

Java Ethnicity Of The Feminism Governance, Sustainability Policy, And Financial Stability

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Abstract

This study examines the relationship between Feminism Governance, Javanese Ethnicity, and its impact on Financial Stability and Investor Judgment. This concept is based on the characteristics of CEOs and Commissioners, including gender and Javanese ethnicity. This article uses a literature review to explain the relationship between the Javanese ethnicity of female CEOs and its relationship to financial stability and investor judgment. The results of this article show that both female CEOs and commissioners with a Javanese ethnic background will prefer to focus on and implement sustainability policies for companies that consist of social, environmental, and governance. This sustainability policy will ultimately increase the company's long-term profits. A good sustainability policy for a company increases the company's financial stability in the long term. The good financial stability of a company can make investors see the company as good, thus making investors behave in making decisions to invest in the company. This article is the first to discuss Javanese ethnicity in CEOs and company commissioners, previously many articles only discussed the gender composition of CEOs and commissioners.

INTRODUCTION

In recent years, the issue of financial information disclosure has become a rapidly developing issue. In addition to being required to carry out social activities, companies must also disclose non-financial disclosures of social activities. However, on the other hand, this form of social activity is considered an unnecessary form of expenditure because the impact of this form of social activity does not impact the company's development. In Indonesia, social activities are mandatory for companies, in accordance with the demands of Law no. 40 of 2007

which states that every company is required to spend money on social activities. In practice, companies have carried out forms of social activities, but there are still few companies that report this in the form of non-financial reports, and there tends to be no integration between financial and non-financial reports.

In fact, the form of social activity expressed can be a reference for investors when making decisions. However, to carry out social activities, it is greatly influenced by the CEO in decision making. There are differences regarding policy settings in terms of social activities carried out by male and female CEOs. Female CEOs tend to have a higher caring and concern nature compared to male CEOs. Not only in the position of CEO, but the form of supervision carried out by women can be carried out on the Board of Commissioners. If the structure of the board of commissioners has women as one of the board of commissioners, it will cause the company to tend to pay attention to social activities (Ararat & Sayedy, 2019; Bui et al., 2020; Chodorow, 1974; MA Harjoto & Rossi, 2019; Harris, 1990; Huse & Solberg, 2006; Jizi, 2016; Kılıç & Kuzey, 2018; Maji, 2019; Miles, 2011; Vitolla, Raimo, & Rubino, 2019)

The role of women in Indonesia is very different from men in running or supervising a company. The phenomenon in Indonesia in the previous few years shows that women have a greater role, especially in running an organization such as Putri Kuswisnuwardhani, CEO of PT. Mustika Ratu, Dian Siswarini, CEO of XL Axiata and the most phenomenal is Susi Pujiastuti who previously served as Minister of Maritime Affairs and Fisheries who has a firm nature and cares about the environment. So that from the phenomenon that occurs, it gives meaning that women have a form of caring and attention more than men, so this role is very important when companies have to face social activities.

In this paper, it also does not only look at the governance structure of gender or seen from the role of women, but the discussion of this paper focuses more deeply on the ethnicity of the CEO. This is important because apart from gender differences, the ethnicity of the CEO also has a function and influences the company's policy regarding environmental concerns. When this function is carried out comprehensively, both the company's financial and non-financial performance will affect investors' decisions in making decisions whether to buy the shares or not (Beretta et al., 2019; Birkey et al., 2016; Bucaro et al., 2019; Bui et al., 2020; Cheng et al., 2014; Churet & Eccles, 2014; Clayton et al., 2015; Cohen et al.,

2011; Dhaliwal et al., 2011; Dilla et al., 2019; Esch et al., 2019; García-Sánchez & Noguera-Gámez, 2017; Gerwanski. Jannik, Kordsachia. Othar, 2019; Hoang, 2018; Landau et al., 2020; Pavlopoulos et al., 2017; Reimsbach et al., 2018, 2019; Rokhayati et al., 2019; Steinmeier & Stich, 2019) .

