Volume and Issues Obtainable at the Department of Tourism and Hospitality Management- The Islamia University of Bahawalpur, Bahawalpur, Pakistan 63100.
Journal of Tourism, Hospitality, and Services Industries Research
ISSN: 2958-5570 ; ISSN (E): 2958-5589
Volume 4, No.2, Dec 2024
Journal homepage: https://journals.iub.edu.pk/index.php/jthsir
DOI: 10.52461/jths.v4i02.3556

Effect of Board Gender Diversity on Firm Performance: Evidence from Pakistan

Kalsoom Akhtar, *Islamia University Bahawalpur, Pakistan*
Nousheen Nawaz*, Islamia University Bahawalpur, Pakistan*
Muhammad Usman Aslam, *Gulf Al Malook Trad. & Cont. LLC, Oman*

ARTICLE DETAILS

History
Received: Nov, 2024
Online: Dec, 2024

Keywords
Gender Diversity, Firm Performance, women director

ABSTRACT

The goal of this paper is to examine whether or not the presence of women on boards influences the financial overall performance of corporations. This study builds upon different researches which have earlier tries to decide the effect of variety of female administrators in Pakistan's corporate board on their financial performances. Women directors is much hard-working as compare to male director and women director are much more hardworking in each field. Women directors are less risky and taking decision is much better as compared to male directors. In this research, the author uses a sample of listed financial companies in the Pakistan Stock Exchange 2011-2019. In this research, ordinary least square (OLS) regression are used. In this research uses the panel data of total observation 415 firm years. All the data are collected of annual reports of the financial organizations that had been enlisted on the Pakistan Stock Exchange. To test of hypothesis, we selected the 415 financial firms that are recorded on the Pakistan Stock Exchange for the duration within 2011-2019. After this the current work concludes that the percentage of female directors onboard is not much significant and that it could not influence the economic output of the firms. The point of interest of this study is to find and read the effect of gender diversity on a company's overall performance.

**Corresponding author: kalsoom.akhtar@iub.edu.pk*

INTRODUCTION

This present work studies the effect of board gender diversity on the overall performance of Asian firms specifically in (Pakistan) graceful of a growing and merging toward the Anglo-American version of corporate governance. Moreover, it is also studied that whether or not the imaginary advantages of board gender diversity disperse in cultural settings that display strong resistance in the direction of gender equality. This notion stands in difference to most people of labor in this place, which often assumes an Anglo-American ideal in company governance. The historical example for greater lady board demonstration typically cut off on four standards: enhancing overall performance, gaining access to a wider talent pool, growing enchantment to the existing market place of Pakistan and strengthening corporate governance (Chandani, Mabood, & Mahmood, 2018).

It is believed that the intellectually sharp female directors can put in considerable importance to board policymaking, and therefore, gender diversity is existence progressively apparent as a value-driver and can serve a vital role. The position is totally changing all over the world due to inclusion of the female in the board of the firms. The participation of the women in the board is considered significant (Simionescu, Gherghina, Tawil, & Sheikha, 2021). The designs of governance reform categorically important due to the gender diversity in the boardroom. According to UK report by the British business department and industry gives the evidence that gender diversity should increase the effectiveness and the specially approve that the firm more draw and actively efficient in which women are better represented. There is a globalization trend to make a policy maker to increase the women in the boardroom. Some europium countries adopted this policy in the firm like (Spain, Norway, and France) have approved this policy and implement the gender allocation in the firm (Singh, Singhania, & Aggrawal, 2022).

