

**Impact of Board Diversity on Firm Value: A Comparative Analysis of Chinese Financial and Non-Financial Listed firms**

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**ABSTRACT**

*The study examines the impact of boardroom diversity on firm value, across different nature of firms, financial and non-financial listed firms. We extracted data for our sample from Chinese database CSMAR over the period 1999-2016. Our sample includes Chinese non-financial and financial listed firms. We further excluded B flag listed firms, monthly and quarterly data. Finally, our dataset includes annual data and is comprised of 1,793 firms and 17087 observations for non-financial listed firms, and data for financial listed firms is comprised of 655 observations and 77 firms. This research provides fresh perspectives in several key areas. Firstly, it explores how diversity within the boardroom influences firm value, presenting empirical findings that task-related board diversity positively affects firm value. Secondly, it highlights that minimizing firm risk contributes to higher firm value. To reinforce this relationship, the study includes robustness tests assessing how boardroom diversity impacts risk levels. The findings suggest that task-oriented diversity within the board contributes to lowering firm risk, thereby supporting the core conclusion that such diversity enhances overall firm value. Third, the study makes comparative analysis across financial and non-financial listed firms. Results are found consistent and suggest that board diversity enhances firm value.*

**Keywords:** Board Diversity; Firm Value; Chinese Firms

**INTRODUCTION**

Corporate governance structure such as CEO duality, board size and board independence are studied in the literature. However, an important factor, i.e., heterogeneity of board, which affects monitoring and advisory practices is overlooked by the researchers. Many regulators around the globe released corporate governance codes after the crisis of the early 2000s took place. Similarly, the Chinese government also issued codes of governance for Chinese firms in 2002 to meet international standards (Jiang & Kim, 2015). The objective of corporate governance is to make the decision-making process of corporations transparent and effective, which ultimately affects corporate decision making.

Corporate governance in the banking industry drew significant global attention following the 2008 financial crisis. Inadequate governance practices at the time were a key factor in widespread bank failures, contributing to heightened systemic risk (Pathan & Faff, 2013; Haan & Vlahu, 2016). In response, Basel Committee (BCBS) introduced a series of policy suggestions aimed at enhancing governance standards,

emphasizing the need for robust and effective governance frameworks (BCBS, 2014). Among the key principles outlined by the BCBS is the importance of boardroom diversity, which plays a crucial role in supporting complex decision-making processes within banks.

Drawn from group diversity and group performance theories such as social categorization (Turner, 1987), similarity/attraction (Berscheid & Walster, 1978), intergroup contact (Allport, 1954), and cognitive theories, the current study investigates the effect of diversity of board on firm value. Expectation model of diversity, McGrath, Berdahl, and Arrow (1995) suggests medium in which social categorization of diverse teams results in a differential effect of relation-oriented and task-oriented dimension on board value.

Economic recessions in recent decades have often been linked to successive financial crises globally. Within the financial sector, numerous collapses and scandals have underscored the urgent need for strong governance system. Recent academic work has increasingly highlighted the importance of promoting board diversity as a means to strengthen governance in banks (Mateos de Cabo et al., 2012). Nevertheless, much of the research work has primarily concentrated on nonfinancial publicly listed companies, frequently overlooking other types of firms. As pointed out by Adams and Mehran (2012), there remains a scarcity of empirical studies specifically addressing boardroom diversity in banking institutions, with most research limited to nonfinancial firms. Even within the available literature focused on banks, studies are largely restricted to the U.S. context (e.g., Berger et al., 2014; Pathan and Faff, 2013).

In addition, many investigations into boardroom diversity have predominantly emphasized gender as the sole dimension of diversity, often neglecting other relevant characteristics. Several empirical studies have solely assessed the impact of female board members on board effectiveness (Haan, Carter et al., 2003; Anderson et al., 2011). While gender remains a pertinent factor, other attributes such as educational background, board tenure, and age are also critical. A more diverse board can foster inclusive and efficient decision-making, potentially enhancing both the oversight and advisory functions of the board, which may contribute to the firm value of the institution. This identified gap in the current body of research provides a foundation for exploring how boardroom diversity influences firm value.

The Chinese banking sector holds a significant position within the national financial system and has increasingly gained influence in the global financial landscape due to its substantial size and economic importance. Unlike governance structures in developed countries, boards in Chinese banks have assumed vital roles in oversight and strategic guidance, especially in an environment marked by limited investor protection and weaker institutional frameworks. Moreover, compared to other emerging markets, China has implemented consistent regulatory reforms (Jiang et al., 2009), which presents an opportunity to explore how boardroom diversity influences board effectiveness within this unique context.

