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# THE IMPACT OF FEMALE DIRECTOR ON DIVIDEND PAYOUT: CONTINGENT ON CONTROL-OWNERSHIP WEDGE

## *KADIN DİREKTÖRLERİN TEMETTÜ ÖDEMELERİ ÜZERİNDEKİ ETKİSİ: SAHİPLİK-KONTROL AYRIMI İNCELEMESİ*

***Adil Abdulqader MUSTAFA[a], Wan Sallha YUSOFF[b], Aree Saeed MUSTAFA[c]***

[a*] *Corresponded Author, Universiti Malaysia Perlis, Faculty of Applied and Human Sciences* adil.mustafa@dpu.edu.krd, , *ORCID: 0000-0002-8136-4900.*

[b] *Universiti Malaysia Perlis, Faculty of Applied and Human Sciences,* wansallha@unimap.edu.my, *ORCID: 0000-0001-5528-7158.*

[c] *University of Duhok, Faculty of Business and Economic,* aree.mustafa@uod.ac, *ORCID: 0000-0002-4889-1100*

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**ABSTRACT**

*This research looks into the impact of female directors on dividend payment policies. From 2016 to 2020, the study used a sample of 170 non-financial enterprises listed on the Borsa Istanbul (BIST). The study used the Board Female Membership (BFM). Meanwhile, control wedge ownership was used as a moderating variable. A control variable, including return on equity, was also employed (ROE). The study's dependent variable was the dividend per share, which represented the company's dividend payout policy. The female board membership was strongly linked with the dividend policy in the regression analysis. Furthermore, we add to the current research on the link between dividend payments and firm ownership by demonstrating that for control-ownership wedge companies, female directors have a greater influence on dividend payouts.*

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**ÖZET**

*Bu araştırma, kadın yöneticilerin temettü ödeme politikaları üzerindeki etkisini incelemektedir. Çalışmada 2016'dan 2020'ye kadar Borsa İstanbul'da (BİST) işlem gören 170 finansal olmayan işletme kullanılmıştır. Çalışmada Yönetim Kurulu Kadın Üyeliği (BFM) kullanılmıştır. Bu arada, kontrol takozu sahipliği moderatör değişken olarak kullanılmıştır. Öz sermaye getirisi (ROE) bir kontrol değişkeni olarak kullanılmıştır. Çalışmanın bağımlı değişkeni, şirketin temettü ödeme politikasını temsil eden hisse başına kâr payı ödemesidir. Regresyon analizi sonucunda kadın yönetim kurulu üyeliğinin temettü politikasıyla güçlü bir şekilde bağlantılı olduğu tespit edilmiştir. Ayrıca, temettü ödemeleri ile firma sahipliği arasındaki bağlantıya ilişkin mevcut araştırmaya, kontrol sahipliği kama şirketlerinde kadın yöneticilerin temettü ödemeleri üzerinde daha büyük bir etkiye sahip olduğunu göstermektedir.*

## 1. INTRODUCTION

Governments worldwide are enacting legislation to improve female board of directors involvement. Participation by women has a beneficial effect on the board's role and company strategic decisions in regards of monitoring function, according to these requirements. Despite the fact that this logic is consistent with theory, actual evidence is inconclusive. According to a previous research (Abdullah, Ismail, and Nachum 2016), different female management styles boost board monitoring procedures, while some believe that women's lack of leadership experience inhibits their usefulness as board members (Dargnies 2012). Even when studies target the same environment, empirical research on the relationship involving female directors (FD) and audit quality is divided in the same way that theoretical ambiguity exists (Ararat, Aksu, and Tansel Cetin 2015; Aree S Mustafa, Che Ahmad, and Chandren 2017). This lack of understanding is concerning at a time when countries are passing positive action legislation forcing companies to nominate women to boards of directors, making understanding the consequences of women's participation on boards relevant and vital.

Cash dividends, according to this theory, can be utilized to alleviate a company's agency complications by restricting free cash flow and forcing executives to pursue capital market funding, that results in market monitoring (Easterbrook 1984, Rozeff 1982, Jensen and Meckling, 1976). Prior study has concentrated on the principal-agency conflict in developed nations, Most firms are publicly held with diffused ownership, and administration is contracted to professional management when capital systems are well-regulated and open to the public.

Dividends alleviate the agency problem because they limit managers' ability to deploy surplus cash flows for their own interests while providing no significant dividend to stakeholder. Furthermore, when corporations produce money by releasing new capital, the capital market will scrutinize the management when distributing dividends, establishing a relationship between dividends and corporate governance (Amedi and Mustafa 2020).