In 2001, the biochemical organization Yin Guang Xia, named "China's Enron," experienced an outrage, and China's administrative bodies actualized a few changes to make stronger the corporate administration structure of open recorded organizations. In 2002, because of these consistent changes, the main Code of Corporate authority for Chinese organizations was together given by the Chinese Securities Regulation Committee (CSRC) and the Chinese National Financial and Trade Commission. Anglo-Saxon sculpt of corporate administration suggests the community recorded organizations hold strong administration rehearses, such as, to have additional, autonomous directors, isolating the CEO and administrator positions, having a compensation advisory group, and expanding exposures regarding the company's inside management. So the number of firms that have at least one female director on their boards has increased from 62.02 percentages in 2006 to 75.31 percentage in 2015. Literature has provided the proof that the female directors are emotionless and make their perilous assessments than their male correspondents and hence such decisions can lesser productivity of the organizational values. These outcomes could be more whilst females had to face more problems than males in decision-making within the organization. Majority of the work has addressed the issues of multiplicity and firm performance use workforce range as different to diversity within boards of directors. Another study examined the diversity at executive levels was directed by Murray. Murray used Eight-Four Prosperity and Five Hundred food and oil companies to investigate heterogeneous versus homogeneous groups and their effect on executive performance (Yasser, Al Mamun, & Rodrigs, 2017). Diversity was considered as a blend of age, educational degree, average tenure and professional history. The conclusions showed that performance and diversity is related to the type of market the organization is working in. Specially, homogenous agencies were more effective than assorted groups during powerful market contest. Heterogeneous groups were more efficient in dealing with executive change, suggesting that these corporations may better respond to swift active revolutions in the market.

2. Literature Review

Gender diversity on boards refers to a composed proportion of male and female members on the board of directors of a given corporation. The article uses the capability to base on investor bias theory and agency theories, to describe the gender diversity effect on the output of an organization. The confirmation on the linkage among the gender diversity is mixed. This relationship is always optimistic if the affair is related to the Endogeneity and cancel the variables that are not engaged into concentration (Simionescu et al., 2021) . Agency theory concludes that the attendance of women in the board can improve the performance of the firms. From a standpoint of a broad perspective, the agency theory shows the positive influence on the firm enactment by the gender diversity. The agency theory expresses that to monitor and control the board of supervisors in the firm. Some result shows optimistic effect of female director on firm presentation (Bathala & Rao, 1995). An example by Carter, Simkins, and Simpson (2003) taking 1000 firm data and shows the positively effect on firm output. There is no qualitative facts through woman directors ask the difficult question, a possible description is that women feel comfortable for it because they had to do work hard to achieve this director positions, because firm feel more pressure from shareholders and to keep the one and more female executives in the boardroom (Gharbi & Othmani, 2022).

If we discuss the financial issues in the firm performance in 2008 financial crisis and high failure in the companies due to the financial issue and increase the ineffectiveness in the firm. In this attention gender diversity attention increase the efficiency increase in the firm (Reguera-Alvarado, de Fuentes, & Laffarga, 2017). Female represented work slowly but increase the efficiency of work performance in the firm. Many countries follow this phenomenon and even many countries hire one female executive in the boardroom. For example Norway hire at least 40% of women directors in the boardroom (Yasser et al., 2017). Another study reported a trend towards more female board members for big Australian corporations but found that board gender range do not considerably sway secretarial procedures of economic performance, such as return on assets (ROA). In case of increasing gender diversity shows that the attendance of women also shows the negative impact on the return on assets (ROA). A number of research works has suggested that gender diversity does not essentially perk up an organizational output (A. W. Khan & Abdul Subhan, 2019). It is also documented that the standard outcome of womanly executives on firm performance is unconstructive. Their conclusions, on the other hand, also indicated that gender diversity may develop fiscal presentation in corporations with less strong corporate authority. Diversity can be divided by two groups, demographically (age, gender, and race) subjective i.e., Knowledge, Education skill and values (M. I. Khan & Kouser, 2020). Majority of researcher's has focused on demographically because gender has an obvious characteristic of the board of directors (Szegedi, Khan, & Lentner, 2020). Optional that boards help to relation the agency to other outside corporation to deal with conservation addictions, and that directors carry four blessings to the business enterprise: (i) Evidence within the shape of guidance and strategies; (ii) Advent of announcement stations between the company and its outside atmosphere; (iii) Promises of assist from significant groups inside the outside surround (Creek, Kuhn, & Sahaym, 2019; Pfeffer & Salancik, 2003). Eternally women are more ethical as compared to men and avoid misbehave of firm policy (Lu et al., 2020) .

