

International and Comparative Corporate Law Journal

ISSN: 1388-7084 & E-ISSN: 1875-8290

Board Diversity, Corporate Governance Quality, and Firm Financial Performance: A Comparative Analysis of Emerging and Developed Markets

Dr. Catherine Montgomery

Associate Professor of International Business, London School of Economics and Political Science, United Kingdom

Email: c.montgomery@lse.ac.uk

Abstract

This study examines the intricate relationship between board diversity, corporate governance mechanisms, and firm financial performance across emerging and developed markets. Utilizing a comprehensive dataset of 2,847 publicly listed firms from six countries (India, China, Brazil, United Kingdom, United States, and Germany) spanning the period 2018-2024, we employ panel regression analysis with fixed effects to investigate how various dimensions of board diversity—gender, age, educational background, and nationality—influence firm performance measured through Return on Equity (ROE), Return on Assets (ROA), and Tobin's Q. Our findings reveal significant heterogeneity in the board diversity-performance relationship across market contexts. In developed markets, board diversity demonstrates a consistent positive association with financial performance, with gender diversity showing the strongest effect. Conversely, in emerging markets, the relationship is moderated by institutional quality, ownership concentration, and regulatory frameworks. We find that board independence serves as a critical mediating variable, with institutional investors playing an enhanced monitoring role in contexts of higher board diversity. The study contributes to agency theory and resource dependence theory by demonstrating that the effectiveness of board diversity is contingent upon the quality of corporate governance infrastructure and the broader institutional environment. Our results

have important implications for policymakers, corporate boards, and investors navigating the evolving landscape of global corporate governance.

Keywords: Board diversity, corporate governance, firm performance, emerging markets, agency theory, Return on Equity, institutional investors, board independence

1. Introduction

The relationship between corporate governance structures and firm performance has been a central concern in management and economics research for several decades[1][2]. In an increasingly interconnected global economy, the composition and effectiveness of corporate boards have gained renewed attention from academics, practitioners, and regulators alike[3]. The traditional paradigm of homogeneous board structures has progressively given way to recognition that diverse boards may offer superior oversight, strategic guidance, and stakeholder representation[4][5].

Board diversity encompasses multiple dimensions including gender, age, educational background, professional experience, and nationality[6]. Each dimension potentially contributes unique perspectives, knowledge bases, and decision-making approaches that can enhance board effectiveness[7]. However, the empirical evidence regarding the board diversity-performance relationship remains inconclusive, with studies reporting positive, negative, and null findings across different contexts[8][9][10].

This heterogeneity in findings suggests that the board diversity-performance relationship may be significantly influenced by contextual factors, particularly the broader institutional and governance environment in which firms operate[11]. The distinction between emerging and developed markets becomes particularly relevant in this regard, as these contexts differ substantially in terms of legal frameworks, regulatory enforcement, ownership structures, and corporate governance norms[12][13].

Emerging markets, characterized by rapid economic growth, evolving institutional frameworks, and often concentrated ownership structures, present unique challenges and opportunities for corporate governance[14]. Countries such as India, China, and Brazil have witnessed substantial reforms in corporate governance regulations over the past two decades, yet implementation and enforcement remain uneven[15][16]. In contrast, developed markets like the United Kingdom, United States, and Germany operate within

more established legal and regulatory frameworks, with greater emphasis on shareholder protection and disclosure requirements[17].

Recent global trends have further complicated this landscape. The COVID-19 pandemic exposed vulnerabilities in corporate governance systems worldwide, highlighting the importance of board adaptability and diverse perspectives in crisis management[18]. Simultaneously, the rapid rise of Environmental, Social, and Governance (ESG) considerations has placed additional demands on boards to demonstrate diversity and stakeholder orientation[19][20]. As we approach 2026, regulatory pressures for enhanced ESG disclosure and board diversity continue to intensify, particularly in the European Union with the Corporate Sustainability Reporting Directive (CSRD) and similar initiatives globally[21][22].

Against this backdrop, our study addresses three fundamental research questions: First, how does board diversity across multiple dimensions influence firm financial performance in emerging versus developed markets? Second, what role do corporate governance mechanisms, particularly board independence and institutional ownership, play in mediating or moderating this relationship? Third, how do differences in institutional quality and regulatory environments explain variations in the board diversity-performance relationship across markets?

To address these questions, we analyze a comprehensive panel dataset of 2,847 publicly listed firms from six countries representing both emerging markets (India, China, Brazil) and developed markets (United Kingdom, United States, Germany) over the period 2018-2024. Our analytical approach employs fixed-effects panel regression models that control for firm-specific heterogeneity and time-varying industry dynamics, with particular attention to potential endogeneity concerns through instrumental variable techniques.

Our study makes several important contributions to the literature. First, we provide one of the most comprehensive cross-country examinations of board diversity and firm performance, encompassing multiple dimensions of diversity simultaneously rather than examining gender or nationality in isolation. Second, we explicitly test the moderating role of institutional context by comparing emerging and developed markets using consistent measurement approaches. Third, we investigate the mediating mechanisms through which board diversity influences performance, particularly the roles of board independence and

institutional investor monitoring. Finally, our findings have practical implications for corporate boards, investors, and policymakers navigating the complexities of global corporate governance reform.

The remainder of this paper is organized as follows. Section 2 reviews the theoretical foundations and empirical literature on board diversity, corporate governance, and firm performance. Section 3 describes our research methodology, including sample selection, variable measurement, and analytical techniques. Section 4 presents our empirical findings, including descriptive statistics, correlation analysis, and regression results. Section 5 discusses the implications of our findings for theory and practice. Section 6 concludes with limitations and directions for future research.

2. Theoretical Framework and Literature Review

2.1 Agency Theory and Board Monitoring

Agency theory provides the foundational framework for understanding the role of corporate boards in modern governance systems[23][24]. The separation of ownership and control in publicly traded corporations creates potential conflicts of interest between shareholders (principals) and managers (agents)[25]. Boards of directors serve as the primary internal governance mechanism to monitor managerial behavior, align incentives, and protect shareholder interests[26][27].

The effectiveness of board monitoring depends critically on board independence—the extent to which directors are free from management influence and can exercise objective judgment[28]. Independent directors, typically defined as those without material relationships with the company or its management, are expected to provide more rigorous oversight and challenge management decisions when necessary[29]. Empirical evidence generally supports a positive relationship between board independence and firm performance, though the magnitude of this effect varies across contexts[30][31].

However, agency theory alone provides an incomplete explanation of board effectiveness. The monitoring role, while important, represents only one dimension of board responsibilities. Boards also provide strategic guidance, facilitate access to external resources, and enhance organizational legitimacy—functions better explained by complementary theoretical frameworks[32].

2.2 Resource Dependence Theory and Board Capital

Resource dependence theory offers an alternative perspective on board effectiveness, emphasizing the board's role in connecting the firm to its external environment[33][34]. According to this view, directors bring valuable resources to the organization including expertise, experience, reputation, and network connections[35]. Board diversity enhances these resources by expanding the range of perspectives, knowledge domains, and external relationships available to the organization[36][37].

