



Governance Mechanisms, Gender Diversity and Banking Performance: The Case of French Banks

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Abstract

Today, there is a great deal of pressure on companies from public authorities, investors, and civil society to introduce more diversity. This criterion is the subject of binding regulations in various countries, to strengthen the presence of women in the management and governance of companies. Our study aims to investigate the results of governance mechanisms, especially board of directors' characteristics, on a bank's performance. Specifically, we are examining how certain governance practices, such as gender diversity on the board and the CEO's dual role, affect a bank's performance. Indeed, these boards' attributes are proven to reduce agency conflicts and enhance control mechanisms to serve in the best manner shareholders and contribute to the better banks' performance. For our empirical methodology, we used panel data with a sample of 66 French banks observed during the period 2014-2018. The findings revealed a positive and statistically significant relationship between gender diversity and performance, as measured by the variable return on equity. We also discovered that director independence has a positive effect on performance. We observed a positive and significant effect on the bank's performance as a result of the CEO's duality. For control variables used: size and debt, the relationship with bank performance is positive with the size variable calculated as the log Book value of Total Assets. But the impact is negative between debt and banks' performance with low significance.

Keywords: Governance; Banks; Gender Diversity; Duality; Banking Performance

1. Introduction

Several studies on corporate governance exist, but few of them include a banking component. Because of the importance of banks in the economy and the nature of the banking business, the issues raised by corporate governance and the mechanisms available to address them are highly specific (Addo et al., 2021). The complexity of the banking industry increases asymmetry and limits stakeholders' ability to monitor bank executives' decisions. Banks are an essential component of the payment system and play an important role in the economic system's operation. They are also heavily indebted companies, mainly due to deposits taken by customers. They are also heavily indebted, owing to customer deposits. For all of these reasons, banks are subject to more stringent regulation than other businesses, as they are responsible for protecting depositors' rights, ensuring the stability of the payment system, and mitigating systemic risk (Harb et al, 2022). The role of boards as a mechanism for corporate banking governance is especially important in the context of limited competition, intense regulation, and higher informational asymmetry due to the complexity of the banking business. It is critical to bank governance (Addo et al., 2021). In the presence of the opacity of bank lending activities, the bank's advisory role is more important than other stakeholders such as shareholders or creditors who are not positioned to impose effective governance in banks (Levine, 2004). As a result, the board becomes the primary mechanism for monitoring managers' behavior and advising them on strategy identification and execution.

Adams and Mehran (2008) provide evidence that the structure of the bank's board is related to bank performance in this regard. It is also critical to investigate how the bank's internal governance mechanisms relate to bank performance. Akhigbe and Martin (2008) demonstrated the importance of governance structure on banking performance in this regard. Our study will examine how the certain board of directors' characteristics affect bank performance. We hypothesize that certain characteristics of the board of directors (composition, functioning, size, and structure of the leader) could influence bank profitability. We conducted research with a sample of 66 French banks from 2014 to 2018 to test the impact of internal governance mechanisms on banking performance. Our work is organized as follows: The first section is devoted to a review of the literature on internal governance mechanisms and their impact on banking performance. A second part will be dedicated to the empirical research methodology, and finally, we will present the results with a verification of the hypotheses initially proposed.

2. Literature Review

We will review the most recent research on the effects of board characteristics and control variables on banking performance. In the empirical literature on corporate governance, the role of the board structure in controlling leaders and improving performance has been widely debated (Karkowska and Acedański, 2020; Bhagat and Black, 2002). We will investigate the impact of board size, composition, activity, and leadership structure on banking performance in this study. There have been numerous studies on the disciplinary role of the board of directors (Vig and Datta, 2021; Charreaux and Pitol-Belin, 1997). The role of discipline is seriously dependent on the board's composition. This is most visible in the presence of independent directors on the board, who have gained expertise in controlling executive decisions, allowing them to play a positive role in decisions aimed at improving profitability.