Hypotheses of the study are given as below;

Ho1: There is no significant association between female directors and firm performance.

Ha1: There is a positive association between female directors and firm performance.

Hb1: There is a negative association between female directors and firm performance.

3. Research Methodology

The present study used descriptive research design. The descriptive research design is applied to explain the data and its features about the analysis which is performed (Siedlecki, 2020). The descriptive research design usually obtains data and interprets it in a functional form. This form of data analysis method allows the researchers to interpret the data objectively, along with an increased validity and consistency of the results (Atmowardoyo, 2018) . This study used dependent variable, independent variable, and a control variable. The Independent variable is that which the researcher used for experimentation. The dependent variable is that which will change when the independent variable changes - the dependent variable will depend on the result of the independent variable (Bloomfield & Fisher, 2019).

3.1 Sampling and data collection

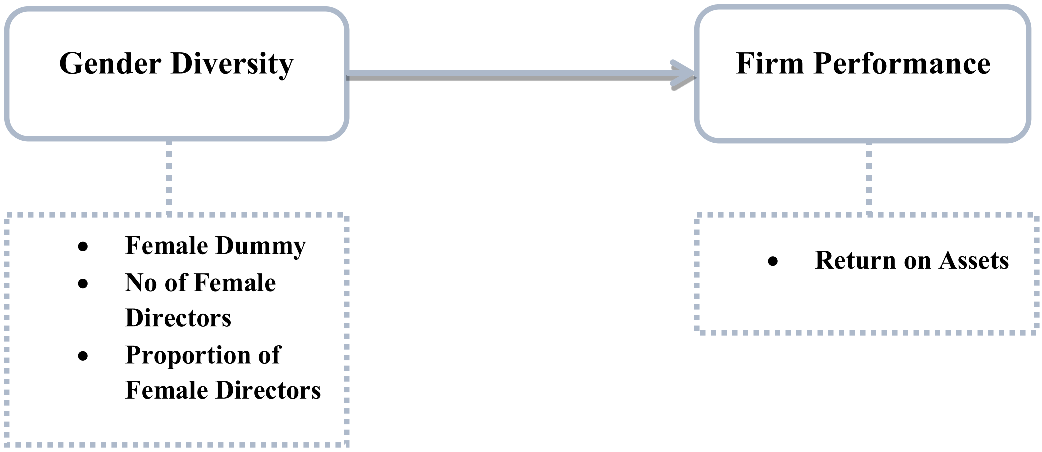
The proposed research used the annual reports of the monetary organizations that have been registered on the stock exchange of Pakistan indicators for the variables used. In this research, the whole population is chosen as a sample. This type of sampling technique is called Total Population Sampling. The population is in Pakistan. In this examination, the total populace is chosen as an example. This type of testing method is called all out population examining. The quantitative method of data collection is presence that is used to collect data from our target population. In this research data found from the financial companies which are registered in Pakistan stock exchange (PSX). The initially data contain of all panel listed on Pakistan stock exchange from 2011 to 2019. The researcher took data from 2011 because it has the starting point and mandatory laws come to 2017 in Pakistan. Accordingly, to literature we exclude all non-financial firm companies which are listed Pakistan stock exchange. For this research sample was 415 firm year observations.

Table 3.1: Table of Variables

Variable	Description
ROA	Return on Assets
Female Dummy	Equals to 1 if female director on the board otherwise 0.
Women Board No	No of female directors on the board.
ProWo Board	Proportion of female directors on boards.
Board size	Equal the number of directors on board.
CEO duality	Equals to 1 if the CEO is also the chairperson of the board otherwise 0.
Board Independent	The proportion of independent director on the board.
Financial leverage	Measure as total debt divided by the total asset.
Firm size	Measure as the natural log of the total asset.
Executive director	No of total executive directors on the board.
Nonexecutive	No of total non-executive director on the board.
Total Board Meeting	Number of board meeting in the fiscal years

