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THE ROLE OF FEMALE EXECUTIVES ON CORPORATE GOVERNANCE CONFORMITY: A CROSS-SECTIONAL ANALYSIS IN AN EMERGENT MARKET

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Abstract. Previous studies have shown the importance of gender diversity for good corporate governance, although in developing countries a gap is observed in correlating compliance with corporate governance principles and board composition. Our study examines the influence of the board composition, including female executives, on compliance with the corporate governance code of companies listed on the Bucharest Stock Exchange. By analysing data collected from the annual reports (corporate governance statements, financial statements) of 63 companies listed on the Romanian capital market between 2016 and 2019 (divided into two panels depending on the listing tier – Premium and Standard), we identified a positive relationship between female executive and the degree of compliance with the Corporate Governance Code. The national majority capital positively and significantly influences the compliance of companies with female executives listed in the Standard Tier with the Code, while the private majority capital negatively influences the compliance of the companies regardless the listing tier. Our study highlights the importance of female executives in the corporate governance of listed companies on the Romanian capital market and brings empirical contribution to the literature development on a newly declared emerging market.

Keywords: corporate governance code, female executive, corporate ownership, conformity, emerging markets, Bucharest Stock Exchange.

JEL Classification: M14, M41, C87, L25.

Introduction

Through corporate governance statements, relevant information on the actions taken by the board of directors is disclosed to stakeholders. An increased attention is given to understanding the different facets of corporate governance (de Villiers & Dimes, 2021; Tăchiciu et al., 2020), with focus on the effectiveness of the roles, responsibilities, and composition of boards, especially the gender dimension (Kim et al., 2020; Al-Rahahleh, 2017; Navarro &

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Gallo, 2014). Given that the corporate governance system relies on the board of directors as its main governance structure, a big interest in improving the performance of boards of directors arise. This increased interest is due to various reasons, including the series of corporate scandals that marked the beginnings of the 21st century or the criticism received by shareholders who gained control over the various decisions of corporate councils (Menexiadis, 2021; Spătăcean, 2015; Burke, 2003; Carter et al., 2003). While the board of directors is the main structure of a company, it must comply and disclose information about undertaken actions, through corporate governance statements, in accordance with corporate governance codes.

Many scholars emphasized the importance of the corporate governance conformity to increase performance (Dănescu & Popa, 2019; Goncharov et al., 2006), although there is no specific method to determine a conformity score. Other scholars show that the presence of female directors on boards or committees can lead to an increased firm performance (Lückerath-Rovers, 2013), higher quality financial statements (Dobija et al., 2022) or reduction of risks (Perryman et al., 2016; Ararat et al., 2021). A wide-ranging debate emerged in developed countries on the corporate performance brought by female executives, and the results prove the need for gender diversity on corporate boards. However, this debate is almost non-existent in developing countries or emerging markets, where most of the efforts to empower female executives are mainly concentrated for family businesses, even though due to the increasing role of emerging markets in the world economy, new light is put on studying corporate governance in emerging markets (Witt et al., 2021; Ararat et al., 2021). In our paper, we identify the effect of the female executives' contribution on corporate governance compliance in companies from various fields of activity in a developing country and with an emerging market in the European Union (EU) – Romania. Our analysis included 63 companies listed on Bucharest Stock Exchange (BSE).

The paper connects two areas of research less addressed in the case of Romania: examining the role of female executives in corporate governance reporting, correlated with the degree of compliance of corporate governance statements with the Romanian corporate governance code. Although separately we found a special interest for both areas of research, in Romanian literature we do not frequently find a connection between gender diversity and corporate governance reporting research. Therefore, we investigate whether companies with female executives show an increase in compliance with the corporate governance code. Our study makes three primary contributions. First, we provided a calculation model for corporate governance conformity for Romanian listed companies. Second, the comparative approach of cross-sectional analysis allows us to identify the contribution of executive women to the compliance of corporate governance in the case of companies listed on BSE, considering the majority share capital. Thus, we compared the results obtained by state-owned companies with the results obtained by private-owned companies. Third, because companies listed in different tiers in the main segment of BSE must comply with the Corporate Governance Code on a different number of provisions, through the same comparative approach, our results are presented according to the tier in which the analyzed companies are registered for trading on BSE. This comparison allows us to remove any biased results, noticing differences between the contribution made by women executives to compliance with the code depending on the tier in which companies are registered to trade. At the same time, we chose to compare the results obtained by trading tiers with the global results, in which we do not take into consideration the trading tiers, to identify any deviations from the average. By doing so, our study contributes both to the development of the literature, thus presenting a study on the contribution of executive women to increasing the conformity of corporate governance in a recently declared emerging market of the European Union, as well as to the development of public and practical implications, through which we offered light on the importance of gender diversity in the board composition in an European emerging market. Six hypotheses are tested to answer to our research objectives.