And this study is going to bridge this gap by empirically examining the impact of board diversity on firm value, additionally current study makes comparatively analysis between financial and non-financial Chinese listed firms. More Specifically, the current study empirically examines the following research objective. To examine the impact of board diversity (task-oriented and relation-oriented) on firm value, across financial and non-financial Chinese listed firms.

This study presents novel contributions in several respects. Firstly, it investigates the relationship between boardroom diversity and firm value, offering empirical evidence that task-oriented diversity positively influences firm value. Secondly, it emphasizes that a reduction in firm risk can lead to improved firm value. Accordingly, the study conducted robustness tests to assess how boardroom diversity affects risk levels. The results indicate that task-oriented board diversity plays a role in mitigating firm risk, thereby reinforcing the primary conclusion that such diversity contributes to greater firm value

Third, the study makes comparative analysis across financial and non-financial listed firms. Results are found consistent and suggest that board diversity enhances firm value in both financial and non-financial Chinese listed firms.

### **Hypotheses Development**

#### **Relation-Oriented Board Diversity and Firm Value**

Age in corporate leadership is frequently viewed in two ways. On one side, it brings valuable experience; whereas, it is often connected to increased risk aversion and consequently potentially diminished returns (Kim & Lim, 2010). Wiersema and Bantel (1992) and Ahn & Walker (2007) argue that older board members are generally less receptive to change. However, not all studies align with this view. For example, Platt and Platt (2012) found that firms led by older directors are less prone to bankruptcy, while Golden and Zajac (2001) noted a positive association between higher proportion of older and the implementation of strategic initiatives.

Given this inconsistent empirical evidence, scholars including Mahadeo et al. (2012) have emphasized the value of diversity in age on corporate boards. They argue that combining the energy and innovation of younger members with the wisdom and experience of older directors can enhance firm performance. Conversely, Bonn et al. (2004)—found no link of work outcomes and age diversity. Some researchers have even identified potential drawbacks. For instance, Knight et al. (1999) reported that age diversity could hinder strategic consensus, while Hafsi and Turgut (2013) suggested a negative correlation between corporate social performance and age diversity of corporate directors.

Another aspect that has increasingly drawn attention in recent years is gender representation on corporate boards. This focus stems partly from regulatory changes in many developed nations advocating for gender balance. While the ethical rationale is clear, economic researchers continue to debate whether gender diversity positively affects firm performance. The findings remain mixed. Certain studies highlight that gender diversity is positively related with firm outcomes (Darko et al., 2016; Green & Homroy, 2018), while others report adverse effects (Ahern & Dittmar, 2012; Adams & Ferreira, 2009).

Bennouri et al. (2018), for instance, found that while female board members can enhance accounting-based performance measures, their presence might negatively affect Tobin's Q. Norway's legislation mandating a minimum of 40% female board representation since 2008 (Bohren & Staubo, 2016) has sparked further examination, though the results remain ambiguous.

Overall, the literature presents a complex and often contradictory picture regarding the effects of gender diversity in boardrooms on firm value. Some empirical research, such as that by Carter et al. (2003) and Rose (2007), finds a positive relationship, while other studies, including Sila et al. (2016), report no significant impact on firm risk. These divergent findings reflect broader debates on the role of relation-oriented diversity—particularly age and gender—in shaping organizational performance. While some perspectives suggest such diversity may pose challenges to effective governance, others argue that it enhances long-term efficiency. In light of these varying insights, we propose the following hypothesis.

**H1:** Relation-oriented board diversity is positively associated with firm value

#### **Task-Oriented Board Diversity and Firm Value**

Research exploring the effects of education diversity on corporate value and other characteristics remains relatively rare, with most studies concentrating on the academic credentials of senior executives. Existing evidence generally points to either a positive effect (Kim & Lim, 2010;) or an insignificant relationship (Assenga et al., 2018; Daily & Dalton, 1994; Rose, 2007). Interestingly, some scholars, for instance Boadi and Osarfo (2019), report a that there is a negative association between firm performance and the

presence of board members holding doctoral degrees. The specific type of education also appears to matter. For instance, Barker and Mueller (2002) found that CEOs with technical training are more likely to allocate resources to R&D, in contrast to those having degrees in law or business, who tend to approach such investments with greater caution.

