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Women in Finance

JEL codes: D10, G00, I16, L26

Keywords: diversity, women in finance, equality in business

Abstract. The aim of the article is to present selected research related to diversity at the economic level, with particular emphasis on the situation of women in Poland against the background of international and European indicators, and also to show an analysis of women's approach to investment products.

Introduction

The scenery in which companies operate is subject to changes in the economic, social, political or technological sphere. The constant necessity to introduce innovations – overtaking, creating and meeting the expectations of investors, customers and consumers, increasing their interest in the portfolio of products or services, continuous pressure on performance and strengthening the market position – these are just a few of the wide spectrum of difficult elements of company management. Keeping up with the variable preferences of stakeholders is a real challenge today. It would also be difficult to agree with the statement that gender is not one of the most significant and widespread distinctions that employers most often face. It is treated as a fundamental indicator when analyzing the labor market. Disregarding the owner of a company in Poland in the gender statistics is a shortcoming of the enterprise sector (Lisowska, 2012, pp. 87–101). None of the roles changes the individual's behavior, its emotional reactions, the cognitive process, internal beliefs and general psychological and social adaptation to a greater extent. Currently, part

of the business culture, in particular the corporate culture of large companies, is an awareness of the necessity to use the possibilities of effective diversity management, based on gender, by noticing the potential of women in business and the labor market. Diversity, not monolithism, is important and seems to be a factor of success, a lever of efficiency that fosters greater creativity of enterprises. Diversity is today not the only one of the key resources of companies. It is a *sine qua non* condition for more fully utilizing the potential and talents of women. Diversity management brings tangible benefits, positively affects the achievement of business goals and builds a competitive advantage, development and growth of the level of innovation of companies.

1. Selected indices and analyzes that measure gender equality

The measurement of equality of women and men in social and economic life in the world and European background can currently be done with the help of the two most well-known indices, namely: Global Gender Gap Index (GGG) and Gender Equality Index (GEI). The GGG is calculated by the World Economic Forum in Davos and covers countries representing around 90% of the world's population. However GEI is used by the European Institute for Gender Equality and concerns the EU member states. GGG indicators measure the level of inequality in four areas: economic and political activity, access to education and health. The lowest inequality in GGG in terms of all criteria in 2016 occurred in Iceland, which for the past nine years has been recognized every year as the best in the world in terms of gender equality, and then in Finland, Norway and Sweden¹. Out of the 144 countries participating in the survey, Poland ranked 38 in the global ranking, while in the European ranking it was 22, including Ireland (the 6th place in the global ranking), Germany (13), France (17) and Great Britain (20). In the region of Eastern Europe, Poland was overtaken by Slovenia, Latvia, Estonia, Lithuania, Moldova and even Belarus. The USA ranked 45 in the global ranking. The participation of women in the GGG area at the economic level is assessed, among others, on the basis of the professional activity rate of women, the gender pay gap in similar positions or the percentage of women among managerial employees. The stratification in the earnings of Poles and the uneven access to better paid positions mean that in the GGG index Poland ranked 58 (behind the United States and part of European countries). The report also indicates that the required gender equality should be achieved in 2186, that is in 170 years (in 2015 this period was smaller and amounted to 118 years) (World Economic Forum, 2016). According to Global Gender Gap 2017, our country is at the 39th place in terms of multidimensional equivalence criteria, and in order for the situation regarding the treatment of women and men in the country's economic life to be able to equalize, we need 217 years (World Economic Forum, 2017).

¹ Interestingly, Rwanda, the only state in sub-Saharan Africa that ranked in the top ten, took the fourth place.

In turn, the GEI index includes areas such as – work, earnings, education level, free time, access to power, health level, cross-sectoral inequality and violence against women. The results of GEI measurements show that among the 27 European countries, the highest level of equality, except for Iceland, is usually achieved by Scandinavian countries, such as Sweden, Denmark and Finland. Poland was in the group of countries with the lowest level of equality, as in GGG – our country was overtaken by Lithuania, Bulgaria and Belarus (European Institute for Gender Equality, 2013).