Next, we structured the paper as follows: in Section 1 we described the Romanian capital market for a better understanding of the approached topic; in Section 2, by reviewing the literature, we identified relevant studies; in Section 3 we described the data and the methodology used to meet the objective of the paper; in Section 4 we presented and discussed the results obtained; in the last section we highlighted our main results identified through this research and presented the scientific and practical implications of the study, but also we briefly described our future research directions.

1. Background

1.1. Brief description of the Romanian capital market

Romania is a developing country, a member of the European Union since 2007, which stimulates economic growth by encouraging foreign direct investments (FDI), creating an attractive market for foreign investors (Vasile et al., 2020). In developing countries, policies are mainly based on immediate financial gains, FDI are encouraged. Thus, FDI companies are considered a solid pillar of economic growth (Duh, 2017). Often, these companies adopt practices that are guided by internationally recognized corporate governance principles (Pinto et al., 2020; Vasile et al., 2019).

In Romania, companies can be listed on Bucharest Stock Exchange (BSE), a stock exchange that was reopened in 1995, after long efforts of economic stabilization following the fall of the communist regime in 1989. Currently, BSE offers two financing alternatives of trading shares or bonds: mature companies can attract capital on the main market; small and medium-sized companies or start-ups can attract capital on the AeRO market. Companies that are listed on the main market can fall into three tiers: Premium Tier (contains the most liquid companies listed in Romania), Standard Tier (other companies listed in Romania) and International Equity Tier (foreign companies).

The Romanian capital market was declared an emerging market in September 2020. This new status highly increased its foreign investment potential, which until this day was not feasible due to its border market status (BSE, press release September 21 (Bucharest Stock Exchange [BSE], 2020)). Therefore, our study marks a good example for literature development, addressing a research topic of great interest both nationally and globally.

1.2. The Romanian Corporate Governance Code

In the case of the EU, a set of corporate governance principles has been developed and adopted which is imposed to the companies listed on existing capital markets across the

EU (European Commission, 2011). These principles also contain recommendations on the diversity of board members, referring to their professional profiles and backgrounds, but also to gender diversity. The set of principles elaborated by the Green Paper was transposed into the Romanian regulations by the Corporate Governance Code, issued by the Bucharest Stock Exchange (BSE). The Romanian Code includes a set of corporate governance principles that must be met by companies listed on the main market (Premium and Standard) that trade shares, being updated in accordance with international law. Previous BSE initiatives are briefly described by some Romanian researchers in their study (Deliu, 2020; Mititean, 2021; Tofan & Cigu, 2020; Feleagă et al., 2011). In September 2015, BSE issued a New Corporate Governance Code (hereinafter referred to as the Code) with a total of 41 provisions narrowed into four sections, marked from A to D, as follows: section A contains 11 provisions related to the responsibilities of the board members to be met by companies listed in the Premium Tier, the last provision not being mandatory for companies in the Standard Tier; section B contains 12 provisions related to the risk management and internal control system that must be met by all listed companies; section C contains one provision on fair reward and motivation; section D contains 17 provisions related to the relationship with investors and other value-added aspects. Through the Code, BSE does not want to impose excessive obligations, its provisions aiming to increase the satisfaction of investors' expectations (which generate advantages for listed companies). For this reason, each listed company must comply with all the provisions of the Code and include in their annual report a statement on corporate governance with a self-assessment of compliance with these provisions. A good corporate governance can be measured using the "Apply or Explain" statement or "corporate governance statement", which responds to each of the Code's provisions. If a company does not or partially comply with a provision, it must explain its reason.

1.3. Gender diversity and female executives on BSE listed companies

A study conducted by the European Bank for Reconstruction and Development (EBRD) in transition economies (2016) assessed the corporate governance practices in Romania by evaluating five key factors (board, stakeholders and institutions, rights of shareholders, internal control, transparency, and disclosure). The Romanian Code was assessed as "fair", highlighting an important weakness: the Code is mandatory, but no authority was assigned to monitor the Code's implementation practices. Also, they assessed the structure and the functioning of the board as "weak". A SWOT analysis showed that the board's gender diversity is the main weakness, as only 7 of the 61 board members are female in the ten largest listed companies on BSE at the time.

On the Romanian capital market (Figure 1), the share of female executives in the listed companies was 10.3% in 2012, and by 2020 their percentage increased to 12.8% (European Institute for Gender Equality, 2020a). In the last 10 years, considerable efforts to increase this percentage in the European Union were undertaken and the share of female executives in Europe increased from 15.9% in 2012 to 29.5% in 2020. However, Romania, in 2020, registered a share of female executives of only 12.8%, a much lower value than of the EU's average share. In 2020, Romania was ranked 26th in the EU in terms of gender equality index, Romania's gender equality index being almost 20% lower than the EU-28 average (European Institute for Gender Equality, 2020b).