The concept of "board capital" encompasses both human capital (skills, knowledge, experience) and relational capital (networks, connections, reputation)[38]. Diverse boards potentially possess greater board capital by incorporating directors with varied educational backgrounds, professional experiences, industry expertise, and international exposure[39]. This enhanced board capital can improve strategic decision-making, facilitate access to external resources, and strengthen stakeholder relationships[40].

Gender diversity represents a particularly important dimension of board capital. Research suggests that female directors may bring different communication styles, risk preferences, and stakeholder orientations that enhance board deliberations[41][42]. Moreover, gender-diverse boards signal organizational commitment to diversity and inclusion, potentially enhancing corporate reputation and stakeholder relations[43].

Similarly, nationality diversity in board composition can provide valuable cross-cultural perspectives and facilitate international expansion strategies[44]. In an era of globalization, boards with international representation may better understand diverse market contexts, regulatory environments, and cultural nuances[45].

2.3 The Board Diversity-Performance Relationship

The empirical literature on board diversity and firm performance presents mixed findings, reflecting the complexity of this relationship and the importance of contextual factors[46][47]. A meta-analysis by Post and Byron examining 140 studies found a small positive relationship between gender diversity and firm performance, with significant heterogeneity across studies[48].

Several factors may explain the inconsistent findings in the literature. First, different studies employ various performance metrics (accounting-based versus market-based measures) that may capture different aspects of firm value creation[49]. Return on Equity (ROE),

Return on Assets (ROA), and Tobin's Q each measure distinct dimensions of performance and may respond differently to board composition[50].

Second, the relationship between board diversity and performance may be non-linear. Some research suggests that diversity benefits may only materialize once a "critical mass" of diverse directors is achieved, typically estimated at three or more directors from underrepresented groups[51]. Below this threshold, token representation may be insufficient to meaningfully influence board dynamics[52].

Third, the time horizon matters. Board diversity initiatives may involve short-term adjustment costs as new directors integrate into established board cultures and relationships[53]. Performance benefits may only become apparent over longer time periods as diverse boards develop effective working relationships and influence strategic direction[54].

Fourth, and most relevant to our study, institutional context significantly moderates the board diversity-performance relationship[55]. The effectiveness of diverse boards depends on the broader governance environment, including legal protections for minority shareholders, regulatory enforcement, disclosure requirements, and cultural norms regarding board composition[56][57].

2.4 Emerging Markets Context

Emerging markets present distinct corporate governance challenges that may influence the board diversity-performance relationship[58][59]. Concentrated ownership structures, common in many emerging markets, create different agency problems than the dispersed ownership typical of developed markets[60]. In concentrated ownership contexts, the primary agency conflict shifts from shareholders versus managers to controlling shareholders versus minority shareholders[61].

Business group affiliation, prevalent in many emerging economies, further complicates corporate governance dynamics[62]. Firms affiliated with business groups may face reduced benefits from board diversity, as group-level coordination mechanisms may substitute for or constrain independent board decision-making[63]. Research on Indian firms suggests that the positive effects of board diversity on performance are significantly attenuated for group-affiliated companies compared to standalone firms[64].

Institutional quality varies substantially across emerging markets, affecting the effectiveness of corporate governance mechanisms[65]. Countries with stronger legal systems, more effective regulatory enforcement, and greater transparency tend to exhibit stronger relationships between governance practices and firm performance[66]. Recent corporate governance reforms in major emerging markets—including India's Companies Act 2013, China's Corporate Governance Code revisions, and Brazil's Novo Mercado listing standards—have aimed to strengthen board oversight and enhance minority shareholder protection[67][68].

The regulatory environment regarding board diversity also differs markedly across countries[69]. Several European countries have adopted mandatory gender quotas for corporate boards, while most other jurisdictions rely on "comply or explain" approaches or voluntary guidelines[70]. These regulatory differences create natural experiments for examining the effects of board diversity mandates on firm outcomes[71].

2.5 Moderating Role of Institutional Investors

Institutional investors have emerged as increasingly influential actors in corporate governance globally[72][73]. With concentrated shareholdings and professional expertise, institutional investors possess both the incentive and capability to monitor corporate management and influence board composition[74]. The growth of responsible investing and ESG integration has further amplified institutional investor attention to board diversity and governance practices[75].

The monitoring effectiveness of institutional investors depends on several factors including their ownership stakes, investment horizons, and governance capabilities[76]. Long-term institutional investors with significant holdings are more likely to engage actively with portfolio companies regarding governance issues[77]. The introduction of stewardship codes in various jurisdictions has formalized expectations for institutional investor engagement[78].

Research suggests that institutional ownership can moderate the board diversity-performance relationship in important ways[79]. Institutional investors may demand higher board independence and diversity as governance safeguards, particularly in emerging markets with weaker legal protections[80]. The presence of significant institutional

ownership may also enhance the effectiveness of diverse boards by providing external validation and support for diverse perspectives[81].

2.6 Hypotheses Development

Based on the theoretical frameworks and empirical literature reviewed above, we develop the following hypotheses:

H1: Board diversity (gender, age, educational, and nationality) is positively associated with firm financial performance, as measured by ROE, ROA, and Tobin's Q.

H2: The positive relationship between board diversity and firm performance is stronger in developed markets compared to emerging markets.

H3: Board independence mediates the relationship between board diversity and firm performance.

H4: Institutional ownership moderates the board diversity-performance relationship, with stronger positive effects observed at higher levels of institutional ownership.

H5: The moderating effect of institutional ownership on the board diversity-performance relationship is more pronounced in emerging markets than in developed markets.

3. Research Methodology

3.1 Sample Selection and Data Sources

Our sample comprises publicly listed firms from six countries: three emerging markets (India, China, Brazil) and three developed markets (United Kingdom, United States, Germany). We selected these countries to represent major economies within each category while ensuring sufficient diversity in legal origins, corporate governance traditions, and regulatory frameworks.

The sample period spans 2018-2024, encompassing 2,847 firms with complete data across all years, resulting in 19,929 firm-year observations. We obtained financial data from Thomson Reuters Datastream and Worldscope databases. Corporate governance data, including board composition, director characteristics, and ownership structure, were collected from BoardEx, Capital IQ, and company annual reports. We excluded financial services firms (banks, insurance companies, investment firms) due to their unique regulatory environments and capital structures.

To ensure data quality and minimize survivorship bias, we included all firms with at least five years of continuous data during the sample period. Firms with extreme outlier values (beyond 1st and 99th percentiles) for key financial variables were winsorized to reduce the influence of measurement errors or exceptional circumstances.

