

Women Leaders and Social Performance: Evidence from Financial Cooperatives in Senegal

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Summary. — How do women leaders such as board members and top managers influence the social performance of organizations? This paper addresses the question by exploiting a unique database from a Senegalese network of 36 financial cooperatives. We scrutinize the loan-granting decisions, made jointly by the locally elected board and the top manager assigned by the central union of the network. Our findings are threefold. First, female-dominated boards favor social orientation. Second, female managers tend to align their strategy with local boards' preferences. Third, the central union tends to assign male managers to female-dominated boards, probably to curb the boards' social orientation.

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1. INTRODUCTION

This paper investigates how women leaders such as elected board members and top managers influence the social performance of organizations. Worldwide, both the percentage of women sitting on corporate boards and the proportion of female top managers are still well below the share of women in the workforce. This is the case even within the female-oriented not-for-profit sector. Although female participation in leadership roles is often advocated as a significant driver of performance in for-profit firms (Krishnan & Park, 2005; Smith, Smith, & Verner, 2006), the way women leaders influence social performance in not-for-profit and hybrid organizations is poorly elucidated. We address this issue by exploiting a detailed database compiled from financial cooperatives in Senegal.

Financial cooperatives are hybrid organizations combining banking activities with democratic governance.¹ This unusual combination creates potential trade-offs between financial and social objectives and makes financial cooperatives fertile ground for examining the behavior of women in leadership positions. On the one hand, the financial sector is male-dominated and plagued by gender stereotypes (Ogden, McTavish, & McKean, 2006; Petit, 2007); and women access hardly any leadership positions in banks (Özbilgin & Woodward, 2004). On the other hand, organizations benefiting from internal democracy are more open-minded toward female leaders. Gender imbalances in top management also exist in not-for-profit and hybrid organizations but are less pronounced than in for-profits (Lyon & Humbert, 2012).

For corporate governance scholars, financial cooperatives are attractive targets of study since they are made of several entities sharing the same business activity and governance features (Jones & Kalmi, 2015). Typically, financial cooperatives are organized into networks of local cooperatives (LCs) placed under the umbrella of a central union (CU). While the level of centralization varies across networks, the common structure of LCs involves democratically elected boards and similar staff hierarchy and employment conditions. From a statistical viewpoint, this configuration produces a sample made up naturally of similarly structured organizations, and so constitutes an

asset for analyzing and comparing the behavior of economic agents in leadership positions, including from the gender perspective.

The unique democratic nature of cooperatives makes it possible to identify the impact of women conditionally on their place in the decision-making structure of the organization. As stressed by Das (2014), there might be a gap between women's motivation and their ability to affect decision-making. In cooperatives, two types of leaders coexist: the first group is made up of elected board members who need to please their voters in order to get re-elected; the second includes professional top managers. The interests of these two groups of stakeholders are not necessarily aligned. Typically, the literature examines the influences of the two groups of female leaders separately. Scrutinizing their interactions, we acknowledge that gendered action is partly shaped by institutional constraints and hierarchies (Boehe & Cruz, 2013; Goldman & Little, 2015; Razavi, 1997), and by gender inequality in social institutions (Branisa, Klasen, & Ziegler, 2013; Teasdale, McKay, Phillimore, & Teasdale, 2011).

Women are known to differ from men in their leadership style. They tend to adopt a more participative, less directive style than their male counterparts (Eagly & Johnson, 1990). Moreover, gender differences are sensitive to the type of organization and the subordinates' gender (Cuadrado, Navas,

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Ferrer, & Morales, 2012). Although financial cooperatives are particularly appropriate for addressing the attitude of women leaders, few papers take that stance, probably because exhaustive micro-data are hard to obtain.² Exceptions include McKillop, Briscoe, McCarthy, Ward, and Ferguson (2003), who analyze the impact of female participation in Irish financial cooperatives. The authors provide evidence of male predominance in governance bodies. Women are more present in member-interface positions than in strategic and top-management ones. These results are in line with the gender imbalance observed in democratic institutions by Heenan and McLaughlin (2002). Closer to our topic, Mayoux (2001) studies a Cameroonian network of 22 local LCs. She finds the majority of savers are female whereas women are underrepresented in the governance bodies. Concurrently, female savings are recycled into low-interest loans made to men. The author also points out that women leaders sometimes contribute to gender inequalities. However, the evidence rests upon two female-governed LCs only. By working with a larger network and using time variations of both the composition of the LCs' governing bodies and the characteristics of the loans granted, we deliver a more nuanced—and likely more robust—picture.