Table 3.1

Conceptual Framework



4. Results and Discussion

a. Descriptive Analysis

Table 4.1: 1Descriptive Analysis

Variable	Minimum	Maximum	Mean	Std. Dev.
Company ID	1	50	25.47952	14.21008
Year	2011	2019	2014.819	2.481548
Board Size	5	14	8.187952	1.533317
Board Meeting	2	8	4.556727	1.08394
Independent Director	1	6	2.503614	.9217508
Executive Director	1	4	1.279517	.4904299
Non-executive Director	2	11	4.392771	1.253958
CEO Duality	0	1	.0554217	.2290777
Women Board No.	0	5	.5228916	.7669699

This table (4.1) shows that the descriptive statistics between the dependent variable (ROA) and independent variable and measure the seven controlling determinants used in this study. The company ID of this study is minimum 1 and maximum 50. The mean of this study is (25.47952) and the standard deviation is (14.21008). The year is minimum is 2011 and the maximum is 2019. The mean of the year is (2014.819) and the standard deviation is (2.481548). In this study the board size minimum is 5 and the maximum is 14. The mean of the board size is (8.187952) and standard deviation of board size is (1.533317). The minimum board meeting is 2 and the maximum board meeting is 6. The mean of board meeting is (4.556627) and the standard deviation of the board meeting is (1.08394). The minimum independent board of director is 1 and the maximum is 6. The mean of independent board of director is (2.503614) and the standard deviation is (.9217508). In this study is minimum executive director is 1 and maximum executive director is 4. The mean of executive director is 1.279518 and the standard deviation is (.4904299). The minimum non-executive director is 2 and the maximum non-executive director is 11. The mean of non-executive director is (4.392771) and standard deviation is (1.253958). The minimum CEO duality is 0 and maximum CEO duality is 1. The mean of CEO duality is (.0554217) and standard deviation is (0.229077). In this study the minimum fraction of women in the board is 0 and the maximum is 5. The mean of fraction of women in the board is (.5228916) and the standard deviation of women in the board is (0.7669699).

b. **Correlation**

Table 4.1 Correlation

		1	2	3	4	5	6	7	8	9	10	11	12
1	Female dummy	1											
2	Prowo board	0.787^{***}	1										
3	Women Board No	0.819^{***}	0.977^{***}	1									
4	ROA	-0.0348	-0.0242	-0.0190	1								
5	Board meeting	-0.0526	-0.0756	-0.0488	-0.0596	1							
6	Board Size	0.0577	-0.118^{*}	0.00455	-0.0560	0.238^{***}	1						
7	Ind Board Dirct	-0.00859	-0.0716	-0.00439	-0.0439	0.118^{*}	0.517^{***}	1					
8	Executive Directors	0.105^{*}	-0.0240	0.0407	-0.0372	0.0474	0.434^{***}	0.302^{***}	1				
9	Nonexecutive	0.0400	-0.0919	-0.0307	-0.0307	0.200^{***}	0.64^{**}	-0.228^{***}	-0.0886	1			
10	CEO duality	-0.0733	-0.0580	-0.0554	0.0162	-0.0175	0.0115	-0.0181	-0.00922	0.0249	1		
11	Financial leverage	-0.117^{*}	-0.0537	-0.0392	-0.0836	0.156^{**}	0.128^{**}	0.119^{*}	0.0314	0.0698	-0.146^{**}	1	
12	Firm size	-0.0936	-0.153^{**}	-0.135^{**}	-0.152^{**}	-0.00246	0.00224	0.0340	-0.0137	-0.0214	-0.185^{***}	0.126^{*}	1

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 4.2 shows that the correlation results and the relationship between independent variable Female dummy, Prowo board, Women Board No and the dependent variable ROA . Through this table (4.2) that the relationship between Female dummy, Prowo board is (0.919***) is positive and multi cornality is generated because this value is greater then (.7). According to the result of independent of Female dummy and Women Board No is the relationship is (0.819***). According to this result multi carnality is generated because calculated value is greater than (.7). After this the relationship between Prowoboard and Women Board No is (0.977***). This calculated result shows that the multi carnality because this value is greater than (.7). The error of multi carnality sought out through the Endogenity. The relationship of independent variable Female dummy is with dependent variable (ROA) is not significant and the coefficient is negative (-0.0348). The relationship Prowo board and ROA is of (-0.0242) is insignificant. The connection between independent variable Women Board No and dependent variable (ROA) is (-0.0190) and the relationship is insignificant. The coefficient of the variable is negative. In that case all the value is greater than P-values. According to this calculated values of independent variable shows that the null hypothesis is accepted and the 0ther hypothesis is rejected. In that case of control variable is that the all control variable is insignificant except of firm size. The coefficient is negative. In the control variable of firm size is negative (-0.152**) and significant with the dependent variable ROA. In correlation table the dependent and independent variable are insignificant to each 0ther except of firm size.