2.1. The Board's Presence of Independent Directors

For the board to be effective in its mission, it must be independent of the management team. With much work on this subject the company supports the idea that the presence of outside directors could increase the effectiveness of the board of directors, José et al., (2018). The idea encourages fostering a positive relationship between the independence of the board of directors and performance. Fama and Jensen (1983) found that outside directors are encouraged to control leaders because they wish to protect their reputation as independent and effective decision-makers. Brandes, et al., (2021); Weisbach (1988) empirically demonstrated that when the board is dominated by outside directors, the likelihood of the CEO being replaced due to poor performance is higher than when the board is dominated by inside directors. Boards dominated by outside directors are more able to control leaders than those dominated by inside directors, given the human capital, independence, and reputation of outside directors in the executive workforce (Arayssi, et al., 2020; Singh and Davidson, 2003). External independent directors must ensure that managers pursue policies compatible with the interests of shareholders (Fama, 1980). They are also responsible for the quality of financial statements and the credibility of their publication (Dechow et al., 1996). Harris and Raviv (2008) believe that to ensure effective oversight, the appointment of a large number of directors is necessary, but not sufficient. Indeed, independent directors, particularly non-executive directors, should be equipped with the knowledge, incentives, and capacities needed to monitor discipline and advise managers, allowing directors to avoid conflicts of interest among directors, shareholders, and insiders. In contrast, Spong et al. (2001) discovered that the number of independent outside directors does not affect the bank's performance. Furthermore, Adams and Mehran (2003) discovered that the percentage of outside directors does not affect the stock market (Carlini et al., 2020) or bank accounting performance. Griffith, 1999 found that boards dominated by outside directors are better at controlling bank executives than those dominated by inside directors. Byrd, Fraser, Lee, and Williams (2001) studied American banks in times of crisis and found that those that survived had more outside directors on their boards. According to Nam (2004), outside directors have more clout and are the only ones who can ensure that banks follow the regulations that apply to their activities and that managers do not engage in discretionary behavior that harms shareholder wealth. Inside directors bring to the board information that outside directors would find difficult to accept. Furthermore, executive (internal) directors facilitate information transfer between the board and management. Harris and Raviv (2008). Andres and Vallelado (2008) discovered a link between the proportion of outside directors and financial performance. This finding is supported by the argument that, as intended, outside directors improve board supervision of management and reduce conflict of interest between stakeholders. When a bank appoints a new outside director with advisory skills, strategic decisions that should improve outside directors' advisory skills complement the CEO's oversight. Thus, to avoid or reduce conflicts of interest among

stakeholders (particularly between shareholders and regulators) and to effectively perform supervisory and advisory functions, these directors should be in the majority on the board. Such a majority, however, has a limit. Following this limit, the proportion of external directors and performance exhibit an inverse U-shaped relationship. To create value for companies, an optimal mix of outside and inside directors is more stable than an independent board. Effective boards would necessitate the presence of inside directors who are familiar with the banks. This information may supplement independent directors' ability to control CEOs. As a result, when controlling managers, an independent board of directors encounters few conflicts of interest. Pathan (2009), on the other hand, finds a negative and statistically significant link between the presence of an independent director and all measures of banking risk except insolvency risk. When the percentage of non-executive directors is used instead of independent directors, the result is reinforced. The greater the board's independence from the bank's shareholders, the less risk-taking will be required. This could be because independent directors are more concerned with regulatory compliance. Indeed, in the presence of continuous and close monitoring by regulatory authorities, the bank's managers, and the directors act more conservatively to avoid prosecution in the event of a default.

Thus, we derive the assumptions as follows:

H1: There is a positive link between independent directors and banking performance.

