

Gender Diversity and Economic Performance of Firms: Evidences from Emerging Market

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ABSTRACT

Due to recent concern and heavy discussion on women's presence in corporate board room, this study examines the link between firm gender diversity and economic performance based on Pakistani listed firms. Empirical evidences show that the issue has a lot been researched in developed economies compared to developing economies. The study employs 30 index firms starting from 2008 to 2010. In order to examine the effect of gender diversity on firm performance, the study uses economic profit of firm, in terms of economic value added (EVA) as performance variable. Thirty seven per cent (37%) listed firms in Pakistan possess women on board while only 7% firms have female CEO. In accordance with prior empirical studies from developed countries, results in this study shows that there is no significant influence of female board members on economic performance of Pakistani listed firms.

Key word: Gender Diversity, Firm Performance, Economic Value Added, Pakistan

Introduction

Last few decades has experienced an increased number of women's participation in corporate board rooms both in developed and developing economies. Such an increased participation of female members on corporate board has appeared to be matter of debate from researchers, policy makers, regulators as well as investors in developed economies; however it is a new concept in an emerging economy like Pakistan. Though women's presence in corporate area is an old trend, recent workforce is typified by more women and employees with diverse background and international differences than in the past (Langdon *et al.*, 2002). Moreover, regulators have identified the significance of diverse workforce and its effect on firm performance. In European prospective, previously considered a communal issue and an issue of image, gender diversity is increasingly approached as a value-driver in organizational strategy and corporate governance, and as such has become a challenging concern in recent academic research (Yasser, 2012), for instance, Netherlands imposed the law of holding 40% women in the corporate board room in 2006 (Joana *et al.*, 2010).

There have quite a number of studies been conducted on women's presence on corporate board room and claimed that diversified board is likely to perform better than the non-diversified, hence based on this argument this study has been influenced to pursue further research in order to contribute to the empirical evidences on emerging market (Credit Suisse, 2012). There are mixed findings reported by the survey conducted by Credit Suisse (2012) and other researchers. Credit Suisse (2012) claimed that approximately 29% firms possess women board members in 2011 compared to 12% by the end of 2005 in emerging Asia, whereas this figure is quite higher in Europe and North America, where 85% firms held with women in board rooms by 2011, whereas it was 48% and 73% respectively in 2005.