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CEO POWER, GENDER DIVERSITY AND ESG PERFORMANCE: EVIDENCE FROM FINANCIAL COMPANIES IN ASEAN-5

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Abstract

ESG principles are considered significant because they do not only focus on increasing profits but also pay attention to environmental, social, and good governance aspects. This research aims at analyzing the influence of CEO power and gender diversity on banking companies that go public in ASEAN-5 countries. This research used a non-probability sampling with a purposive sampling technique to select the sample. This technique obtained 24 banking companies going public in ASEAN-5 countries during 2018-2022. The analysis technique used in this research was panel data regression. The result showed that CEO Power and gender diversity positively affected ESG performance, then the control variable ROA had a negative effect as well Size had a positive effect. On the other hand, DER did not affect ESG Performance. The practical implications of the research results for companies stated that companies could implement CEO Power and gender diversity in the corporate environment to support sustainable development goals.

INTRODUCTION

The implementation of sustainability reporting disclosures is currently significantly developed in several Asian countries and continues to increase in number every year. In a global context, climate change and its effects are increasingly evident. In some countries, this has raised global awareness of the importance of sustainability. Sustainability is not only crucial for the environment but also for the economy and society. The World Economic Forum's Global Risk Report showed several critical risks over the next two to three years. The first global risk is the growing financial burden and cost of living. There are significant risks in social issues, environmental issues, and climate change. In a global context, ESG not only serves as a tool to assess corporate impact but also as an important criterion for social responsibility, investment, and legal compliance. The adoption and application of ESG principles helped companies act more sustainably and ethically, which would ultimately benefit the environment, society, and the global economy as a whole. The Global Risk Report has repeatedly identified environmental issues and climate change as significant risks in recent years (keuangankontan, 2023). Based on this, the global context, climate change and its impacts were increasingly evident. This increased global

awareness of the importance of sustainability in many countries that were not only focused on the economy. However, attention to environmental, social and Governance (ESG) performance was required (Olmedo et al., 2019). Environmental, Social, and Governance (ESG) factors were also considered as a fundamental strategy for corporate sustainability and were common in banking companies (McDonald & Thiele, 2008).

The banking industry faced increasing pressure to meet rapidly growing environmental, social and Governance (ESG) demands. Many new regulations demanded greater transparency and disclosure of ESG-related data. ESG was a term commonly used in a company's Corporate Social Responsibility (CSR), which was disclosed in its sustainability report (Jeanice & Kim, 2023). Corporate Social Responsibility (CSR) was a concept that considered the company's aspects (Krisnawati et al., 2018). Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) were concepts related to corporate social responsibility, but they differed in scope and focus. Corporate Social Responsibility (CSR) focused more on improving the company's image and social impact. At the same time, Environmental, Social, and Governance (ESG) was more concerned with sustainable assessment and investment in the environmental, social, and corporate governance spheres. In addition, ESG was a concept that prioritized sustainable development and investment activities that investors could use to screen future investments. According to David, (2023), the environment was a factor that examined how a business ran and its environmental impact. Social factors examined how a company treated stakeholders and employees and focused on human rights. Meanwhile, Governance was a factor that looked at how the company manages good Governance and sustainability for their company (Tommaso & Thornton, 2020). ESG principles were considered very important because they measured non-financial impacts and did not only focus on increasing profits but were also expected to be environmentally friendly, socially responsible, had good governance, advance the domestic capital market and enrich investment instruments (OJK, 2021). Jembar & Cahyaningsih, (2020) said that sustainability reports were going to boost the standing of the business and increase investor confidence in investing. The company's sustainability responsibility also aims at making a positive contribution to society by protecting the environment. (Octarina et al., 2018).

