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Impact of Women's Representation in Corporate Governance on Financial Performance of Sharia Banks in Indonesia

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ABSTRACT

The study aims to analyze the impact of women's representation in corporate governance on the Islamic Commercial Banks performance in Indonesia during the period 2010-2022. The independent variables in this research include the women's board of commissioners (BCWMN), women's board of directors (BDWMN), women's sharia supervisory board (SSBWMN), and women's audit committee (ACWMN), with dependent variables being ROA and ROE. Data analysis employs panel data regression with the fixed effect Generalized Least Squares (GLS) model implemented through Stata version 17. The research findings indicate that BCWMN and BDWMN do not influence ROA but have a positive effect on ROE. Conversely, ACWMN negatively impacts both ROE and ROA, while their SSBWMN does not affect either ROE or ROA.

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1. INTRODUCTION

Islamic banking refers to a banking system that adheres to the principles of Islamic law and serves as a mediator between its clients and the financial markets. The Islamic banking industry has been experiencing significant growth and expansion in recent years. In 2021, global Islamic banking assets grew by 6.5%, reaching a total of 2.1 trillion USD (Halim & Mazlan, 2023). In Indonesia, Islamic banking has not yet become the market leader, even though the country has a majority Muslim population of 86.7% which equates to around 237.56 million people (Purwati & Rafindra, 2023). The market share of Islamic banks in Indonesia is only 7.09% as of 2022, while conventional banks control the remaining 92.91%. Based on this, Islamic banking in Indonesia has great potential to increase market share and financial performance. Therefore, identifying the main factors causing the decline of Islamic banks in Indonesia and addressing them is crucial.

Financial performance is not the primary goal of Islamic banks, but the assessment of financial performance in Islamic banking is crucial for stakeholders, customers, business partners, and the government (Tubarad & Indra, 2018). The assessment of financial performance of Islamic banks can be done by measuring their ability to generate profit. This can be accomplished by utilizing indicators such as ROA, which demonstrates how efficiently a bank utilizes its assets, and ROE which gives an overview of the profits earned by shareholders in relation to the capital invested (Hamdani, 2019; Kasmir, 2019).

Literature from academic and banking regulators across the country considers ROA and ROE the two most important financial performance measures for Shariah-compliant institutions. Bank Indonesia Regulation No. 13/1/PBI/2011 highlights the performance of ROA and ROE in the Islamic banking sector by stating that a healthy ROA for a Sharia bank is above 15%, and a healthy ROE is above 12% (Jalaludin, Novita, & Sucipto, 2022). The results of observations on ROA and ROE of Islamic Commercial Banks (BUS) in Indonesia for the period 2010-2022 are shown in Figure 1.

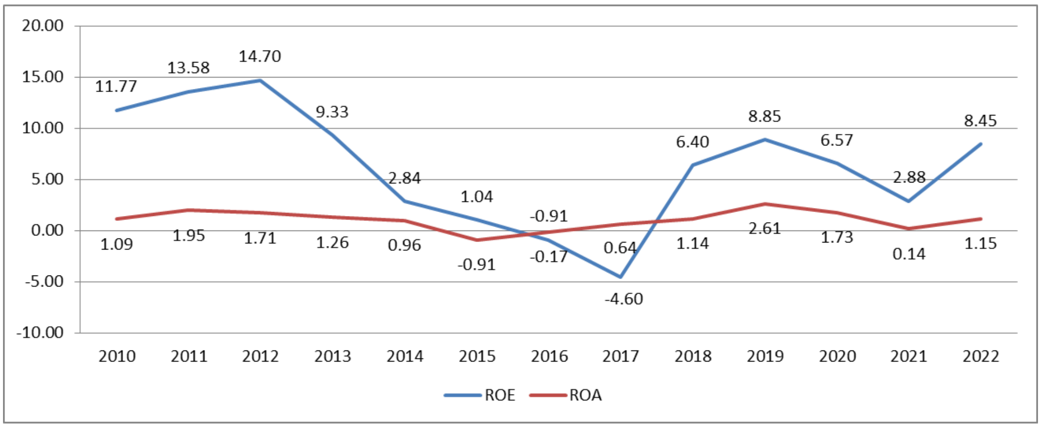

Figure 1 Average Financial Performance of Islamic Commercial Bank
Source: BUS annual report for the period 2010-2022

