rules and regulations. However, in SOEs Bank, there will be more regulations applied. In SOEs Bank, Board member is selected by relevant ministries, such Ministry of SOEs and Ministry Finance, through series of rigorous process, while in private banks, it depends on how the shareholders' absolute decision.

As discussed with Tedi Bharata, Deputy Minister of Human Resource and IT Ministry of State-Owned Enterprises, the main issue on women representation on board in SOEs is the lack of women nomination on board. The female candidate on board is very low since many of them are rejecting the opportunity, contrary to the fact that most of department head are women. Usually to take the opportunity, women is influenced by the culture and environment of the company. The higher the level of gender-diverse and concern for the female employees' issue, the greater the interest of women to accept the opportunity⁹.

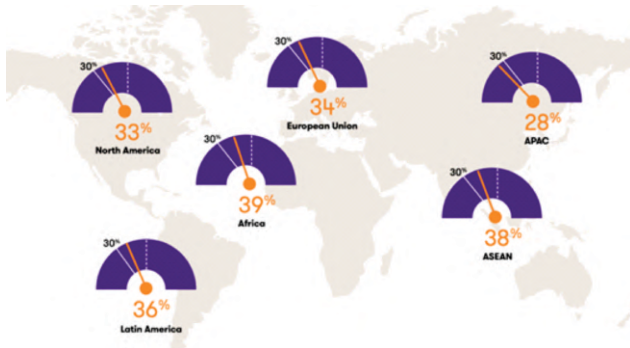
On the other hand, for private banks in Indonesia, as quoted from Haryanto Tiara Budiman, managing director of BCA, as the largest private bank in Indonesia, trust, experience, and competency is the main rationale to select board member. Gender plays a part, but it is not major since shareholder will look for candidate with proven skills and competence regardless of gender.

In consequence, the issues of women representation on banking of board of these two types of ownership are different. For SOEs Bank the issues is to increase the women candidacy by increasing their interest and eliminate their fear. In contrast, for private Bank, the issue is to influence the majority shareholder to consider gender-diversity on selecting board member.

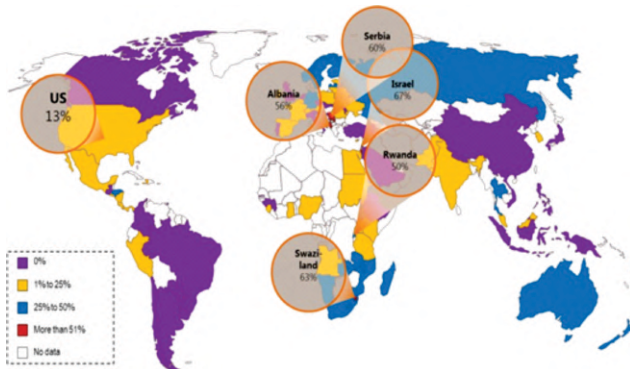
Increasing Women on Indonesian Banking boards: Benchmark that Applies

Evidently, every country in the world also experiences low female board portion with an average of 30%¹⁰. There are some countries that strongly implement gender-balanced representation in banking boards, such as Israel, Serbia and Albania¹¹ that can be adapted.

Picture 1: Global Industry Women Representation on Board



Picture 2: Women Representation Board in Banking Industry



Source: IMF, 2020

Regulation and governance related to gender-diversity need to be address by the government, banking association, relevant regulatory institution, and the industry. For example, in Israel, some progress in the representation of women on board due to government action and requirements. Under the Israeli Companies Law, banking boards must appoint member of other gender in any new appointments if in the current board is only consisting one in any new board appointments. Israeli government are strongly supporting gender-equality on board. According to the Israeli Supreme Court ruling, proper representation on women should interpreted as equal representation, unless there are special circumstances justifying otherwise¹².

Nominating committees have a heavy responsibility ensuring board gender-diversity is held. The committees also in the easiest position to influence the shareholder to decide the board member. In Australia, for instance, companies make significant improvements to board diversity through a sharper focus on the board nomination processes. The Australian Council of Superannuation Investors published a revised diversity policy in March 2019 where will vote against nominating committee at ASX 300 companies, including 7 Australian banks, if there is only one female director¹³.

In some countries, women-quotas on board is still considered as effective short-term solution to create gender-diverse board. However, the quotas policy does not necessarily allow them the opportunity to ensure the best fit for board positions yet existing women on board can feel that they will be seen as being part of a quota system rather than having been appointed based on merit yet consequently they feel less credible and less empowered to contribute¹⁴.

Mentorship, workshop, non-formal education, and having role model of women on board will play bigger part to shift overall culture of the bank by promoting the importance of having women on board. Therefore, embedding diversity into organizational culture is an important focus area for Banks, to shift from male dominant culture to gender-balanced. Increasing initiative to bring together female employees, such as Srikandi BUMN, or any existing initiative will also positively encourage gender equality between women and men at all stages of working life, including board room.