ESG factors were considered an essential strategy for business sustainability, and this was a usual case for bank companies (McDonald & Rundle-Thiele, 2008). ESG could help banks gain a healthy financial position and increase customer loyalty to the company. Companies that did not implement ESG in their operational processes could jeopardize the bank's good name, and many people question the company's long-term sustainability. All parties involved, such as stakeholders as well as those within the bank company, should use caution when engaging in practices that had negative impacts on the environment and conflict with societal norms (Buallay, 2019; Buallay et al., 2020; Shakil et al., 2020) the increase in ESG investments had been proliferating around the world, especially in ASEAN member countries. Companies in ASEAN 5 had started to show a promising trend in ESG investment, while other member states had yet to show a similar trend. Full incorporation of ESG investments into company plans was still a work in progress for some member states (antaranews, 2019)

The growth of ESG investment in ASEAN-5 countries had grown, notably in the banking sector. A full 100% of Singapore's banking sector would adopt ESG principles in 2022, the banking sector in Malaysia that had applied ESG principles reached 91%, the banking sector in Thailand that had applied ESG principles is 40%, the banking sector in the Philippines that had applied ESG principles was 41%, while in Indonesia the banking sector that had applied ESG principles was 35%. This figure was still lower than other countries this was due to several factors. One of them was the need for more awareness and understanding of ESG, government inaction in the form of rules and incentives, and the difficulty of determining the criteria, matrix, or performance indicators. (refinitiv.com, 2023). According to POJK No.51 of 2017, issuers, public companies, and financial service providers must prepare sustainability reports. Therefore, the banking sector should step up its involvement in sustainability initiatives because the banking sector had a close relationship with sustainability, and banks play an important role in allocating financial resources. Environmental and social factors had a significant impact on the way banks lend money (Lecturer et al., 2021; Shakil et al., 2020).

The impact of CEO authority on ESG performance had been studied in the past, with research done by Li et al., (2018), Jiraporn & Chintrakarn, (2013), Lee & Hooy, (2024), and (Shakil et al., 2020) While some research had linked ESG performance positively, other research had shown no correlation between CEO power and ESG success (Rachmawati et al., 2021). Research by Al-Shaer et al., (2023) provided results that companies with large CEO power were less involved in sustainability performance due to the costs that must be incurred. However, in contrast to the results of Francoeur et al., (2021) results showed that CEOs had power as an important role in generating resources that could be invested in projects related to sustainability performance (Lee & Hooy, 2024). Based on the results of this research, writers conducted research related to CEO power on ESG performance in different countries, which was expected to yield different results.

According to research conducted by Disli et al., (2022) and Lecturer et al., (2021), gender diversity had a positive impact on ESG performance, and female directors drove good governance performance and quality.

Female board members had different perspectives and opinions, these views helped banks and companies make ESG-driven strategic decisions, so ESG performance improved (Shakil et al., 2020). Paloni et al. (2023) demonstrated that gender diversity was a critical component of CSR (Paolone et al., 2024). Not only that, but the findings of (Romano et al., (2020) demonstrated a correlation between ESG disclosure and the number of female board members. However, different results in the research of (Thanh Nguyen et al., 2022) and (Đặng et al., 2020) revealed that gender diversity was inversely related to ESG performance. Research performed by Al-Shaer et al., (2023) Cucari et al., (2018); Disli et al., (2022); Harper & Sun, (2019); Komariyah et al., (2017); Rachmawati et al., (2021); Rooh Lecturer et al., (2021); Shakil et al., (2020); Sri Yuliandhari et al., (2022); Velte, (2020); Zhang et al., (2022) contradictory results about the impact of CEO power and gender diversity on ESG performance in research in Pakistan, Indonesia, China, the United States, and Italy.

Impact on business value had been the primary focus of recent ESG research, ESG performance provided positive value for the company, its sustainability, and its attractiveness to investors (Marwa et al., 2017; Budiharjo, 2020; Aydoğmuş et al., 2022; Duan et al., 2023) as well as financial performance (Halid et al., 2023; Shaikh, 2021; Thanh Nguyen et al., 2022). In addition, research examined the impact of gender diversity and CEO power determinants on ESG performance, particularly in the financial industry, tended to be carried out in industrialized nations. Sustainability performance was currently a very important issue. Previous research also provided inconsistent results on CEO power, and gender diversity on ESG performance so the novelty lay in the object of research. This focused on countries in Southeast Asia, especially ASEAN-5. In addition, the research tried to fill the gap from previous research results that showed inconsistent results so that the results could provide a different perspective from previous research.