Figure 1 illustrates that between 2010 and 2022, the average development of Islamic Banks' financial performance in Indonesia, as measured by ROA and ROE, fluctuated annually. In 2012-2017, the average ROE decreased to -4.60%, then began to increase in 2019 to 8.85% and at the end of 2022, the average ROE of BUS reached 8.45%. The average ROA of BUS from 2011 continued to decrease to -0.91% in 2015, then in 2019, the average ROA of BUS reached 2.61%, and then until 2022, the average ROA of BUS decreased to 1.15%. Of the 16 BUSs registered with OJK, there are six BUSs that have an average ROE and ROA value above the standard and

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the remaining ten BUSs, or around 62.5% of BUSs in Indonesia, have an average ROE and ROA value below the standard set by Bank Indonesia. So, the performance condition of BUS over the past few years cannot be said to be good because there are still many BUS in Indonesia that have ROA values below 1.5% and ROE below 12%. Therefore, BUS needs to implement good corporate governance by involving components in corporate governance to improve the financial performance and sustainability of Islamic banks.

Literature suggests that the 2007-2008 global financial crisis was caused by the poor corporate governance of banking institutions (Bezawada & Adaelli, 2020; Grove, Patelli, Victoravich, & Xu, 2011; Haque, 2019). Corporate governance is a crucial managerial feature that is closely related to control and surveillance (Amin, Ali, Rehman, Naseem, & Ahmad, 2022). The effectiveness and operation of corporate governance can be significantly impacted by the composition of the company's board of directors, including the presence of gender diversity among the board and its subcommittees (Amin et al., 2022). The significance of corporate governance in banking institutions has garnered interest among researchers, leading to a substantial body of literature exploring its connection with various bank performance metrics (Ajili & Bouri, 2018; Ghosh, 2017; Migliardo & Forgione, 2018; Orazalin, Mahmood, & Jung Lee, 2016). According to (Awwad, Binsaddig, Kanan, & Al Shirawi, 2023), Women's representation on the board positively impacts financial performance and can help improve corporate governance implementation rules, which in turn positively affects corporate performance indicators. A study by (Jabari & Muhamad, 2020) found that Islamic banks with a gender diverse board of commissioners and sharia supervisory board typically perform better financially. Additionally, (Chijoke-Mgbame, Boateng, & Mgbame, 2020) found that a company's financial performance is positively impacted when there are female members of the audit committee. Women's audit committees are known to be more independent, responsible, and diligent in supervising, planning, and controlling functions in company audits (Li & Li, 2020).

The presence of women in corporate governance can reduce agency conflicts and provide new perspectives for top managers so as to produce better decisions related to solving problems and improving company performance (Amin et al., 2022). As a result, women's representation in corporate governance has attracted the interest of academic practitioners and researchers in the last two decades. Since 2008, European countries have implemented binding quotas with the aim of encouraging gender diversity on company boards, while some other countries have non-binding quotas so that women's presence in corporate governance is still limited, mainly due to significant cultural differences such as in Asian countries (Jabari & Muhamad, 2020). In the context of BUS in Indonesia, women's representation is still under-considered. As a result, there are still many BUS in Indonesia that need to have women in their corporate governance components, both in the positions of commissioners, directors, audit committees, and sharia supervisory boards (SSB).

Based on the description above, Prior research has explored how corporate governance and performance are interconnected, with a special focus on the inclusion of women in corporate boards. While numerous studies have investigated the role of women on boards and sharia supervisory boards, there remains a gap in understanding how the presence of women in management teams and audit committees impacts the Islamic banks performance. This research is different from previous studies because it examines the role of women's representation in all major components of corporate governance in improving the Islamic Bank’s financial performance in Indonesia. Therefore, this research is crucial for two reasons. Firstly, it will enhance the understanding of practitioners, investors, management, and regulators of Islamic banks regarding the role of women in corporate governance and how it

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can enhance Islamic Bank performance in Indonesia. Secondly, it aims to address the gap in the literature by examining the connection between women's representation in all components of corporate governance and Islamic bank's performance in Indonesia, specifically from 2010 to 2022. The research aims to explore the impact of female participation in different aspects of corporate governance on the Islamic bank's financial performance.