3.2 Variable Measurement

3.2.1 Dependent Variables: Firm Performance

We employ three widely used measures of firm financial performance to capture different dimensions of value creation:

Return on Equity (ROE): Calculated as net income divided by total shareholders' equity, ROE measures how efficiently a company generates profits from shareholder investments. This accounting-based measure is particularly relevant for assessing management's effectiveness in deploying equity capital[82][83].

$$ROE = \frac{Net}{Total} \times 100$$

Return on Assets (ROA): Calculated as net income divided by total assets, ROA indicates how efficiently a company uses its total asset base to generate profits. This measure is less sensitive to capital structure differences across firms[84].

$$ROA = \frac{Net}{Total} \times 100$$

Tobin's Q: Measured as the market value of assets divided by the book value of assets (proxied by market capitalization plus total liabilities divided by total assets), Tobin's Q captures market expectations about future profitability and growth opportunities. This forward-looking, market-based measure complements the backward-looking accounting measures[85].

Tobin's

3.2.2 Independent Variables: Board Diversity

Gender Diversity: We employ the Blau index of gender diversity, calculated as:

Gender

where P_i represents the proportion of board members in gender category i (male or female). The Blau index ranges from 0 (complete homogeneity) to 0.5 (maximum heterogeneity with equal representation). We also include a binary indicator for boards with three or more female directors to test critical mass effects.

Age Diversity: Measured using the coefficient of variation in board member ages, calculated as the standard deviation divided by the mean. Higher values indicate greater age heterogeneity[86].

Educational Diversity: Constructed as a Blau index based on directors' highest educational qualifications, categorized as: (1) bachelor's degree or lower, (2) master's degree, (3) PhD, and (4) professional qualifications (MBA, JD, CPA, etc.)[87].

Nationality Diversity: Measured as the proportion of foreign (non-domestic) directors on the board, reflecting international representation and cross-cultural perspectives[88].

3.2.3 Mediating and Moderating Variables

Board Independence: Measured as the proportion of independent (outside) directors on the board. Directors are classified as independent based on regulatory definitions in each country, generally requiring no material business or family relationships with the company[89].

Institutional Ownership: Calculated as the percentage of outstanding shares held by institutional investors including mutual funds, pension funds, insurance companies, and investment advisers[90].

Board Size: Total number of directors serving on the board, included as a control variable given its documented relationship with both board composition and firm performance[91].

3.2.4 Control Variables

We include several firm-level and country-level control variables to account for alternative explanations of performance variation:

Firm Size: Natural logarithm of total assets, controlling for scale effects on performance[92].

Firm Age: Number of years since incorporation, controlling for organizational maturity and experience[93].

Leverage: Total debt divided by total assets, capturing capital structure effects[94].

Industry: Industry fixed effects based on two-digit SIC codes, controlling for sector-specific performance patterns.

Country: Country fixed effects to account for jurisdiction-specific institutional and regulatory differences.

Year: Year fixed effects to control for macroeconomic conditions and temporal trends.

3.3 Analytical Strategy

Our analytical approach proceeds in several stages. First, we present descriptive statistics and correlation matrices separately for emerging and developed market subsamples to identify preliminary patterns in the data. Second, we estimate baseline panel regression models with firm fixed effects to examine the direct relationships between board diversity dimensions and firm performance.

The baseline specification takes the form:

$$\begin{aligned} Performance_{it} &= \alpha + \beta_1 GenderDiv_{it} + \beta_2 AgeDiv_{it} + \beta_3 EduDiv_{it} + \beta_4 NatDiv_{it} \\ &+ \gamma X_{it} + \mu_i + \lambda_t + \epsilon_{it} \end{aligned}$$

where $Performance_{it}$ represents one of our three performance measures for firm i in year t , the diversity variables capture board composition, X_{it} includes control variables, μ_i represents firm fixed effects, λ_t represents year fixed effects, and ϵ_{it} is the error term.

Third, we test for differential effects across market contexts by including interaction terms between diversity variables and an emerging market indicator. Fourth, we examine mediating mechanisms by estimating structural equation models that test whether board independence and institutional ownership mediate the diversity-performance relationship. Finally, we address potential endogeneity concerns through instrumental variable approaches and lagged specifications.

All regression models employ robust standard errors clustered at the firm level to account for potential heteroskedasticity and within-firm correlation over time. Statistical significance is assessed at the 1%, 5%, and 10% levels.

4. Empirical Results

4.1 Descriptive Statistics

Table 1 presents descriptive statistics for key variables separately for emerging and developed market subsamples. Several notable patterns emerge from this comparison. Firms in developed markets exhibit higher average Return on Equity (14.8% versus 11.2%), Return on Assets (7.6% versus 5.8%), and Tobin's Q (1.82 versus 1.34) compared to emerging market firms, consistent with more mature market conditions and stronger institutional frameworks.

Variable	Emerging Markets (N=9,876)			Developed Markets (N=10,053)		
	Mean	Std. Dev.	Median	Mean	Std. Dev.	Median
<i>Performance Measures</i>						
ROE (%)	11.2	8.4	10.5	14.8	7.2	14.1
ROA (%)	5.8	4.2	5.3	7.6	3.8	7.2
Tobin's Q	1.34	0.62	1.21	1.82	0.84	1.68
<i>Board Diversity Measures</i>						
Gender Diversity (Blau)	0.18	0.12	0.16	0.28	0.14	0.26
Female Directors (%)	14.2	9.8	12.5	31.4	12.6	30.0
Age Diversity (CV)	0.22	0.08	0.21	0.24	0.09	0.23
Educational Diversity (Blau)	0.42	0.16	0.40	0.48	0.14	0.47
Nationality Diversity (%)	8.4	11.2	4.0	22.6	16.8	18.0
<i>Governance Variables</i>						
Board Independence (%)	52.8	14.6	53.3	78.4	10.2	80.0
Institutional Ownership (%)	28.6	18.4	24.5	56.8	22.4	58.0
Board Size	10.4	2.8	10.0	9.2	2.4	9.0

<i>Control Variables</i>						
Total Assets (USD billions)	3.82	8.46	1.24	8.64	16.28	3.18
Firm Age (years)	32.4	18.6	28.0	48.6	26.4	44.0
Leverage Ratio	0.42	0.18	0.40	0.38	0.16	0.36

Table 1: Descriptive Statistics: Emerging versus Developed Markets (2018-2024)

Board diversity metrics reveal substantial differences across market contexts. Developed market firms demonstrate significantly higher gender diversity (Blau index of 0.28 versus 0.18) and female representation (31.4% versus 14.2% of directors), reflecting both regulatory pressures and cultural shifts toward gender equality in corporate leadership. The gap is particularly pronounced in nationality diversity, with developed market boards averaging 22.6% foreign directors compared to only 8.4% in emerging markets, suggesting greater internationalization of governance structures.

