The Role of Gender Diversity on the Firms Performance a Case of India

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Author’s contribution

The sole author designed, analysed, interpreted and prepared the manuscript.

ABSTRACT

The paper examines the role of gender diversity in the financial performance of the listed companies in India. In the literature, the role of gender diversity is extensively studied, but little attention has been paid to developing countries like India. The results found that there is a significant positive relationship between gender diversity and firms performance.

Keywords: Financial performance; gender diversity; India.

1. INTRODUCTION

India has been labeled as most corrupt nation in the Asia-pacific by Berlin-based NGO. On the other hand, India is also the second-best emerging economy after China in the world. There is a special need to examine the impact of CG on firm performance in India (In the light of various CG scams in India). Several scholars from India [1,2,3,4,5] (Saha & Kabra, 2018), [1,6] etc. have studied the influence of CG on organization’s financial performance. In my research, I have tried to cover all board compositions to have a detailed view of governance on performance. I have used broader spectrum of governance variables compare to previous researches and studied the correlation of those corporate governance variables with each other.

To look at the linkage between CG and organization performance, this research utilizes Agency theory and. Agency theory expounds the association among agents and principles in an organization. It is about settling matters that can be in agency relationships because of unaligned goals or varied abhorrence levels to risk. The most broadly known agency relationship in finance occurs between investors (principal) and organization administrators (agents). To generate testable Hypothesis on the diverse corporate governance components and theoretical justification of connection between corporate governance and firm performance, Study employs narrow definitions of agency theory and corporate governance. Narrow definitions of both provide direct relation between them.

How a patriarchal/ patricentric society and healthy domination of family organizations can lessen the significance of female inclusion in a board? (Chauhan & Dey, 2017) States gender
diversity does not make a difference for Indian firms; female directors confront more attendance issues contrasted with male directors and are more averse to be delegated in monitoring related committees. Recently, there were several other studies also showed the influence of gender diversity on the organization’s performance [7]. Higher gender diversity prompts to lesser volatility and better performance [8]. Females on the board positively affect firm performance, and this impact varies at various parts of the performance dissemination [9]. Showed constructive outcome of female board portrayal on firm performance. Other than these variables, this study is going to see the impact of the director’s numeration and board meeting attendance on the financial performance of a firm.

The objective of this study to see: Impact of Gender diversity on firm performance (ROA, ROE).

2. REVIEW OF LITERATURE

In a dominant male society, it is necessary to study what role female directors can play for the betterment of the company’s financial performance. There are a lot of different studies which have studied this relation between gender diversity and organization performance [10]. Demonstrate that there is no impact of the board’s diversity for gender on performance of the company. Some other researchers investigated the relationship and found a positive impact of gender diversity on firm performance. Variety in gender as estimated by the rate of ladies on the board and by the Blau and Shannon files positively affects firm value [11]. Connection and regression investigations show diversity in the board is emphatically connected with these monetary pointers of the organization’s performance [12]. The outcomes propose that diversity of gender as the administration level is contingent on, that is, directed by, the association’s vital introduction, the hierarchical culture in which it dwells, or potentially the multivariate association among these factors and did not locate a huge connection between the diversity of gender of the board, or vital board councils, and money related execution by using significant US enterprises [13].

Empirically, [12] used data from 1993 and 1998 of performance and proportion of female and minority directors for one hundred and twenty-seven organizations and found positive association amongst diversity and performance [10]. Used data of 186 (84 Danish, 102 Dutch) organizations for 2007 and found no effect between GD and performance of the company.

3. RESULTS AND DISCUSSION


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\text{Return on Assets (ROA)} = \frac{\text{Net Income}}{\text{Total Assets}}
\]

Return on Equity (ROE) is a proportion of monetary performance determined by the division of net income by investors’ equity. Since shareholder’s equity is equivalent to an organization’s assets less its debts, ROE could be thought of as the return on net assets. ROE is viewed as a proportion of how viably the board is utilizing an organization’s assets to gain profits.

\[
\text{Return on Equity (ROE)} = \frac{\text{Net Income}}{\text{Total Equity}}
\]

All of the financial information related to ROA and ROE were taken from the balance sheet given by StockAdda.com database.

Gender diversity has a probability of 0.00*** and it is highly significant with ROA. Positive coefficient value of 0.18 indicates that increase or decrease in GD can also have positively increased or decreased in ROA. It also shows that change in one unit of GD will change the 0.18 units or 18% of ROA. It means that Increase in gender diversity in the board also increases the ROA of the company. Autocorrelation amongst GD and ROA is also positive of 1.58.

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<th>Table 1. Return on assets (ROA)</th>
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<td>Co-efficient</td>
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<td>GD</td>
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* ** *** indicates significance at the 10%, 5%, 1%, levels

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<th>Table 2. Return on Equity (ROE)</th>
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<td>Co-efficient</td>
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<td>GD</td>
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* ** *** indicates significance at the 10%, 5%, 1%, levels
Gender diversity also has a probability of 0.02**, and it is highly significant with ROE. Positive coefficient value of 0.18 indicates that increase or decrease in GD can also have positively increased or decreased in ROE. It also shows that change in one unit of GD will change the 8.55 units or 855% of ROE. It means that Increase in gender diversity in the board also increases the ROE of the company. Autocorrelation amongst GD and ROE is negative of 2.05 because it is slightly more than to 2.

4. CONCLUSION

By using simple linear regression model (regression co-efficient, Standard error, T-statistics, probability, correlation analysis, R square and Durbin Watson Analysis (for autocorrelation), I have tried to find the significance of independent variable with ROA and ROE by having total assets and net sales as control variables and Group A, Group T and Group Z as dummy variables. I have found the correlation between CG variables to examine the correlation of them with each other.

COMPETING INTERESTS

Author has declared that no competing interests exist.

REFERENCES