BCWMN and Financial Performance

BCWMN is the representation of women on the board of commissioners. Agency Theory suggests that the inclusion of women on a company's board of commissioners aligns with the understanding that individuals possess unique traits and limited perspectives. Introducing female members to the board broadens the diversity of thought and removes limitations, potentially enhancing the organization's performance, as highlighted by Endraswati (2016). Research by Awwad et al. (2023), supports this notion, indicating that female directors positively influence a company's financial growth. The addition of women to the board not only improves corporate governance quality but also positively affects performance metrics. Prior studies, including those by Chijoke-Mgbame et al. (2020), Jabari & Muhamad (2020), Leyva-Townsend et al. (2021), have found a correlation between female board commissioners and improved financial outcomes for companies. Conversely, research by Elgadi (2022), Endraswati (2016), Gruszczyński (2020) suggests that female commissioners' presence does not necessarily boost company performance. Meanwhile, Matteo et al. (2017) argue that companies with a higher proportion of women on their boards exhibit superior performance.

BDWMN and Financial Performance

BDWMN is the representation of women on the board of directors and reflects the proportion of women occupying top management positions. Research on the relationship between gender diversity in the board of directors and financial performance has produced mixed findings. Some studies, such as Elgadi (2022), Hosny & Elgharbawy (2022), Tran et al. (2023), suggest that having more women in top management or director roles may have a negative effect on financial performance. Conversely, other studies, such as those conducted by Eliya & Suprapto (2022), Pangestu et al. (2019), indicate that female boards of directors can positively influence financial performance. The Upper Echelons Theory suggests that having a diverse board of directors, including individuals of different genders, can provide unique perspectives that aid in the problem-solving process (Leyva-Townsend et al., 2021). The presence of women in management positions, as noted by Luckerath-Rovers (2013), can help facilitate the decision-making process. Having women involved in decision-making can lead to improved team performance by promoting a broader exchange of ideas and perspectives, ultimately resulting in better decisions and a positive impact on performance (Luckerath-Rovers, 2013). Gender-diverse directors tend to bring varied ways of thinking, approaches to problem-solving, and decision-making, which can lead to more innovative solutions and mature decisions.

SSBWMN and Financial Performance

SSBWMN is the representation of women on the Sharia Supervisory Board (SSB). Discussions on gender diversity, especially regarding the inclusion of women in SSB, remain infrequent. Recently, Baklouti (2022) and Khan et al. (2023) conducted a study to examine the impact of gender diversity in SSB to the financial performance of Islamic banks. However, they did not find any significant relationship between the two due to the lack of women in SSB in the sample studied. Previous studies have shown that the presence of women in SSB has a positive and

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significant correlation with the performance of Islamic banks (Jabari & Muhamad, 2020; Nainggolan, Prahmila, & Syaputri, 2022). Additionally, Islamic banks that feature Sharia supervisory boards with a diverse gender representation often exhibit superior financial outcomes (Jabari & Muhamad, 2020). The presence of women in SSB helps meet the needs of various stakeholders and increases sustainable competitive advantage, thus impacting the financial performance of Islamic banks (Khan et al., 2023).

ACWMN and Financial Performance

ACWMN is the representation of women on the Audit Committee. Evaluation of the company's internal audit and assurance of integrity, transparency, and accuracy of its financial statements is the responsibility of the Audit Committee, which will affect the company's performance. The study conducted by Chijoke-Mgbame et al. (2020), Katsirin et al. (2022) revealed that having women in the audit committee has a positive impact on the financial performance of companies. Women's presence in the audit committee has a more significant and direct effect on internal control operations' effectiveness, managerial efficiency, and the company's ability to take action to prevent fraud. All these factors have a significant influence on the overall company performance (Chijoke-Mgbame et al., 2020). Gender diversity in audit committees has the potential to improve the quality of financial information submitted by companies and can reduce the possibility of financial restatement and improve corporate governance mechanisms (Din et al., 2020; Oradi & Izadi, 2020; Pucheta-Martínez, Bel-Oms, & Olcina-Sempere, 2016).