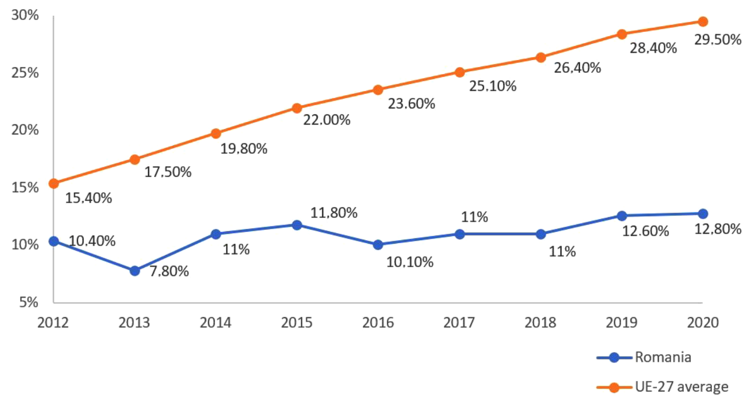

Figure 1. The share of female executives in Romania compared to EU-27 level (period 2011–2020) % (source: own projection based on European Institute for Gender Equality, 2020a)

If in the case of the EU-27 average (except Great Britain) we notice a strong increase in the share of female executives, in the case of Romania this share fluctuates every year, with values between 7.8% and 12.8%, well below the EU average.

However, despite this growing number of existing initiatives and resources to promote and expand the share of female executives, especially in developing countries, women own and lead fewer companies than men (Ellis, 2015; Dănescu et al., 2021). This may be because women are more needs-oriented and not gain-oriented leaders (Nielsen & Huse, 2010), although it has been found that companies that are led by women usually register a higher financial performance rate (Terjesen et al., 2016).

2. Literature review and hypothesis development

Transparency of financial and non-financial reporting is essential for a company's credibility (Armstrong et al., 2010; Man & Ciurea, 2016; Siminică et al., 2019). In recent decades, the literature has focused on investigating corporate governance statements by which companies disclose certain corporate governance practices to determine the credibility of such statements. Due to information asymmetry, foreign investors may not differentiate between companies with good or poor governance quality (Achim et al., 2016).

The globalization of financial markets increases the interest of investors, so a company's capital can be listed on several financial markets (Phung & Mishra, 2016; Bae et al., 2011). In this context, multiple management strategic listing choices can be made, pursuing both market liquidity and increasing the number of shareholders or reducing the information asymmetry in financial reporting (Rejchrt & Higgs, 2015). Corporate governance practices should improve both the financial performance and the financial reporting transparency of companies. With the announcement of changes in corporate governance practices, the company's image can improve, leading to a positive response in the market (Paniagua et al., 2018; Munteanu & Brezeanu, 2012). The structure of the board is also important for corporate governance because it affects the nature and extent of the influence and responsibilities of directors and can also affect the ability of boards to hold managers accountable in the operation of the company (International Finance Corporation, 2015). The management structures of companies in the European Union can be classified as: unitary management system (one tier) and dual management system (two-tier), or in three categories: one tier structures, two-tier structures, and northern structures. As BSE reports, the two-tier structure predominates among Romanian companies (BSE, 2015), even though they can choose between one and two-tier structures. Companies with two-tier structure are considered more trustful as they have more stable management control.

Gender diversity of the board of directors is considered a key factor contributing to the quality of corporate governance, and several corporate governance codes in developed countries have emphasized the importance of gender diversity of boards' effectiveness (Moreno & Castillo, 2011). Various actions have been taken by countries to increase the representation of women on boards and top management. Some countries have already introduced gender balance on boards specific legislation, while other countries adopt alternative actions, through the "apply or explain" or the "if not, why not" approach (Bravo-Urquiza & Moreno-Ureba, 2021; Nguyen et al., 2021; Davis, 2011).

For developing and emerging economies, gender diversity on boards has a beneficial effect on dividend policy, in addition to offer benefits such as increasing financial performance. It is proven that women are more likely to participate in audit, nomination, and corporate governance committees than men (Adams & Ferreira, 2009). This may be because women pay more attention to detail, are more meticulous and desire to comply with procedures, standards, or legislation. Moreover, it is found that in developing countries, women in key positions (female executives) experience different realities than men. Segregation and social inclusion, as well as gender discrimination is felt mainly by women, who make greater efforts to reach key positions than men. According to a recent study (Deloitte, 2021), female executives in Romania are paid less than men in similar positions, even though, according to Eurostat data, Romania is one of the countries in Europe with the smallest pay gap rate between women and men, with a percentage of only 3.3 (Eurostat, 2021). According to the study conducted by Deloitte, the strengths of female executives include consistency, honesty, or effective and timely communication, while ease of decision-making and leadership skills are considered strengths of male executives.