2.2. The Duality of the Chairman of the Board of Directors

The literature devoted to the problem called "duality" or "accumulation" of the positions of CEO and Chairman of the Board of Directors presents divergent opinions (Uyar, et al., 2021; Thaddée, 2000). Some authors support the accumulation for reasons of efficiency of the unity of management; others denounce it because of the abuse of power by the leader. Several governance specialists believe that separating the title of chairman of the board from that of managing director would help reduce agency problems and improve performance. The reason is that when the CEO is also the chairman of the board, too much power is concentrated in the hands of one person. In effect, this makes it possible to control the information that will be used by the members of the board of directors in decision-making. According to Fama and Jensen (1983), the separation of the decision-making functions specific to the manager from the control functions falls more within the competence of the shareholders than of their representatives via the board of directors. Thus, the control function integrates two dimensions: that of the ratification of the initiatives proposed and that of surveillance consisting in measuring the performance of the decisions taken by the agents and setting up sanctions and rewards. The chief executive officer should not chair the board of directors, since he could not pass his interests over those of the shareholders (Jensen, 1993). Duality also allows the leader to exercise more power over board decisions, thus creating disagreements with outside directors. In addition, controlling the information necessary for their functions, which would potentially increase agency costs (Godard and Schatt, 2002). The situation in which the leader is also chairman of the board of directors can hamper internal control mechanisms (Pi and Timme, 1993). The latter observed that for American commercial banks during the period from 1988 to 1990, the presence of an executive who was also chairman of the board of directors led to the bank's underperformance compared to establishments where these two functions were under the responsibility of two different people. Thus, the concentration of decision-making (manager) and control (chairman of the board of directors) functions leads to an under-efficiency of banking governance mechanisms (Mansour and Zouari, 2018). The leader who is at the same time the chairman of the board constantly aspires to protect a strong position and takes decisions that involve less risk. However, supporters of duality argue that this practice allows for increased knowledge of the business environment and better competence on the part of the chairman of the board, and subsequently improved performance of the company. business (Sridharan and Marsinko, 1997). The likelihood of financial distress for banks decreases when the functions of the manager and chairman of the board are held by a single individual (Simpson and Gleason, 1999). The combination of these two functions allows the manager to influence internal control mechanisms to reduce the likelihood of bankruptcy. Despite his inclination to act in his interest, the leader limits excessive risk-taking to protect his human capital. On the other hand, (Dalton et al. 1998) find no relationship between duality and company performance. Similarly, Chandren, et al., (2021), Fogelberg and Griffith (2000) do not find a link between duality and banking performance. Boyd (1998) believes that the nature and extent of the relationship between duality and performance vary with the dynamism of the environment. The power of the CEO could also influence the capacity of board oversight, comparable to the strength of the board, the power of the CEO is seen as a source of the duality of EO, C measured by the duality of the CEO (Hermalin et Weisbach, 1998). The duality of the CEO, when the CEO chairs the board, limits the flow of information to other board directors and thus reduces the manager's oversight by an independent board (Shufeng Li et al., 2021; Jensen, 1993). The power of the CEO can then hinder banking risk-taking. Finally, Pathan (2009) points out that duality is negatively related and that it is statistically significant for all risk

measures. This study examines characteristics of banks and other governance mechanisms, so CEO power is negatively associated with banking risk. The economic significance is also important. Indeed, the banks where the CEO chairs the board would be those at lower risk. Therefore, the formal assumptions addressed in this study are as follows:

H2: There is a positive relationship between duality and banking performance.

2.3. The Presence of Women on the Board of Directors

As part of the upper echelons theory (Moreau, 2006), the work on gender diversity on the board of directors and its challenges remains more or less descriptive due to the difficulties of classic theories of board composition Buchetti (2021). Amer (2020) and Kang et al. (2007) believed that the presence of women on the board allows them to break with a routine to reflect their interests in the governance process and has positive consequences because they are generally more independent and objective. Kang et al. (2007) demonstrated that the presence of women is a guarantee of good governance for investors, particularly institutional investors. Long before Hambrick and Mason (1984) discovered that gender diversity on the board enriches company decisions due to members' differing points of view. Furthermore, people of different sexes do not always share the same norms, attitudes, beliefs, and perspectives (Pelled et al. 1999). As a result, the board must account for gender differences to improve the quality of its decisions. According to Knippenberg et al. (2004), the composition of boards of directors with directors from diverse backgrounds strengthens objectivity and encourages more creativity and innovation. Furthermore, women have an impact on group dynamics, interpersonal interactions, and decision-making, causing the group to be more dynamic, creative, and innovative (McInerney-Lacombe et al., 2008).

