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Does gender-diversity on board lead to risk-taking?

Empirical Evidence from Tunisia

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- Policymakers/Regulators/scholars
- Advantages/ costs of gender diversity.
- Few women are sitting in the board.

- Why ?
- Social constraints and stereotypes
- Glass Ceiling
- Differences in terms of taking risks

- Women are more risk averse than men.
- Well discussed in Social and Psychological studies.
- Few studies in financial literature (more papers in the academic pipeline).

➡ But all about developed countries.

- *We explore the link between women sitting in the boardroom and risk-taking in Tunisian context.*

- Risk-taking from two perspectives:
- Managerial/strategic
- Financial

Survey of the Financial Literature

1. Corporate governance and gender-diversity on board

a. Resource dependency theory

b. Agency theory

2. Corporate governance, ownership structure and risk-taking.

3. Gender diversity and risk preferences.

Hypotheses

- **H1:** politically connected and State appointed women will discourage risk-taking.
- **H2:** Women directors affiliated to/members of the founding family will discourage risk-taking.
- **H3:** Higher female participation in the boardroom reduces risk-taking.
- **H4:** Higher female participation in boards increases risk-taking.

Sample and variables

- **30 non financial Tunisian firms listed on TSE.**
- **Between 1997 and 2010.**

Industries	Number of Firms	Percentage
Energy	5	16,66%
Health care	2	6,67%
Consumer goods and services	15	50,00%
Industrials	7	23,33%
Telecommunication	1	3,33%
Total	30	100%

	Variables	Symbol
Risk-taking variables	• R&D expenditure	RDEX
	• Firm Growth	GROW
	• Investment opportunities	MBVA
	• Leverage	LDBA LDME
	• Cash holdings	CASH
	• Total risk	SDRT
Gender diversity GD variables	• The presence of women in board	DWOM
	• The proportion of women directors	PWOM
	• The number of women	NWOM
Control variables	• Firm performance	ROA
	• Foreign ultimate owner	UFOR
	• Board size	BSIZ
	• Firm size	SIZE

Stylized facts

- 26.34 % of boards are gender-diversified.
- The most gender-diversified boards contain 3 women.
- No liquidity problem / Small R&D expenses
- Tunisian firms do not rely on long term debt.
- Small size firms are more concerned with gender-diversity issue.
- Foreign ultimate owner raises long term debt but not to fund R&D investments.

Comparison means : Risk-taking measures and gender diversity

Variables	Mean		Difference	Mean		Difference
	No Women	Women		No Women	one Woman	
RDEX	0,0011	0,0013	-0,0001	0,0011	0,0015	-0,0004
MBVA	1,5140	1,5061	0,0079	1,5140	1,6079	-0,0939
GROW	0,0795	0,0562	0,0233	0,0795	0,0587	0,0208
LEVR	0,1412	0,1056	0,0355**	0,1412	0,1106	0,0306*
LDME	1,3421	1,8776	-0,5355	1,3421	2,0275	-0,6854
CASH	1,4479	2,4676	(-1,019)**	1,4479	2,7385	(-1,2905)***
SDRT	0,0207	0,0193	0,0014	0,0207	0,0198	0,0009
N	193	69		193	56	

Variables	Mean		Difference	Mean		Difference
	One Woman	Two Women		Two Women	Three Women	
RDEX	0,0015	0,0004	0,0011**	0,0004	0,0004	0,0000
MBVA	1,6079	1,0340	0,5738***	1,0340	1,1793	-0,1453
GROW	0,0587	0,0139	0,0449	0,0139	0,1421	(-0,1282)**
LEVR	0,1106	0,0890	0,0216	0,0890	0,0685	0,0205
LDME	2,0275	1,4344	0,5931	1,4344	0,5563	0,8780**
CASH	2,7385	1,2215	1,5169***	1,2215	1,1485	0,0730
SDRT	0,0198	0,0184	0,0014	0,0184	0,0146	0,0037
N	56	10		10	3	

Models

Model I

$$LnRDEX = b_0 + b_1 GD_{it} + b_2 LnSIZE_{it} + b_3 BSIZ_{it} + b_4 LnCASH_{it} + b_5 LnSDRT_{it} + b_6 UFOR_{it} + \varepsilon_{it}$$

Model II

$$GROW = b_0 + b_1 GD_{it} + b_2 LnSIZE_{it} + b_3 BSIZ_{it} + b_4 ROA_{it} + b_5 LnCASH_{it} + b_6 UFOR_{it} + \varepsilon_{it}$$

Model III

$$MBVA = b_0 + b_1 GD_{it} + b_2 LnSIZE_{it} + b_3 BSIZ_{it} + b_4 ROA_{it} + b_5 LnCASH_{it} + b_6 UFOR_{it} + \varepsilon_{it}$$

Model IV

$$LEVR = c_0 + c_1 GD_{it} + c_2 LnSIZE_{it} + c_3 BSIZ_{it} + c_4 ROA_{it} + c_5 LnSDRT_{it} + c_6 UFOR_{it} + \varepsilon_{it}$$

Model V

$$LDME = c_0 + c_1 GD_{it} + c_2 LnSIZE_{it} + c_3 BSIZ_{it} + c_4 ROA_{it} + c_5 LnCASH + c_6 lnSDRT_{it} + c_7 UFOR_{it} + \varepsilon_{it}$$

Model VI

$$LnCASH = c_0 + c_1 GD_{it} + c_2 LnSIZE_{it} + c_3 BSIZ_{it} + c_4 LnMBVA_{it} + c_5 LnLDME + c_6 lnGROW_{it} + c_7 UFOR_{it} + \varepsilon_{it}$$

Model VII

$$LnSDRT = d_0 + d_1 GD_{it} + d_2 LnSIZE_{it} + d_3 BSIZ_{it} + d_4 ROA_{it} + d_5 LnRDEX_{it} + d_6 LEVR_{it} + \varepsilon_{it}$$

Results

Direct effect

- Positive but non significant differences RDEX, MBVA, GROW and SDRT.
- Significant variables LEVR and CASH: significant differences in terms of funding policy:
- Firms women on board rely on internal cash to fund their investments.

- Foreign investors :

- Decrease total risk: high leverage and low R&D.
- No women on boards/Less gender-diversified boards.

- Ex-Politician and State appointed women have significant effect on risk variables CASH and MBVA.

→ we cannot reject H1.

- Womens directors members of the founding family has no significant effect on risk-taking variables.

→ we reject H2

Indirect effect

Risk-taking: REDX et GROW.

Women directors improve corporate governance quality:

-Improve large board effectiveness

-Increase board independance,

⇒ This diminishes risk-taking.

Thank you

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