Governance characteristics also differ markedly. Board independence averages 78.4% in developed markets but only 52.8% in emerging markets, consistent with stronger regulatory requirements and shareholder activism in mature economies. Institutional ownership follows a similar pattern, averaging 56.8% in developed markets versus 28.6% in emerging markets, reflecting differences in capital market development and pension system structures. Interestingly, emerging market firms maintain larger boards on average (10.4 versus 9.2 members), possibly reflecting concentrated ownership structures and stakeholder representation norms.

4.2 Correlation Analysis

Table 2 presents correlation coefficients among key variables for the full sample. Gender diversity exhibits positive and statistically significant correlations with all three performance measures: ROE ($r=0.142$, $p<0.01$), ROA ($r=0.128$, $p<0.01$), and Tobin's Q ($r=0.186$, $p<0.01$). Educational diversity and nationality diversity also show positive associations with performance, though the magnitudes are somewhat smaller. Surprisingly, age diversity demonstrates weak negative correlations with accounting-based performance measures, suggesting potential coordination challenges in age-heterogeneous boards.

Variable	1	2	3	4	5	6	7	8
1. ROE	1.000							
2. ROA	0.784 ***	1.000						
3. Tobin's Q	0.548 ***	0.612 ***	1.000					
4. Gender Diversity	0.142 ***	0.128 ***	0.186 ***	1.000				
5. Age Diversity	- 0.042 **	- 0.038 **	0.012	0.084 ***	1.000			
6. Educational Diversity	0.096 ***	0.088 ***	0.124 ***	0.268 ***	0.146 ***	1.000		
7. Nationality Diversity	0.118 ***	0.106 ***	0.158 ***	0.342 ***	0.092 ***	0.314 ***	1.000	
8. Board Independence	0.164 ***	0.152 ***	0.198 ***	0.426 ***	0.068 ***	0.238 ***	0.386 ***	1.000

Table 2: Correlation Matrix for Key Variables (N=19,929). Note: *** p<0.01, ** p<0.05, * p<0.10

Board independence shows strong positive correlations with both board diversity measures and firm performance, consistent with its potential mediating role. The correlation between gender diversity and board independence ($r=0.426$, $p<0.01$) is particularly noteworthy, suggesting that diverse boards tend to be more independent from management. However, all correlation coefficients remain below levels that would raise multicollinearity concerns for regression analysis (VIF values all below 3.5).

4.3 Baseline Regression Results

Table 3 presents results from our baseline fixed-effects panel regression models estimating the relationship between board diversity and firm performance. Models 1-3 examine ROE as the dependent variable, Models 4-6 examine ROA, and Models 7-9 examine Tobin's Q. Within each set, we progressively add control variables to test the robustness of diversity effects.

Variable	ROE		ROA		Tobin's Q	
	(1)	(2)	(3)	(4)	(5)	(6)
Gender Diversity	8.42*** (1.24)	6.28*** (1.18)	4.86*** (0.86)	3.54*** (0.82)	0.342*** (0.064)	0.286*** (0.058)
Age Diversity	-2.14* (1.18)	-1.86 (1.14)	-1.42* (0.78)	-1.18 (0.76)	0.028 (0.054)	0.042 (0.052)
Educational Diversity	3.26** (1.36)	2.84** (1.32)	2.18** (0.92)	1.92** (0.88)	0.148** (0.062)	0.136** (0.058)
Nationality Diversity	4.18*** (1.08)	3.64*** (1.04)	2.86*** (0.74)	2.48*** (0.72)	0.186*** (0.048)	0.164*** (0.046)

Board Independence		2.42*** (0.64)		1.68*** (0.48)		0.124*** (0.032)
Institutional Ownership		1.86*** (0.52)		1.24*** (0.38)		0.096*** (0.028)
Board Size		-0.24* (0.14)		-0.16 (0.10)		-0.012 (0.008)
Firm Size (log)		1.62*** (0.38)		1.18*** (0.28)		0.082*** (0.018)
Leverage		- 8.24*** (1.46)		- 6.48*** (1.04)		- 0.428*** (0.072)
Firm Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	19,929	19,929	19,929	19,929	19,929	19,929
R-squared	0.426	0.484	0.398	0.452	0.374	0.438

Table 3: Fixed-Effects Panel Regression: Board Diversity and Firm Performance. Note: Robust standard errors clustered at firm level in parentheses. *** p<0.01, ** p<0.05, * p<0.10

The results provide strong support for Hypothesis 1. Gender diversity exhibits positive and highly significant associations with all three performance measures across all model specifications. In the full model (Model 2), a one-standard-deviation increase in gender diversity (0.13 Blau index points) is associated with a 0.82 percentage point increase in ROE, representing approximately 6% of the sample mean. The economic magnitude is substantial given typical annual ROE volatility.

Educational diversity and nationality diversity also demonstrate positive and significant relationships with firm performance across all measures. The coefficients remain stable across specifications, suggesting these relationships are robust to the inclusion of governance and control variables. In contrast, age diversity shows weak negative or insignificant effects, consistent with potential coordination costs outweighing diversity benefits for this dimension.

Board independence and institutional ownership both exhibit positive and significant associations with performance, supporting their roles as important governance mechanisms. The inclusion of these variables in Models 2, 4, and 6 reduces the magnitude of diversity coefficients by approximately 25-30%, suggesting potential mediation effects that we explore further in subsequent analysis.

4.4 Market Context Comparison

Table 4 presents split-sample regressions comparing the board diversity-performance relationship in emerging versus developed markets. These results directly test Hypothesis 2 by examining whether diversity effects differ across institutional contexts.

Variable	Emerging Markets			Developed Markets		
	ROE	ROA	Tobin's Q	ROE	ROA	Tobin's Q
Gender Diversity	4.86*** (1.68)	2.84** (1.14)	0.186** (0.082)	8.24*** (1.42)	4.68*** (0.98)	0.412*** (0.072)

Age Diversity	-2.42*	-1.68	-0.042	-1.28	-0.84	0.086
	(1.44)	(1.02)	(0.074)	(1.36)	(0.92)	(0.068)
Educational Diversity	2.14	1.48	0.096	3.86***	2.58***	0.184***
	(1.62)	(1.12)	(0.082)	(1.48)	(0.96)	(0.068)
Nationality Diversity	2.68*	1.86*	0.124*	4.92***	3.24***	0.226***
	(1.46)	(1.04)	(0.072)	(1.28)	(0.88)	(0.062)
Board Independence	1.64*	1.12*	0.082*	3.28***	2.18***	0.168***
	(0.88)	(0.64)	(0.046)	(0.76)	(0.52)	(0.038)
Institutional Ownership	1.24	0.86	0.064	2.64***	1.76***	0.138***
	(0.82)	(0.58)	(0.042)	(0.68)	(0.46)	(0.034)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	9,876	9,876	9,876	10,053	10,053	10,053
R-squared	0.396	0.372	0.324	0.528	0.496	0.482
<i>Coefficient Difference Tests (Developed - Emerging):</i>						
Gender Diversity	3.38** (p=0.024)			1.84** (p=0.032)		
Educational Diversity	1.72* (p=0.086)			1.10* (p=0.094)		

Nationality	2.24** (p=0.018)	1.38** (p=0.028)
Diversity		

Table 4: Split-Sample Regressions: Emerging versus Developed Markets. Note: Full control variables included. Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.10

The results strongly support Hypothesis 2. Board diversity effects are significantly stronger in developed markets across all dimensions and performance measures. For gender diversity and ROE, the coefficient in developed markets (8.24) is nearly 70% larger than in emerging markets (4.86), with the difference statistically significant at the 5% level. Similar patterns hold for educational diversity and nationality diversity.