2. RESEARCH METHODOLOGY

This research is a quantitative approach that systematically investigates phenomena by collecting and analyzing numerical data to describe characteristics, find correlations, test hypotheses, and generalize results to the broader population (Bhandari, 2020). The population that is the focus of this study includes all Islamic banks that are included in the BUS category and registered with the Financial Services Authority (OJK) during the period 2010-2022. The research sampling method used non-probability sampling techniques, incredibly saturated sampling, where the entire study population was taken as a sample because of its small population (Sugiyono, 2017). For this study, we have used all BUSs in Indonesia as the primary sample. We have obtained secondary data from the annual reports of each BUS, which were taken from their official websites during the research period from 2010 to 2022.

This study using Return on Assets (ROA) and Return on Equity (ROE) as dependent variables and considers four independent variables: Female board of commissioners (BCWMN), which is the proportion of women on the board of commissioners; Female board of directors (BDWMN), which is the proportion of women on the board of directors; Women's sharia supervisory board (SSBWMN), which is the proportion of women in sharia supervisory boards; and Women's Audit Committee (ACWMN), which is the proportion of women on the audit committee. The study also takes into account six control variables: Board of commissioners size (BCSIZE), board of directors size (BDSIZE), bank size (SIZE), leverage (LEV), capital adequacy ratio (CAR), and operational efficiency ratio (BOPO).

The technique of data analysis used in this study is panel data regression because the data sets collected and analyzed include cross-sectional and time-series observations. Specifically, this study uses the Feasible generalized least squares (FGLS) model, which is considered a model that is guaranteed to be free from symptoms of heteroscedasticity and autocorrelation, as suggested by (Al-matari, 2020; Ali, Ghaleb, & Al-qadasi, 2020; Mathuva & Nyangu, 2022). The

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statistical tool used to analyze the data is the Stata MP 17. The following equation model applied in this study can be explained.

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$$
\begin{aligned}
\mathrm{ROA_{it}} = {} & €_0 + €_1\mathrm{BCWMN_{it-1}} + €_2\mathrm{BDWMN_{it}} + €_3\mathrm{SSBWMN_{it}} + €_4\mathrm{ACWMN_{it}} \\
& + €_5\mathrm{BCSIZE_{it}} + €_6\mathrm{BDSIZE_{it}} + €_7\mathrm{SIZE_{it}} + €_8\mathrm{LEV_{it}} + €_9\mathrm{CAR_{it}} \\
& + €_{10}\mathrm{BOPO_{it}} + \varepsilon_{1it} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots \quad (1)
\end{aligned}
$$

$$
\begin{aligned}
\mathrm{ROE_{it}} = {} & ¥_0 + ¥_1\mathrm{BCWMN_{it-1}} + ¥_2\mathrm{BDWMN_{it}} + ¥_3\mathrm{SSBWMN_{it}} + ¥_4\mathrm{ACWMN_{it}} \\
& + ¥_5\mathrm{BCSIZE_{it}} + ¥_6\mathrm{BDSIZE_{it}} + ¥_7\mathrm{SIZE_{it}} + ¥_8\mathrm{LEV_{it}} + ¥_9\mathrm{CAR_{it}} \\
& + ¥_{10}\mathrm{BOPO_{it}} + \varepsilon_{2it} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots \quad (2)
\end{aligned}
$$

Information:

$€_0$ and $¥_0$ are constant values.
$€_1$ and $¥_1$ hingga $€_{10}$ and $¥_{10}$ are the coefficient values of each equation.
i: is describing the bank (BUS) selected as a sample.
t: indicates the period of the study
ε_{1it} and ε_{2it} indicates the period of the study.

3. RESULTS AND DISCUSSION

Descriptive Statistical

In this study, descriptive statistics are shown to describe the variable data used by including the amount of observation data, mean value, standard deviation, minimum value, and maximum value of the data of all variables in this study, as follows.