Thus, we derive the hypothesis as follows:

H3: There is a positive link between the number of women on the board of directors and banking performance.

2.4. Bank Size & Banking Leverage Degree

For our estimation, the regression equation contains control variables that can impact performance: bank size, and leverage bank.

2.4.1. Bank Size

The natural logarithm of total assets is used to account for the effect of size on banking performance, which could be due to economies of scale or gains. Indeed, large banks would be more efficient than their smaller counterparts in the presence of economies of scale and/or gain (Amer, 2020), but the relationship between bank size and performance may be uncertain. Studies of American data from the 1990s, on the other hand, tend to formulate the presence of economies of scale in the banking sector (Stiroh, 2000). In the banking industry, bank size is commonly used to accumulate savings. Thus, when economies of scale are significant, there is a positive relationship between bank size and profitability (Goddard et al., 2004). Kosmidou et al. (2005), on the other hand, discovered an inverse and statistically significant relationship between size and profitability. The negative coefficient indicates that the largest banks have low profits, consistent with significant studies that have discovered economies of scale for the central UK banks. Similar findings have been obtained in other European market studies (for example, Pasiouras and Kosmidou, 2007; Pasiouras et al., 2019); Tunisia (Ben Naceur and Goaid, 2005); and Australia (Pasiouras et al., 2005). This negative correlation implies that in some banks, the larger size is associated with lower profitability, and increasing the size of a bank can produce minor savings (Athanasoglou et al., 2008). According to Eichengreen and Gibson (2001), increasing bank size has a positive effect on profitability up to a certain point. Beyond this point, the size effect may be negative due to bureaucratic constraints. As a result, the relationship between size and profitability should be non-linear. Also, the effect of bank size on profitability is generally positive and statistically significant, with a linear relationship (Athanasoglou et al. 2008). Thus, we can derive the assumptions as follows:

H4: There is a positive link between size bank and performance.

2.4.2. Banking Leverage Degree

According to the theoretical literature, the debt ratio should be a determining factor in banking performance. When a bank's capital structure includes risky debt, its financial performance is bound to suffer (Wood and Staikouras, 2004). Llorens and Martin-Oliver (2017) in their research, noted that the theory has always reacted to this duality of debt and banking performance. John et al. (2000) focused on studying this relationship closely. And they found that the relationship is negative and very sensitive between these two important banking parameters. And they claim that the performance sensitivity of debt

increases with the debt ratio. In banking companies, the risk fluctuation problem is aggravated by the increase in debt ratios, which hurts bank profitability. Thus, we derive the assumptions as follows:

H5: There is a positive link between banking leverage degree and performance.

3. Data and Methodology

To examine the nature of the relationship between bank profitability and internal bank governance mechanisms, our research methodology consists of using panel data regressions for a sample of 66 French banks over the period between the year 2014 and the year 2018. We, therefore, have a total of 330 observations.

3.1. Model Specification

The following model has been developed to investigate the characteristics of the board of directors and CEO compensation that affect the performance of European banks:

The detailed models are then as follows:

$$ROE = \alpha_0 + \alpha_1 GENDIV_{it} + \alpha_2 INDPADM_{it} + \alpha_3 DUAL_{it} + \alpha_4 LNSIZE_{it} + \alpha_5 LEV_{it} + U_{it}$$

With: $ROE_{i,t}$ is the return on equity: It is the ratio of net profit to total equity for bank i at time t ;

$GENDIV_{it}$: is a measure of the proportion of women on the board calculated as the number of female directors on the board divided by the total number of directors on the board of bank i at time t .