The Gender Balance Index 2018 reports on the GBI equality index and is prepared by the Official Monetary and Financial Institutions Forum (OMFIF). The annual Gender Balance Index tracks the presence of men and women in senior positions of 415 public financial institutions globally, weighted by seniority. The 2017 report focused on central banks, showing that the sector is highly unbalanced when it comes to gender, with the disequilibrium becoming worse. “The value of the overall index, which aggregates the performance of individual institutions weighted by their country’s share of the global economy, stood at 30.6% in 2017 – a far cry from the 100% that would suggest a perfectly gender-balanced picture. The 2018 edition of the Gender Balance Index expands the analysis to sovereign funds and public pension funds” (OMFIF, 2018).

Currently, there is no country in the world where women would earn more than men. For every \$100 earned by a statistical woman, globally there are \$140 earned by a man. In the US, the average difference in earnings is around 18%. Research shows that women receive about 80 cents for every dollar that men earn (Accenture, 2017). The scale of gender inequalities in wages in Polish banking is shown by GUS data, according to which women earn in this sector on average 36% less (PLN 3,056) than men. In turn, according to research by Sedlak and Sedlak in finance, men have 48% higher wages with average earnings of PLN 6,300, while women receive an average PLN 4,256 (Hajec, 2015). There is a direct relationship between the number of women and the level of management, consistent with the principle that the higher the level, the smaller the number of women (Lisowska, 2011, pp. 1–4; Kupczyk, 2009). For example, in companies listed in the S&P 500 index in 2015 in the United States, the women’s coupons were occupied by 23 women, which is 4.6% of all CEO (*Najlepiej...* 2015). Analyses show that in 2017 women in the US accounted for only 6% of the top-paying CEO (Gillet, Wąsowski, 2017).

Due to the small number of public companies and a relatively small group of women in their authorities in Poland, it is difficult to make precise research on the number of women at the top of the companies. In 2014 the percentage of women on company boards, according to the Ministry of Labor and Social Policy in Poland, was around 12%, and women who served as the board’s presidents were around 7%² (Ministerstwo Pracy i Polityki Społecznej, 2014, p. 13).

² Due to the research tool used in surveys they are a rather incomplete reflection of the situation in companies listed on the Warsaw Stock Exchange. In 2012–2013, around 15% of companies responded to surveys, which means that the representativeness of the sample was quite limited.

Promoting gender diversity in the financial sector, historically speaking, almost “always” dominated by men is treated not as “an end in itself” but a tool that brings tangible benefits to the organization. Analyses regarding financial and socio-economic data, stating the interdependencies between the presence of women in decision-making positions and results at the microeconomic level, have been conducted since 1995 among others by companies such as: Catalyst, Credit Suisse or McKinsey & Company. The research of these companies reveals the interdependencies between the presence of women in decision-making positions and microeconomic performance, such as: ROE (return on equity), EBIT (earnings before deducting interest and taxes), return on sale (ROS), i.e. profitability indicator indicating how much net profit remains in the enterprise from sale, also operating profit margin or market valuation of listed companies. Companies with at least three or more women in decision-making positions had a 53% improvement in return on equity (ROE), while in terms of return on invested capital (ROIC) – 66%. These results do not mean that the best from the economic point of view is the situation in which 100% of women are in the company’s authorities, but that the quality of the company’s management team is higher due to the different competences (Ministerstwo Pracy i Polityki Społecznej, 2014, pp. 27–31).