Table 4.2 Regression Analysis OLS

VARIABLES	Model 1	Model 2	Model 3
Female dummy	-0.125		
Prowoboard		-0.539	
Women Board No			-0.051
Board meeting	-0.039	-0.038	-0.037
Board Size	0.142	0.154	0.162
IndBoard Dirct	-0.141	-0.158	-0.162
Executive Directors	-0.155	-0.178	-0.180
Nonexecutive	-0.163	-0.181	-0.186
CE0duality	-0.035	-0.033	-0.029
Financial leverage	0.082	0.095	0.096
Firm size	-0.057*	-0.058*	-0.057*
Constant	1.283	1.356*	1.284
observations	415	415	415
Number of observations	50	50	50
Year Dummies	Yes	Yes	Yes
Industry Dummies	Yes	Yes	Yes

Dependent Variable: Firm Performance. T-statistics indicates *** at $p<0.01$, ** at $p<0.05$, * $p<0.10$

Table 4.3 shows regression results by using gender diversity as an independent variable and measure of gender diversity are Femaledummy, Prowoboard, WomenBoardNo and also seven control variables, i.e., Boardmeeting, BoardSize, IndBoardDirct, ExecutiveDirectors, Nonexecutive, CEOduality, Financial leverage and Firmsize. On applying the test, we find that the p-value for Femaledummy, Prowoboard variable is p-value>0.1 which is statistically insignificant and therefore we do not reject the null hypothesis. This means that the proportion of women directors does not have any impact on firm performance. The p-value of Model 1 Female dummy (-0.125) is also insignificant which means that the value of Female dummy of a firm will not impact its financial performance. The p-value for model 2 Prowoboard is (-0.539) which insignificant, thus we accept the null hypothesis and reject the other two hypothesis. The values conclude that the Prowoboard ratio would not impact on the firm performance. The p-value of model3 WomenBoardNo is (-0.051) which is not significant and accept the null hypothesis and reject the other two hypothesis. All coefficient of these variable is negative and calculated values is greater than >p. In that case of control variable all these variable is insignificant except of firm size. The control variable Firmsize is negative and significant on the basis of calculated values like model1 (-0.057*), model2 (-0.058*), model3 (-0.057*). So this is that the calculate value is negative but less than <p value so that the positive hypothesis is accept and other is rejected.

5. Conclusion

The finding of this paper makes some important contributions. First, in this paper, it comes across that the insignificant association among the number of women in the board and the firm performance. It is also concluded that insufficient link between the gender diversity and the firm performance. Moreover, it finds out that the single women in the corporate board is adequate to make sure that the objective determination of the performance. Therefore, findings of the paper suggest that the gender diversity can strengthen the weak administrative structure in Pakistan. Our outcomes hoisted the issue for the policy makers and theories. Although some develop country have given the much more attention to the presence of female director on the corporate board much more research attention has been paid to independent directors. Probing the grounds for no progress in the performance of the firms, we could share back to some of the major arguments, like poor women representation. A clogged culture at board level, subjugated by male directors, might has led to the cancelation of the diversity advantages. Also, male directors are likely to favors male directors over women due to the in-group favoritism (Markoczy, Sun, & Zhu, 2020). Finally, the dispute based on the 'Critical Mass Theory' spots out that the critical mass of women absolutely effects on board strategies, but since in our sample financial firms, critical mass can not be accomplish numbers, there was a slight possibility for upgrading in the firm performance (Saggese, Sarto, & Viganò, 2021).