Despite this, the impact of educational diversity within the board remains an underexplored area. Knight et al. (1999), for example, noted a negative link between educational heterogeneity and strategic consensus. According to Milliken and Martins (1996), a board composed of members with diverse academic backgrounds is more prone to differing interpretations and approaches to problem-solving, which can increase cognitive conflict within the boardroom.

Another important factor influencing board effectiveness is tenure. It is often argued that longer-serving directors develop a deeper understanding of the firm, potentially leading to improved performance. Knight et al. (1999) found a positive correlation between tenure diversity and strategic alignment. However, tenure can also have drawbacks. For instance, Hermalin and Weisbach (2003) observed that as a CEO's tenure increases, board independence tends to decline. Similarly, extended board service can cause directors to become overly reliant on established routines, making them less receptive to innovative or unconventional ideas (Golden & Zajac, 2001). Directors with long tenures may also become increasingly driven by their own established beliefs when making decisions. Several studies support the notion that resistance to change intensifies with years of board membership (Golden & Zajac, 2001; Musteen et al., 2006). In contrast, shorter tenures are often linked to improved monitoring effectiveness, as turnover introduces novel perspectives and alternative approaches to decision-making (Ahmadi et al., 2018).

Additionally, research into the variation in tenure across board members reveals further implications. Tuggle et al. (2010), for instance, concluded that greater disparities in tenure among directors increase the likelihood of entrepreneurial topics being addressed in boardroom discussions. In light of these findings, we propose the following hypothesis.

**H2:** Task-oriented board diversity is positively associated with firm value.

## **DATA AND METHODOLOGY**

### **Data**

We extracted data for our sample from Chinese database CSMAR over the period 1999-2016. Our sample includes Chinese non-financial and financial listed firms listed on the Shanghai and Shenzhen stock exchange. We further excluded B flag listed firms, monthly and quarterly data. Finally, our dataset includes annual data and is comprised of 1,793 firms and 17087 observations for non-financial listed firms, and data for financial listed firms is comprised of 655 observations and 77 firms.

### **Methodology**

To materialize the hypothesis, we developed a panel data set. Because panel data helps us to assess the impact of board diversity on firm value over time, by analyzing the observations over a period of years across different financial institutions. To describe the variables statistically we applied descriptive statistics. We did regression analysis with robust standard errors for estimation purpose. Moreover, we also did some robust check, as we examined the impact of boardroom diversity on firm risk. For estimation purpose, we used the following econometric equations.

*Table 1: Measurement of Variables*

Variable	Symbol	Definition / Measurement
Firm Value	FVALUE	Measured using Tobin's Q, representing market-based firm value.
Risk	SDSR	Rolling standard deviation of stock returns over the past three years.
Gender Diversity	D_GENDER	Calculated using Blau's Index with two categories: male and female.
Age Diversity	D_AGE	Blau's Index with five age groups: $\leq 40$ , 40–49, 50–59, 60–69, $\geq 70$ .
Educational Diversity	D_EDUCATION	Blau's Index with five levels: technical secondary or below, associate, bachelor, master, PhD.
Tenure Diversity	D_TENURE	Blau's Index with four groups: $\leq 3$ years, 4 years, 5 years, $> 5$ years.
Relation-Oriented Diversity	D_RELATION	Sum of D_GENDER and D_AGE.
Task-Oriented Diversity	D_TASK	Sum of D_EDUCATION and D_TENURE.
CEO Duality	DUALITY	Dummy variable: 1 if CEO is also board chairperson; 0 otherwise.
Board Independence	INDBOARD	Ratio of independent directors to total board members.
Total Assets	TA	Natural logarithm of total assets.
Cash and Cash Equivalents	CASH	Natural logarithm of total cash and equivalents.
Sales Growth	SGTH	Annual growth in total revenue.

#### Econometric Equation

$$FVALUE_{i,t} = \beta_0 + \beta_1 Boarddiversity_{i,t} + \sum \beta_i Controlvariables_{i,t} + u_{i,t} \quad (1)$$

$$SDSR_{i,t} = \beta_0 + \beta_1 Boarddiversity_{i,t} + \sum \beta_i Controlvariables_{i,t} + u_{i,t} \quad (2)$$

From equation -1 *FVALUE* reference to Tobin q and represents firm value, *boarddiversity* represents both task-oriented boardroom and relation-oriented diversity,  $\sum \beta_i \text{Controlvariables}$  represents control variables and  $u_{i,t}$  represents error term. In equation-2 *SDSR* represents firm risk Please find the detailed description of variables in table 1.

