

Analysis of CEO Characteristics (Gender), CEO Age, and Tenure on Corporate Debt Policy

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ABSTRACT

Debt policy is one of the most important factors for companies that have gone public or not in maintaining the image of existing information to investors. As well as being one of the references for investors in deciding their investment actions. Thus, as an academic practitioner and also a capital market investor, this research theme is a topic of urgency in the perspective of the CEO (Gender) to be raised. The specific purpose of this study is to analyse the differences in debt policy among energy sector companies listed on the Indonesia Stock Exchange, with a focus on the character of the CEO (Gender), the age of the CEO, and the tenure of the CEO of the corporation. The research data analysis technique uses an independent mean difference test to test the hypothesis in this study, the first thing to do first is the assumption test or the feasibility of the research data model. The results showed the first that there was no significant difference in the Company led by Female CEO and male CEO, the second result showed that there was no significant difference in the Company led by CEO less than 45 years old and CEO more than 45 years old, the third result showed that there was no significant difference in the Company led by CEO with tenure below 10 years and the Company led by CEO with tenure above 10 years on corporate debt policy.

Keywords: Debt to Equity Ratio, CEO, Tenure, CEO Age, Gender.

Received: 1 April 2024 ;
Accepted: 26 June 2024 ;
Published: June 2024.

How to Cite:

Latif, A., et.al. (2024). Analysis of CEO Characteristics (Gender), CEO Age, and Tenure on Corporate Debt Policy. *Journal of Business and Behavioural Entrepreneurship*, 8(1), 98-108. <https://doi.org/10.21009/JOBBE.008.1.11>

INTRODUCTION

Upper Echelon theory in the opinion of (Finkelstein & Hambrick, 1990) the main strategic decision making in the Company is carried out by top management, as the overall responsible for the results that have been carried out. A director's experience in overseeing company operations significantly influences strategic policies, including those related to the company's capital structure (Eisenhardt, 1989). Various kinds of strategic policies in the company cannot be separated from the CEO's policy in its formation. Some explorations from previous research related to the impact of CEO characteristics on various strategic policies of a Company, such as Company sustainable performance, investment cash flow policy, CSR, dividend distribution, bank risk reduction efforts, investment in R&D, corporate governance, capital information, innovative performance, financial statement quality, financial reporting quality, and IPO performance.

The discussion related to capital structure policy is a topic that is often discussed, as well as studies that discuss the relationship between CEO characteristics and the Company's capital structure (Asiamah et al., 2023). Various findings are obtained from the results of studies in various countries, for example one study in Nigeria with 116 companies as samples in the 2011-2021 period, the findings explained that the characteristics of male CEOs tend to often use more debt in company operations than the characteristics of female CEOs. And the age of the CEO turns out to have a negative effect, in the sense that older CEOs tend to be lower in the use of the Company's debt ratio, and vice versa CEOs with younger ages tend to be high in the use of the Company's debt ratio (Awen & Yahaya, 2023). Furthermore, research in Pakistan with 179 Company samples with a time period of 2009-2015 found that the characteristics of male CEOs were greater in using the debt ratio than the characteristics of female CEOs, then it was found that tenure had a positive effect, which meant that CEOs with longer tenure were more dominant in using high debt ratios (Naseem et al., 2020).

This study focuses on the Company's debt policy, especially those listed on the Indonesia Stock Exchange (IDX) as one of the indicators of investor assessment in determining the direction of investment decisions, as well as general information in reflection of the Company's healthy performance. With independent factors of CEO characteristics (Gender), CEO age, and CEO tenure, so that the following problem solving steps can be arranged, (1) analysing CEO characteristics (Gender) which have positive results on corporate debt policy. (2) analyse the age of the CEO that most optimally contributes to corporate debt policy. (3) analysing the CEO's tenure in managing management policies so that a comprehensive and transparent corporate debt policy value is reflected.

Based on the above background, the following problem formulation can be made, (1) how is the relationship between CEO characteristics (Gender) to corporate debt policy on the Indonesia stock exchange?, (2) how is the relationship between CEO age and

corporate debt policy on the Indonesia stock exchange?, (3) how is the relationship between CEO tenure and corporate debt policy on the Indonesia stock exchange?. The specific objectives to be achieved in this study (1) compare the relationship between CEO characteristics (Gender) with corporate debt policy. (2) compare the relationship between CEO age, and tenure with corporate debt policy.

LITERATURE REVIEW

Chief Executive Officer (CEO)

As the highest and most powerful leader, the CEO can influence the Company's decision making (Cardillo et al., 2021). In addition, the CEO's influence on investment and financial decisions, his characteristics and preferences for risk factors affect the Company's debt policy (Dwekat et al., 2020). The wrong combination of funds can cause serious damage affecting the performance and survival of business firms (Greene et al., 2020), In corporate finance, the leverage effect is a very important part of fund selection because it affects the rate of return on equity and the risks associated with ownership and the market value of shares (Fernández-Temprano & Tejerina-Gaite, 2020). While no single characteristic of the best teams has been studied in depth to understand its complete influence on organisational outcomes, the organisational tenure of team members may qualify as the most theoretically significant of all demographic variables (Hurley & Choudhary, 2020).