$INDPADM_{i,t}$: is a percentage of independent directors calculated as the ratio of independent directors to total directors for the bank i at time t ;

$DUAL_{i,t}$: is a dichotomous measure of duality that takes the value 1 when the two functions of the manager (CEO) and chairman of the board of directors are held by the same person and 0 otherwise for the bank i at time t ;

$LNSIZE_{i,t}$: is a measure of bank size calculated as the logarithm of the book value of total assets for bank i at time t ;

$LEV_{i,t}$: is a leverage metric calculated as the ratio of total debt to total equity for the bank i at time t .

3.2. Variables Used

3.2.1. Dependent Variables

Banking performance is based on financial information. Some studies employ measures of banking performance, such as return on equity and total assets ratios, Marcus and Brown (2009).

The return on equity (ROE) variable is calculated by dividing net profit by equity book value. This ratio measures financial profitability or the rate of shareholder return. Many authors have used it (Brown and Marcus, 2009). It assesses how effectively the bank uses the equity entrusted to it by its shareholders.

3.2.2. Independent Variables

$GENDIV$: the proportion of women directors sitting on the board.

$INDPADM$: the proportion of independent directors is calculated as the ratio of independent directors to total bank directors.

$DUAL$: the combination of the manager's and the chairman of the board of directors roles.

The definition of these variables is retained for statistical analysis as well as for the predicted relationships of the explanatory variables concerning the variables to be explained.

Table 1. The expected effect of explanatory and explanatory variables.

Notation	variables Definition	Expected Sign
Independent variables		
$GENDIV$	the proportion of women directors on the board	(+)
$INDPADM$	the proportion of independent directors is calculated as the ratio of independent directors to total bank directors	(+)
$DUAL$	It's a dummy variable that returns 1 when both functions are held by the same person and 0 otherwise.	(+)
Control variables		
$LNSIZE$	Log (Book value of Total Assets)	(+)
LEV	The Total Debt to Total Equity ratio	(+)

4. Results

The data obtained were analyzed using Descriptive statistics, correlation, and panel multiple regression analysis.

4.1. Descriptive Statistics

Table 2. Descriptive Statistics.

Variable	Obs	Mean	Std. Dev.	Min	Max
roe	308	.577987	8.906073	-8.12	155.31
gendiv	311	.1214148	.1541907	0	.75
indepadm	311	.2955627	.2172547	0	.83
dual	311	.6688103	.4713996	0	1
lnsize	311	8.436013	1.018994	3.78	10.98
lev	311	36.77212	643.7269	0	11352.5

To ensure that there is no multi-collinearity between the independent variables, we computed Pearson correlation coefficients as well as VIF: Variance Inflation Factor tests. We presented the correlation coefficients between the dependent variable and the empirical model's independent variables in Pearson's correlation table. The majority of correlation coefficients are less than 0.8, which corresponds to Kennedy's (1985) limit and marks the beginning of serious multi-collinearity problems. The correlation matrix reveals that there is a significant uni-variate relationship between the dependent variables (ROE) and the variables related to internal banking governance, that there is a negative and significant correlation between profitability (ROE) and gender diversity, independence, and leverage, and that the correlation is positive with the bank's duality and size. The correlation is positive and significant between the proportion of independent external directors sitting on the board of directors (INDADM) and profitability (ROE).

All the correlation coefficients between the control variables (ENDTT and LNSIZE) and profitability (ROE) are significant at the 1% level.

4.2. Correlation Matrix

Table 3. Pearson Correlation matrix for banks.

	roe	gendiv	Dual	Indep adm	lev	Ln size
roe	1.000					
gendi v	0.0410	1.000				
dual	0.05268***	-0.0268***	1.000			
indep adm	0.0774	0.0579***	-0.1889***	1.000		
lev	0.035	-0.0449***	0.0400***	-0.0775***	1.000	
lnsize	0.0879	0.2485***	-0.0858***	0.1939***	-0.2603***	1.000

(*), (**) et (***) indique respectivement la signification au niveau de 10%, 5% et 1%.
(Source: Software STATA 15)

4.3. Multicollinearity Statistics

Table 4. Multicollinearity Statistics VIF.

