Do Women in Top Management Affect Firm Performances? Analysis of Public Quoted Companies in Sri Lanka

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Abstract

There are many studies in the linkage between women's participation in director board and its impact on firm's financial performance in the setting of developed economies. Conversely, the shortfall of literature and the lack of knowledge regarding this issue in developing economies motivated to undertake the current study. Hence this study makes contribution to the literature by addressing the nature in a developing economy with reference to the Sri Lankan context. The main objective of the study is to examine the relation between women's participation in director board and its impacts on the financial performance of firms in Sri Lanka.

The quantitative research approach, using panel data regression analysis was employed for the study. The sample was thirty Sri Lankan firms which are listed in the Colombo Stock Exchange from 2011-2015. The quantitative data were taken from the annual reports of the sample firms and it was analyzed using E-views 07 under pooled OLS method and Fixed Effect model. The agency theory, stewardship theory and resource dependence theory were used to explain the relationship between gender diversity in the board room and firm's financial performances. The return on assets was the proxy for firm's financial performances and proportion of female directors in the director board and board size were explanatory variables. The control variables were firm size denoted by the total assets, market value denoted by the Tobin's Q ratio and the market price per share.

The results of the Pooled OLS reflected that there is a significant positive relationship between gender diversity of the director board and firm's financial performances. The fixed effect model also revealed the positive association between gender diversity of the director board and firm's financial performances, but it is not significant.

Keywords: Gender Diversity, Firm's Financial Performance, Panel Data Regression.