Gender socialization theory is a fundamental theory that explains the relationship between the role of women and the governance structure. The theory of gender socialization contains the role that humans depend on parents, especially their mothers so that a woman will learn about essential aspects of developing concerns that will make humans develop. This theory explains that in the moral order, women will be more sensitive to social issues, so the level of concern for women will be better on sustainability issues.

In addition, culture theory was used in this study. (Hofstede G, Hofstede Gert Jan, (2010) stated that each region has a different culture. The national culture owned by each country has different characteristics. The research conducted by Hofstede G (2010) is divided into two parts, namely the West and East regions, each with a different characteristic. Therefore, if the CEO or commissioner has a different culture, it will produce different policies. CEOs who come from Eastern cultures tend to be more sensitive to environmental issues compared to Western cultures (Chen & Tang, 2009; de Mooij & Hofstede, 2010; Denison & Mishra, 1995; Haniffa & Cooke, 2005; Lau & Eggleton, 2004; Manrai, 2011; Tsui, 2001; Yatim et al., 2006; Yunos et al., 2012)

Several studies have tried to link the role of governance structures to social activities carried out by companies. The relationship between the role of women in governance structures and environmental concerns can be seen in better actions carried out by corporate structures occupied by women. The personality of women who occupy the structure makes a difference when men make policies regarding environmental management.

In this article, the author emphasizes the importance of women's roles in policies. The author emphasizes the importance of women's roles in governance structures to produce environmental care policies so that this can be a policy for companies in the commissioner structure. The role of women is needed to balance the importance of environmental policies. In addition, the structure of the company's CEO must be limited to supervising, and when the CEO is a woman, the level of sensitivity to environmental problems can be responded to more

quickly.

In addition, this article also describes women's personalities by referring to them so that later, it will explain why women are susceptible when it comes to seeing the phenomena that occur. Therefore, this paper will explain in detail the potential of women in leading an organization, especially in discussing environmental issues.

Furthermore, this article will discuss in depth the role of women in governance structures. The first thing to be discuss between women's roles as commissioners. In the function of women in a company's commissioners, women will play a role as supervisory function, so when women are in the supervisory function, there will be a tendency for every policy made by the CEO to be noticed and monitored more, especially in policies regarding environmental concerns. When the commissioner structure is only occupied by men, there will be a tendency for insensitivity to environmental issues.

In addition, the function of women is not only in the commissioner area but also as a function in the CEO. The CEO is the company manager and produces policies that are considered beneficial. When the company's CEO is a man, there will be a tendency for the company to generate significant profits to fulfill personal interests in the form of large bonuses so that the company is less sensitive to environmental issues. There will even be a tendency to damage the environment in the hope of large profits or profits.

This article contributes to the function of women as commissioners and CEOs. When women occupy the function of CEO or commissioner, they tend to be more sensitive to environmental issues.

METHODS

This article uses a literature review method by connecting the governance structure occupied by women, both CEOs, and commissioners, which are then connected to the environmental policies produced by the company. In addition, this paper also connects the ethnicity of each CEO and commissioner so that it can be seen which ethnicity tends to prefer environmental policies for the company and not only focus on financial performance. The literature study comprehensively identified the governance structure dominated by women. This literature study will use various examples of companies that have female CEOs so

that they can be linked to the implementation of policies on environmental issues later. In addition, this article will discuss in detail the ethnicity of each CEO and Commissioner, and later, it will be linked to environmental policies and their comprehensive impact on company performance. The following is the conceptual Framework of this paper:

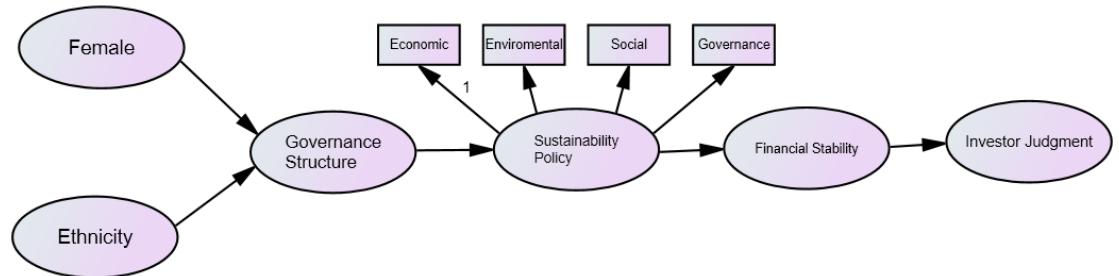


Figure 1. Conceptual Framework

The chart shows the relationship between governance structures consisting of women, especially those of Javanese ethnicity, which will focus more on the sustainability policy produced by the company. This sustainability policy consists of 4 dimensions: economic, environmental, social, and governance. The impact of this sustainability policy will make the company experience financial stability in the long term. As a result, when the company experiences good financial stability, investors will make investment decisions because the company is considered more bona fide and can survive every crisis.

This article will describe using various literature sources related to the relationship between several concepts so that it will aim to contain the relationship related to the concept. This paper will use several theories considered appropriate to the Framework, including gender socialization, decision usefulness, and culture theory.

RESULTS AND DISCUSSION

National Culture, Feminism Governance, and Sustainability Policy

National culture is a pattern of thinking, thoughts, feelings, and then actions of a social group with others. The concept of culture here is used to discuss as a whole and examine the environment of a region. Culture here is closely related to a person's behavior in an organization. The character of an individual will be formed by the existence of a culture underneath it so that that person's culture will

significantly influence the overall mentality and behavior of the company. Culture can be grouped into several dimensions, namely as follows:

a. Power distance

Power distance is one of the dimensions of National culture. The concept of this dimension contains the emotional distance between one individual and another. In more detail, this concept contains the relationship between leaders and subordinates. The power distance between Western and Eastern countries is different. Power distance in Western countries tends to be weak, so the relationship between leaders and subordinates tends to be weak, so there is no attachment between the leader and subordinate. In contrast to Eastern countries with a high power distance, the relationship between leaders and subordinates is high, so sometimes, decentralization is essential for companies in this country.

The relationship between power distance and feminist governance is very close. Both female CEOs and female commissioners have maternal characters, so they have traits that tend to care about others. So, the power distance that occurs in Western countries tends to experience a strengthening of power distance if led by a female CEO or supervised by a female commissioner. So when this happens, policies regarding the environment will arise due to the innate nature of the CEO and commissioner, even though they are in areas with low levels of power distance.

It is different in a region with a high power distance, such as in the eastern region, including Indonesia, where the level of relationship between leaders and employees is very high. Significantly impacts the policies produced by the CEO or commissioner mainly when a company is led by a female CEO who has previously been described as having a high level of concern for the community both within and outside the company.

In the concept of sustainability, which consists of 4 dimensions, namely economic, social, environmental, and governance, the focus of the presence of a female CEO who is at a high power distance, there is a tendency for the company to focus more on three critical aspects, namely social, environmental and governance. It will not be easy to fulfill in the long-term economic aspect when the company prefers to focus on social, environmental, and governance. Even if the company prefers a policy focusing on social, environmental and governance,

the costs incurred are significant, so it has the potential for profit to decrease or even experience losses. However, if this policy is successful, it will have the potential for a stable financial level.

b. Collectivism vs Individualism

The second concept is about the concept of Collectivism vs Individualism. This concept contains the relationship between individuals in society. Collectivism is more about the relationship between interconnected people with solid emotional relationships. Eastern countries will more widely hold the concept of collectivism. Eastern countries, including Indonesia, tend to have very close relationships between people. In contrast to Western countries, which tend to have individualistic traits, the relationship between people and forms of concern is relatively low.