Table 1. Descriptive Statistical

Variable	Obs.	Mean	Std. Deviation	Minimum	Maximum
ROE	148	7.21	15.69	-94.01	64.84
ROA	148	1.20	3.82	-20.13	13.58
BCWMN	148	0.14	0.20	0.00	1.00
BDWMN	148	0.19	0.20	0.00	0.75
SBWMN	148	0.05	0.14	0.00	0.50
ACWMN	148	0.15	0.21	0.00	0.75
BCSIZE	148	3.70	1.14	1.00	9.00
BDSIZE	148	4.28	1.28	2.00	10.00
SIZE	148	6.99	0.56	5.81	8.49
LEV	148	0.17	0.07	0.03	0.45
CAR	148	0.36	0.53	0.11	3.91
BOPO	148	3.78	15.31	0.35	95.41

Source: Data processed by the author (2024)

Table 1 above displays the mean Return on Equity (ROE) value of 7.20%. The minimum ROE value of -94.01% was recorded at Panin Dubai Sharia Bank in 2017, whereas Mandiri Sharia Bank recorded the maximum ROE value of 64.84% in 2011. On the other hand, the mean Return on Assets (ROA) value is 1.20%. The minimum ROA value of -20.13% was recorded at Aladin Sharia Bank in 2015, whereas BTPN Sharia Bank recorded the maximum ROA value of 13.58% in 2019, due to increased profits.

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BCWMN has an average value of 0.14, with a minimum of 0 and a maximum of 1, indicating that there is an Islamic bank with an all-female board of commissioners. BDWMN has an average score of 0.19, with a minimum of 0 and a maximum of 0.75, meaning that there are Islamic banks with a board of directors that is 75% made up of women. SBWMN has an average value of 0.05, with a minimum of 0 and a maximum of 0.50, indicating that there are Islamic banks where women make up 50% of the senior management team. ACWMN has an average score of 0.15, with a minimum of 0 and a maximum of 0.75, indicating that there are Islamic banks where women make up 50% of the audit committee. However, there are some Islamic banks where there are no women on the board of commissioners, board of directors, sharia supervisory board, and audit committee.

For the control variable indicator in this study, BCSIZE has a mean or average value of 3.70, the smallest value of 1.00, and the highest value of 9.00. BDSIZE has a average value of 4.28, a minimum value of 2.00 and a maximum value of 10.00. SIZE has a mean value of 6.70, the smallest value of 5.81, and the most significant value of 8.48. LEV has a mean value of 0.17, a smallest value of 0.027 and a maximum value of 0.45. CAR has a mean value of 0.36 with a minimum value of 0.11 and a maximum value of 3.91. BOPO has a mean value of 3.78, with the smallest value of 0.35 and the highest value of 95.41.

Data Analysis Results

After conducting three statistical tests, namely the Chow test, the Hausman test, and the Lagrange multiplier test, it has been determined that the most suitable model for this research is the fixed effect model (FEM). However, classical assumptions testing in the FEM model revealed symptoms of multicollinearity and heteroskedasticity. Therefore, the results of this study are based on the estimation of panel data with the Cross Sectional Time Series Feasible Generalized Least Square (FGLS) model. This model was chosen as a form of improvement in overcoming the problems of these classical assumptions, as suggested by Al-matari (2020), Mathuva & Nyangu (2022). Below are the estimation results of the FGLS regression model.

Table 2. FGLS Regression Model Estimation Results

	Dependent : ROE				**Dependent : ROA**			
Variable	**Coefficient**	**Std. err.**	**z**	**P>|z|**	**Coefficient**	**Std. err.**	**z**	**P>|z|**
BCWMN	20.168	9.649	2.090	0.037	3.168	2.383	1.330	0.184
BDWMN	16.898	8.581	1.970	0.049	-1.076	2.119	-0.510	0.612
SBWMN	-13.003	13.015	-1.000	0.318	-0.139	3.214	-0.040	0.965
ACWMN	-17.645	8.188	-2.150	0.031	-4.244	2.022	-2.100	0.036
BCSIZE	-0.110	2.100	-0.050	0.958	0.148	0.519	0.290	0.775
BDSIZE	1.012	1.539	0.660	0.511	-0.509	0.380	-1.340	0.180
SIZE	-8.611	5.264	-1.640	0.102	-0.699	1.300	-0.540	0.591
LEV	9.009	18.881	0.480	0.633	7.188	4.663	1.540	0.123
CAR	0.984	3.705	0.270	0.791	0.548	0.915	0.600	0.549
BOPO	-0.039	0.104	-0.380	0.705	-0.001	0.026	-0.020	0.981