However, outside of the developed world, concentrated shareholding is the most frequent type of ownership structure in most developing nations, according to well-known cross-country studies. . For example, a study of the ownership structures of significant organizations in 27 nations found that just a small percentage of these enterprises are broadly held; instead, they are substantially focussed and often administered by families or governments.   According to the research, single stakeholder own almost two-thirds of publicly-traded East Asian companies, while families own over 40 percent of all firms recorded.

Additionally, in Western Europe and East Asia, (2001) observed that the major actors are families, typically providing a top manager. Family-owned enterprises control the majority of South America's expanding economies. As a result, mounting evidence shows that ownership structure in developing nations is highly concentrated; largely family-controlled enterprises can be found worldwide and are more important in the global economy (Al-Najjar and Kilincarslan 2016).

The ultimate economic purpose of a business is to make a profit, which can be kept by the firm and employed in activities or dispersed to stakeholder in the form of dividends, requiring a trade-off between the value of the payable amount and the quality of the retained amount (Almeida, et al. 2015). According to Kamierska-Jówiak (2015), dividend policy is a challenging theme in corporate finance, and the three primary pillars of corporate finance decision-making are investments, financing, and dividend decisions. Jensen (2009) goes on to say that a conflict of interest between stakeholder and directors may impact corporate dividend policy, as managers want to keep earnings instead of distributing them to stakeholder. On the other hand, stakeholder prefer bigger cash dividends, particularly when a company's internal positive net present value (NPV) investment options are limited.

In the last 10 years, women on boards have received much attention, and at least 12 nations are presently evaluating the gender balance of their top boards daily. Various attempts were implemented to upsurge women's role on boards and in senior management roles, with some countries implementing quotas or enacting quota laws. While others take a different strategy, such as the "comply or explain" method or the "if not, why not" approach (Davies 2011). The importance of gender diversity on boards of directors cannot be overstated. Industrialized nations have numerous laws highlighting the importance of a diverse board to decrease problems caused by persons who share similar interests and, thus, increase performance. According to the UK Corporate Governance Code (CGC) of 2016, the financial crisis highlighted the risks of "groupthink." One way to generate meaningful discussion is to have adequate diversity on the board. Diversity, incorporating women's active engagement includes a wide range of expertise, skills, and features; "Principle 2.4 Ensuring Diversity: At the same time, businesses should recognize that their ability to welcome a diverse range of perspectives, values, skills, and experiences is essential to their success." As a result, businesses should encourage employee diversity, counting the active engagement of women."

"When choosing the Management Board, the Supervisory Board should also respect diversity and, in particular, seek appropriate consideration of women," according to the German CGC (2014). In addition, according to Recommendation 1.5 of the Australian Corporate Governance Principles and Recommendations (2014), "a listed entity should: (a) have a diversity policy that includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and assessing both the objectives and the entity's progress in achieving them annually." On the other hand, less developed countries have paid less focus on the problem of board gender diversity (for example, Jordan). Jordan's present regulations and the Jordan Securities Commission's (JSC) corporate governance rules have made no steps to address the issue of board gender diversity. Despite this, the IFC suggested in 2014 that emergent and expanding industries, such as Jordan, motivate board diversity by encouraging women's leadership, supplying and displaying reasoning on the advantages of board diversity, and maintaining a policy-level dialogue directed aiming to increase the number of female board members. .

We evaluate the hypothesis from 2016 through 2020 using data from 170 Turkish firms listed on the Bursa Istanbul Stock Exchange (BIST). The findings support our hypothesis that the control-ownership divide impacts the relationship between FD and audit quality. These results are consistent across several measurements, boosting confidence in their consistency. We use a comparative technique to demonstrate the study's wider validity by comparing Turkey's corporate governance structure and culture to other countries. According to the findings of this study, corporate boards of directors with more women may perform a more effective monitoring function

