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RESEARCH ARTICLE

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Examining the impact of board gender diversity and regional differentiation in the ESG-corporate performance nexus: Evidence from financial service industry

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Abstract

This study explores the impact of environmental, social, and governance (ESG) factors on corporations by investigating how board gender diversity moderates the relationship between ESG practices and corporate performance across different regions. Using traditional data envelopment analysis (DEA) and chance-constrained DEA models, the study analyzes 225 financial service firms over an 11-year period (2011–2021). Results indicate that high (low) board gender diversity levels significantly influence the connection between the environmental (social) aspects of ESG practices and corporate performance. Thus, the roles of stakeholder engagement and regional distinctions are highlighted in achieving sustainable development goals.

JEL CLASSIFICATION
G3, L1, M14, L21

1 | INTRODUCTION

By addressing pressing issues such as social injustice, inequality, and climate change, adopting environmental, social and governance (ESG) principles can serve as a powerful driver for societal and environmental reform. This idea parallels with the Paris Agreement, which states that the United States should reach carbon neutrality by the mid-century (Williams et al., 2021), and it calls on nations to submit their most current nationally decided contributions as well as long-term low-temperature greenhouse gas emission development strategies by 2100.

The interest in ESG-related policies among governments and regulatory organizations has increased, thus prompting corporations to integrate the ESG practices globally into business plans. Many corporations understand that seriously considering ESG issues can improve their brand, draw in investors, and boost long-term financial performance. According to Jiao (2010)'s study, which examined the relationship between stakeholder welfare and shareholder wealth creation, prioritizing stakeholder welfare and representing intangible assets positively influence the creation of shareholder wealth.

Despite a substantial amount of attention on ESG, persisting issues and concerns must be addressed to promote ethical and sustainable business practices. ESG has a range of repercussions that may have an impact on organizations' reputation and performance. Many studies have been conducted on this subject, but no definitive relationship has been established. Some studies have supported that ESG has improved the firm's efficiency (Abate et al., 2021; Raimo et al., 2021). By contrast, the studies done by Hussain et al. (2018) and Velte (2021) have concluded that investing in ESG is an additional cost.