Source: Data processed by the author (2024)

Based on Table 2, it can be known the effect of the variables BCWMN, BDWMN, SBWMN, ACWMN, BCSIZE, BDSIZE, SIZE, LEV, CAR, and BOPO on financial performance (ROA & ROE).
1. The effect of BCWMN on ROE has a coefficient value of 20.169 and a value of P>|z| of 0.037 < 0.05 which shows that BCWMN has a positive relationship or correlation to ROE. The effect of BCWMN on ROA has a coefficient value of 3.168 and a value of P>|z| of 0.184

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> 0.05, which means that BCWMN does not have a significant effect on ROA. 2. The effect of BDWMN on ROE has a coefficient value of 16.898 and a value of P>|z| 0.049 < 0.05 means that BDWMN has a significant favourable influence on ROE. While the effect of BDWMN on ROA has a coefficient of -1.076 and a value of P>|z| of 0.612 > 0.05, which means BDWMN has no effect on ROA. 3. The effect of SBWMN on ROE can be seen from the value of the coefficient -13.003 and the value of P>|z| amounted to 0.318 > 0.05. SBWMN to ROA has a coefficient value of -0.139 and P>|z| of 0.965 > 0.05 which means there is no significant effect of SBWMN on ROE and ROA. 4. The effect of ACWMN on ROE has a coefficient value of -17.645 and a value of P>|z| of 0.031 < 0.05, ACWMN to ROA has a coefficient of -4.244 and a P>|z| value of 0.036 < 0.05 means that there is a significant negative influence of ACWM variables on ROE and ROA.

The Effect of BCWMN on Financial Performance

The analysis of data reveals that there is a positive and significant correlation between the presence of women on the board of commissioners (BCWMN) and Islamic banks' financial performance when measured using the Return on Equity (ROE) ratio. However, when measured using the Return on Assets (ROA) ratio, the results do not show any significant effect. Therefore, it can be concluded that H1 is partially accepted, which means that the presence of women on the board of commissioners is positively associated with improved financial performance when assessed using ROE, but not when assessed using ROA. One of the reasons why the presence of a female board of commissioners does not affect ROA is due to differences in the company's capital structure. This is because ROA reflects the efficiency of using all bank assets, including assets financed by customer funds and banks, which may not be directly affected by the presence of women on the board of commissioners. Furthermore, during this research period, some companies in Indonesia had no female representation on their board of commissioners, and the average return on assets for several companies was also relatively low.

The presence of women on a company's board may have a greater impact on equity-related decisions, such as dividend policy or capital structure, rather than the management of assets financed by debt. At BUS, the board of commissioners is responsible for supervising the policies and performance of the board of directors, providing input and suggestions, and ensuring that the company implements good practices in its management. Therefore, having women on the board of commissioners can bring in diverse perspectives, experiences, and expertise that can enrich discussions and decision-making processes related to the company's financial performance. Studies conducted by Awwad et al. (2023), Jabari & Muhamad (2020), Leyva-Townsend et al. (2021) show that the participation and presence of at least one woman on the non-executive board positively impact financial performance measured by ROE. Hence, having women on the board of commissioners will contribute to improving the quality of governance rules implementation and its reflection on financial performance indicators.