## 2. REVIEW OF LITERATURE AND RESEARCH HYPOTHESES

### 2.1 Board Gender Diversity and Dividend Payouts

Organizations gain from board gender diversity because it generates a wider range of perspectives, which raises the probability of creative and original discerning on the board, which favorably impacts the board's efficacy and decisions (Byoun, Chang, and Kim 2016). According to various writers (Faccio, Marchica, and Mura 2016, Croson and Gneezy 2009, Van Pelt 2013, Van Uytbergen and Schoubben 2015, Huang and Kisgen 2013,), there is a disparity among men and women, with women being more risk-averse than males and investing in more sustainable enterprises. According to (Joecks, Pull, and Vetter 2013; Van Pelt 2013), when women are underrepresented on boards, the firm's performance worsens. In contrast, when this proportion rises, the firm's performance will improve since the presence of women becomes a competitive advantage. The U-shaped connection, in an instance, demonstrated that when more than 40% of the board is made up of women, company performance will drop to a certain degree before improving. According to (Van Uytbergen and Schoubben 2015), gender diversity affects corporate decision-making, notable women on boards of directors or in managerial positions, which influences corporate governance and corporate policy. Board diversity, whether gender or racial, is seen as a crucial component of strong corporate governance, according to (Byoun, Chang, and Kim 2016).

Its dividend policy determines how much it will pay out in dividends to its stakeholder (Ranti 2013). Payouts are viewed by financial markets as an information signal of corporate success, with regular dividends indicating that the firm is performing well (Al-Amarneh and Yaseen 2014). It has been shown that a company's dividend policy is a good indicator of stability and development potential, with eliminating dividends being a sign of poor business performance, according to Manneh (2014); Naser, Nuesibeh, and Rashed (2013). In particular, the dividend concept contends that enterprises must return earned cash to stakeholder as dividends when there are no investment prospects ( Almeida, et al. 2015). On the other hand, the free cash flow hypothesis states that managers prefer to invest free cash flow in low-returning projects rather than rewarding stakeholder with dividends. Free cash flow can be described as "cash flow left over after a company has invested in all positive NPV projects." (Jensen 2009; Lang, Stulz, and Walkling 1991). Further, according to (Sindhu 2014), dividends can be used to dissuade managers from investing in companies that grow fast but fail.

### 2.2 The Development of Hypotheses and the Research Context in Turkey

When the ISE initially opened its doors in 1986, it had strict dividend policy guidelines that companies listed had to follow. As part of the first obligatory dividend policy on the Turkish capital market, companies listed on the ISE had to distribute at least 50% of their distributable income as dividends. The company was not permitted to pay any more dividends (e.g., to workers) or retain retained profits until it had received the first distribution (Adaoglu, 1999). There are only a few early research available in Turkey ( Aivazian, Booth, and Cleary 2003, Adaoglu 2000) found that cash dividend distributions were primarily based on current year results, as stipulated by legislation, leaving ISE businesses with minimal freedom in setting their own dividend policy.

With substantial adjustments in 2003, Turkey's Central Bank created much more flexible required dividend policy limits. ISE companies were obligated to pay a minimum of 20 percentof their distributable revenue under the second mandatory dividend policy, however, the initial dividend did not have to be paid totally in cash. Instead, the board of directors may distribute it as cash dividends, stock dividends, or a mix of the two at their discretion. However, the total payout for the fiscal year 2003 must be less than 20 percent of the distributable income. Furthermore, the CMB boosted the minimum share of obligatory dividend payments for ISE-listed corporations from 20% to 30% in 2004, which stayed steady in 2005. In the fiscal year 2006, the obligatory dividend payment requirement was cut to 20%, and it stayed at that level in fiscal years 2007 and 2008.

Nevertheless, the CMB agreed not to impose a minimum dividend payout ratio and was able to eliminate the requirement that ISE firms distribute at least 15% of their dividends after 2009 (2010, 2011 and 2012), allowing them to decide on dividend policy at their discretion. Accordingly, ISE enterprises' highly concentrated ownership structures are likely to have a significant impact on the outcome of their dividend policies in the post-2003 period (Sarhan, Ntim, and Al-Najjar, 2019).

Before 2006, investors, regardless of their status (resident/non-resident, individual/corporation), were subject to a 15% tax on investment instruments (deposits, stock, bonds, and mutual funds). However, in the first half of 2006, the Turkish tax policy on investment instruments changed dramatically (Altaş; Salttürk 2018). Currently, there is a distinction between cash dividends and capital gains in the Turkish tax system. Since 2006, Turkey has taxed capital gains and cash dividends according to Table I.

Foreign investors, including people and businesses, are not taxed on stock capital gains however, they are prone to a 15 percent withholding tax on cash dividends owing on the shares they own, as shown in the table. Individual investors in the United States are not taxed on capital gains, but they must pay a 15 percent withholding tax on cash dividend income. On the other hand, domestic corporations pay a different tax rate than other investors. Although Turkish citizens, including individuals and corporations, are not required to pay capital gains taxes, it is worth noting that if an investment trust or an exchange-traded fund is expected to hold for less than a year, a 10% withholding tax is introduced, implying that Turkish taxpayers are motivated to retain such shares for longer than a year.