Corporate Debt Policy

In corporate finance, the leverage effect is a very important part of fund selection because it affects the rate of return on equity and the risks associated with ownership and the market value of shares (Apochi et al., 2022). However, the wrong combination of funds can cause serious damage that affects the performance and survival of business enterprises (Adhikari et al., 2019). As the highest and most powerful leader, the CEO can influence the Company's decision making (Hurley & Choudhary, 2020). In addition, the CEO's influence on investment and financial decisions, his characteristics and preferences for risk factors affect the Company's debt policy (Fernández-Temprano & Tejerina-Gaite, 2020). Risk-averse managers can use the tax advantages of debt interest to drive higher earnings, while risk-favouring managers tend to hold more capital to avoid financial pressure from leverage, which can damage reputation. In response to this, researchers began to examine individual characteristics, including characteristics (Nadeem et al., 2019).

Some findings related to the relationship of CEO characteristics to capital structure policy are still very diverse, such as the findings of (Cao et al., 2022), the characteristics of Female CEOs are more dominant in using large debt, and more dominant in risk taking. Then the findings of (Birindelli et al., 2020) in less healthy bank conditions, the characteristics of Female CEOs tend to be less in minimising their business risks. The variety of these findings shows that there is still a need for continued research related to CEO characteristics, CEO age, CEO tenure, and debt policy. The novelty of this research lies in the extended research period until 2023, as well as the

object of research on the characteristics of corporate CEOs listed on the Indonesian stock exchange so that it is more comprehensive and provides diverse results that have not been found in previous studies.

RESEARCH METHOD

This research will be conducted for one year, namely 2024. This research is comparative quantitative research, according to (Sugiyono, 2017) explaining that it is research with the aim of comparing one or more variables with different populations, times and samples or a combination of the whole. Among them are CEO characteristics (Gender), CEO age, and CEO tenure with corporate debt policy. The method in quantitative research is a method based on the philosophy of positivism in evaluating research and certain samples (Gujarathi, 2022).

This study uses the documentation method in data collection and sampling. All data used is sourced from the Indonesia Stock Exchange (BEI) website and investing.com website. Data such as CEO (President Director) profile information, facilitating data collection on gender and CEO tenure and tenure, as well as data on the Company's Debt to Equity ratio. The sampling method used is purposive, which is guided by certain criteria, including: (1) Non-financial companies in the energy sector listed on the Indonesian stock exchange. (2) Non-financial companies in the energy sector that have complete financial reports and the necessary data for complete financial and the necessary data. (3) Companies with positive retained earnings during the study period. (4) Companies that present financial statements in rupiah and US dollars.

The research data analysis technique uses an independent mean difference test for hypothesis testing in this study, the first thing to do first is the assumption test or the feasibility of the research data model. This test includes normality test and variance homogeneity test (Breusch & Pagan, 1979). If the assumptions of normality and homogeneity are not met, then a nonparametric difference test, such as the Mann-Whitney test, is carried out. nonparametric, such as the Mann-Whitney test which is then used, the following is a flow chart of the research to be carried out.

RESULTS AND DISCUSSION

Results

The initial stage before testing the difference in the average Debt to Equity Ratio (DER) of Companies with Gender (CEO) factors, CEO Age, and CEO Tenure first conducts assumption testing, in this assumption testing includes testing the normality of research data and testing the homogeneity of variance in data groups.

Table 1. Normality test of DER variable based on CEO Gender

Tests of Normality							
	Gender_CEO	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Debt to Equity	Male	.295	45	.000	.551	45	.000
Ratio	Female	.260	2	.000	.566	2	.000

a. Lilliefors Significance Correction

Table 1 is the result of testing the normality of the DER variable data based on the CEO Gender factor, these results show that there are 45 companies led by male CEOs, and there are 2 companies led by female CEOs in energy sector companies. The results of the test obtained the significance value of Kolmogorov-Smirnov (KS) and Shapiro-Wilk (SW) is smaller than the 5% alpha value, namely 0.000, and 0.000 < 0.005, so the conclusion from the test results is that the DER variable with the CEO Gender factor is not normally distributed, in accordance with the provisions, it can be continued at the next stage.

