Does Board Diversity Influence Systematic Risk? Evidence from Emerging Markets

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Introdução
Systematic risk refers to market uncertainty and cannot be diversified (Insana, 2022; Kim et al., 2012). Given that systematic risk influences many assets, they are also called market risk (Jo and Na, 2012; Lueg et al., 2019). Systematic risks arise from events that affect the entire market, such as changes in interest rates (Mastella et al., 2021) and include industry-wide issues like regulatory changes, stranded assets, and technological developments (Giese et al., 2019).

Problema de Pesquisa e Objetivo
The objective of this article, therefore, is to analyze the influence of board diversity on firms' systematic risk. Theoretically, this study is based on the agency and resource dependence theories.

Fundamentação Teórica
An agency relationship is a contract in which one or more individuals hire another individual to perform a service on their behalf (Jensen and Meckling, 1976). In the agency view, one party (agent) performs work delegated by another (principal) (Eisenhardt, 1989). According to agency theory, the board of directors monitors management behavior to align the personal goals of managers with the interests of the firm owners (Badu and Appiah, 2017; Hsieh et al., 2022; Unite et al., 2019).

Metodologia
We employ the Panel-Corrected Standard Error (PCSE) estimation method. This method is consistent in the presence of first-order serial correlation and heteroscedasticity (Neves & Marques, 2022). Thus, PCSE is useful in estimating linear models in which disturbances are assumed to be both heteroscedastic and correlated across panels (Nyeadi et al., 2018)

Análise dos Resultados
Our results suggest that board specific skills diversity and board independence negatively influence systematic risk. Further, board gender diversity does not impact systematic risk. Our evidence confirms that board specific skills diversity, and board independence bring resources needed for the firm's survival and effectively monitor managers, supporting the resource dependence and agency theories. In addition, firms with larger boards and more profitable firms also reduce systematic risk.

Conclusão
The results reinforce that board specific skills diversity and board independence leads to lower systematic risk. In addition, board gender diversity does not significantly influence systematic risk. Regarding the control variables, our evidence finds that board size and profitability negatively impact systematic risk. On the other hand, CEO duality, growth opportunity, leverage, and firm size positively influence systematic risk.

Referências Bibliográficas