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Board Gender Diversity and Investment Inefficiency with a Moderating Role of the Board Independence and the CEO Tenure

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ABSTRACT

Introduction

Considering the developments that have occurred in the world today, especially in developing countries that are facing many threats. In order to solve their economic problems, these countries need appropriate solutions to make better use of their resources and wealth. It seems that one of the most important solutions is the expansion and development of investment, and due to the limited resources, in addition to the issue of investment development, increasing the efficiency of investment. Among them are very important and important issues. Regarding board gender diversity, researchers have found that women are more risk-averse and conservative in their investment decisions It is expected that this research can increase the awareness of investors, creditors (including governments) and other users of accounting information and help investors (especially companies) in choosing investment projects. On the other hand, in Iran, the problem of unemployment, employment and investment is a challenge and the governments of the time always allocate a lot of resources to it. This research contributes to the existing literature in several ways. First, it provides additional evidence that board gender diversity provides firm performance benefits. This finding is significant for managers and regulatory institutions; because there is a growing demand for gender diversity on boards around the world. The above research presents the idea that the diversity of the board of directors should be discussed not only from a social perspective, but also from an economic perspective. Second, it supports previous literature propositions that boards provide gender diversity only when additional oversight is needed for the firm. According to some researchers, to some extent, female directors have the same duties as independent directors who perform supervisory duties more than consulting. Therefore, gender diversity of the board brings several benefits by increasing the oversight and independence of the board. . This paper investigates the impact of board gender diversity on a firm’s investment inefficiency. I document that firms with gender-diverse boards have significantly less investment inefficiency than firms without gender-diverse board and the fraction of female directors on the board is significantly negative correlated with investment inefficiency.

Methodology

According to the analysis of past information, this research is a quasi-experimental type of research. Also, due to the fact that the results obtained from the research solve a specific problem or issue, in terms of practical purpose and in terms of method, it is of the type of correlation analysis with regression approach. Due to the fact that this research uses past information to test hypotheses, it is a type of post-event research. In terms of theory, the research is of the affirmative research type and in terms of reasoning, it is of the inductive type. On the other hand, this research is a type of quasi-experimental research in the field of financial and accounting research. In terms of the hypothesis testing model, the current research is considered one of the correlational researches (type of correlational research). The research data is also a type of composite data. The relationship between the independent and dependent variables of the research is investigated using the multivariate linear regression model. In order to that, the research hypothesis was based on a statistical sample consisting of 108 companies during the years 2017 to2021 and tested using multivariate regression models.

Results

The analysis of the research sample shows that there is a significant negative relationship between the gender diversity of the board of directors and investment inefficiency. The results also showed that board independence moderates the relationship between board gender diversity and investment inefficiency. But the CEO's tenure does not moderate the relationship between the gender diversity of the board and investment inefficiency.

Conclusion

Research results show that gender diversity of the board of directors helps monitoring, especially when corporate governance is weak. Some researchers have found that women are more risk-taking and conservative in making investment decisions. Female directors are more likely to join supervisory committees, and boards with higher proportions of female directors use more equity-based compensation for their directors. In summary, the results show that the gender diversity of the supervisory board increases and reduces investment inefficiency. The presence of a female manager at the head of the organization as a managing director or as a member of the company's board of directors can have positive effects on improving the performance with more supervision from the female manager according to their personality characteristics and also improving the quality of providing financial reports, increasing the company's efficiency and increase productivity. Men and women, exposed to different moral development, tend to develop different values, which leads to different attitudes and behaviors. For example, men attribute value to money, progress, and power, while women are more concerned with social relationships and are interested in performing assigned tasks more effectively and are more likely to obey rules. In addition, compared to boards where all directors are men, women can present different views in the board of directors and make more informed decisions, leading to increased transparency at the level of the board of directors. According to the findings of the first hypothesis that the gender diversity of the board of directors has a negative relationship with the investment inefficiency of companies, investors and creditors are suggested to pay special attention to the gender diversity of the board of directors as one of the important and effective factors in preventing investment losses. The favorable quality of information results from the creation of the necessary conditions, including the gender diversity of the board of directors, and provides the basis for reducing the accumulation of bad news, which is in the interest of investors and creditors. In this way, the officials of the stock exchange are suggested to include the gender diversity of the board of directors in the conditions of accepting companies in the stock exchange. Considering the findings from the second hypothesis that the independence of the board of directors moderates the relationship between the gender diversity of the board of directors and the investment inefficiency of companies listed on the Tehran Stock Exchange, investors and creditors are suggested to consider the issue of board independence as one of the most important and effective Agents should pay special attention to prevent the loss of their investment.

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