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Do women on boards affect employee benefits? Evidence from the global microfinance industry

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A B S T R A C T

By utilizing data of 2,964 microfinance institutions (MFIs), our study investigated the nexus between female board members and employee benefits. The findings showed that a higher proportion of female board members has a significant positive effect on the employee benefits.

1. Introduction

Employees are major drivers of organizations' success in today's competitive business environment. In a 'low-tech and high-touch' sector like microfinance, employees play a crucial role in discovering new clients, processing their loan applications, monitoring and collecting their loan repayment (Kanyurhi and Bugandwa Mungu Akonkwa, 2016). Unfortunately, some of these employees are underpaid, less rewarded and suffer gender pay gap, resulting in their dissatisfaction with the current 'staff incentive scheme' and overall job (Ganguli et al., 2018; Kanyurhi and Bugandwa Mungu Akonkwa, 2016; McKim and Hughart, 2005; Sarker, 2013). All these severely affect their overall well-being and may result in their attrition. Unfair benefits and higher employee turnover may cause reputational crisis for microfinance institutions (MFIs), which can impede their growth and long-term sustainability.

Many studies have examined the association between corporate governance and MFIs' performance (Augustine et al., 2016; Hermes and Hudon, 2018; Rasel and Win, 2020), with some studies reporting a positive effect of female board members on outreach (Gohar and Batool, 2015) and financial sustainability of MFIs (Mia et al., 2021; Vishwakarma, 2017). However, scarcity of research (to our knowledge) on the impact of female (female and women are interchangeably used in this study) board members on employee benefits motivated our interest in examining if presence of more female board members improves the average financial benefits of employees in MFIs.

Theoretically (as per the resource-based view), female on boards can bring change to the style of management operation (Provasi and Harasheh, 2021). For example, women are more prudent than men in their management style, and they prioritize the welfare policies of the stakeholder over that of the shareholders (Adams, 2016). Women are more dedicated to establishing and preserving connections than their male counterparts, and a gender diverse board tends to improve the selection processes of a firm, ultimately attracting better management team and enhanced performance (Shrader et al., 1997; Solakoglu and Demir, 2016). To bring better talent to the workforce, MFIs need to offer better financial benefits to their employees. Moreover, gender diversity among the board members promotes equity-based compensations and effective monitoring (Adams and Ferreira, 2009),

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