Research on corporate governance (Perez Troya, 2021; García-Ramos & Díaz, 2020; Huse & Solberg, 2006; Erhardt et al., 2003) show that the efficiency and functioning of corporate boards may be affected by gender diversity. This explains why one of the most relevant issues currently facing shareholders and managers of modern companies, the media and policy makers is the role of gender diversity in the corporate governance system. Often, the main cause of gender homogeneity of councils is considered to be institutionalized gender discrimination (Goyal et al., 2021; Nguyen et al., 2021; Cabeza-Garcia et al., 2019; Smith & Parrotta, 2018). Thus, women need to work harder, overcome higher targets and more rigorous controls to achieve a key position (Goyal et al., 2021).

The existence of women on the board of directors improves performance, overall strategic directions, but also corporate governance and social responsibility actions (Öberg, 2021; Vähämaa, 2017; Hernández-Cánovas et al., 2016). A study by Nielsen and Huse (2010) shows that entities with a higher percentage of women on boards are more likely to adopt internal development programs, introduce new instructions and more rigorous evaluation procedures in production, and thus more procedure-oriented and compliant with the law. This study suggests that female executives can reduce the level of internal conflicts, thus increasing strategic control and council efficiency. Other researchers have obtained similar results (Eagly & Johannesen-Schmidt, 2001; Eagly & Johnson, 1990).

A study reflects as possible explanatory factors for compliance aspects of corporate governance reports to be gender inequality among the board of directors' members (García-Sánchez et al., 2020). Terjesen et al. (2016) believe that women should have better recognition for their significant contributions to the value of companies, not only in terms of corporate governance but also in terms of financial results. Other recent studies share the same view (Baker et al., 2020; Ozdemir, 2020; Chijoke-Mgbame et al., 2020).

Based on the results of studies published in the literature that support our research objective by which we assume that female executives contribute to higher compliance in the adoption and reporting of corporate governance practices (in our study, we named it degree of compliance), we propose three main research hypotheses, being tested separately on both the Premium Tier companies and the Standard Tier companies listed on BSE:

H1a: *Companies with Romanian majority capital listed on the Premium Tier led by a female executive register a positive influence on the degree of compliance.*

H1b: *Companies with Romanian majority capital listed on the Standard Tier led by a female executive register a positive influence on the degree of compliance.*

H2a: *Companies with majority private capital listed on the Premium Tier led by a female executive register a positive influence on the degree of compliance.*

H2b: *Companies with majority private capital listed on the Standard Tier led by a female executive register a positive influence on the degree of compliance.*

H3a: *Female executive determine a positive influence on the degree of corporate governance compliance in companies with Romanian and private majority capital listed on the Premium Tier.*

H3b: *Female executive determine a positive influence on the degree of corporate governance compliance in companies with Romanian and private majority capital listed on the Standard Tier.*

3. Data and methods

3.1. Data description

To meet the purpose of the research, we used three main independent variables related to the board composition to observe their influences on the degree of compliance with the Code of companies included in our sample (which is composed by 63 companies listed on the Romanian capital market). Because listed companies in the main segment must meet a different number of provisions in the Code depending on their Tier (Premium or Standard) – and therefore the degree of compliance with the Code is calculated in relation to a different number of requirements – we grouped the companies as follows: panel 1 consists of 24 companies that are listed in the Premium Tier, panel 2 consists of 39 companies that are listed in the Standard Tier, and panel 3 consists of all 63 companies analysed, regardless of their trading Tier. We used Panel 3 to provide a comparability of the results obtained in the first 2 panels to their average. Descriptive statistics of logarithmic variables are presented in Table 1 on panels.

Table 1. Descriptive statistics (source: authors' own calculation using Eviews software)

Panel 1 – companies listed on Premium Tier						
Variables	Mean	Median	Max	Min	Std. Dev.	N
CGDI	0.8271	0.8750	1.0000	0.0000	0.18307	96
Private/public capital	0.7083	1.0000	1.0000	0.0000	0.45691	96
Romanian/foreign capital	0.8125	1.0000	1.0000	0.0000	0.3923	96
Turnover	20.0339	19.6435	24.6512	14.7602	2.0996	96
Total Assets	21.5925	21.5294	25.1942	18.4063	1.7898	96
Total Debt	19.7677	19.0877	25.0919	14.9142	2.3060	96
Equity	21.0651	21.1286	24.4091	17.8455	1.6714	96
Net Profit	17.0311	18.1877	23.6435	1.0000	5.5311	96
Employees	5.94725	6.46602	9.57359	1.0000	2.3925	96
Panel 2 – companies listed on Standard Tier						
Variables	Mean	Median	Max	Min	Std. Dev.	N
CGDI	0.5321	0.5000	0.8900	0.1400	0.1839	156
Private/public capital	0.9487	1.0000	1.0000	0.0000	0.2212	156
Romanian/foreign capital	0.7692	1.0000	1.0000	0.0000	0.4226	156
Turnover	18.1753	18.1741	23.4145	13.2556	1.4875	156
Total Assets	18.7566	18.7457	22.8146	16.0385	1.1797	156
Total Debt	17.5161	17.7743	22.5070	13.6971	1.6486	156
Equity	17.2062	18.1640	21.6708	1.0000	4.3845	156
Net Profit	12.6412	14.8066	19.8518	1.0000	5.7564	156
Employees	5.7197	5.8721	7.6916	0.0000	1.1119	156
Panel 3 – all companies						
Variables	Mean	Median	Max	Min	Std. Dev.	N
CGDI	0.6445	0.6500	1.000.000	0.0000	0.2327	252
Private/public capital	0.8571	1.000.000	1.000.000	0.0000	0.3506	252
Romanian/foreign capital	0.7857	1.000.000	1.000.000	0.0000	0.4111	252
Turnover	1.888.334	1.881.466	2.465.126	1.325.565	1.962.884	252
Total Assets	1.983.701	1.940.645	2.519.420	1.603.854	1.994.010	252