Importantly, board independence and institutional ownership also show stronger associations with performance in developed markets. Board independence coefficients are twice as large in developed markets compared to emerging markets, with the difference statistically significant. Institutional ownership shows significant positive effects only in developed markets, suggesting that institutional monitoring may be more effective in contexts with stronger legal protections and disclosure requirements.

These findings indicate that the effectiveness of board diversity in enhancing firm performance depends critically on the broader institutional environment. In emerging markets with weaker governance infrastructures, the potential benefits of diverse perspectives may be constrained by concentrated ownership, limited board independence, or cultural norms that limit the influence of minority directors.

4.5 Mediation Analysis

To test Hypothesis 3 regarding the mediating role of board independence, we employ structural equation modeling following Baron and Kenny's approach. Figure 1 presents the conceptual mediation model, while Table 5 reports the estimation results.

Path	Coefficient	Std. Error	t-statistic	p-value
<i>Direct Effects</i>				

Gender Diversity → Board Independence	0.284	0.032	8.88	<0.001
Educational Diversity → Board Independence	0.162	0.028	5.79	<0.001
Nationality Diversity → Board Independence	0.224	0.030	7.47	<0.001
Board Independence → ROE	2.42	0.64	3.78	<0.001
Board Independence → ROA	1.68	0.48	3.50	<0.001
Board Independence → Tobin's Q	0.124	0.032	3.88	<0.001
<i>Indirect Effects (via Board Independence)</i>				
Gender Diversity → ROE	0.687	0.192	3.58	<0.001
Gender Diversity → ROA	0.477	0.142	3.36	0.001
Gender Diversity → Tobin's Q	0.035	0.010	3.50	<0.001
<i>Total Effects</i>				
Gender Diversity → ROE	6.28	1.18	5.32	<0.001
Proportion Mediated	10.9%			

Table 5: Mediation Analysis: Board Independence Mediating Board Diversity-Performance Relationship

The mediation analysis reveals that board independence serves as a partial mediator of the board diversity-performance relationship, supporting Hypothesis 3. Board diversity dimensions (gender, educational, and nationality) all exhibit significant positive associations with board independence, suggesting that diverse boards tend to have greater representation of independent directors. Board independence, in turn, shows significant positive relationships with all three performance measures.

The indirect effect of gender diversity on ROE operating through board independence is 0.687 percentage points, representing approximately 11% of the total effect. This indicates that roughly one-tenth of the diversity-performance relationship operates through the mechanism of enhanced board independence. The remaining 89% represents either direct effects of diversity on decision-making quality or mediation through other unmeasured mechanisms such as stakeholder legitimacy or access to resources.

Similar mediation patterns emerge for educational diversity and nationality diversity, though the proportions mediated are somewhat smaller (8-9%). These findings suggest that board diversity enhances performance partly by strengthening board independence from management, consistent with agency theory predictions that diverse boards provide more effective monitoring.

4.6 Moderation Analysis

Table 6 presents results testing Hypotheses 4 and 5 regarding the moderating role of institutional ownership. We include interaction terms between diversity variables and institutional ownership, estimated separately for emerging and developed markets.

Variable	Emerging Markets		Developed Markets	
	ROE	Tobin's Q	ROE	Tobin's Q
Gender Diversity	2.84*	0.124	6.46***	0.328***
	(1.64)	(0.096)	(1.68)	(0.094)
Institutional Ownership	0.86	0.048	1.84**	0.106**
	(0.84)	(0.048)	(0.82)	(0.046)
Gender Div. × Inst. Ownership	4.28**	0.264**	1.86	0.088
	(1.86)	(0.108)	(1.92)	(0.104)
Educational Diversity	1.48	0.072	3.24**	0.162**
	(1.58)	(0.088)	(1.54)	(0.082)
Institutional Ownership	0.92	0.052	2.06**	0.118**

	(0.86)	(0.050)	(0.84)	(0.048)
Edu. Div. × Inst. Ownership	3.64*	0.218*	1.42	0.076
	(1.92)	(0.112)	(1.86)	(0.098)
Controls	Yes	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes	Yes
Observations	9,876	9,876	10,053	10,053
R-squared	0.408	0.336	0.532	0.486

Table 6: Moderation Analysis: Institutional Ownership and Board Diversity Effects. Note: Robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$

The results provide strong support for Hypothesis 5 but mixed support for Hypothesis 4. Interaction terms between board diversity and institutional ownership are positive and significant in emerging markets but not in developed markets. Specifically, in emerging markets, the coefficient on the gender diversity × institutional ownership interaction term is 4.28 ($p=0.021$) for ROE and 0.264 ($p=0.014$) for Tobin's Q. This indicates that the positive effect of gender diversity on performance is significantly amplified at higher levels of institutional ownership.

To illustrate these interaction effects, we calculated predicted ROE values at different levels of gender diversity and institutional ownership for emerging markets. At low institutional ownership (25th percentile = 15%), a one-standard-deviation increase in gender diversity is associated with a 2.1 percentage point increase in ROE. At high institutional ownership (75th percentile = 42%), the same increase in gender diversity is associated with a 6.8 percentage point increase in ROE—more than three times larger.

Similar moderation patterns appear for educational diversity in emerging markets. In contrast, in developed markets, the main effects of both board diversity and institutional ownership are significant, but their interaction terms are not. This suggests that in developed markets, board diversity and institutional monitoring operate as independent governance mechanisms rather than reinforcing each other.

These findings indicate that institutional investors play a particularly important role in enhancing the effectiveness of board diversity in emerging market contexts. In environments with weaker legal protections and governance norms, institutional investor monitoring may provide essential support for diverse directors to meaningfully influence corporate decisions. In developed markets with stronger baseline governance, this amplification effect is less pronounced.

5. Discussion and Implications

5.1 Theoretical Contributions

Our findings make several important contributions to theories of corporate governance and organizational performance. First, we provide strong empirical support for the integration of agency theory and resource dependence theory in explaining board effectiveness. Board diversity appears to enhance performance through both improved monitoring (agency mechanism) and access to broader resources and perspectives (resource dependence mechanism). The partial mediation through board independence suggests that roughly 10-15% of diversity's effect operates through strengthened oversight, while the majority reflects resource and strategic contributions.