The Effect of BDWMN on Financial Performance

The findings of the data analysis reveal that there is a positive and significant correlation between BDWMN and the financial performance of Islamic banks as measured by ROE. However, when measured by ROA, the results have no significant impact. The board of directors is a crucial entity within the company, responsible for managing and carrying out the company's operations. They play an essential role in decision-making and operational management and hold full responsibility for all aspects of the company's operational and

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managerial activities, ensuring that organizational goals are achieved (Islami, Setiawan, & Mai, 2020). It has been found that having women on the board of directors can improve a company's financial performance, particularly when measured by Return on Equity (ROE). This finding is consistent with the Upper Echelons Theory, which suggests that having individuals of different genders can provide unique perspectives and aid in problem-solving efforts, ultimately resulting in better company performance. This study's results agree with previous research conducted by Eliya & Suprapto (2022), Moreno-Gómez et al. (2018), Pangestu et al. (2019), all of which indicate that having a women's board of directors can positively impact financial performance. By having female directors, a company can benefit from diverse perspectives and approaches to decision-making, which can result in increased profitability and more innovative corporate strategies.

The Effect of SSBWMN on Financial Performance

The Sharia Supervisory Board (SSB) plays a pivotal role in ensuring that the bank's operations align with Sharia Principles through advice and oversight. However, according to data analysis, the inclusion of women in the SSB (SSBWMN) does not significantly impact the financial performance of Islamic Banks in Indonesia, as evidenced by the ROE and ROA metrics. These results indicate that the participation of women in the SSB does not necessarily influence the ability of Islamic banks to meet the diverse needs and expectations of their stakeholders. This minimal impact might be attributed to the scarce representation of women in SSBs, among other influential factors affecting financial performance. Consequently, the presence of women in these boards appears to be less consequential. This observation aligns with the findings of Baklouti (2022) and Khan et al. (2023) who also concluded that the financial success of Islamic banks is not determined by the gender composition of their SSB.

The Effect of ACWMN on Financial Performance

The findings from the data analysis indicate that ACWMN adversely affects financial performance, specifically in terms of ROA and ROE. Basically, Women on the audit committee are expected to contribute positively to the growth of Islamic banks' financial performance in Indonesia, and their thoroughness can make the supervision system on audits stricter. However, the study's findings indicate that ACWMN has an adverse impact on financial performance, as determined by ROE and ROA metrics. Possibly, this is due to the responsibility of the audit committee at BUS, which is more focused on evaluating the implementation of the company's internal audit, which may emphasize more aspects of compliance and internal control that are important for risk management and good corporate governance, so that this focus does not directly contribute to improving the company's financial performance. Furthermore, the negative relationship between ACWMN and financial performance does not necessarily mean that the presence of women reduces financial performance. In this study, it tends to be associated with lower ROA and ROE values. The presence of women on audit committees can help prevent earnings management, ensuring that the generated profits are objective and aligned with facts. This is because women on audit committees are more risk-averse and ethical, leading to a more cautious financial reporting approach (Sudarman & Hidayat, 2019).

Previous research has yet to provide consistent evidence on the impact of women's audit committees on a company's financial performance. But, when linked to earnings management, the presence of women on audit committees does lead to a reduction in earnings management practices, affecting financial performance. Additionally, having at

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least one female member on an audit committee can decrease the likelihood of financial restatements, aligning with findings from studies (Oradi & Izadi, 2020; Salleh, Hashim, & Mohamad, 2012) suggesting that women's presence in audit committees can reduce earnings management practices and the possibility of financial restatements. Therefore, despite the negative influence, Women on audit committees are thought to be a factor that can prevent profit management and result in financial statements that are more objective. A better performance audit does not mean high profits but objectively obtained profits.

4. CONCLUSION

After analyzing the data and discussing the findings, it was observed that BCWMN and BDWMN have a positive impact on the performance of the Islamic Bank, as measured by ROE. This is due to the women's diverse perspectives, experiences, and expertise improving decision-making within the board. However, it was also noted that ACWMN hurts financial performance, as their role does not directly contribute to improving the company's financial performance. Nonetheless, having women on the Audit Committee can help prevent profit management and produce more objective financial statements. Regarding the SSBWMN, further evaluation and strategy are needed to maximize their contribution to the corporate governance structure and improve the Islamic bank's financial performance in Indonesia. The limited number of women on the SSB may be a determining factor for the insignificant impact observed in the study. In conclusion, the study recommends that companies should strive to increase the number of women on their boards and committees to improve their financial performance and decision-making process.

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