**Table 1:** Taxation of capital gains and dividends on equities in Turkey

| | ***Individuals*** | | ***Corporations*** | |
|---|---|---|---|---|
| ***Investment*** | ***Residents*** | ***Non-residents*** | ***Residents*** | ***Non-residents*** |
| Capital gains on equities | The withholding tax on capital gains obtained from stocks is 0%. However, if maintained for less than a year, shares in investment trusts and exchange-traded. A 10% withholding tax is applied to all funds. | 0% withholding tax | The withholding tax on capital gains obtained from stocks is 0%. However, if maintained for less than a year, shares in investment trusts and exchange-traded. A 10% withholding tax is applied to all funds. . | 0% withholding tax |
| Dividends on equities | The corporation that distributes dividends is subject to a 15percentage tax liability. | The corporation is required to pay a 15% withholding tax. | Dividend withholding tax is not applicable. Dividends paid by resident corporations are not subject to corporate tax. | The corporation applies 15% withholding tax Distributing dividends |

**Source:** Compiled from: (Altaş; and Salttürk 2018)

The tax treatment of dividends and capital gains varies by country, which may affect investors' preferences and, as a result, firm payout policies. Tax preference theories (Litzenberger & Ramaswamy, 1979, Elton and Gruber 1970; Brennan 1970) suggest that those receiving preferential tax treatment on capital gains (lower capital gains taxes than dividends) may seek out stocks that pay no or low dividends, because dividend income tax is higher and high dividend payments increase stakeholder' tax burden. The tax issue might also perform a part in researching the link between corporate ownership structure, or the different categories of investors that own firm shares, and cash dividend policy in the rising Turkish market, due to Turkey's differential taxation of capital gains and cash dividends.

Furthermore, Turkey presents a good backdrop for investigating the association between family engagement and cash distributions because of its highly concentrated family ownership in the business. Although certain parts of the family-owned business structure run counter to basic corporate governance principles, others may be beneficial in several scenarios. Management and ownership are not divided in family-owned businesses, and Turks place a great emphasis on tight family ties. These ties, or a sense of belonging to a wider social group, have helped motivate management staff to work hard for the company's success. As a result, spanning ownership and management may relieve worries about managerial agencies (Izmen 2003).

On the other hand, family members have dividended from the firm's tight control by obtaining well-paid positions and privileges, even when they are incompetent. Furthermore, by exploiting commercial resources or non-arm's-length deals involving related parties, dominating families can take earnings from minority investors (IIF, 2005). Furthermore, Turkish families gain influence primarily via the development of business groups, which are legally created "holding companies" made up of industrial and financial organizations (Yurtoglu 2003). As a result, the dominant family may try to confiscate the money of minority owners, exacerbating the basic principle dispute. In this situation, families would prefer lower dividend payouts to avoid having to seize cash. Therefore, in the Turkish market, there is an adverse correlation between family ownership and dividend distribution.

## 3. HYPOTHESIS DEVELOPMENT

### 3.1 Board Gender Diversity and Dividend Payouts

Monitoring and resolving agency concerns originating from conflicts of interest among management and stakeholder is one of CG's primary tasks (Fama and Jensen n.d.; Jensen 2009; Lie, Fong, and Roumasset 1980). Insiders' extra salaries and privileges (Jensen and Meckling 1976); eagerness to undertake firm growth like developments that advantage only internal stakeholder (Grossman and Hart 1986); and a proclivity to invest earnings in suboptimal investments are instances of agency issues associated with conflict of interests (Jensen 2009). Outside stakeholder are afraid that firm insiders might spend the extra money for their own profit or invest inadequately, according to (La Porta et al. 1996), hence stakeholder desire to disgorge income flows via dividend payments. When it comes to dealing with agency concerns, dividend payment laws can be helpful (Easterbrook 1984, Brav et al. 2005). According to academic research, board diversity allows for more efficient and efficient governance processes (Adams, Ferreira, and Ferreira 2008; Hillman and Shropshire 2007), and businesses with a high number of female non-executive directors are more likely to pay dividends (Adams, Ferreira, and Ferreira 2008; Hillman and Shropshire 2007). (Chen, Leung, and Goergen 2017). According to Levit and Malenko (2016), gender heterogeneity has the potential to boost dividend distributions by preserving stakeholder' interests and enhancing governance systems.