## RESULTS AND DISCUSSION

### Results and Discussion on Financial Listed Firms

#### Descriptive Statistics

Descriptive statistics are presented in table 2. The average value of TOBINQ, which represents firm value, is 1.57. For RISK, indicating risk, the mean is value 0.849. D\_RELATION which reflects relation-oriented diversity, has mean value is of 0.872. Meanwhile, D\_TASK, which reflects task-oriented diversity on the board, has mean value of 0.936. Finally, for *CEODUA* (CEO duality), *INDBOARD* (independent board) *BSIZE* (board size), and *SGTH* (sales growth), their mean values are 1.475, 0.333, 10.35, and 0.245, respectively.

*Table 2: Descriptive Statistics*

Variable	Obs	Mean	Std.Dev.	Min	Max
TOBINQ	655	1.572	1.706	0.053	7.26
RISK	655	0.849	0.808	0.015	5.856
D_RELATION	655	0.872	0.141	0.278	1.195
D_TASK	655	0.936	0.325	0	1.463
CEODUA	655	1.475	0.805	0	2
INDBOARD	655	0.333	0.106	0	0.667
BSIZE	655	10.351	3.53	5	19
SGTH	655	0.245	0.722	-0.652	3.478

#### Effect of Board Diversity on Firm Value

Table 3 presents the regression results. The analysis examines the influence of the two main dimensions of board diversity on firm value. The R-squared values for the models in columns 1, 2, and 3 are 0.074, 0.072, and 0.055. For relation-oriented diversity (D\_RELATION), the regression coefficients are statistically insignificant in columns 1 and 3. In contrast, task-oriented diversity (D\_TASK) shows a statistically significant positive relationship with firm value, as measured by TOBINQ. Specifically, D\_TASK has beta coefficients of 0.655 and 0.640 in columns 1 and 2, with significance at the 5% level ( $p = 0.05$ ). These results indicate that task-oriented board diversity has positive association with firm value, suggesting that enhancing this type of diversity can contribute to improved firm value.

*Table 3: Effect of Board Diversity on Firm Value for Non-financial Listed firms*

OLS with fixed effects and robust standard errors			
VARIABLES	(1) TOBINQ	(2) TOBINQ	(3) TOBINQ
D_RELATION	0.633 (0.841)		0.521 (0.874)
D_TASK	0.655** (0.268)	0.640** (0.264)	



CEODUA	0.0349 (0.0833)	0.0268 (0.0821)	-0.00191 (0.0838)
INDBOARD	-1.344** (0.668)	-1.296* (0.693)	-1.573** (0.670)
BSIZE	-0.140** (0.0558)	-0.141** (0.0564)	-0.144** (0.0571)
SGTH	-0.0787 (0.0898)	-0.0804 (0.0890)	-0.0680 (0.0938)
Constant	3.520*** (0.932)	4.054*** (0.702)	3.168*** (1.001)
Observations	626	626	626
R-squared	0.074	0.072	0.055
Number of Stockcode	77	77	77

. \*\*\*, \*\*, and \* denote significance level at the 1%, 5%, 10% .

### Effect of Board Diversity on Firm Risk

A decline in firm risk is generally associated with an increase in firm value. To validate the main findings, robustness checks were performed. The results are presented in Table 4. The effects of both diversity dimensions on firm risk are displayed across the three model specifications, with R-squared values of 0.170, 0.153, and 0.098, respectively.

For relation-oriented diversity (D\_RELATION), the regression coefficients are -1.002 and -1.060 in columns 1 and 2, both coefficients are statistically significant at 5% level. Similarly, task-oriented diversity (D\_TASK) shows a statistically significant negative association with firm risk (measured by SDSR), with beta values of -0.760 and -0.770 in columns 1 and 2, respectively, at significance level of 1% level ( $p = 0.01$ ). These results indicate that greater task-oriented board diversity is linked to lower firm risk. This inverse relationship supports the earlier finding that task-oriented board diversity enhances firm value by contributing to risk reduction.

