

Chapter 8

Does Gender Diversity on the Board Matter for ESG Performance? Evidence From India

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ABSTRACT

The importance of gender diversity on corporate boards has increased in recent years because of its potential impact on Environmental, Social, and Governance (ESG) activities. This study investigates the link between gender diversity on corporate boards and the disclosure of ESG policies in Indian firms. Our study indicates a positive relationship between gender diversity and ESG performance. We used panel

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regression analysis on a sample of 250 companies that are publicly traded on India's National Stock Exchange (NSE). Companies that have a greater representation of women on their boards of directors are more likely to provide more extensive disclosures about ESG activities. There is a positive correlation between the involvement of female directors and the degree of transparency and comprehensiveness in ESG reporting. The presence of a diverse range of genders on boards can enhance the quality of disclosures by fostering a heightened emphasis on sustainability and ethical issues, as well as including a broader range of opinions.

1. INTRODUCTION

Gender diversity encompasses the presence of several genders within an institution, such as the board of directors. This involves enhancing the presence of women in top-level positions and significant decision-making roles within firms. In India, the implementation of Business Responsibility and Sustainability Reporting (BRSR) has resulted in the replacement of Corporate Social Responsibility (CSR) with ESG practices (Biju et al., 2023; Thomas et al., 2024). Thereupon, socially conscious investors employ ESG criteria, a collection of standards pertaining to a company's operations, to assess prospective investments (Kodiyatt et al., 2024). The manner in which a firm manages its interactions with customers, suppliers, employees, and the communities in which it works is among the evaluated social factors. The manner in which a firm behaves as a steward of the environment is evaluated using environmental standards. Shareholder rights, executive compensation, internal controls, and audits are all aspects of governance considered. Resource dependence theory contends that firms must frequently acquire resources from their environment to guarantee survival (Thomas et al., 2024). A diverse board may offer access to myriad resources and networks. Numerous studies have been conducted to examine the impact of female directors on firm performance, yielding inconclusive findings. This study shows that increasing the presence of women on a firm's board improves its financial performance and decision-making processes.

In the US, prior studies have shown a positive relationship between board diversity and firm value (Carter et al., 2023). Since investors realise how important ESG performance is as a metric, firms that effectively use ESG practices are viewed as less risky and more resilient (Geetha et al., 2023). Previous research has demonstrated that boards with a diverse gender composition are more likely to prioritise ESG concerns. As stated by Konrad et al. (2008), female directors tend to prioritise ecological and ethical corporate policies while simultaneously displaying a cautious approach towards taking risks. Most of the studies being done now focus on developed markets like the US and Europe. No research hasn't been done on how

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