Table 2. Normality test of DER variable based on CEO Age

Tests of Normality							
	Age CEO	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Debt to Equity	< 45	.341	7	.014	.771	7	.021
Ratio	> 45	.291	40	.000	.566	40	.000

a. Lilliefors Significance Correction

Table 2 is the result of testing the normality of the DER variable data based on the CEO age factor, these results show that the CEO's age is less than 45 years old in 7 companies, and the CEO's age is more than 45 years old in 40 energy sector companies. The results of the test obtained the significance value of Kolmogorov-Smirnov (KS) and Shapiro-Wilk (SW) is smaller than the 5% alpha value, namely 0.021, and 0.000 < 0.005, so the conclusion from the test results is that the DER variable with the CEO age factor is not normally distributed, in accordance with the provisions, it can be continued at the next stage.

Table 3. Normality test of DER variable based on CEO Tenure

Tests of Normality							
	Term of office	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Debt to Equity	< 10	.308	29	.000	.571	29	.000
Ratio	> 10	.310	18	.000	.513	18	.000

a. Lilliefors Significance Correction

Table 3 is the result of testing the normality of the DER variable data based on the CEO tenure factor, the results show that there are 29 companies led by CEOs with less than 10 years in office, and 18 companies led by CEOs with more than 10 years in office. The results of the test obtained the significance value of Kolmogorov-Smirnov (KS) and

Shapiro-Wilk (SW) is smaller than the 5% alpha value, namely 0.000, and $0.000 < 0.005$, so the conclusion from the test results is that the DER variable with the CEO tenure factor is not normally distributed, in accordance with the provisions, it can be continued at the next stage.

Table 4. Variance Homogeneity Test

Test of Homogeneity of Variances						
			Levene Statistic	df1	df2	Sig.
Debt to Equity Ratio	Gender CEO	Based on Mean	.469	1	45	.497
	Age CEO	Based on Mean	2.093	1	45	.155
	Time of office	Based on Mean	.245	1	45	.623

Table 4 is the result of testing the homogeneity of variance of the CEO gender, CEO age, and CEO tenure variables through Levene's Test with differences in variance data groups, such as the significant value of the CEO gender, CEO age, and tenure variables above the 5% alpha value, or the significant value > from 0.05, these results indicate that these variables are homogeneous. The test of normality of research data and homogeneity of variance has been carried out, then the next is hypothesis testing, namely the difference in independent means using a non-parametric approach, specifically through Mann Whitney testing.

Table 5. DER difference test results based on CEO Gender using Mann Whitney

Test Statistics ^a	
	Debt to Equity Ratio
Mann-Whitney U	24.500
Wilcoxon W	27.500
Z	-1.081
Asymp. Sig. (2-tailed)	.280
Exact Sig. [2*(1-tailed Sig.)]	.313 ^b
a. Grouping Variable: Gender CEO	
b. Not corrected for ties.	

Table 5 shows the results of the Mann-Whitney test, the significant value in the test is 0.313 greater than the 5% alpha value (0.005), so it can be concluded that the first hypothesis in the study is rejected, that is, there is no significant difference in the CEO gender variable, namely Female CEO and male CEO on the management of corporate debt ratio. In the Z column shows a negative value, this result assumes that the Company with the leadership of the Female CEO has a lower debt ratio compared to the Company led by the male CEO.

Table 6. DER difference test results based on CEO Age using Mann Whitney

Test Statistics ^a	
	Debt to Equity Ratio
Mann-Whitney U	121.000
Wilcoxon W	149.000
Z	-.568
Asymp. Sig. (2-tailed)	.570
Exact Sig. [2*(1-tailed Sig.)]	.588 ^b
a. Grouping Variable: Age_CEO	
b. Not corrected for ties.	

Table 6 shows the results of the Mann-Whitney test, the significant value in the test is 0.588 greater than the 5% alpha value (0.005), so it can be concluded that the second hypothesis in the study is rejected, namely there is no significant difference in the CEO age variable, namely CEO less than 45 years and more than 45 years. In the Z column shows a negative value, this result is assumed that companies with CEO leaders aged less than 45 years are less in the use of debt ratios, and vice versa for CEOs of companies with more than 45 years of age tend to be high in the use of debt ratios.

Table 7. DER difference test results based on CEO tenure using Mann Whitney

Test Statistics ^a	
	Debt to Equity Ratio
Mann-Whitney U	223.500
Wilcoxon W	658.500
Z	-.821
Asymp. Sig. (2-tailed)	.412
a. Grouping Variable: Time of Office	

Table 7 shows the results of the Mann-Whitney test, the significant value in the test is 0.412 greater than the 5% alpha value (0.005), so it can be concluded that the third hypothesis in the study is rejected, namely that there is no significant difference in the CEO tenure variable, namely the CEO with a tenure of less than 10 years and a CEO tenure of more than 10 years on the management of the corporate debt ratio. In the Z column shows a negative value, this result assumes that the company with a CEO tenure of less than 10 years has a lower debt ratio than the CEO tenure of more than 10 years.