Women directors are also seen as skilled monitors who promote the interests of stakeholder. Stakeholder force management to pay bigger dividends in this instance. Previous studies from developed countries have supported FD' monitoring function. According to Byoun, Chang, and Kim (2016), dividend payouts and gender heterogeneity are positively related in US enterprises, but significantly associated in Spanish firms (Pucheta-Martnez and Bel-Oms 2016). According to (Bae, Chang, and Kang 2012), a robust CG mechanism in enterprises is associated with bigger dividend distributions and mitigates agency concerns. Trinh (2021) also established a relationship between dividend distributions and gender diversity. Finally, McGuinness, Lam, and Vieito (2015) discovered a positive but modest relationship between gender diversity and dividend releases, but Mustafa et al. (2020) discovered a a dysfunctional relationship .

The presence of a critical mass of females may significantly influence corporate business performance (Ain et al. 2021). According to Kanter (1977), the successes of FDs were downplayed as a result of male-dominated boards, culminating in their low engagement. According to Spangler, Gordon, and Pipkin (1978), the minority of FDs on boards, performance pressure, the communication gap, and role entrapment contribute to female board success. The critical mass hypothesis, developed by Kramer et al. (2006), asserts that when a board contains three or more FDs, they are more significant. According to Kristie, one female director should serve as a token, two as a present, and three or more as a voice (2011). According to Gyapong, Monem, and Hu (2016) and Liu (2018), a high ratio of FDs on a board can have a considerable impact on business performance and value. As a result of what has gone before.

At numerous levels, especially individual and team levels, diversity on the board influences its effectiveness. Women directors, for instance, are more concentrated on monitoring (Adams, Ferreira, and Ferreira 2008), more delicate to difficult themes (Gul, Srinidhi, and Ng 2011), and are further than certainly than men to obey the laws and regulations (Bernardi and Arnold Sr 1997). FDs are more probable to obey the rules, are more sensitive to corporate challenges, are more accountable for addressing agency problems by improving governing mechanisms efficiency, and are more driven to promote general shareholder interests, as per a prior study. According to (Liu 2018), having more FDs on the board reduces the danger of lawsuits and helps to sustain dividend payouts in part. As a result, we think that female board member are more likely to pay individual dividends.

The beneficial the link involving gender diversity and dividend distributions in developing-country SOEs is also supported by agency theory. According to Ben-Nasr (2015), SOEs are more prone than non-SOEs to face agency problems (Bradford, Chen, and Zhu 2013). Two drivers of agency issues have been identified: conflicts between governing stakeholder and managers and objective inequities between politicians and firm owners (Menozzi et al. 2021). De Jonge (2014) stated that several empirical research pieces of evidence enhance corporate governance structures; SOEs are under pressure to enhance female boardroom involvement.

SOEs may act as "model companies" for society by demonstrating administrative efficiency and a superior governance structure in state-run firms (Saeed, Belghitar, and Yousaf 2016). Dividend payments are a critical method that gender-diverse boards might use to overcome agency difficulties. As a result, we can anticipate gender-diverse boards of Chinese government-owned enterprises with major agency difficulties picking big dividend distributions.

According to a previous study, female team members are more willing to take on challenging assignments. FDs adopt a collaborative and trustworthy leadership style, according to Niederle and Vesterlund (2007), since trust enhances the flow of productive information across board directors and the corporation. Board gender diversity, according to Gul and Srinidhi (2011), provides varied viewpoints and improves the corporate board decision-making style. All of the above research imply that gender heterogeneity gives a diverse variety of viewpoints, resulting in better decisions, perhaps including those made for the dividend of stakeholder and to resolve issues inside the agency. So, from a team standpoint, we believe that more diversity on boards of directors is linked to larger dividend payouts. As a consequence, the following hypotheses are presented:

**Hypothesis 1 (H1):** Board gender diversity positively affects the dividend payouts.

### 3.2 Moderatıng Effects: Control-Ownershıp Wedge

The company's characteristics determine the possibility of female candidates and the criteria used in their selection. They also have an impact on the corporate governance environment wherein women directors operate, as well as their ability to affect board performance and oversight. As a result, FDs' effect on board monitoring depends on the characteristics of organizations (Aree Saeed Mustafa, Che-Ahmad, and Chandren 2018). Surprisingly, the control-ownership wedge exists between these two qualities.