Second, our results demonstrate that the board diversity-performance relationship is highly context-dependent, supporting institutional theory perspectives on corporate governance. The significantly stronger diversity effects in developed markets highlight the importance of institutional infrastructure—legal protections, regulatory enforcement, disclosure requirements, and governance norms—in enabling diverse boards to function effectively. This finding helps reconcile conflicting results in prior literature by showing that diversity effects depend on institutional context.

Third, we identify institutional investors as a critical moderating factor, particularly in emerging markets. The strong interaction effects between board diversity and institutional ownership in emerging markets but not developed markets suggest that institutional investors serve different governance roles across contexts. In emerging markets with concentrated ownership and weaker legal protections, institutional investors may provide essential external validation and support for diverse perspectives. In developed markets

with stronger baseline governance, institutional investors and board diversity operate as parallel rather than synergistic mechanisms.

5.2 Practical Implications

Our findings carry important implications for corporate boards, investors, and policymakers. For boards, the evidence strongly supports investment in board diversity across multiple dimensions—gender, education, and nationality—as a means of enhancing financial performance. However, boards should recognize that diversity alone is insufficient; it must be accompanied by genuine independence and authority to influence corporate decisions. The mediation analysis suggests that diverse boards should particularly emphasize their independence from management to maximize performance benefits.

For institutional investors, our results highlight the importance of active engagement regarding board composition, particularly in emerging markets. Institutional investors can enhance the effectiveness of board diversity initiatives through stewardship activities including voting on director elections, engaging with boards on governance issues, and supporting diverse directors in challenging management decisions. The strong moderation effects in emerging markets suggest that institutional investor involvement may be essential for board diversity to translate into performance improvements in these contexts.

For policymakers, our findings provide empirical support for board diversity initiatives while highlighting the importance of complementary governance reforms. Mandating board diversity without strengthening board independence, enhancing disclosure requirements, or improving minority shareholder protections may yield limited benefits. The stronger diversity effects in developed markets suggest that governance reforms should adopt a holistic approach addressing multiple aspects of the governance environment simultaneously.

The timing of our study is particularly relevant given recent regulatory developments. The European Union's Corporate Sustainability Reporting Directive (CSRD), effective for large companies from 2024 onwards, significantly expands ESG disclosure requirements including board diversity metrics. Similar initiatives in the United Kingdom, United States, and several Asian countries reflect growing regulatory attention to governance practices.

Our findings suggest these initiatives are likely to be most effective when integrated with broader governance reforms.

5.3 Limitations and Future Research Directions

Several limitations of our study suggest directions for future research. First, our sample is limited to publicly listed firms in six countries, potentially limiting generalizability to private firms, small and medium enterprises, or other country contexts. Future research could examine whether board diversity-performance relationships differ for private versus public firms or vary across a broader range of institutional contexts.

Second, our measurement of board diversity focuses on observable demographic characteristics rather than deeper cognitive diversity that may drive decision-making differences. While demographic diversity serves as a useful proxy, it represents only one dimension of the "diversity of thought" that resource dependence theory emphasizes. Future research employing more granular data on directors' functional backgrounds, industry experiences, and decision-making styles could provide richer insights into diversity mechanisms.

Third, our analysis examines contemporaneous and short-lag relationships between board diversity and performance, potentially missing longer-term effects that unfold over multiple years. Longitudinal research examining how board diversity influences strategic decisions, innovation patterns, and long-term value creation would complement our findings.

Fourth, while we employ instrumental variable techniques to address endogeneity concerns, reverse causality remains a possibility. High-performing firms may attract more diverse director candidates, or may face greater stakeholder pressure to diversify boards. Natural experiments such as quota mandates in specific countries could provide stronger causal identification.

Finally, our study focuses on financial performance outcomes, but board diversity may influence other important outcomes including employee satisfaction, customer loyalty, innovation, risk management, and crisis resilience. Future research examining these broader outcome variables would provide a more complete picture of board diversity's organizational implications.

6. Conclusion

This study provides comprehensive evidence on the relationship between board diversity, corporate governance quality, and firm financial performance across emerging and developed markets. Analyzing 2,847 firms over the period 2018-2024, we find that board diversity—particularly gender, educational, and nationality diversity—is positively associated with firm performance measured through Return on Equity, Return on Assets, and Tobin's Q. However, these relationships are significantly stronger in developed markets compared to emerging markets, highlighting the importance of institutional context.

Board independence serves as an important mediating mechanism, with approximately 10-15% of the board diversity-performance relationship operating through enhanced oversight and monitoring capacity. Institutional ownership plays a critical moderating role, particularly in emerging markets where high institutional ownership amplifies the positive effects of board diversity. These findings support the integration of agency theory and resource dependence theory while emphasizing the contingent nature of governance mechanisms across institutional contexts.

For practitioners, our results underscore the value of investing in board diversity while recognizing that effectiveness depends on complementary governance structures including board independence and institutional investor engagement. For policymakers, the findings suggest that board diversity initiatives should be accompanied by broader governance reforms addressing legal protections, regulatory enforcement, and disclosure requirements. As corporate governance continues to evolve in response to ESG pressures and stakeholder capitalism, board diversity will remain a critical component of effective governance—but one whose effectiveness depends fundamentally on the institutional and governance environment in which boards operate.

References

- [1] Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *Journal of Law and Economics*, 26(2), 301-325.
- [2] Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. *Journal of Finance*, 52(2), 737-783.

- [3] European Corporate Governance Institute. (2026). Corporate governance reframed: A 2026 outlook. <https://www.ecgi.global/publications/>
- [4] Carter, D. A., Simkins, B. J., & Simpson, W. G. (2003). Corporate governance, board diversity, and firm value. *Financial Review*, 38(1), 33-53.
- [5] Adams, R. B., & Ferreira, D. (2009). Women in the boardroom and their impact on governance and performance. *Journal of Financial Economics*, 94(2), 291-309.
- [6] Milliken, F. J., & Martins, L. L. (1996). Searching for common threads: Understanding the multiple effects of diversity in organizational groups. *Academy of Management Review*, 21(2), 402-433.
- [7] Van Knippenberg, D., De Dreu, C. K., & Homan, A. C. (2004). Work group diversity and group performance: An integrative model and research agenda. *Journal of Applied Psychology*, 89(6), 1008-1022.
- [8] Post, C., & Byron, K. (2015). Women on boards and firm financial performance: A meta-analysis. *Academy of Management Journal*, 58(5), 1546-1571.
- [9] Pletzer, J. L., Nikolova, R., Kedzior, K. K., & Voelpel, S. C. (2015). Does gender matter? Female representation on corporate boards and firm financial performance—A meta-analysis. *PLoS ONE*, 10(6), e0130005.
- [10] Campbell, K., & Mínguez-Vera, A. (2008). Gender diversity in the boardroom and firm financial performance. *Journal of Business Ethics*, 83(3), 435-451.
- [11] Aguilera, R. V., & Jackson, G. (2003). The cross-national diversity of corporate governance: Dimensions and determinants. *Academy of Management Review*, 28(3), 447-465.
- [12] World Bank. (2011). Corporate governance in emerging markets. Washington, DC: World Bank Publications.
- [13] Claessens, S., & Yurtoglu, B. B. (2013). Corporate governance in emerging markets: A survey. *Emerging Markets Review*, 15, 1-33.
- [14] Khanna, T., & Palepu, K. G. (2000). The future of business groups in emerging markets: Long-run evidence from Chile. *Academy of Management Journal*, 43(3), 268-285.
- [15] Candriam Investment Management. (2023). Corporate governance in emerging markets: What's behind recent progress? Research Paper Series.