Discussion

CEO gender in corporate debt policy

The findings in Table 5 conclude that there is no difference between companies led by female CEOs and companies led by male CEOs in corporate debt policy. The Z value is negative with the assumption that female CEOs have less debt policy than male CEOs

in making corporate debt decisions. Basically, companies in the energy sector have a relatively stagnant debt ratio, seen in the situation in 2023 is an improvement and economic recovery from the co-19 pandemic, so that the debt ratio in economic recovery has a positive effect on decreasing corporate debt policy. Of the total sample in this study, there are only two companies led by female CEOs, namely PT Rig Tenders Indonesia Tbk and PT Alfa Energi Investama Tbk with an average debt ratio of not more than 100% of the Company's equity value. Furthermore, companies led by male CEOs tend to have a fairly high debt policy, such as the highest debt ratio reaching 1,300% of the 100% scale on the Company's equity, then the lowest ratio at 5% of the Company's equity. Related to debt policy, female CEOs tend to maintain the risk of debt ratios that are not excessive, this is indeed the natural basis of women in debt decisions in the short or long term. The results of this study are in line with the results of research from (Nadeem et al., 2019), (Asiamah et al., 2023), and (Fernández-Temprano & Tejerina-Gaite, 2020) stating that Female CEOs are wiser in the use of debt in financing compared to male CEOs who tend to be more aggressive in debt policies.

CEO age in corporate debt policy

The findings in Table 6 conclude that there is no difference between companies led by CEOs under 45 years of age and companies led by CEOs over 45 years of age in corporate debt policy. The Z value is negative with the assumption that CEOs under 45 years of age have less debt policy than CEOs over 45 years of age in making corporate debt decisions. In the results of this study there is no significant difference related to the age of the CEO in corporate debt policy with the assumption that from the research the average Company in the energy sector in the study period was above 100% and below 100% of the ratio of debt to the Company's capital or equity, so there is no significant difference in the leadership style of CEOs with age below 45 years with CEOs over 45 years of age. Although there is no significant difference, there is an unequal between CEOs with ages below 45 years of age have a lower debt ratio policy than CEOs with ages above 45 years of age are more risky in making debt decisions, this is evidenced by the negative Z value and in the research data. The results of this study are in line with the results of research from (Nadeem et al., 2019), (Greene et al., 2020) and (Dwekat et al., 2020) which state that CEOs or Company leaders over 45 years of age are more vulnerable in making Corporate debt decisions due to target achievement and experience factors.

CEO tenure in corporate debt policy

The findings in table 7 conclude that there is no difference between companies led by CEOs with tenure below 10 years and companies led by CEOs with tenure above 10 years in corporate debt policy. The Z value is negative with the assumption that CEOs with tenure above 10 years have less debt policy than CEOs with tenure below 10 years in making corporate debt decisions. There is no difference between the leadership of CEOs with tenure below 10 years and the leadership of CEOs with tenure above 10 years because in the study period and in the energy sector on average took steps to improve productivity during the economic recovery period due to the co-19 pandemic. The negative value in the Z column of the research results indicates that in the research period CEOs with a tenure of less than 10 years tend to have a greater debt risk, in contrast to

CEOs whose tenure is more than 10 years tend to have a smaller debt risk, this result is evidenced by the data in the research period that CEOs with a tenure of less than 10 years have a debt ratio of more than 1x Company equity, In contrast to CEOs with tenure of more than 10 years, the average debt ratio is below 1x Company capital or equity, so it can be concluded that although there is no significant difference in debt policy in the CEO age factor, CEOs with tenure of more than 10 years are wiser in managing the Company's debt, this could be due to CEOs who have been in the position longer being more experienced in debt policy. The results of this study are in line with the results of research from (Finkelstein & Hambrick, 1990) and (Adhikari et al., 2019) which state their results that CEOs with longer tenure have a relatively wise and healthy debt policy in the corporate debt structure category.

CONCLUSION

The purpose of this study was to examine differences in corporate debt management from the factors of CEO gender, CEO age, and CEO tenure. The sample in the study was the CEO or managing director of the companies in the energy sector listed on the Indonesia Stock Exchange. This type of research is causality associative research with a quantitative approach. The data analysis technique uses a simultaneous mean difference test. The results showed that firstly there was no significant difference in companies led by female CEOs and male CEOs on corporate debt policy, the second result showed that there was no significant difference in companies led by CEOs less than 45 years old and CEOs more than 45 years old on corporate debt policy, the third result showed that there was no significant difference in companies led by CEOs with tenure under 10 years and companies led by CEOs with tenure over 10 years on corporate debt policy. The implications of the results of this study can be used as a reference for academics and further researchers in corporate debt policy, investors in choosing investment decisions in the capital market, and in general for references and references in the theme of corporate debt policy.

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