The research aims at adding to academic literature and business futures by providing empirical evidence on how gender and CEO competence could affect ESG performance. Investors hoped that research results could be used as a foundation for decision-making before investing, while practical aspects for businesses included understanding and improving environmental, social, and governance performance in the interest of increasing investor trust. Gender diversity was critical to the ESG social dimension and contributed to corporate well-being and performance. Implementing policies that promoted gender diversity could bring significant benefits, including improved business performance, increased innovation, and a positive reputation with stakeholders. To achieve effective gender diversity, companies must make sustained efforts within their organizations. CEO power influenced ESG performance by setting the company's strategic direction in terms of environment, social, and governance responsibilities. A strong CEO could integrate ESG values into the core of the company's business strategy and ensured that ESG initiatives received the necessary attention.

Legitimacy theory emphasized that companies must align all their activities with the values and societal standards that applied to the community where they were located to ensure that companies had legitimacy (Degaan, 2006). However, it could not be denied that there would always be differences between the values held by the Company and the social values of society. The difference between corporate and social values was sometimes described as the "legitimacy gap" which could affect the company's ability to keep operations running. For this reason, companies must evaluate and adjust social values in society as a tactic to gain legitimacy (Chairiri Anis & Ghozali Imam, 2007).

The CEO was the leader responsible for the success or failure of a company; therefore, the CEO was required to be resilient in achieving the company's goals. As the highest-ranking executive in an organization, the CEO exercises significant decision-making authority and positions to ensure the best possible future for the business and all of its constituents (Rachmawati, et.al., 2021). Most CEOs considered sustainability reports to be crucial for the company's success and actively leverage their power to promote environmental innovation. Powerful CEOs tend to provide transparent information regarding the company's condition. Higher transparency in ESG reporting demonstrated the company's commitment to responsible business practices, which helped strengthen the trust and support of stakeholders (Li, et.al., 2017). Companies with strong CEOs supporting sustainability not only had a positive impact on ESG performance but also enhanced the company's legitimacy from the stakeholders' perspectives. The implementation of ESG performance needed to be supported by strong CEO Power and attention to the aspects of existing ESG performance. With CEO Power, companies would realize the importance of sustainability reporting and certainly increase the trust of stakeholders (Rachmawati et al., 2021; Lee, et.al., 2024). According to Velte, (2020), CEOs had significant influence over strategic decisions within their companies. Most previous research showed that CEO power positively impacted ESG performance. According to Zhang et al., (2022), promoting environmental innovation through the constructive use of CEO power. A strong CEO contributed to the formation of sufficient resources to invest in projects, improving the company's environmental performance (Francoeur et al., 2021). Meanwhile, according toVelte, (2020), The correlation between ESG performance and financial performance was stronger in the case of CEO authority. CEO incentives have the potential to strengthen the corporate social responsibility business case.

Diversity referred to elements within each individual that distinguished them from others, such as character, behaviour, and gender perspective. Gender diversity was also considered in the ratio of males to females (Yuliandhari et al., 2022). The role of women on the board of directors in a company could enhance ESG performance because women had psychological traits that could reduce information asymmetries and support the management of social and environmental challenges in innovative ways. Additionally, the presence of women on the board helped the company make significant contributions to the decision-making process regarding social and environmental issues, and helped the company gain and maintain legitimacy from stakeholders (Paolone, et.al, 2024). Therefore, companies that had many female directors would have better outcomes in the areas of governance, society, and the environment because female directors performed better than men. After all, women had the characteristics of caring about welfare, sympathy, and cooperation (Disli et al., 2022; Van Staveren, 2014). Female board members had different opinions and perspectives than male board members. ESG performance was enhanced as female board members' perspectives and opinions helped banks and companies make ESG-driven strategic decisions (Shakil et al., 2020). According to Disli et al., (2022); Rooh Lecturer et al., (2021) research found that good and quality governance performance was driven by female directors, and gender diversity yielded favourable results on ESG performance. This study has two hypotheses as follows H1 CEO power had a positive effect on ESG performance, and H2 Gender Diversity positive effect on ESG performance.