The analysis of the correlation between the number of women in top positions and business indicators, according to reports by McKinsey & Company and Credit Suisse indicates that in companies with a higher share of women, not only return on equity (ROE) is higher, but also operating profitability (EBIT margin), price index / the book value or the dynamics of net profit. The financial results of companies in which women manage are likely to be higher by up to several dozen percent, while the greater the presence of women among the company’s decision-makers, the better the financial result. It should be noted that although some deficiencies in the research methodologies used in the reports have been pointed out, such as linear regression and logarithmic regression, used in the multidimensional statistical analysis of companies, in subsequent scientific studies the existence of the presented permanent trend was confirmed. For example, return on sale (ROS) indicators show that companies with the highest share of women in relation to companies with the lowest share in the company’s authorities had in terms of return on sales better results by several or several dozen percent. As this indicator is a net profit margin, i.e. net profit / sales, it grows both when net profit goes up and when net profit is stable and sales are decreasing. The size of this ratio, like other profitability ratios, is generated by the greater ability to achieve net profit.

According to data presented by McKinsey & Company, “companies with the highest share of women in government (...) had better return on equity (ROE) rates by 41% and operating profitability (EBIT margin) by 56%” (Ministerstwo Pracy i Polityki Społecznej, 2014, p. 28). The confirmation of the above-mentioned applications is another Credit Suisse report entitled *Gender diversity and corporate performance*, in which it was stated that in companies where at least one woman is in the management / supervisory boards of these companies, return on equity ROI is higher by 4 percentage points than in the case

of companies in which women in management / supervisory boards of these companies do not appear and in the first case this ratio was 16%. The debt to equity ratio (Debt Equity Ratio) in the case of companies in which at least one woman was a member of the management boards / supervisory boards of these legal entities was lower by 2 percentage points than in the case of the management boards / supervisory boards of the company with no women and it was 48%. The price to book value ratio (P / BV) was higher by 0.6 in the case of at least one woman in the company's board / supervisory board, amounting to 2.4. According to the *Credit Suisse* report, companies in the boards / supervisory boards of which there was at least one woman achieved better stock prices than those in which in their decision-making bodies there was no women. This applied to both companies with capitalization above and below USD 10 billion (Ministerstwo Pracy i Polityki Społecznej, 2014, pp. 28–30). It should be noted that the authors of these reports stipulate that a statistical relationship has been examined in the above-mentioned scope, without, however, explaining the cause-and-effect relationships. Based on the Credit Suisse report, a justification for better results achieved by organizations, in the authorities of which women sit, was developed. The variety of competences increases the quality of decisions taken by the company's bodies, including "better use of the company's talents and skills, the company has a stronger focus on the client's needs, the company has a higher level of corporate governance, the company has lower risk appetite" (Ministerstwo Pracy i Polityki Społecznej, 2014, p. 31). According to E. Lisowska, those companies in which women are more represented in management (30%+) have better financial results (Lisowska, no year, slide 7).

The Sauder School of Business studies at the University of British Columbia also show that the more women in management positions, the better the company's performance. Women are less indebted to the enterprise, they care more about the shareholders' money. If there are women on the board, the likelihood of paying the higher bonuses is reduced (Brzezinski, 2012, pp. 76–77). Sheryl Sandberg also believes that women are more cautious about looking for change and new challenges (Sandberg, 2016, p. 58). Ewa Lisowska indicates that women function better under lower risk conditions (Lisowska, 2011). Among the benefits for companies having women in the authorities are: better use of the potential of talents and skills by the company, higher level of corporate governance or lower propensity to risk – which is useful in particular in conditions of economic crises. In the long-term perspective, increasing the share of women on management boards and supervisory boards of companies increases financial security and stabilizes their results. In addition, at the microeconomic level, the presence of women in management supports the development of better quality management processes.

2. Selected research on women's approach to finance

"While financing is a problem for every entrepreneur, for women entrepreneurs the problem is even more acute" (Hisrich, 1985, p. 73). In all types of economies, women are less likely and less willing than men to engage in business. The fact that the average man is

twice as likely as a woman to start a business is a lasting, consistent and extremely stable general trend in almost all countries around the world. Some differences in this respect may depend on the region and local conditions that support female entrepreneurship. Persistent and consistent across countries, there is evidence to suggest that female entrepreneurs tend to use smaller accounts of start-up capital than male counterparts, e.g. in the United Kingdom women are more likely to start business in low-capital intensive sectors. Also they tend to be more risk averse and command lower levels of funding, depend upon informal or more expensive sources of finance. Are more likely to start up businesses with lower level of initial capitalization, utilize lower ratio of debt finance and are less inclined to use private equity finance (McAdam, 2013, p. 3, 62).