There are several reasons to believe that the effect of FDs on board oversight will be diminished in wedge businesses. Female nominations, for instance, are considered a divergence from society standards and are high-risk actions in risk-averse and conformist family enterprises (Litov, Moreton, and Zenger 2012).

Many businesses are missing out on the possible economic advantages of FDs due to a lack of desire to select FDs. In order to reduce risk, wedge firms favour women from their own networks when making hiring decisions. FD nominations predicated on such relationships are more common in developing countries than in emerging countries, as personal ties influence economic contacts to a greater extent in developing countries than in emerging countries. Corporate boards, led by big groups of directors, pursue company agendas that are at odds with stakeholder' interests, which has a detrimental impact on board oversight. When a company's ownership is significantly concentrated, the interests of the controlling stakeholder who elected the board member, for example, are in close proximity . FDs advance the board's supervision role, which is most probably appreciated by governing stakeholder, whose high stake in the firm grows their desire and ability to supervise management operations (Shleifer, A., & Vishny, R. W. 1986).. As a result, they foster an atmosphere that encourages FDs to assert themselves and exert influence. In strong concentrated ownership, minority stakeholder consistently appreciated female monitoring skills, which improved minority shareholder protection. Previous research in developing nations shows that concentrated ownership favorably impacts managerial manipulation.

Furthermore, in the presence of diffused ownership, the misalignment of aims between management and stakeholder improves, whereas this is not the case with strong concentrated ownership. As a result, greater concentrations of ownership give a more conducive atmosphere for females to demonstrate their proclivity for conflict avoidance and agreement. The control-ownership wedge's moderating effect is obvious in rising countries, particularly Turkey, where ownership is strongly concentrated (Ararat, Aksu, and Tansel Cetin 2015). The power of concentrated ownership in emerging countries tends to be more effective than equity ownership due to efficient cross-holding and pyramidal ownership. Therefore, the hypothesis is:

**Hypothesis 2 (H2):** The control-ownership wedge moderates the link between Board Gender Diversity and dividend payouts

## 4. METHODS

This study's population focuses on Turkish publicly traded companies. As a result, financial firms and banks are no longer included in the sample due to their adherence to certain corporate governance norms

(Muatafa, Chandren, and Che-Ahmad, 2018). Our research takes place in Turkey, which is an intriguing setting. On July 1, 2012, the new Turkish commercial code took effect to enhance corporate governance, financial reporting, and auditing. As a result, our research covers five years, beginning in 2011 and concluding in 2015, in order to investigate the influence of corporate governance in the year 2012.

Furthermore, the Turkish Capital Market Board (CMBT) encourages businesses to recruit women in leadership positions, including boards of directors and has taken substantial steps to elevate women. In 2013, the CMBT amended its suggestion to urge that firms set and disclose a voluntary goal level of women on boards of directors that should not be less than 25% as part of their gender development actions. They are the first Asian government to do so by the deadline, creating an example for growing countries. As a result, Turkey presents a rich setting for studying the monitoring impact of FDs in underdeveloped nations. Furthermore, Turkey considers a widespread corporate governance setting in European countries but is unknown in worldwide awareness. This offers a rich setting for our study and allows for theoretical advances. Finally, in terms of gender equality, Turkey is noteworthy. It is known for its institutional commitment to gender equality and women's advancement and its long-standing cultural hostility to women's achievement. This provides an intriguing context for investigating the interplay of institutional factors, such as the control-ownership wedge, impacting the connection under research.

Furthermore, Turkish publicly traded enterprises are used as units of analysis since they are legally compelled to disclose their annual reports. This makes it easier to access companies' annual reports via the BIST. The initial sample included 445 enterprises, including financial institutions and banks.

Table 2 outlines the processes used to select the final sample of firms for the study.

**Table 2:** Procedure of Sample Selection

| Firms | No. of firms |
|---|---|
| Firms listed on Borsa Istanbul Webpage in 2016 to 2020 | **445** |
| firms with missing financial information in annul reporting | **145** |
| financial institution and holding | **130** |
| Final sample observations | **170** |