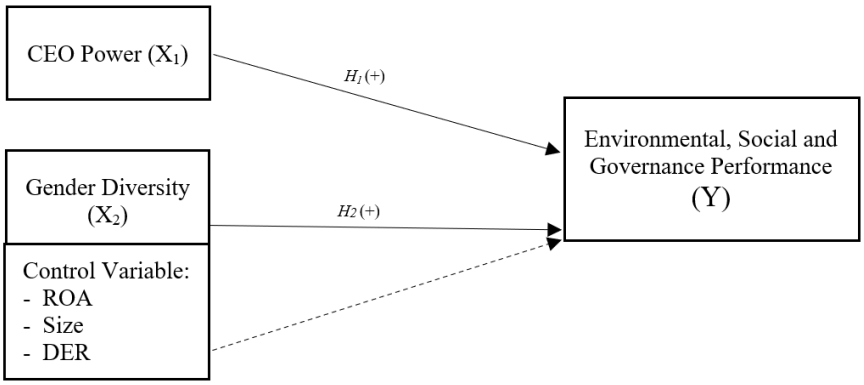

Figure 1. Conceptual Framework

METHODS

The population in this research were banking companies listed on the Indonesia, Malaysia, Singapore, Thailand and Philippines stock exchanges from 2018 to 2022. This used quantitative data, and the sample was selected using a purposive sampling technique, with the sampling criteria of companies that published financial reports from 2018 to 2022 and had consecutive Environmental, Social, and Governance scores on Refinitiv during the research period. The sample was obtained from 24 banking companies for five years, with 120 research data units. The criteria for sample selection were presented in Table 1 below:

Table 1. Sampling Criteria

No.	Sampling Criteria	Total
1.	Banking companies went public in ASEAN-5 countries during the period 2018-2020.	90
2.	Banking companies went public in ASEAN-5 that did not consistently publish financial statements during the period 2018-2019.	(3)
3.	Banking companies went public in ASEAN-5 countries and did not have consistent Environmental, Social, and Governance (ESG) scores on the Refinitiv platform during the period 2018-2022.	(63)
	Number of samples that fulfil the criteria	24
	Total data used (5 years)	120

The research used three types of variables and control variables for its variable measurement. Data for CEO power and gender diversity variables were obtained from the company's annual reports, while financial statements were used to obtain data on return on assets, company size, and debt-to-equity ratio. The variable operationalization table served to provide a clear and practical definition of how variables would be measured and observed in research, the following as a variable operationalization table:

Table. 2 Variable operationalization

Variable	Indicator	Source
	Dependent Variable	
ESG Performance	ESG score (Yadav & Prashar, 2023)	Refinitiv
	Independent Variable	
CEO Power	Ln (CEO Pay Slice)	Annual Report
	(ln) of the CEO paid slice, CPS could be defined as the CEO compensation amount of total compensation, including salary, bonus, other payments, long-term incentive payments, total shares, stock option value, and other compensation (Harper & Sun, 2019).	
Gender Diversity	Number of Female Directors/Total Board of Directors	Annual Report
	The gender diversity of a board of directors could be expressed as a percentage, where the number of female directors was divided by the total number of directors (Cucari et al., 2018).	
	Control Variable	
ROA	Total Assets/Net Income	Financial Statement
	return on assets measured using the percentage (%) of total assets divided by net income (Javeed & Lefen, 2019).	
SIZE	(Ln) Total Assets	Financial Statement
	size using the natural logarithm (ln) of total assets (Disli et al., 2022).	
DER	Total Liabilities/Total Equity debt to equity ratio was measured by dividing total liabilities by total equity (Digdowiseiso, 2023).	Financial Statement