The relationship between the dimensions of national culture is very close to the leadership in the company. The resulting policy is greatly influenced by the CEO of the company, who has a very close relationship with this dimension. Female CEOs have a powerful relationship with the community, which is then strengthened by female CEOs who have high emotional traits, so policies regarding the form of environmental concern in Indonesia should be greater than in other countries.

The relationship between one dimension of national culture when associated with sustainability policy is very close. As previously explained, Indonesia is a country that adheres to eastern culture so that the level of collectivism among the community is very high. National culture in each country is the character of each community that will be reflected in the basic culture. National culture will be linked to female CEOs and commissioners who can later improve sustainability policy. This sustainability policy will be linked to 4 dimensions, namely economic, social, environmental and governance. As in the previous discussion when interacting between collectivism and female CEOs and commissioners will improve social, environmental, and governance policies (Ari & Koc, 2019; Brusca et al., 2018; Dobbs & van Staden, 2016; Vitolla, Raimo, Rubino, et al., 2019; Ziolo et al., 2019) . In the long term, it will affect the company's economy.

c. Masculinity and Femininity

One of the cultural dimensions by Hofstede G, Hofstede Gert Jan (2010) is related to Masculinity and Femininity. This concept contains the character of a society consisting of men and women. However, this dimension will be associated with the potential of each country. Specifically, when compared between regions, the masculine aspect is more prevalent in the western region, and the feminine aspect is more prevalent in the western region. The difference in this dimension will affect the character that the leaders and commissioners will carry out. It is essential to see the impact on the company's sustainability policies.

There are differences between masculine and feminine characters towards policies implemented by companies. Feminists tend to choose policies prioritizing interaction between communities, so they prefer policies related to social and environmental issues and employee interaction. This policy can be said only to have a long-term effect on the company's economy, but for short-term profits, it will decrease. On the contrary, masculine people tend to focus on choosing opportunities to earn significant incomes. So that policies that incur costs will be minimized or eliminated.

d. Uncertainty avoidance

The last dimension of national culture is uncertainty avoidance. This concept contains the uncertainty that occurs in the future, so each individual must have alternatives to overcome this form of uncertainty. The steps humans take to deal with uncertainty will differ from others. If uncertainty avoidance is associated with the role of CEO and commissioner in a company, the treatment will differ between male and female CEOs. The same thing also applies to male and female commissioners in overcoming existing issues, primarily related to sustainability policy.

Javanese Ethnicity of Women and its Impact on Sustainability Policy

Previously, national culture was discussed and then linked to the role of female CEOs and commissioners and their impact on sustainability policy. This section will discuss the ethnicity of women in Indonesia. This discussion differs from those who linked it to national culture. However, this discussion focuses more on ethnicity in Indonesia, which varies in each province and region. This is one of the unique features of this paper, which tries to link ethnicity from each region with

female CEOs and commissioners and see their impact on sustainability policy.

The concept in Javanese culture, such as *wong Jawa iku nggone rasa*, is not owned by other regions. This concept is a concept that prioritizes each other's feelings. So in this concept, the values in Javanese culture prioritize the feelings of others so that when a company is led by a CEO who has Javanese values, the resulting policies tend to focus more on social interests, so it is almost sure that environmental and social policies tend to be related to the community. The values of Javanese culture are very much in line with policies related to the community.

Another concept besides the *wong Jawa iku nggone rasa* is that one of the Javanese cultural values is the culture of not being *ambitious*. The culture of not being *ambitious* is a culture of not being ambitious about something. These Javanese values are that each individual prioritizes establishing good relationships, so they tend to be "uncomfortable" with others. Therefore, each individual who adheres to Javanese values tends to be not *extravagant* (excessive) or more on being reasonable. One of these cultures is very much in line with policies related to society. Therefore, when a company is led by a CEO with a Javanese cultural background, the decisions made by the company focus more on policies so that the social, environmental, and governance of the company are good.