End of Table 1

Variables	Mean	Median	Max	Min	Std. Dev.	N
Total Debt	1.837.389	1.816.564	2.509.197	1.369.715	2.211.705	252
Equity	1.867.632	1.888.412	2.440.917	1.000.000	4.056.439	252
Net Profit	1.431.357	1.579.007	2.364.357	1.000.000	6.050.205	252
Employees	5.806.409	5.962.292	9.573.594	0.000000	1.715.329	252

Corporate Governance Conformity compliance

The degree of compliance with the Code is considered relevant for assessing the quality of corporate governance of a listed company. Some studies focused on assessing the companies' corporate governance compliance degree with the Code, by applying scoring methods in assessing each provision of the previous Code (Albu & Girbina, 2015; Manoiu et al., 2015; Spătăcean & Ghiorghiță, 2012).

Our study proposes a compliance degree assessment method which diminishes the subjectivity barrier which the classic scoring method imposes. We manually extracted and analyzed data from each corporate governance statement found in companies' financial statements, which contains 4 sections (A, B, C, D), each with several sub-sections – provisions (as described in Background section). We collaborated with an external and independent financial auditor, with over 10 years of experience in the field, who assigned degrees of importance for each section and subsection of the corporate governance statement, to establish an accurate compliance score. Based on the experience and professional reasoning of the collaborating financial auditor, to calculate the degree of compliance, we used a method which implies weighted average of the scores obtained by each company for each provision in the Code, using the following logical structure:

- A degree of importance was assigned to each section: section A was assigned a degree of importance of 40%; section B was assigned a degree of importance of 30%, section C was assigned a degree of importance of 10%, and section D was assigned a degree of importance of 20%.
- A degree of importance between 5 and 20% was assigned to each sub-section of a section, summing up 100% importance of the belonging section.

Each sub-section (provision) was scored as follows: 0 when the provision is not met; 0.5 when the provision is partially met; 1 when the provision is fully met by the analyzed company. The degree of compliance was used in our model as an endogenous variable, being expressed in relative magnitude. The weighted average between the score awarded and the degree of importance of each sub-section was calculated to determine the degree of compliance, following the mathematical formula:

$$CGCI_i = \sum_{1}^{n} p_{ij} \times w_j, \qquad (1)$$

where: $CGCI_i$ – Corporate Governance Code Index for company I; p_{ij} – the score obtained by company i for requirement j; w_j – weight of provision j.

Board composition

Board of directors' composition is considered to be the fundamental pillar of corporate governance. The structure (size, gender) of boards of directors should be representative of their shareholders, especially for public interest companies, such as listed companies.

An important feature is the one related to the possession of the majority capital by national legal or natural persons (Romanian) because it is considered that they are favored by the knowledge of the economic, social context, but also of the national language, compared to foreigners to easily meet national regulations on the principles of corporate governance, but not only. Thus, we expect the results to be favorable for companies with majority Romanian capital. In our study, we included the variable on the majority Romanian capital, which is a binary variable that takes the value 1 when more than 30% of the company's share capital is owned by Romanian people, regardless of their natural or legal personality; otherwise, the value of this variable is 0.

Another important characteristic of the composition of the councils is given by the character of the majority capital (public or private). We expect that entities with majority public capital will register an increase in compliance with the Code because they are state-owned and must comply with related regulations, although the major interest of privately owned companies is to attract investors and therefore should reach high compliance and transparence. In our model, the variable that reflects the character of the majority capital is a binary variable that takes the value 1 when more than 30% of the company's share capital is held by natural or legal persons, other than the state, regardless of their nationality; otherwise, the value of this variable is 0.

We also included a dummy variable to represent companies with female executives, as found in previous similar studies (Van Vo et al., 2020; Waweru & Prot, 2018; Perryman et al., 2016). This variable is a binary variable that takes the value 1 when the CEO of the company is a woman; otherwise, the value of this variable is 0.