In panel data regression, the classical assumption tests used are only multicollinearity tests because there was more than one independent variable and heteroskedasticity tests due to the timing of the data being cross-sectional. Heteroscedasticity and multicollinearity tests were carried out to obtain estimation accuracy. The analysis technique used in this research used panel data regression analysis using e-views. Panel data regression had advantages because it combined time series and cross-section. It used three tests, the Chow test, the Hausman test, and the Lagrange multiplier test to determine the best model. Here was the regression model that was used for this research:

$$ESG_{it} = \alpha + \beta_1 CP_{it} + \beta_2 GD_{it} + \beta_3 ROA_{it} + \beta_4 Sz_{it} + \beta_5 DER_{it} + \varepsilon \quad \text{.....(1)}$$

ESG stood for Environmental, social and governance performance, CP represented CEO Power, GD stood for Gender Diversity, ROA represented Return on Assets, Sz stood for Firm Size, and DER stood for Debt to Equity Ratio.

RESULTS

The goal of descriptive statistics was to glean broad conclusions from the data set. Averages, maximums, minimums, and standard deviations were the data formats used. The following table 3 described the descriptive statistical results:

Table 3. Statistic Descriptive

	N	Min	Max	Mean	Std. Dev
ESG	120	36.5593	88.0487	66.7966	12.8066
CEO Power	120	15.8200	27.2048	19.3327	3.61401
Gender Diversity	120	6.3106	98.8889	55.6380	26.3033
ROA	120	0.0004	0.0319	0.0116	0.0067
DER	120	0.0059	0.9232	0.8967	1.5530
Size	120	19.0454	22.2098	20.5788	0.9726

Source: Processed Data, 2024

As presented in Table 3, the average value of the ESG performance variable was 66.7966 when the descriptive statistics were tested. Companies in the banking industry in the ASEAN-5 countries already placed a premium on sustainability performance, as their average value exceeded 50%. A standard deviation of 12.8066 was found among the data points. When the mean was greater than the standard deviation, there was no discernible pattern in the data points. With a standard deviation of 3.61401,

the average value of the CEO Power variable is 19.3327, this showed that overall, CEOs in ASEAN-5 countries had a level of power and influence in decision-making of 19.3327 or 19.33%. Given that the mean exceeded the standard deviation, it could be concluded that the data remained constant. The gender diversity variable had an average value of 55.6380, which indicated that the number of female directors was 55%. In other words, the proportion of male and female boards of directors in banking companies in ASEAN-5 countries was the same amount. The standard deviation was approximately 26.3033. There was little variation in the data as the standard deviation was lower than the average. Size had an average of 20.5788 and the control variable, return on assets, had an average of 0.0116. There was no variation in the data, as this average value was higher than the standard deviation values of 0.0067 and 09726. The control variable for the debt-to-equity ratio also revealed data variability; it had an average value of 0.8967 and a standard deviation of 1.5530.

Panel data commonly underwent the multicollinearity and heterogeneity tests, which were considered classic assumption tests could be seen in Tables 4 and 5:

Table 4. Multicollinearity Test

	CEO	GD	ZROA	ZLEV	ZSIZE
CEO	1	-0.1942	0.56277	0.1843	0.0132
GD	-0.1942	1	-0.1447	0.0688	-0.1285
ZROA	0.5627	-0.1447	1	0.2537	-0.1725
ZLEV	0.1843	0.0688	0.2537	1	0.01462
ZSIZE	0.1321	-0.1285	-0.1725	0.0146	1

Source: Processed Data, 2024

Based on the results of the multicollinearity test shown in Table 4, it could be concluded that neither the independent variables nor their relationships displayed multicollinearity, as the correlation coefficient value for each independent variable was less than 0.09.