Variable	VIF	1/VIF
Gendiv	1.08	0.929076
indepadm	1.08	0.925605
Dual	1.04	0.963212
Lev	1.08	0.929776
Insize	1.21	0.829110
MEAN VIF	1.10	

(Source: Software STATA 15)

Table VIF shows that no VIF exceeds 3, a limit suggested by Myers (1990). As a result, we have no problem with multicollinearity because the VIF value of each variable is less than 10, which is below the minimum threshold value. VIF must have a standard value of 0.05VIF. As a result, we conclude that there is no significant multicollinearity between the independent variables.

4.4. Test Wooldridge for Autocorrelation in Panel Data

If the Fisher probability is greater than 10%, we accept hypothesis 0 which states an absence of autocorrelation, and if Fisher probability is less than 10%, we reject hypothesis 0 and is in the presence of autocorrelation.

$F(1.60) = 0.129$, $\text{prob} > F = 0.072$

We are in the presence of autocorrelation of errors, we must therefore proceed to correct the found autocorrelation.

4.5. Heteroscedasticity Statistics

The "Breusch and Pagan Lagrangian multiply test is used to verify the existence of heteroskedasticity of the residuals of the models. From the results obtained, if the p-value of the tests is greater than 5%, then we conclude that there is no heteroscedasticity.

The results found show p-values of less than 5%. These results lead to the rejection of the null hypothesis of homoscedasticity. It is therefore necessary to correct this problem through the use of MCG regressions corrected for heteroscedasticity.

4.6. Regression Results

4.6.1. Fixed Effect

In our study, we used fixed and random effects panel least square regression. The main advantage of using panel data technology is that it has the properties of both cross-section and time series. Our method of analysis takes into account both inter-temporal change and the individuality of the entities under consideration. The panel regression test results are discussed further below.

Fixed Affect Panel Least Square:

Table 5. Fixed Affect Panel Least Square.

Variables	Coefficient	St. errors	T-Values	P>/t/
Gendiv	.3511823	.9943979	0.35	. 0.724
Dual	.0866284	.6243004	0.14	. 0.890
indepadm	1.575188	.9787652	-1.61	0.109
Insize	.1384854	.2960327	0.640	. 0.640
lev	0000335	.0001079	-0.31	0.757
Const	-2.176	2.529066	-0.09	0.932

$F(65,2379) = 341.25$, $\text{prob} > F = 0.0000$

(Source: Software STATA 15)

The table shows the dependent variable ROE which is regressed by the independent variables such as GENDIV, indepadm, size, bank indebtedness, to find its impact using the fixed effect least squares method. The GENDDIV has a POSITIVE relationship with the ROE, it is statistically significant but at the 10% level. DUALITY also has a POSITIVE relationship with ROE and it is statistically significant at the 5% level. SIZE is positive has a negative relationship with ROE, but statistically not significant. DEBT has a negative relationship with ROE but is significant at the 10% level. Director independence has a negative relationship with ROE and is statistically significant at the 5% level.

4.6.2. Random effect Panel Least Square

Table 6. Random Effect Panel Least Square.

Variables	Coefficient	St. errors	T-Values	P>/t/
gendiv	.277095	.9958235	. 0.28	0.781
Dual	.1505115	.6214396	. 0.24	0.809
indepadm	1.671057	.9779238	-1.71	0.087
lnsize	.1983115	.2947529	0.67	0.501
Lev	-.0000261	.0001082	-0.24	0.809
const	1.11809	3.425394	0.33	0.744

(Source: Software STATA 15)

The regression table by random effect gives us the following relationships: The GENDDIV has a POSITIVE relationship with the ROE, it is statistically significant but at the 10% level. DUALITY also has a POSITIVE relationship with ROE and it is statistically significant at the 5% level. SIZE is positive and has a negative relationship with ROE, but statistically not significant DEBT has a negative relationship with ROE but it is significant at the 10% level. Director independence has a negative relationship with ROE and is statistically significant at the 5% level.

4.6.3. Hausman Test

Table 7. Hausman Test.