**Source:** Public Disclosure Platform (PDP), www.kap.gov.tr.

**Table 3:** Data Composition

| No | Sectors | No. of firms |
|---|---|---|
| 1 | Agriculture, Forestry And Fishing | **2** |
| 2 | Mining And Quarrying | **5** |
| 3 | Manufacturing | **187** |
| 4 | Electricity Gas And Water | **19** |
| 5 | Construction And Public Works | **11** |
| 6 | Wholesale And Retail Trade, Restaurants And Hotels | **32** |
| 7 | Transportation Storage And Telecommunication | **11** |
| 8 | Financial Institutions | **130** |
| 9 | Education, Health, Sports And Other Social Services | **8** |
| 10 | Technology | **27** |
| 11 | Professional, Scientific And Technical Activities | **4** |
| 12 | Administrative And Support Service Activities | **4** |
| 13 | Real Estate Activities | **4** |
| 14 | Information And Communication | **1** |
| | **TOTAL NUMBER OF COMPANY** | **445** |

**Source:** Public Disclosure Platform (PDP), www.kap.gov.tr.

The study excludes 130 non-financial institution organizations and 145 enterprises from the sample leading to a shortage of knowledge and appropriate data regarding the research variables. The study's final sample comprises 170 companies listed on the Borsa Istanbul (BIST). A total of 105 wedge enterprises and 65 non-wedge firms make up the final sample. BIST is made up of more than 14 different sectors.

**Table 4:** Descriptive Statistics of Variables

| Variable | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|
| DVP | .4424319 | 1.567412 | 0 | 23.28061 |
| BFM | .9145527 | .8610181 | 0 | 4 |
| WEDGE | .8437917 | 1.694685 | 0 | 9 |
| ROE | 6.453808 | 30.9948 | .0005142 | 321.5889 |

The result reveals that the statistics indicate that Board Female Membership (BFM) has a mean of 86 percent, with a minimum and maximum of 0 percent and 4 percent respectively. This indicates that the representation of females among the listed firms in Turkey is very low. The WEDGE, according to data, has a mean of 1.69 per cent, with a low of 0 percent and a maximum of 4%. This range is extremely similar to what Gacar (2016) discovered in Turkey, where the mean was 39.910, the standard deviation was 15.211, and the minimum was 0.60, and the highest was 81.00.

**Table 5:**Variance Inflation Factor (ITIF) and Tolerance Factor (l/VIF) Tests

| Variable | VIF | 1/VIF |
|---|---|---|
| BFM | 1.02 | 0.977941 |
| ROE | 1.02 | 0.983369 |

*Notes*: BFM; ROE= return on equity

The multicollinearity test then examines if the independent variables are strongly correlated that may negatively influence the regression results (Hair et al., 2010). One of the conditions for logistic regression is completing a multicollinearity test, which was done for this research (See Table 5). Within the independent variables, the results reveal that there is no multicollinearity. The next part explains the panel diagnostic tests on the residuals of the panel regression model.

## 5. RESULTS AND DISCUSSION

Another aspect of panel data analysis is the relationship between the disturbance term and the observations in time and location (Gujarati & Porter, 2009). One issue that harms the reliability and efficiency of panel data findings is the autocorrelation problem (first-order correlation). As a result, to obtain reliable data and appropriate conclusions, researchers should verify their models against such difficulties. Although econometricians have presented numerous autocorrelation tests in panel data, Wooldridge's (2002) model is used in this research. This method appeals to most people since it is straightforward to adapt to and has minimal requirements (Drukker, 2003). Drukker has simulated a variety of panel data findings (using either the FE or RE models) and balanced and unbalanced situations with and without homoscedasticity (2003). He discovered that the test had sufficient size and power properties in appropriately sized samples. As a result, this study leverages Drukker's (2003) written command xtserial to assess the first-order in panel data. The Wooldridge test is based on the likelihood of the F value; so, if the F value of the test is less than 5% significant, the null hypothesis can be rejected. As demonstrated in Table 6, this demonstrates the existence of the autocorrelation problem. Based on previous analysis findings (e.g., Wooldridge test, Hausman test, univariate test, Cook-Weisberg/Bseusch-Pagan test), FGLS can reweight the error variance and address autocorrelation and heteroskedasticity problems (Gujarati & Porter, 2003, Adkins & Hill, 2008).

At the 1% level, the regression result of FDs ($t = 2.70$; $p = 0.007$) is extremely significant. According to Table 6, the influence of FDs is 2.70 percent, and for every unit increase in FDs, dividend policy would increase by 2.70 percent. This is consistent with the resource dependency theory's premise that increasing the size and variety of the BOD improves the security of businesses' important resources and the relationship between enterprises and their external environment (Pfeffer, 1973; Goodstein et al., 1994).