Table 5. Heteroskedasticity Test

Heteroskedasticity Test: Glejser Null hypothesis: Homoakedasticity			
F-statistic	2.182528	Prob. F (20,99)	0.0609
Obs*R-squared	10.48346	Prob.Chi-Square (20)	0.0628
Scaled explained SS	10.69681	Prob. Chi-Square (20)	0.0577

Source: Processed Data, 2024

Table 5 showed that the Glejser test for heteroscedasticity indicated that the probability value (Prob. Chi-Squared) was more than 0.05. The results explained that this regression model was not harmed by heteroscedasticity.

In panel data regression analysis, the optimal panel data model was determined by administering the Chow test, the Hausman test, and the Lagrange multiplier test. Common effects with fixed effects, random effects with fixed factors, and random effects with fixed effects could all be tested using these tests. Panel data model test findings in Table 6 were as follows:

Table 6. Panel Data Model Specification Test

Test Type	Result	Decision
Chow Test (CE vs FE)	Prob. 0.0000 < 0.05	Using FEM
Hausman Test (RE vs FE)	Prob. 0.0000 < 0.05	Using FEM

Source: Processed Data, 2024

Table 6 above presented that most model for analyzing panel data was modelled using a fixed effect. The test results consisted of simultaneous, partial significance levels and adjusted R2 values in the table below:

Table 7. Hypothesis Testing Result

Regression Models: $Y = \alpha + \beta_1 CP_{it} + \beta_2 GD_{it} + \beta_3 ROA_{it} + \beta_4 Sz_{it} + \beta_5 DER_{it} + \varepsilon$					
Dependent Variable: ESG Performance					
Variable	Coefficient	T-Stat	P-Value	Hypothesis	Sig
Const	-403.2685	-5.1942	0.0000		
CP	4.2471	2.8864	0.0049	+	**
GD	0.07088	2.0497	0.0433	+	**
ROA	-323.2387	-2.1120	0.0374	-	**
Size	18.6617	4.8752	0.0000	+	**
DER	4.9262	0.9417	0.3489	+	
Obs	120				
Adj R^2			0.8853		
Prob (F-Stat)			0.000000		

** Significance 5%

Source: Processed Data, 2024

It was evidenced from Table 7 that Prob (F-Stat) had a value of 0.0000 < 0.05, which indicated that the CEO Power and gender diversity variables simultaneously affected ESG performance. The coefficient of determination showed a value of 0.8853 or 88.53%. Evidence like this suggested that gender diversity and CEO power were separate factors that could account for ESG success as a dependent variable. At the same time, factors beyond the scope of the research account for the remaining 11.47%. The P-value of CEO Power (CP) was 0.0000 <0.05 with a coefficient of 4.396336, so it could be concluded the CEO Power variable had a positive effect. The P-value of gender diversity (GD) was 0.0049 <0.05 with a coefficient of 0.070883, so the Gender Diversity variable had a positive effect. The P-value of ROA was 0.0374 <0.05 with a coefficient of -323.2387, as a result, the variable had a negative effect. The P-value of SIZE was 0.0000 <0.05 with a coefficient of 18.66168, resulted in SIZE having a positive effect. The P-Value DER was 0.3489 ≥ 0.05 with a coefficient of 4.926159. This explained why the DER variable had no effect.

DISCUSSION

Based on the partial test results in Table 7, CEO power affected governance performance, social issues, and the environment. The results showed that the CEO power variable positively affected ESG performance. The research's findings were based on the hypothesis, so in this test, H0 was accepted, In the sense that these results were in line with the research hypothesis. These results aligned with the hypothesis that CEO power could provide fast decision-making on internal and external issues as well as issues related to the environment, society, and governance. CEO Power was highly committed to motivating all company employees to work productively to achieve sustainable goals (Nazliben et al., 2023). Thus, companies with high CEO power could effectively steer the company toward sustainable and socially and environmentally responsible business. Additionally, the findings supported the legitimacy theory because companies paid attention to all appropriate ESG activities. Then this research was supported by (Al-Shaer et al., 2023; Velte, 2020; and Zhang et al., 2022) that companies with high CEO power could improve environmental, social, and governance performance.