The next concept is the concept of embarrassment. The concept of embarrassment is one of the Javanese cultural values. This concept is a concept of discomfort with other people, especially when the person is a close friend. So when, individuals with these cultural values think more about the feelings of others. So, it is almost certain that the policies carried out or produced prioritize the feelings of others so that they focus more on community policies. When a CEO leads a company with a Javanese cultural background, the decisions made by the company focus more on policies so that the company's social, environmental, and governance are good.

Another concept of Javanese cultural values when connected with a CEO or Commissioner who has a female background, then the Javanese values that are also innate to a person make the company more sensitive to social and environmental issues. The impact that occurs when there is interaction between a female CEO and the CEO has a Javanese cultural background, the policies implemented will tend to focus more on social and environmental policies.

Sustainability Policy, financial stability and Investor Judgment

The policy on the environmental impacts produced should be reported to the public, so that the public can assess the company's performance. When a company focuses on sustainability policy consisting of 3 dimensions, namely economic, social, environmental and governance, it will cause the company to have good financial stability in the long term. In Indonesia, the company's financial stability can be reflected in the company's reports. This information is contained in the company's non-financial and financial performance. However, in Indonesia, non-financial information is voluntary for the company, so there is no standard form related to non-financial reports. The information disclosure form in Indonesia is still carried out separately, namely between financial and non-financial information. As a result, investors as decision-makers usually tend only to take financial or traditional information in decision-making because non-financial information presented by companies in Indonesia tends to be challenging to use as a basis for decision-making, especially related to investment. Therefore, in recent years in South Africa, integrated reporting has been introduced, integrating financial and non-financial information.

Financial stability is reflected in integrated reporting regarding financial and non-financial information, and integrated reporting also brings out the value generated by the company so that information is more valuable and more informative in conveying information to *stakeholders* in making investment decisions. Investment decisions made are determined mainly by the information obtained by investors. Based on the data obtained, it was revealed that many companies that were given investment by investors were companies that tended to have a large environmental impact compared to companies that tended to carry out social activities reflected through sustainable reporting (Bakumenko & Sigal, 2018; Fasaie et al., 2018) . This paper uses the decision usefulness theory. The use of decision usefulness theory to relate between integrated reporting and Non-Professional and professional investor judgment (Baker H. and Kent 2014) . Every company that will present financial statements must meet the qualitative characteristics of financial statements with the aim that the company can present good financial statements, so that later the financial statements can influence investor behavior towards the company. Investors will choose a company that reflects the actual condition of the company and see in the long-term aspect

whether the company will be sustainable. So to see these conditions, it is reflected in the dimensions of financial stability, namely economic, social, environmental and corporate governance.

CONCLUSION

The role of female CEOs and commissioners has a big role in the company's sustainability policy. So that in a company, the CEO no longer has to be filled by men but rather female CEOs, especially on environmental issues. When male CEOs only focus or are concerned with maximizing profits, it is crucial for companies to consider female CEOs to be more concerned with environmental issues so that the company's sustainability policy is created. Not only female CEOs but commissioners whom women dominate can also create policies or support CEO policies that focus on or are concerned with the environment.

The role of the CEO and commissioners is to produce sustainable policies for the company. The CEO and commissioners must have a national cultural background with an Eastern cultural region, so there will be a tendency for the CEO and commissioners to be more focused or sensitive to environmental issues to produce policies that have a high social interaction relationship. However, this policy can reduce the profits generated in the short term significantly and even tend to experience losses, but in the long term, the company will experience good financial stability in the long term. The concept of financial stability is a comprehensive policy that contains 4 elements, namely, economic, social, environmental and governance.

The concept of financial stability derived from the impact of sustainability policy will affect investor behavior in decision making. Financial stability is the "dream" of every company to continue to survive and be sustainable both in normal times or even in times of crisis. So when the company is indicated to have good financial stability, investors will make decisions to invest in the company.

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