Control variables

To strengthen the results obtained and give them relevance, we have included several company size variables – control variables – such as: turnover, total assets, total debt, equity, net profit, number of employees. Turnover is the indicator in the profit and loss account most difficult to influence by accounting policies, and therefore it is in some cases the most appropriate to be used in quantitative and qualitative analyzes. We used the logarithmic values of these variables to avoid the phenomenon of heteroskedasticity.

3.2. Research methodology

We analyzed all 63 companies that trade shares on the Romanian capital market on the main segment, in the Premium and Standard Tiers, regardless of their field of activity. In Figure 2 we represent the percentage of the analyzed companies according to the industry in which they operate, as framed by BSE. The provisions of the Code apply to all listed companies in the main segment, so the industry in which they operate should not influence the degree of compliance.

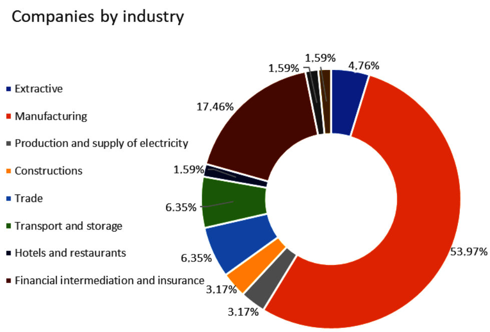

Figure 2. The structure of the companies analysed by the industry in which they operate (source: own projection based on BSE database https://www.bvb.ro)

We used the linear regression model for panel data to meet the research objectives. Assuming that all relationships are linear and that other variables have a constant influence on the results ("caeteris paribus"), the least squares regression equation (OLS) of the study takes the following general form:

$$CGDI_{it} = \alpha_0 + \beta_1 X_{it} + \sum_{i=1}^{n} Controls_{it} + \varepsilon_{it}, \quad (2)$$

where: α_0 – intercept; β_1 – exogen variable coefficient; X_{it} – independent variable (board composition) for company *i* in year *t*; $Controls_{it}$ – control variables for company *i* in year *t*; ε_{it} – the unobserved error component of the model.

We developed 4 econometric models for each panel built, through which we intend to respond to the formulated hypotheses. The correlation matrix of the variables is presented in Appendix.

4. Results and discussion

According to the correlation matrices presented in Appendix, we do not identify significant relationships between exogenous and endogenous variables. We note that some control variables, as expected, have a high correlation coefficient (eg size variables such as the correlation of total assets and total debt to turnover), which is why those variables will not be included simultaneously in the econometric model. Because econometric models contain binary and dummy variables that do not vary or slightly vary over time, we estimated models with random effects. This statement is reinforced after the Hausman test, which recorded a coefficient higher than 0.05 for each of the models tested.

Table 2 summarizes the main results from the econometric analysis performed. According to the results from Panel 1, the majority Romanian capital of the companies listed in the Premium Tier does not significantly influence the degree of compliance with the Code in any of the models used. Companies listed in the Premium Tier, compared to those listed in the Standard Tier, are generally owned by foreign shareholders / investors, thus strengthening the results obtained. Moreover, we observe a positive influence of the female executive when we include the variable related to the majority Romanian capital (in model 2 of Panel

1), but even in this case the result is not statistically significant. Therefore, H1a is rejected. Contradictory results are obtained in the case of companies listed in the Standard Tier. They are generally owned by Romanian shareholders / investors. The results of model 3 in Panel 2 show that there is a statistically significant positive influence on the degree of compliance of companies with Romanian capital that are led by female executives. Thus, H1b is accepted. Compared to these results, when we include in the model all companies, regardless of the Tier to which they are listed, we notice that only female executive positively and statistically significantly influences the degree of compliance with the Code (Panel 3, model 2).

When analysing the composition of the board from the perspective of majority private capital, in the case of companies listed in the Premium Tier, we notice that, on average, there is a negative influence on the degree of compliance when companies have majority private capital and a positive influence on it when companies are led by women (model 1 in Panel 1). We obtain the same result in the case of companies listed in the Standard Tier (models 1 and 2 in panel 2). This result was expected, as previous studies prove the effectiveness of the state's role as a company owner, despite the still flawed legislation on corporate governance of state-owned companies (Veress, 2017). Therefore, H2a and H2b cannot be accepted. These results are similar to those obtained in Panel 3, when we included in the study all the analysed companies on the capital market, regardless of the Tier in which they are included.

To test H3a and H3b, we simultaneously included independent variables in the model. In the case of entities with private capital, the influence on the degree of compliance is significant and negative, while the Romanian capital does not determine a significant influence on the degree of compliance with the Code. Therefore, the results obtained do not support H3a. We obtain similar results for all the analysed companies (Panel 3). In the case of companies listed in the Standard Tier, the results of model 4 in Panel 2 indicate a statistically significant positive influence of Romanian capital and female management, but we also identify a statistically significant negative influence of private capital on compliance. Therefore, H3b cannot be accepted.