Furthermore, parallel to Bugeja et al. (2016), we used facts from a country in which having women on boards is a compulsory, so there is a prospect to contras the financial consequence of female directors in countries that make gender-diverse boards is not compulsory with those that do not. The study's practical implications contain its support for the view that gender diversity at the top administration level is an important corporate governance problem. Given the findings of our study that gender-diversity are more effective when the principal-agent problems are rigorous, we recommend that the existence of one or two female directors may enhance organization's output in less developing countries. In our future work, we will work on these directions.

References

Atmowardoyo, H. (2018). Research methods in TEFL studies: Descriptive research, case study, error analysis, and R & D. *Journal of Language Teaching and Research, 9*(1), 197-204.

Bathala, C. T., & Rao, R. P. (1995). The determinants of board composition: An agency theory perspective. *Managerial and decision economics, 16*(1), 59-69.

Bloomfield, J., & Fisher, M. J. (2019). Quantitative research design. *Journal of the Australasian Rehabilitation Nurses Association, 22*(2), 27-30.

Carter, D. A., Simkins, B. J., & Simpson, W. G. (2003). Corporate governance, board diversity, and firm value. *Financial review, 38*(1), 33-53.

Chandani, S., Mabood, M., & Mahmood, W. (2018). The effect of women director on banks performance: Evidence from Pakistan. *Independent Journal of Management & Production, 9*(3), 958-983.

Creek, S. A., Kuhn, K. M., & Sahaym, A. (2019). Board diversity and employee satisfaction: The mediating role of progressive programs. *Group & Organization Management, 44*(3), 521-548.

Gharbi, S., & Othmani, H. (2022). Threshold effects of board gender diversity on firm performance: panel smooth transition regression model. *Corporate Governance: The international journal of business in society*(ahead-of-print).

Khan, A. W., & Abdul Subhan, Q. (2019). Impact of board diversity and audit on firm performance. *Cogent Business & Management, 6*(1), 1611719.

Khan, M. I., & Kouser, R. (2020). Corporate governance, working capital management and firm performance: Evidence from Non-financial Sector of Pakistan. *Global Journal of Accounting and Economy Research, 1*(2), 99-108.

Lu, J., Ren, L., Zhang, C., Liang, M., Stasiulis, N., & Streimikis, J. (2020). Impacts of feminist ethics and gender on the implementation of CSR initiatives. *Filosofija. Sociologija, 31*(1).

Markoczy, L., Sun, S. L., & Zhu, J. (2020). Few women on boards: what's identity got to do with it? *Journal of business ethics, 165*(2), 311-327.

Pfeffer, J., & Salancik, G. R. (2003). *The external control of organizations: A resource dependence perspective*: Stanford University Press.

Reguera-Alvarado, N., de Fuentes, P., & Laffarga, J. (2017). Does board gender diversity influence financial performance? Evidence from Spain. *Journal of Business Ethics, 141*(2), 337-350.

Saggese, S., Sarto, F., & Viganò, R. (2021). Do women directors contribute to R&D? The role of critical mass and expert power. *Journal of Management and Governance, 25*(2), 593-623.

Siedlecki, S. L. (2020). Understanding descriptive research designs and methods. *Clinical Nurse Specialist, 34*(1), 8-12.

Simionescu, L. N., Gherghina, Ş. C., Tawil, H., & Sheikha, Z. (2021). Does board gender diversity affect firm performance? Empirical evidence from Standard & Poor's 500 Information Technology Sector. *Financial Innovation, 7*(1), 1-45.

Singh, J., Singhania, S., & Aggrawal, D. (2022). Does board gender diversity impact financial performance? Evidence from the Indian IT sector. *Society and Business Review*(ahead-of-print).

Szegedi, K., Khan, Y., & Lentner, C. (2020). Corporate social responsibility and financial performance: Evidence from Pakistani listed banks. *Sustainability, 12*(10), 4080.

Yasser, Q. R., Al Mamun, A., & Rodrigs, M. (2017). Impact of board structure on firm performance: evidence from an emerging economy. *Journal of Asia Business Studies*.