The authors of the Deutsche Bank report attempted to define the approach of women to finance. The report shows that women in their financial choices are more conservative and preventive. Safety is the most common priority. They need more time to convince themselves of new solutions and stronger than men feel the need to have deep knowledge about the functioning of investment products. Entering the role of an investor, they must gain trust in a financial institution, its advisors or solutions that it offers, and only then they become convinced to buy more advanced products, such as investment funds. In turn, the domain of men is greater propensity to take risks that bear not only the threat of making a mistake, but also greater economic benefits. Men choose investment in the capital market more often than women (5% men and 1% women) and twice as often as women plan the so-called alternative investments (10% and 5% respectively). In addition, Deutsche Bank's research shows that more than half of women think about their family's financial situation for at least 10 years. One-third of them share their savings between several products with different risk levels. In addition, 78% of women like to know how much money they have at their disposal and control income and expenses, while 61% know exactly how much money they have in their account at any given time. Women more willingly than men (67% of surveyed women and 42% of men surveyed) save for a rainy day, i.e. expenses related to unforeseen circumstances that suddenly fall on us, or in the event of a sudden loss of employment (Deutsche Bank, 2016).

The decision-making process of women and men is interesting. In women it is more multi-threaded, it often resembles "recoiling" to the point of departure under the influence of new information – this applies in particular to gathering information about investment opportunities and comparisons of selected alternatives. Women also more often seek psychological confirmation of the rightness of the investment choice (here an important role of a financial advisor was diagnosed). On the other hand, in men the typical "linear" action prevails, oriented towards a quick achievement of the target. The surplus of financial savings on the savings account is postponed by 42% of women. In turn, among men, supporters of this solution are only 27%. Similarly, in the case of deposits – 31% of women from the study group and every fourth man, or 25% of men, chooses them. Women more often than men declare the desire to save for children (19% women and 15% men), while men

have a new apartment (16% men and 6% women) and a car (19% men) (Deutsche Bank, 2016; Pramerica, 2018).

Pramerica's studies also show that almost 40% of women, in comparison with 45% of men, declare that they make their own financial decisions, which indicates a similar level of autonomy in deciding on their own or family finances. The above confirms the high independence and financial awareness of women and their commitment to achieving the goals set. The role of women in family finance management increases with the increase in family income, because in households with incomes above PLN 7,000, twice as many (44%) women are more involved in financial management. Interestingly, women more often than men reach for the advice of their relatives – every third woman (34%, compared to 30% of men) declares that she makes financial decisions with other family members.

Women's approach to finances varies, among other things, depending on their age. Polish women aged between 25 and 44 are more open to buying new financial products and, despite their young age, have high financial awareness (23% of respondents). In turn, after the age of 44, the declaration in this regard is made up by 18% of the surveyed women. In addition, they are more willing to differentiate sources of savings and do not focus only on basic financial instruments. Together with having a child, women are more likely to buy a financial product, which suggests the concern for the future of their loved ones (Pramerica, 2018).

Also, according to a Gallup Institute survey, women invest more in pension funds, caring for a distant future. Investor clubs made up of women achieve an average annual profit of 21.3%, while men's clubs – 15%. Women in the vast majority do not deal with short-term transactions, “do not shuffle their packets all the time” and rather “do not have player mentality at races” (Fisher, 2003, p. 40). On the other hand, the content of interviews with women with high financial functions shows that women themselves do not want to be classified as people who are less likely to take risks. They pay attention to the fact that although in the financial world women bring a new, fresh look and present different perspectives in relation to solving industry problems, they are perceived as unfamiliar, as foreigners (Brzezinski, 2012, pp. 86–87).