Table 2. Econometric modelling results with random effects (source: authors' own calculation using Eviews software)

Variables	Model 1 coefficients	Model 2 coefficients	Model 3 coefficients	Model 4 coefficients
Panel 1 – companies listed on Premium Tier				
Independent variables				
Private capital	–0.17045*	–	–0.1709*	–0.1564**
Romanian capital	–	0.0308	–0.0005	–0.0789
Female executive	0.1052*	0.0933	0.1047*	0.1664*
Control variables				
Total debt	0.0503*	–	0.0507*	–
Total assets	–	0.0384*	–	–
Employees	–0.0569**	–	–0.0571**	–0.0265**
Year dummies	Excluded	Excluded	Excluded	Included

End of Table 2

Control variables				
Constant	0.2865	–0.0322	0.2809	–47.9178
F statistic	0.0028	0.0068	0.0067	0,0029
Observations	96	96	96	96
Panel 2 – companies included in Standard Tier				
Independent variables				
Private capital	–0.1446*	–0.1438*	–	–0.1344*
Romanian capital	–	–	0.0912**	0.0667*
Female executive	0.1101*	0.1027*	0.1183**	0.1244**
Control variables				
Turnover	0.0208*	–	0.0287**	–
Total debt	–	–0.0263*	–	–
Total assets	–	–	–	0.0138
Employees	–	0.0739**	–	–
Year dummies	Excluded	Included	Excluded	Included
Constant	0.2765	–46.6257	–0.0755	–33.5444
F-statistic	0.0009	0.0000	0.0003	0.0026
Observations	156	156	156	156
Panel 3 – all companies				
Independent variables				
Private capital	–0.1715*	–	–0.1811*	–0.1957**
Romanian capital	–	0.0249	0.0259	0.0048
Female executive	0.0628*	0.0637*	0.0354	0.0683*
Control variables				
Turnover	0.0286**	0.0332**	–	0.0401**
Total debt	–	–	0.0499**	–
Employees	–	–	–0.0287**	–0.0294**
Year dummies	Excluded	Excluded	Excluded	Excluded
Constant	0.2446	–0.0083	0.0245	0.2148
F statistic	0.0000	0.0001	0.0000	0.0000
Observations	252	252	252	252

Note: ** significant at 1%; * significant at 5%.

Our results partially confirm the research hypotheses, but totally our expectations. We have shown that, in the case of companies with majority Romanian capital, when a woman is in a lead position, the degree of compliance with the Code is positively influenced. We explain these results by the fact that national legislation is fully understood by management and concrete actions can be taken to meet the legislation, such as developing specific internal reporting policies and procedures, but also their proper evaluation and monitoring.

In contrast, companies with a majority private capital tend not to meet a high degree of compliance. This result is one that confirms a less pompous reality of private companies, whose organizational culture is one aimed at existing investors and less at potential ones, so the company's image is less important and therefore corporate governance statements less elaborate and complete.

Our results suggest that, if companies with private majority capital are led by women, they register an increase in compliance with the corporate governance code. Consequently, these results reinforce the belief that gender diversity in corporate governance is likely to be useful in creating value for private shareholders, but also for other stakeholders of these majority private companies. We highlight along with the increase of the degree of compliance also favourable effects in terms of improving the reliability of non-financial reporting. The paper contributes to literature development, as we have identified an insignificant number of similar studies for the case of Romania.

Conclusions

Our study analyzes the annual reports of 63 companies listed on the Romanian capital market during 2016–2019 and follows the influence of female executives on compliance of corporate governance statements with the Romanian code of corporate governance. The presence of women in key positions has increased in recent years with political, cultural, social, and legal changes. Our main findings highlight the fact that when companies with majority Romanian capital are run by women and are listed in the Standard Tier, the degree of compliance with the Code increases. This result can be explained by the fact that women are more careful in reporting information and desire to achieve complete compliance with the law. Thus, our results support the existing legislative initiative at European level to establish gender quotas for women in company management, based on the results obtained which show us that the gender diversity of the board of directors improves the quality of compliance. The majority Romanian capital predominates among companies listed on BSE, as in the analyzed years, the Romanian stock exchange was a border stock exchange, less known at international level.

As far as we have knowledge, this is the first study that uses this method of corporate governance degree of compliance calculation in the case of Romanian listed companies and one of the few that studies the relationship between female executives and corporate governance conformity in Romania.

Given the implications of this research, through strategic and sustainable measures, policy makers should encourage gender diversity in the board of directors. Thus, at the macroeconomic level, our results can mark a starting point for policies and strategies development designed to encourage the business environment in transparent reporting of corporate governance practices, but also to mitigate and eliminate gender stereotypes regarding management positions, stimulating women entrepreneurship and female participation in the management of companies. At the microeconomic level, the results of our study can be used by the managers of the companies included in the study to develop human resources policies at the company level that can improve aspects of corporate governance, but also gender diversity. Also, further entrepreneurial education opportunities may arise. Other practical implications of our study are the argumentation of the importance of developing a gender-balanced board with an impact on increasing compliance with the Corporate Governance Codes and, therefore, formulating policies in this regard. Arguments are also provided that may underpin human resource policies regarding employment in key women's leadership positions.