**Table 4: Effect of Board Diversity on Firm Risk**

OLS with fixed effects and robust standard errors			
VARIABLES	(1) SDSR	(2) SDSR	(3) SDSR
D_RELATION	-1.002** (0.493)		-1.060* (0.597)
D_TASK	-0.760*** (0.175)	-0.770*** (0.184)	
CEODUA	0.200*** (0.0688)	0.210*** (0.0751)	0.156** (0.0697)
INDBOARD	1.470*** (0.320)	1.406*** (0.317)	1.139*** (0.311)
BSIZE	0.0168 (0.0318)	0.0193 (0.0308)	0.00946 (0.0314)
SGTH	0.132**	0.134**	0.142**

	(0.0608)	(0.0605)	(0.0632)
Constant	1.440**	0.556	1.032*
	(0.543)	(0.398)	(0.574)
Observations	606	606	606
R-squared	0.170	0.153	0.098
Number of stock code	65	65	65

\*\*\*, \*\*, and \* denote significance level at the 1%, 5%, 10% .

### **Moderating effect of SOEs on the relationship between boardroom diversity and firm value for financial listed firms**

The Chinese economy exhibits notable differences from Western economies, particularly in terms of ownership structure. A significant portion of Chinese firms remains under state control (Chen et al., 2019). Despite ongoing reforms aimed at reducing state ownership, state-owned enterprises (SOEs) continue to represent a substantial share of publicly listed companies in China (Jebran et al., 2019). To account for the presence of SOEs, a dummy variable was introduced—coded as 1 for SOEs and 0 otherwise.

Results of regression analysis are presented in Table 5. The results suggests that the interaction term of dummy variable SOEs, and board diversity don't have any significant effect on firm value, as beta values of interaction terms are found insignificant across columns 1, 2 and 3, respectively.

**Table 5: Moderating effect of SOEs on the relationship between boardroom diversity and firm value for financial listed firms**

OLS with fixed effects and robust standard errors			
VARIABLES	(1) TOBINQ	(2) TOBINQ	(3) TOBINQ
DSOE_D_TASK	-0.151 (0.258)	-0.316 (0.246)	
DSOE_D_RELATION	-0.267 (0.314)		-0.408 (0.298)
CEODUA	-0.0355 (0.0836)	-0.0222 (0.0810)	-0.0414 (0.0846)
INDBOARD	-1.945** (0.861)	-1.827** (0.843)	-2.004** (0.827)
BSIZE	-0.141** (0.0594)	-0.142** (0.0593)	-0.143** (0.0592)
SGTH	-0.118 (0.104)	-0.117 (0.103)	-0.117 (0.104)
Constant	4.028*** (0.765)	3.938*** (0.747)	4.061*** (0.761)
Observations	545	545	545
R-squared	0.071	0.070	0.071
Number of stock code	65	65	65

\*\*\*, \*\*, and \* denote significance level at the 1%, 5%, 10% .

### **Results and Discussion on Non-Financial Listed Firms**



*Table 6: Descriptive Statistics*

Variable	Obs	Mean	Std.Dev.	Min	Max
TOBINQ	11994	3.686	3.055	0.77	16.796
SDSR	11994	0.7	0.511	0.07	2.228
D_RELATION	11994	0.856	0.162	0.067	1.272
D_TASK	11994	0.899	0.287	0.054	1.51
CEODUA	11994	0.14	0.347	0	1
INDBOARD	11994	0.361	0.047	.273	.5
BSIZE	11994	9.197	1.853	5	15
SGTH	11994	0.35	0.65	-0.552	3.278

### Descriptive Statistics

Descriptive statistics are presented in table 6. The mean value of TOBINQ, representing firm value, is 3.686, SDSR which represents firm risk, has an average of value of 0.7. D\_RELATION that represents relation-oriented diversity has mean value of 0.856. In contrast, D\_TASK that represents task-oriented diversity has mean value of 0.899. Finally, for CEODUA (CEO duality), INDBOARD (board independence), BSIZE (board size), and SGTH (sales growth), their mean values are .14, 0.361, 9.197, and 0.35, respectively.