Conclusions

Thinking about contemporary business in Poland, Europe or in the world and their most significant characters, currently several women can be mentioned³. However, when we look at all the numerous rankings and surveys that show the presence of women at the tops of companies including men, it turns out that the situation is very unsatisfactory and that women are simply significantly less numerous than men there. Except for Janet

³ Irena Eris, Elżbieta Filipiak, Dorota Soszyńska, Aldona Wejchert, Grażyna Karkosik, Solnaga Olszewska, Grażyna Kulczyk or Sheryl Sandberg, Elizabeth Arden, **Estée Lauder**, **Oprah Winfrey**, **Indra Nooyi**, **Irene Rosenfeld** etc.

Yellen, who in February 2014 became the head of the Federal Reserve (the central bank in the USA), and held this position until February 2018, and Christine Lagarde, who started managing the International Monetary Fund in 2011 (the other of the two most significant financial institutions in the world), there are no more examples of women performing the functions previously reserved for men in public financial institutions. Although the last few years indicate the benefits of increasing the participation of women in the decision-making processes at the microeconomic level – at the level of companies and macroeconomic – at the level of economies, in Poland there is still a lack of awareness of the values that women can bring to the labor market and business.

Research shows that the behavior of Polish women in the care of personal finance shows independence and very good substantive preparation, thus breaking the prevailing stereotypes. Thanks to their knowledge, independence and innate entrepreneurship, they constitute a strong group of conscious consumers on the financial market. They also demonstrate high care and cost-effectiveness in managing companies and improving their financial results.

Unequal treatment of women and men in business and the labor market is still an important problem. Any discrimination on the grounds of sex seems to be incomprehensible if we take into account the growing importance of women in society and the economy, today referred to as *womenomics*, i.e. the growing economic power of women⁴ (Haponiuk, 2017, pp. 80–85; Hatałska, 2017, pp. 54]. This trend is being strengthened and accelerated by demographic changes, especially due to the aging of Western societies, also in Poland and due to this process, staff shortages in the labor market that women should and can successfully fill. Insufficient gender equality inhibits economic development, and supporting gender diversity in the financial sector plays an important role in the development of states.

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⁴ Currently, there is one area in Poland where women have a definite advantage over men. GUS data show that since 1985 the difference in this respect in Poland was about 1.2 million at the end of 2016. The feminization rate, which shows the number of women per 100 men since the beginning of 2000 oscillates around 106 – 107 women. Moreover, women live longer than men – the average life expectancy for women is around 82 years, while for men it is about 74 years.

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KOBIETY W FINANSACH

Słowa kluczowe: różnorodność, kobiety w finansach, równość w biznesie

Streszczenie. Celem artykułu jest prezentacja wybranych badań związanych z różnorodnością na poziomie gospodarczym, ze szczególnym uwzględnieniem sytuacji kobiet w Polsce na tle wskaźników międzynarodowych i europejskich. Również pokazanie analiz dotyczących podejścia kobiet do produktów inwestycyjnych.

Pomiaru równości kobiet i mężczyzn w życiu społecznym i gospodarczym w tle światowym i europejskim można dokonać aktualnie za pomocą dwóch najbardziej znanych indeksów, a mianowicie: Global Gender Gap Index (GGG), Gender Equality Index (GEI) czy Gender Balance Index. Polska w rankingu globalnym w 2017 r. (na 144 kraje) znalazła się na 39 pozycji, natomiast wyniki pomiarów *GEI* pokazują, iż wśród 27 krajów europejskich, Polska jest w grupie państw o najniższym poziomie równości – nasz kraj wyprzedziły Litwa, Bułgaria i Białoruś.

Citation

Różycka, M. (2018). Women in Finance. *Ekonomiczne Problemy Usług*, 4 (133/2), 61–70. DOI: 10.18276/epu.2018.133/2-06.