The current research also makes an important operational contribution regarding the provision of a model for determining a degree of compliance with the Corporate Governance Code issued by BSE of listed companies and highlighting the representative aspects found in the corporate governance statements.

Our study has some limitations. First, the data set includes the entire Romanian capital market, and the control variables included in the study refer to the size of the company, not to the field of activity of each analyzed company. Thus, the results obtained may differ when companies are clustered by industries. Second, the shareholders' structure is captured by applying panel data model which includes three dummy variables, excluding any other possible variables. We aim to exceed these limitations in our future research by clustering the companies by industries and by including more variables related to shareholders' structure. Third, the model we provided for corporate governance conformity has a degree of subjectivity, as the weight of each requirement was assigned by a person. However, to exclude biased effects and reduce the impact of this particular limitation, we collaborated with an independent expert, financial auditor with a large expertise in corporate governance assessment, who assigned the importance for each provision of the Code using their professional skills and reasoning.

We expect that, starting with the financial year 2021, after BSE has officially become an emerging market, the number of foreign investors will increase and thus the shareholding structure will also be influenced. From this, numerous further research directions arise and in our future research we intend to follow the evolution of the board composition and its influence on compliance with the corporate governance code in times of COVID-19 pandemic on a new emerging market.

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Author contributions

The authors contributed equally to this work. TD and M-AP conceived the study and were responsible for the design and development of the data analysis. M-AP was responsible for data collection and analysis. TD was responsible for data interpretation. M-AP and TD wrote the first draft of the article.

Disclosure statement

The authors declare no conflict of interest.

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APPENDIX

Correlation matrices (source: authors' own calculation using Eviews software)

Panel 1 – companies listed on Premium Tier										
Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
CGDI (1)	–									
Private/public capital (2)	–0.1860	–								
Romanian/foreign capital (3)	–0.0074	–0.3082	–							
Female executive (4)	0.1977	0.0710	–0.3169	–						
Turnover (5)	0.1724	–0.2834	–0.3551	0.1124	–					
Total Assets (6)	0.3528	–0.1792	–0.4312	0.2809	0.7386	–				
Total Debt (7)	0.0521	–0.1018	–0.4941	0.2250	0.7286	0.8074	–			
Equity (8)	0.4538	–0.3014	–0.2484	0.3230	0.6901	0.9161	0.5696	–		
Net Profit (9)	0.5176	–0.2726	0.0923	0.1518	0.4585	0.4676	0.1975	0.6350	–	
Employees (10)	–0.1010	–0.3948	–0.3015	0.1925	0.6594	0.4319	0.7475	0.2540	0.0859	–
Panel 2 – companies listed on Standard Tier										
Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
CGDI (1)	–									
Private/public capital (2)	–0.1794	–								
Romanian/foreign capital (3)	0.1319	–0.1273	–							
Female executive (4)	0.1899	0.0891	–0.1540	–						
Turnover (5)	0.1983	–0.1394	–0.1913	0.0279	–					
Total Assets (6)	0.1129	–0.2097	–0.0803	–0.0073	0.8289	–				
Total Debt (7)	0.0632	–0.1535	–0.1475	–0.0220	0.8409	0.8889	–			
Equity (8)	0.1266	–0.1137	0.3312	–0.1168	0.19856	0.2220	–0.0546	–		
Net Profit (9)	0.1779	–0.1335	0.2794	0.0499	0.292	0.3062	0.1003	0.6009	–	
Employees (10)	0.3248	–0.1328	–0.0398	0.0234	0.7783	0.5652	0.6017	0.0829	0.2108	–

Enf of Appendix Table

Panel 3 – all analysed companies										
Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
CGDI (1)	–									
Private/public capital (2)	–0.3331	–								
Romanian/foreign capital (3)	0.0955	–0.2132	–							
Female executive (4)	0.0843	0.1011	–0.2043	–						
Turnover (5)	0.4123	–0.3444	–0.2057	0.0024	–					
Total Assets (6)	0.5536	–0.3586	–0.1345	0.0006	0.8167	–				
Total Debt (7)	0.3446	–0.2622	–0.2305	0.0077	0.8291	0.8709	–			
Equity (8)	0.4079	–0.2635	0.2140	–0.0941	0.4288	0.5362	0.2947	–		
Net Profit (9)	0.4411	–0.2902	0.2173	0.0372	0.4625	0.4960	0.2900	0.6356	–	
Employees (10)	0.1006	–0.3267	–0.1650	0.0847	0.6382	0.3832	0.6229	0.1210	0.1445	–