Coefficient	FIXED	RANDOM	DIFFERENCE	S.E
Gendiv	.3511823	.277095	.0740873	.
Dual	.0866284	.1505115	.0638832	.059698
indepadm	1.575188	1.671057	.0958692	.0405737
lnsize	.1384854	.1983115	-.0598261	.027498
Lev	-.0000335	-.0000261	-7.37e-06	.

(Source: Software STATA 15)

The Hausman test was applied to choose between the fixed-effect least squares model and the random-effect least squares model. Since the p-value was 0.2356 > 10%, the random-effect least squares model was chosen as the best estimate model.

4.7. Results

Table 8. GLS regression.

	ROE coef	P value
DIVGEND	0.277095***	(0.078)
INDEPADM	1.671057***	(0.057)
DUAL	0.1505115***	(0.061)
LNSIZE	0.1983115**	(0.026)
EDETT	-.0000261	(0.733)
Constant	-2.580619***	(0.060)
R ²	0.5638	
N d'observation	308	
Prob	0,0002	

*** p<0.1, **p<0.05, * p<0.1

(Source: Software STATA 15)

Our results are extracted from the GLS estimation method since this method corrects for autocorrelation and heteroscedasticity issues. We found a positive and statistically significant effect between the presence of women on the board of directors and return on equity. This impact is positive and significant (Lafuente et al., 2019). We have discovered a significant and positive relationship between the presence of external independent directors on the board of directors and the return on equity. These findings are consistent with the findings of Pi and Timme (1993) and Adam and Mehran (2003). In terms of the duality mechanism, we discovered that it has a positive and statistically significant impact on the return on equity.

This can be explained by the fact that the combination of the functions of the chairman of the board and the chairman and chief executive officer allows for a greater understanding of the bank's activities and environment,

in addition to the managers' competence and commitment to improving bank performance (Azmi et al., 2020). The latter would be encouraged to build a positive reputation in the labor market. This result validates our research hypothesis while invalidating the findings of other authors such as Fama and Jensen (1983), Jensen (1983) demonstrates that this accumulation of functions increases agency costs (impartiality of control, the ambiguity of responsibilities, conflicts of interest, power imbalance, information asymmetry...), weakens the board's effectiveness, and thus lowers performance. In terms of control variables, we can see that the size of the bank has a positive and significant impact on the accounting performance as measured by the ROE. This finding is supported by Body's (2001) findings, which show that the smaller the banks, the more efficient they are, and the larger the banks, the worse their performance; the reason for this is that smaller banks have higher rates of return on their loans. We discovered that debt reduces the return on equity.

5. Conclusion

Our empirical findings have shed light on the relationships between measures of banking performance represented by return on equity and certain internal governance mechanisms, such as gender diversity, the presence of independent directors on the board, board functioning, and leader duality). Also, we estimated using a panel data model on a sample of 66 French banks from 2014 to 2018. Banks are corporations with large boards of directors, and many external independent directors serve as internal directors. Furthermore, a small percentage of these banks combine the functions of the managing director and the chairman of the board of directors. According to our hypothesis, gender diversity has a positive impact on bank performance; this means that the more women on the board, the more profitable the bank is. This can be explained by the seriousness of the work of women in such a responsibility, their diligence, their dynamism, their ethical behavior as well as cautious attitude make the decisions taken at the level of the board of directors more considered. Regarding the duality factor, our empirical study found that combining the functions of the manager and the chairman of the board of directors positively influences the return on equity (ROE). Furthermore, the proportion of independent external directors present has a positive and statistically significant impact on the return on equity (ROE). The results for the control variables suggested that size has a positive effect on return on equity. Finally, the impact of debt on the independent variable return on equity is negative.

Our research had some limitations, including a small number of banks (66 banks). The lack of data and variables for all French banks justifies this limit. Taking into account other governance variables, such as the frequency of board meetings or shareholder activism, could provide additional answers to the questions raised and further clarify the specificities of banking governance in France. This can be addressed in future research.

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