- [16] International Finance Corporation. (2020). Corporate governance in India: An overview. IFC Advisory Services.
- [17] Organisation for Economic Co-operation and Development. (2015). G20/OECD Principles of Corporate Governance. Paris: OECD Publishing.
- [18] Shailer, G., & Wang, K. (2021). Board composition and the COVID-19 pandemic. *Journal of Corporate Finance*, 67, 101889.
- [19] Diligent Corporation. (2025). Corporate governance trends in 2026: Top 7 priorities. Diligent Insights Report.
- [20] PwC. (2025). 2026 corporate governance trends: Five priorities for directors. PwC Governance Insights Center.
- [21] European Commission. (2023). Corporate Sustainability Reporting Directive (CSRD): Implementation guidance. Brussels: EC Publications.
- [22] Ye, Z., et al. (2024). Comparative analysis of global ESG information disclosure regulations. *Advances in Social Science*, 13(9), 324-338.
- [23] Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305-360.
- [24] Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, 14(1), 57-74.
- [25] Berle, A. A., & Means, G. C. (1932). *The Modern Corporation and Private Property*. New York: Macmillan.
- [26] Fama, E. F. (1980). Agency problems and the theory of the firm. *Journal of Political Economy*, 88(2), 288-307.
- [27] Walsh, J. P., & Seward, J. K. (1990). On the efficiency of internal and external corporate control mechanisms. *Academy of Management Review*, 15(3), 421-458.
- [28] Dalton, D. R., Daily, C. M., Ellstrand, A. E., & Johnson, J. L. (1998). Meta-analytic reviews of board composition, leadership structure, and financial performance. *Strategic Management Journal*, 19(3), 269-290.
- [29] Weisbach, M. S. (1988). Outside directors and CEO turnover. *Journal of Financial Economics*, 20, 431-460.
- [30] Duchin, R., Matsusaka, J. G., & Ozbas, O. (2010). When are outside directors effective? *Journal of Financial Economics*, 96(2), 195-214.

- [31] Bhagat, S., & Bolton, B. (2013). Director ownership, governance, and performance. *Journal of Financial and Quantitative Analysis*, 48(1), 105-135.
- [32] Johnson, J. L., Daily, C. M., & Ellstrand, A. E. (1996). Boards of directors: A review and research agenda. *Journal of Management*, 22(3), 409-438.
- [33] Pfeffer, J., & Salancik, G. R. (1978). *The External Control of Organizations: A Resource Dependence Perspective*. New York: Harper & Row.
- [34] Hillman, A. J., Cannella, A. A., & Paetzold, R. L. (2000). The resource dependence role of corporate directors: Strategic adaptation of board composition in response to environmental change. *Journal of Management Studies*, 37(2), 235-256.
- [35] Hillman, A. J., & Dalziel, T. (2003). Boards of directors and firm performance: Integrating agency and resource dependence perspectives. *Academy of Management Review*, 28(3), 383-396.
- [36] Carpenter, M. A., & Westphal, J. D. (2001). The strategic context of external network ties: Examining the impact of director appointments on board involvement in strategic decision making. *Academy of Management Journal*, 44(4), 639-660.
- [37] Westphal, J. D. (1999). Collaboration in the boardroom: Behavioral and performance consequences of CEO-board social ties. *Academy of Management Journal*, 42(1), 7-24.
- [38] Kim, Y., & Cannella, A. A. (2008). Toward a social capital theory of director selection. *Corporate Governance: An International Review*, 16(4), 282-293.
- [39] Nielsen, S., & Huse, M. (2010). The contribution of women on boards of directors: Going beyond the surface. *Corporate Governance: An International Review*, 18(2), 136-148.
- [40] Kor, Y. Y., & Sundaramurthy, C. (2009). Experience-based human capital and social capital of outside directors. *Journal of Management*, 35(4), 981-1006.
- [41] Eagly, A. H., & Johnson, B. T. (1990). Gender and leadership style: A meta-analysis. *Psychological Bulletin*, 108(2), 233-256.
- [42] Adams, R. B., & Funk, P. (2012). Beyond the glass ceiling: Does gender matter? *Management Science*, 58(2), 219-235.
- [43] Bear, S., Rahman, N., & Post, C. (2010). The impact of board diversity and gender composition on corporate social responsibility and firm reputation. *Journal of Business Ethics*, 97(2), 207-221.

- [44] Oxelheim, L., & Randøy, T. (2003). The impact of foreign board membership on firm value. *Journal of Banking & Finance*, 27(12), 2369-2392.
- [45] Masulis, R. W., Wang, C., & Xie, F. (2012). Globalizing the boardroom—The effects of foreign directors on corporate governance and firm performance. *Journal of Accounting and Economics*, 53(3), 527-554.
- [46] Carter, D. A., D'Souza, F., Simkins, B. J., & Simpson, W. G. (2010). The gender and ethnic diversity of US boards and board committees and firm financial performance. *Corporate Governance: An International Review*, 18(5), 396-414.
- [47] Catalyst. (2007). The bottom line: Corporate performance and women's representation on boards. New York: Catalyst.
- [48] Post, C., & Byron, K. (2015). Women on boards and firm financial performance: A meta-analysis. *Academy of Management Journal*, 58(5), 1546-1571.
- [49] Richard, O. C. (2000). Racial diversity, business strategy, and firm performance: A resource-based view. *Academy of Management Journal*, 43(2), 164-177.
- [50] Waddock, S. A., & Graves, S. B. (1997). The corporate social performance-financial performance link. *Strategic Management Journal*, 18(4), 303-319.
- [51] Torchia, M., Calabrò, A., & Huse, M. (2011). Women directors on corporate boards: From tokenism to critical mass. *Journal of Business Ethics*, 102(2), 299-317.
- [52] Kanter, R. M. (1977). Some effects of proportions on group life: Skewed sex ratios and responses to token women. *American Journal of Sociology*, 82(5), 965-990.
- [53] Westphal, J. D., & Milton, L. P. (2000). How experience and network ties affect the influence of demographic minorities on corporate boards. *Administrative Science Quarterly*, 45(2), 366-398.
- [54] Rose, C. (2007). Does female board representation influence firm performance? The Danish evidence. *Corporate Governance: An International Review*, 15(2), 404-413.
- [55] Terjesen, S., Sealy, R., & Singh, V. (2009). Women directors on corporate boards: A review and research agenda. *Corporate Governance: An International Review*, 17(3), 320-337.
- [56] La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. W. (1998). Law and finance. *Journal of Political Economy*, 106(6), 1113-1155.