*Table 7 Effect of Board Diversity on Firm Value for Non-Financial Listed Firms*

OLS with fixed effects with robust standard errors			
VARIABLES	(1) TOBINQ	(2) TOBINQ	(3) TOBINQ
D_RELATION	0.418 (0.268)		0.461* (0.269)
D_TASK	0.263** (0.129)	0.278** (0.129)	
CEODUA	0.152 (0.108)	0.163 (0.109)	0.159 (0.108)
INDBOARD	3.479*** (0.801)	3.513*** (0.802)	3.527*** (0.803)
BSIZE	-0.0681*** (0.0236)	-0.0693*** (0.0236)	-0.0702*** (0.0236)
TA	-0.577*** (0.0459)	-0.580*** (0.0456)	-0.558*** (0.0436)
Constant	15.17*** (1.036)	15.59*** (0.980)	14.97*** (1.021)
Observations	11,994	11,994	11,994
R-Square	0.076	0.076	0.074
Number of stock code	1,566	1,566	1,566

\*\*\*, \*\*, and \* denote significance level at the 1%, 5%, 10% .

### Effect of Board Diversity on Firm Value for Non-Financial Listed Firms

Table 7 presents the regression results. The table examines the impact of the two main dimensions of board diversity on firm value. The R-squared values for columns 1, 2, and 3 are 0.076, 0.076, and 0.074, respectively.

For relation-oriented diversity (D\_RELATION), the coefficient reported in column 3 is 0.0461 and is statistically significant at the 10% level ( $p = 0.10$ ). Similarly, task-oriented diversity (D\_TASK) has coefficients value as 0.263 and 0.278 in columns 1 and 2, respectively, both significant at the 5% level ( $p = 0.05$ ).

These findings support the main results of the study, confirming that task-oriented board diversity contributes positively to firm value. Additionally, the association of relation-oriented diversity with firm value suggests task-oriented also positively affects firm value.

**Table 8: Effect of board diversity on firm risk for non-financial listed firms.**

<b>OLS with fixed effects and robust standard errors</b>			
<b>VARIABLES</b>	<b>(1) SDSR</b>	<b>(2) SDSR</b>	<b>(3) SDSR</b>
D_RELATION	-0.132*** (0.0430)		-0.199*** (0.0432)
D_TASK	-0.403*** (0.0202)	-0.409*** (0.0201)	
CEODUA	0.0103 (0.0184)	0.00635 (0.0185)	-0.00419 (0.0191)
INDBOARD	0.680*** (0.141)	0.669*** (0.141)	0.571*** (0.146)
BSIZE	0.00219 (0.00398)	0.00271 (0.00400)	0.00434 (0.00401)
TA	-0.00267 (0.00586)	-0.000986 (0.00583)	-0.0243*** (0.00554)
Constant	0.959*** (0.138)	0.814*** (0.130)	1.146*** (0.136)
Observations	11,994	11,994	11,994
R-Square	0.039	0.037	0.004
Number of stockcode	1,566	1,566	1,566

\*\*\*, \*\*, and \* denote significance level at the 1%, 5%, 10% .

#### **Effect of Board Diversity on Firm Risk for Non-Financial Listed Firms**

A reduction in firm risk typically contributes to greater financial stability. Results of regression analysis are presented in Table 8. The effects of both diversity dimensions on firm risk are reported across three model specifications, with R-squared values of 0.039, 0.037, and 0.004 in columns 1, 2, and 3.

For relation-oriented diversity (D\_RELATION), the coefficients in columns 1 and 2 are -0.132 and -0.199, respectively, both statistically significant at the 1% level ( $p = 0.01$ ). These results indicate a negative association between relation-oriented board diversity and firm risk (measured by SDSR) among non-financial listed firms. Similarly, task-oriented diversity (D\_TASK) also shows a significant negative relationship with firm risk, with beta values of -0.403 and -0.409 in columns 1 and 2, respectively, also significant at the 1% level.

These findings confirm that both forms of board diversity—relation-oriented and task-oriented—contribute to lowering firm risk. This inverse relationship supports earlier results, suggesting that enhanced boardroom diversity not only promotes firm value but also reduces firm risk in non-financial listed firms.

**Table 9: Moderating effect of SOEs on the relationship between boardroom diversity and firm value for non-financial listed firms.**

VARIABLES	OLS with fixed effects		
	(1) TOBINQ	(2) TOBINQ	(3) TOBINQ
SOE_DMY_RELATION	0.204*** (0.0775)	0.208*** (0.0644)	
SOE_DMY_TASK	0.00459 (0.0493)		0.0979** (0.0416)
CEODUA	0.0735 (0.141)	0.0733 (0.141)	0.0885 (0.142)
INDBOARD	2.710*** (1.004)	2.710*** (1.003)	2.813*** (1.004)
BSIZE	-0.103*** (0.0346)	-0.103*** (0.0346)	-0.105*** (0.0346)
TA	-0.424*** (0.0664)	-0.423*** (0.0644)	-0.439*** (0.0659)
Constant	12.57*** (1.468)	12.56*** (1.432)	13.09*** (1.445)
Observations	11,582	11,582	11,582
R-squared	0.016	0.016	0.014
Number of stock code	1,552	1,552	1,552

\*\*\*, \*\*, and \* denote significance level at the 1%, 5%, 10% .