In other respects, companies with larger and/or more diverse boards of directors may have an advantage in securing and preserving key resources such as: (i) board members' human capital (knowledge, skills, and aptitude); (ii) advice and counsel; (iii) communication channels; and (iv) legitimacy (Pfeffer & Salancik, 2003, Hillman & Dalziel, 2003). According to the CG research, more gender-diverse boards may assist to develop these businesses' essential resources (Liu, Wei, & Xie, 2014). In addition, Hillman, Cannella, and As gender equality has become a more generally accepted cultural norm, Harris (2002) believes that widening the board of directors by include more women will help firms achieve credibility. Hypothesis 1 gains support as a result of this finding.

**Table 6:** Wooldridge Test for Autocorrelation in Panel Data

| | | H0 (null) |
|---|---|---|
| F(1, 144) | 2.208 | |
| Prob > F | 0.1395 | Accepted |

*Note*: HO (null): No first-order autocorrelation

Using a linear regression model, Table 6 displays the direct model (Model) results and the moderating impact of the wedge in the link between board female and dividend policy (Model). The model is used to understand the direct correlations between board female and dividend policy and BFM and control factors. Refer to Model for the moderating (wedge) influence on the correlations between board females and dividend policy.

**Table 7:** Regression Model

| Variable | Coef. | Std. Err. | T | P>\|t\| |
|---|---|---|---|---|
| BFM | -.0681228 | .0371831 | -1.83 | 0.067 |
| WEDGE | -.0321285 | .0177849 | -1.81 | 0.071 |
| BFM*WEDGE | .0941758 | .0137641 | 6.84 | 0.000 |
| ROE | .0024881 | .0005689 | 4.37 | 0.000 |
| R-squared | 0.0830 | | | |
| Prob > chi2 | 0.000 | | | |

*Notes*: * = significant at 10%, ** = significant at 5% and *** = significant at 1%.

Wei et al. (2011) in China and Faccio et al. (2001) in East Asia corroborate this negative connection. As a result of the tobit results, BFM in Turkey may be intensified by providing lower dividends to minority investors following the principal–principal conflict. Generally , the data demonstrate that female board membership has no influence on whether or not ISE companies pay dividends, but it does cause them to pay lower dividends. As a result, we agree to the degree that BFM (via share ownership and board involvement) negatively influences Turkish dividend policy. Nonetheless, given Turkish BFM's non-significant influence on the probability of paying dividends, the proof for the dividend expropriation argument for BFM is weak – if the dividend expropriation argument holds for BFM, their control ought to have a significant and negative effect on the outcome of paying dividends, and the outcomes of this research are comparable to those of Al-Najjar and Kilincarslan (2016).

The direct model demonstrates that board diversity, FDs, and control factors predicted the results reported in Table 7. 037 percent of the dividend policy's variance (Model). The Model's regression findings show that four of the four direct correlations examined are significant at the 1 percent level. Two more relationships are statistically significant at the 5 percent and 10 percent levels, correspondingly.

Even if the impact is favorable (t = -6.84, p = 0.000), the wedge's moderating influence on FDs have a lesser and more meaningful influence. A few earlier research has supported this association. Ye et al. (2019), Al-Rahahleh (2017), and Byoun et al. (2016), report that an insignificant association linking the diversity of board gender and dividend issuance. Their results also support the concept of outcome hypothesis that states that dividend issuance is directly proportional to the company's leadership in place. Bernile et al. (2018) give same findings for general variation of board involving gender in combination with other diversity features. However, the findings support the hypothesis 2.

## 6. CONCLUSIONS

Our study's findings are compelling in that board demographics proxied by women directors diminish Type II Agency Problems by hiring robust monitoring mechanisms, which correspond with agency-dependency theory. Due to the lack of a robust CGC in the Turkish environment, our research adds to our comprehension of the consequences of the control-ownership wedge on consumers' need for strong monitoring functions, particularly in emerging countries. Our findings back with the core hypothesis and stream of data from control-ownership wedge research, namely that the control-ownership wedge has a negative impact on board demographics and audit quality. That is to say, the control-ownership wedge reduces clients' desire for robust monitoring functions, detrimental to minority stakeholder. As a result, considerable effort toward enacting the CGC to discuss the specific characteristics of control-ownership wedge firms is still necessary. The study eliminates 130 non-financial institution organizations and 145 enterprises from the sample that lack data and detailed information about the research variables.

**Author Contribution Rate Statement**
The entire study was prepared jointly by the authors.

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There is no conflict of interest between the authors in the study.

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