Conclusion

Women representation on board, especially in banking has positive impact on companies' performance. Banking boards in Indonesia is continuously dominated by men, since there are issues on women on board representation, such as lack of women candidate's interest in SOEs Bank and lack of shareholder activism in gender-equality issues. There are several actions to push women representation on board issue, such as regulations, nominating committee, quotas, and mentorship, all of which to shift the current culture from male dominant to gender-diverse culture. At the end, there is no formula for effective board composition, but with balanced gender-diversity on board will increase the chance.

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- ¹ International Finance Corporation, 2020, Board Gender Diversity in Asean, The Economist: Intelligence Unit.
- ² Post, Corrine dan Kris Bryon, 2015, "Women On Board And Firm Financial Performance: A Meta-Analysis" in The Academy of Management Journal, Vol. 58, No. 5
- ³ Arguden, Yilmaz, 2012, "Why Board need more Women" dalam Harvard Business Review June 2012
- ⁴ Deloitte, 2020, "Data-driven change Women in the boardroom A global perspective" in Global Center for Corporate Governance
- ⁵ Tim Penulis, 2021, "Komitmen Nyata BUMN untuk Wujudkan 25% Kepemimpinan Perempuan Pada 2023", <https://ekonomi.bisnis.com/read/20211011/98/1452996/komitmen-nyata-bumn-untuk-wujudkan-25-kepemimpinan-perempuan-pada-2023> accessed on November 30th 2021
- ⁶ Elana, Maria, 2021 "Deputi Gubernur Senior BI: Kesetaraan Gender Perlu Didukung Kebijakan Pemerintah", <https://ekonomi.bisnis.com/read/20210421/9/1384275/deputi-gubbi-pencapaian-kesetaraan-gender-perlu-didukung-kebijakan-pemerintah> accessed on November 30th 2021
- ⁷ Data from Bloomberg for Q3 2021
- ⁸ Data from website, annual report 2021, and any relevant reports from Top 10 Indonesian Largest Asset Banks
- ⁹ Kowalewska, Helen, 2021, "Bringing Women on Board? Family Policies, Quotas and Gender Diversity in Top Jobs" in Work Employment Society Journal 2021, Vol. 35(4)
- ¹⁰ Grant Thornton, 2021, Women in Inclusion Business 202: A window of opportunity
- ¹¹ International Monetary Fund (IMF), 2017. "Banking on Women's Leaders: A Case for More?" for IMF Working Paper.
- ¹² 16th Amendment to the Israeli Corporate Law, Governmental Companies Law, Section 18A and Israeli Supreme Court Ruling 453/94
- ¹³ Australian Council of Superannuation Investors, ACSI Voting Policy – Gender Diversity in the ASX300, March 2019
- ¹⁴ Alemany, Luisa, Mariarosa Scarlata, and Andrew Zacharakis, 2020, "How the Gender Balance of Investment Teams Shapes the Risks They Take" in Harvard Business Review December 2020

Telah Terbit

Daftar Buku Ikatan Bankir Indonesia

Rp. 80.000,00 Rp. 80.000,00 Rp. 78.000,00 Rp. 68.000,00 Rp. 115.000,00 Rp. 88.000,00 Rp. 75.000,00 Rp. 72.000,00 Rp. 150.000,00 Rp. 115.000,00



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PROFIL IBI

Ikatan Bankir Indonesia (IBI) berdiri pada 12 Desember 2005 sebagai hasil merger antara Institut Bankir Indonesia dengan Bankers Club Indonesia. Pendirian tersebut disaksikan oleh Gubernur Bank Indonesia dan Menteri Keuangan RI. Visi IBI adalah menjadi asosiasi profesi bankir di Indonesia yang memberikan manfaat bagi anggotanya dalam bidang pengembangan profesi, praktik perbankan yang sehat, dan penerapan tata kelola yang baik untuk membantu pemerintah mengembangkan ekonomi nasional yang kuat melalui 6 kegiatan utama: (i) Menyatakan bankir dari seluruh bank yang beroperasi di Indonesia; (ii) Meningkatkan profesionalisme dan integritas bankir; (iii) Membantu para anggota; (iv) Menyediakan sertifikasi kompetensi profesi bagi para anggota; (v) Menjadi mitra profesional bagi otoritas perbankan dan pemerintah untuk mewujudkan sistem perbankan yang sehat; dan (vi) Mewujudkan anggota yang disiplin melalui Kode Etik Bankir Indonesia.

PROFIL LSPP

Lembaga Sertifikasi Profesi Perbankan (LSPP) didirikan oleh IBI, Perbanas, Himbara, Asbisindo, Asbanda, dan Perbarindo pada tahun 2006 di bawah lisensi Badan Nasional Sertifikasi Profesi (BNSP). LSPP menyediakan sertifikasi untuk 9 unit kompetensi yaitu Manajemen Risiko, Audit Internal, *General Banking*, *Treasury Dealer*, *Compliance*, *Funding and Services*, *Operations*, *Credit* and *Wealth Management*. Sertifikasi kompetensi yang dikelola oleh LSPP meliputi 3 aspek yang ditentukan oleh BNSP yaitu Pengetahuan, Keahlian, dan Perilaku, untuk menghadapi tantangan industri modern perbankan. Sejak 2008 sampai dengan 2017, LSPP telah mensertifikasi tidak kurang dari 144.000 bankir dari seluruh bank di Indonesia.

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