#### **Moderating effect of SOEs on the relationship between boardroom diversity and firm value for non-financial listed firms.**

The Chinese economy exhibits several structural differences compared to Western economies, most notably the significant presence of state ownership in its corporate sector (Chen et al., 2019). To assess this, an interaction term was created between a dummy variable representing SOEs (coded as 1 for SOEs and 0 otherwise) and boardroom diversity.

Results of regression analysis are presented in Table 9. The interaction terms between SOE status and both forms of board diversity show a statistically significant positive association with firm value. Specifically, the interaction term for relation-oriented diversity (SOE\_DMY\_RELATION) has beta coefficients of 0.204 and 0.208 in columns 1 and 2, respectively, both significant at the 1% level ( $p = 0.01$ ). Similarly, the interaction term for task-oriented diversity (SOE\_DMY\_TASK) in column 3 has a beta coefficient of 0.097, significant at the 5% level ( $p = 0.05$ ).

Results suggest that state ownership strengthens the positive effect of both relation- and task-oriented board diversity on firm value, highlighting the important role SOEs play in shaping the governance-performance link in China.

## **RESULTS DISCUSSION**

The regression analysis reveals that both task-oriented and relation-oriented board diversity are positively and significantly associated with firm value. To further validate these findings, robustness checks were conducted to assess the impact of boardroom diversity on firm risk. The results confirm that board diversity—both task- and relation-oriented—contributes to a reduction in firm risk, thereby enhancing firm value. These findings reinforce the main conclusion that increased boardroom diversity leads to greater firm value.

The study also explored whether state ownership moderates the relationship between boardroom diversity and firm value. The results support the presence of a significant moderating effect, indicating that the nature of ownership (i.e., SOEs vs. non-SOEs) influences the strength of the diversity–performance relationship.

Additionally, the relationship between board diversity and firm value was examined separately for financial and non-financial listed firms. The results remained consistent across both sectors. In particular, relation-oriented board diversity demonstrated a positive and statistically significant association with firm value in the sub-sample of non-financial listed firms.

## **RECOMMENDATIONS AND FUTURE DIRECTIONS**

We extracted data for our sample from Chinese database CSMAR over the period 1999-2016. Our sample includes Chinese non-financial and financial listed firms. We further excluded B flag listed firms, monthly and quarterly data. Finally, our dataset includes annual data and is comprised of 1,793 firms and 17087 observations for non-financial listed firms, and data for financial listed firms is comprised of 655 observations and 77 firms.

### **Recommendations**

This study represents the first empirical investigation into the impact of boardroom diversity on firm value within the specific context of China. The results indicate that increased board diversity contributes to lower firm risk and improved firm value. In China, corporate boards play a pivotal role in both monitoring and advisory functions, especially in an environment characterized by weak institutional frameworks and limited investor protection. Unlike many other emerging markets, China has implemented consistent regulatory reforms aimed at strengthening corporate governance (Jiang et al., 2009). Given the central role of banks in driving China's economic growth, significant governance reforms have also been introduced in the banking sector, with a particular focus on enhancing the effectiveness of bank boards. Despite these developments, empirical research on board diversity—particularly within Chinese bank boards—remains scarce. The findings of this study, therefore, offer valuable insights that can inform policy efforts to improve board effectiveness and governance practices. Specifically, the findings recommend to have a more diverse group of people on the company's board. This means having people from different backgrounds, like different ages or education levels, on the board. The research found that when boards are more diverse, companies make better decisions.

It is also recommended that regulatory authority give companies rewards if they have a diverse board. For example, the government can give them tax benefits or other financial help. This can encourage companies to work harder on having a diverse board. Also, the research shows that when companies have a diverse board, they become more stable and valuable.

### **Future Directions**

This is the first study that empirically tests these assumptions in Chinese Context, however there is a possibility that results can be different in other emerging economies. Due to some limitations, we could

not include all the features of board diversity due to data limitations. First, future research can replicate the same study in some other contexts. Second, future research may include some other features including race and ethnicity.

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