Partial test results in Table 6 showed that gender diversity significantly impacted environmental, social, and governance performance. The results were done by the hypothesis, so in this test, H0 was accepted, In the sense that these results were in line with the research hypothesis. the gender diversity variable, which positively affected environmental, social, and governance performance. This result supported legitimacy theory, as this research found that gender diversity had a large and beneficial impact on the effectiveness of governance, social, and environmental programs. Female executive boards were more active on important and strategic stakeholder-related issues. In addition, women could be more responsive to environmental and social issues because women had a more participatory leadership style than men. Factors that influenced gender diversity in the workplace could provide a variety of experiences and different perspectives in making decisions, especially those related to ESG issues. These results aligned with the research done by Disli et al., (2022); Shakil et al., (2020), proving that positive effects of gender diversity on ESG outcomes were possible.

The control variable return on assets affected the performance of environmental, social, and governance factors. Therefore, the decision to accept H0, In the sense that these results were in line with the research hypothesis. The control variable return on assets, hurts environmental, social, and governance performance.

This could be interpreted that companies when they had a high return on assets, would prioritize short-term investments above sustainability efforts to maximize revenues, so companies would tend to manage resources effectively to get optimal results (Disli et al., 2022; Javeed & Lefen, 2019; Shakil et al., 2020).

Partial test results explained that size significantly affected the effect of size control variables on environmental, social, and governance performance. Size control variables, which had a positive effect on ESG performance. The decision taken was to accept H0, In the sense that these results were in line with the research hypothesis. Companies with significant total assets had good financial performance to contribute to environmental and social-related investments. In addition, companies with significant total assets can enable companies to implement strategies and projects for long-term goals related to sustainability performance (Disli et al., 2022; Swandari & Sadikin, 2016).

Based on the test results, debt to equity affects environmental, social and governance performance. The control variable debt to equity control did not affect ESG performance, the decision taken was to reject H0, in the sense that these results were not in line with the research hypothesis. The level of debt of a company had no direct relationship with sustainability performance because sustainability performance was influenced by management commitment and company policy. In other words, companies with high and low debt levels would still be concerned about environmental and social issues because these had become global issues (Disli et al., 2022; Ho et al., 2022; Swandari & Sadikin, 2016).

CONCLUSIONS

Banking companies in the ASEAN-5 that went public were the focus of this research, which sought to understand how gender diversity and CEO power affect ESG performance. The research demonstrated a positive correlation between ESG performance CEO power and gender diversity. This was in line with the hypothesis made in the framework. Companies with excellent CEO power and gender diversity were proven to improve ESG performance. The findings from the research were based on the legitimacy theory, asserting that the existence of CEO power and gender diversity was essential for sustainable performance, social legitimacy, and long-term corporate success. After conducting several tests, our empirical results showed that CEO Power and gender diversity significantly positively affected ESG performance. This was in line with the previous hypothesis that CEO power and gender diversity could enhance ESG performance. Gender diversity's impact on ESG performance, more female directors would lead to better environmental, social, and governance performance for a company.

One of the many real-world applications of this research was the call for more female representation on corporate boards and the promotion of gender equality as a mean to achieve sustainable development objectives. Another real-world application was the recommendation that banking companies appointed chief executive officers with a strong commitment to sustainability performance. The writers hoped that potential backers would take into account the companies' gender and CEO diversity when deciding whether or not to put their money into them, since these companies were more likely to prioritize sustainability.

Future research would likely include additional independent factors such as audit committee and frequency of board of directors meetings. Future research could also be conducted in areas other than the banking sector, such as the industrial and manufacturing sectors. Finally, The ESG performance variable used the overall score of the three ESG pillars, so it did not explain the influence of each sustainability pillar in detail. In addition, future research might consider to evaluate the environment, society, and governance (ESG) pillars individually.

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