- [57] Djankov, S., La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2008). The law and economics of self-dealing. *Journal of Financial Economics*, 88(3), 430-465.
- [58] Young, M. N., Peng, M. W., Ahlstrom, D., Bruton, G. D., & Jiang, Y. (2008). Corporate governance in emerging economies: A review of the principal-principal perspective. *Journal of Management Studies*, 45(1), 196-220.
- [59] Sarkar, J., & Sarkar, S. (2018). Bank ownership, board characteristics and performance: Evidence from commercial banks in India. *International Journal of Financial Studies*, 6(1), 17.
- [60] Shleifer, A., & Vishny, R. W. (1986). Large shareholders and corporate control. *Journal of Political Economy*, 94(3), 461-488.
- [61] Claessens, S., Djankov, S., Fan, J. P., & Lang, L. H. (2002). Disentangling the incentive and entrenchment effects of large shareholdings. *Journal of Finance*, 57(6), 2741-2771.
- [62] Khanna, T., & Rivkin, J. W. (2001). Estimating the performance effects of business groups in emerging markets. *Strategic Management Journal*, 22(1), 45-74.
- [63] Khanna, T., & Yafeh, Y. (2007). Business groups in emerging markets: Paragons or parasites? *Journal of Economic Literature*, 45(2), 331-372.
- [64] Chakrabarti, R., Megginson, W., & Yadav, P. K. (2019). Board diversity and firm performance: The role of business group affiliation. *International Business Review*, 28(6), 101600.
- [65] Kaufmann, D., Kraay, A., & Mastruzzi, M. (2011). The worldwide governance indicators: Methodology and analytical issues. *Hague Journal on the Rule of Law*, 3(2), 220-246.
- [66] Klapper, L. F., & Love, I. (2004). Corporate governance, investor protection, and performance in emerging markets. *Journal of Corporate Finance*, 10(5), 703-728.
- [67] Ministry of Corporate Affairs, Government of India. (2013). The Companies Act, 2013. New Delhi: MCA.
- [68] China Securities Regulatory Commission. (2018). Code of Corporate Governance for Listed Companies (Revised). Beijing: CSRC.

- [69] Terjesen, S., Aguilera, R. V., & Lorenz, R. (2015). Legislating a woman's seat on the board: Institutional factors driving gender quotas for boards of directors. *Journal of Business Ethics*, 128(2), 233-251.
- [70] European Commission. (2012). Women on boards: Commission proposes 40% objective. Press Release, Brussels.
- [71] Ahern, K. R., & Dittmar, A. K. (2012). The changing of the boards: The impact on firm valuation of mandated female board representation. *Quarterly Journal of Economics*, 127(1), 137-197.
- [72] Gillan, S. L., & Starks, L. T. (2003). Corporate governance, corporate ownership, and the role of institutional investors: A global perspective. *Journal of Applied Finance*, 13(2), 4-22.
- [73] Aggarwal, R., Erel, I., Ferreira, M., & Matos, P. (2011). Does governance travel around the world? Evidence from institutional investors. *Journal of Financial Economics*, 100(1), 154-181.
- [74] Chen, X., Harford, J., & Li, K. (2007). Monitoring: Which institutions matter? *Journal of Financial Economics*, 86(2), 279-305.
- [75] Bauer, R., Ruof, T., & Smeets, P. (2021). Get real! Individuals prefer more sustainable investments. *Review of Financial Studies*, 34(8), 3976-4043.
- [76] Fich, E. M., Harford, J., & Tran, A. L. (2015). Motivated monitors: The importance of institutional investors' portfolio weights. *Journal of Financial Economics*, 118(1), 21-48.
- [77] McCahery, J. A., Sautner, Z., & Starks, L. T. (2016). Behind the scenes: The corporate governance preferences of institutional investors. *Journal of Finance*, 71(6), 2905-2932.
- [78] Financial Reporting Council. (2010). The UK Stewardship Code. London: FRC.
- [79] Gul, F. A., Srinidhi, B., & Ng, A. C. (2011). Does board gender diversity improve the informativeness of stock prices? *Journal of Accounting and Economics*, 51(3), 314-338.
- [80] Ferreira, M. A., & Matos, P. (2008). The colors of investors' money: The role of institutional investors around the world. *Journal of Financial Economics*, 88(3), 499-533.
- [81] Ruiz-Mallorquí, M. V., & Santana-Martín, D. J. (2011). Dominant institutional owners and firm value. *Journal of Banking & Finance*, 35(1), 118-129.
- [82] DuPont Analysis Framework. (1920). Return on equity decomposition methodology. E.I. du Pont de Nemours and Company.

- [83] Palepu, K. G., Healy, P. M., & Bernard, V. L. (2004). *Business Analysis and Valuation: Using Financial Statements* (3rd ed.). Mason, OH: South-Western College Publishing.
- [84] Damodaran, A. (2012). *Investment Valuation: Tools and Techniques for Determining the Value of Any Asset* (3rd ed.). Hoboken, NJ: John Wiley & Sons.
- [85] Tobin, J. (1969). A general equilibrium approach to monetary theory. *Journal of Money, Credit and Banking*, 1(1), 15-29.
- [86] Harrison, D. A., & Klein, K. J. (2007). What's the difference? Diversity constructs as separation, variety, or disparity in organizations. *Academy of Management Review*, 32(4), 1199-1228.
- [87] Wiersema, M. F., & Bantel, K. A. (1992). Top management team demography and corporate strategic change. *Academy of Management Journal*, 35(1), 91-121.
- [88] Nielsen, B. B., & Nielsen, S. (2013). Top management team nationality diversity and firm performance: A multilevel study. *Strategic Management Journal*, 34(3), 373-382.
- [89] Hermalin, B. E., & Weisbach, M. S. (2003). Boards of directors as an endogenously determined institution: A survey of the economic literature. *Economic Policy Review*, 9(1), 7-26.
- [90] Bushee, B. J. (1998). The influence of institutional investors on myopic R&D investment behavior. *Accounting Review*, 73(3), 305-333.
- [91] Yermack, D. (1996). Higher market valuation of companies with a small board of directors. *Journal of Financial Economics*, 40(2), 185-211.
- [92] Dang, C., Li, Z. F., & Yang, C. (2018). Measuring firm size in empirical corporate finance. *Journal of Banking & Finance*, 86, 159-176.
- [93] Loderer, C., & Waelchli, U. (2010). Firm age and performance. *MPRA Paper No. 26450*. University Library of Munich, Germany.
- [94] Myers, S. C. (1977). Determinants of corporate borrowing. *Journal of Financial Economics*, 5(2), 147-175.