The network studied in this paper, *Union des Mutuelles du Partenariat pour la Mobilisation de l'Épargne et du Crédit au Sénégal* (UM-PAMECAS), is one of the largest microfinance institutions (MFIs) in West Africa. It consists of 36 LCs grouped under the authority of a CU. In each LC, loan-granting decisions are made jointly by the locally elected board members and the top manager, whose career is supervised by the CU. Our exceptionally rich panel database allows us to separately evaluate the social performance of board members and top managers. In line with the microfinance literature, we measure social performance by means of average loan size and percentage of female borrowers (Hermes, Lensink, & Meesters, 2011). Our findings are threefold. First, female-dominated boards favor social orientation in loan-granting. This result is in line with previous evidence on female participation in democratic governance in India (Beaman, Duflo, Pande, & Topalova, 2011). Second, female top managers are not necessarily more socially oriented than their male colleagues. Instead, they tend to align their objectives on those of the local board, even though their superiors are based at the CU. By prioritizing consensus with board members over social performance, female managers adopt a more democratic behavioral pattern than their male counterparts. Third, the CU tends to send male managers to LCs with female-dominated boards. We interpret this as evidence that the CU management aims to curb social biases that might hinder the consolidated financial situation of the network. Overall, gender is a key factor in considering social performance, but gender interactions appear far more complex than previously thought.

The rest of the paper is organized as follows. Section 2 depicts the situation of financial cooperatives in Senegal. Section 3 reviews the literature on gender and leadership, with a special focus on developing countries. Section 4 introduces the methodology. Section 5 presents the data, discusses the results, and conducts robustness checks. Section 6 concludes.

2. CONTEXT

Throughout the developing world, financial cooperatives contribute to female access to financial services.³ According to Fletschner (2009), of the three major sources of credit in rural Eastern Paraguay (State banks, wholesalers, and finan-

cial cooperatives), only financial cooperatives serve women. Likewise, Boucher, Barham, and Branch (1993) find that Guatemalan credit unions do not suffer from major gender biases, in contrast to other financial institutions, both in Guatemala and worldwide.

Gender inequalities in West Africa are lower than in the rest of the developing world (Deaton, 1997). Senegalese women increasingly engage in economic activities (Guérin, 2008) and control their own incomes (Howson, 2013) while remaining subordinate to men.⁴ They are mainly involved in small businesses, and they run about one-third of informal-sector activities. Senegalese women are financially active (Lyons & Snoxell, 2005). They routinely participate in traditional rotating savings and credit associations (ROSCAs), which enable them to borrow and save small amounts of cash.⁵ ROSCAs reinforce social capital among members. They also act as an insurance mechanism against financial distress since the members help each other in case of emergency. However, this trend toward economic empowerment is associated with an increase in intra-household tensions (Perry, 2005; Sow, 2003). In addition, customary patriarchal norms exclude women from access to both property and formal financial services (Guérin, 2008; Noponen, 1991).

In 1983 the Senegalese government introduced a specific legal status for cooperatives to democratize their structure and empower female members. But the impact of this status is mixed. On the one hand, traditional cooperatives active in agriculture are mostly male-led. As put by Creevey (1991, p. 353), "By law, women may join the cooperatives but, in practice, they seldom do." On the other hand, a new generation of financial cooperatives⁶ emerged in the wake of the microfinance movement. These organizations pay special attention to women, providing them with specific credit services such as micro-loans and micro-savings opportunities. One of the leading members of this movement is UM-PAMECAS.

The situation of microfinance is common to all member states of the West African Economic and Monetary Union (WAEMU).⁷ In the late 1980's and early 1990's, the region experienced a major economic and banking crisis (Seck, 2013). In response, the banking sector was restructured and liberalized, including the closure of public development banks, which had been a failure (BCEAO, 2012). As a result, credit to rural areas and to small and medium enterprises dropped drastically, prompting international NGOs to promote microfinance projects. In June 1992, the WAEMU central bank, BCEAO, and the Canadian institution *Développement International Desjardins* (DID),⁸ together launched the PARMEC project⁹ for the development of microfinance in West Africa. In December 1993, the resulting PARMEC law was enacted by the WAEMU Council of Ministers. This law focuses on financial cooperatives, not only because of environmental characteristics, such as the prominence of low-density rural areas, but also because of the influence of DID. In July 1996, the WAEMU Council of Ministers went one step further and adopted a regulatory framework for noncooperative MFIs. Still, the legal framework was favoring financial cooperatives, which benefitted from permanent licenses, whereas noncooperative MFIs needed to renew their license every 5 years.

The WAEMU microfinance legal framework was reformed in April 2007. The revisions were threefold. First, in order to level the playing field, the new law covered all types of MFIs equally and provided permanent licensing to NGOs and shareholder-owned MFIs. Second, it reinforced regulatory supervision of large MFIs¹⁰ by making BCEAO its direct authority and putting national ministries in charge of monitor-

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