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"THE IMPACT OF BOARD GENDER DIVERSITY ON CAPITAL STRUCTURE: EMPIRICAL EVIDENCE FROM FINANCIAL OR NON-FINANCIAL LISTED FIRMS ON THE PAKISTAN STOCK EXCHANGE"

By:

FATIMA JABEEN ***01-321222-013***

Supervisor:

DR. OSMAN BIN SAIF

Department of Business Studies
Bahria University Islamabad

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Names of Student:

- FATIMA JABEEN Enroll # 01-321222-013.

Class:

(MBA 1.5 YEARS)

Approved by:

____

DR. OSMAN BIN SAIF

Supervisor

____

SUMAIRA HAROON

Internal Examiner

____

DR. NAEEM

External Examiner

____

Dr. Syed Haider Ali Shah

Research Coordinator

____

Dr. Khalil Ullah Mohammad
Head of Department
Business Studies

ABSTRACT

The purpose of current study is to investigate the association between Board Gender Diversity (BGD) and Capital Structure (LEV) with moderating role of Firm Size by Pakistan Non-Financial listed companies on Pakistan Stock Exchange. The data is selected for sample of 154 non-financial firms over ten years from 2011-2020 with 1,540 number of observations. A regression model, a panel data analysis technique used in the study. The result determined that "Board Gender Diversity" (BGD) has an insignificant and positive relationship with capital (LEV). The firm size (FS) shows positive and significant association on leverage (LEV), while the interaction role of Firm Size (FS*BGD) has insignificant and negative association in between "Board Gender Diversity" (BGD) and "Capital Structure" (LEV). The only control variable of study is profitability (PROF) and has significant association on leverage but however the impact remains negative.

Keywords: Board Gender Diversity, Capital Structure, Firm Size, Profitability, Pakistan Listed Non-Financial Firms, Pakistan Stock Exchange

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List of Abbreviation

LEV	“Leverage”
BGD	“Board Gender Diversity”
FS	“Firm Size”
FS*BGD	“Board Gender and Earning Management”
FS	“Firm Size”
PROF	“Profitability”
FP	“Firm Performance”
PSX	“Pakistan Stock Exchange”

CHAPTER 1
INTRODUCTION

1.1 Background of Study

Corporate Governance is a base of an effective business practices, playing an important role in making of strategic decision and organization performance. In recent period of time the role of board of director gained significant attention particularly in respect of gender diversity. Over the recent decade the importance of gender diversity has risen on board (Lee, Marshall, Rallis, &Moscardi, 2015).More over the main purpose of Board of director is to manage the performance of the organization and through this shareholder interest is protected (Kosnik, 1987, 1990), therefore, expected that the Board pay its duties effectively, the value of the company's is predicted to rise and the wealth of shareholders will be enriched accordingly.

Woman participation in board of director is increasingly acknowledged as a critical factor increasing decision making process, risk management and overall organizational effectives."Australia, Belgium, France, Germany, Iceland, Italy, Norway, and Spain", has passed "legislation"on female mandating role on board representation Chapple& Humphrey, (2012). The scope of Corporate Governance is recognized globally, and this research is focused and investigated within Non-financial Sector in Pakistan. The Pakistan Non-financial sector is serving as the primary engine for economic developments and financial intermediation. In a male dominant society, women are perceived as less passionate, aggressive, risk-averse, and careful decision-makers. The gender-related rates of women may affect the cognitive decision activities of the Executive boards leading them to be more careful regarding financial decisions and reporting.

Corporate governance is the tool that is supported to minimize the agency cost that is arising due to misunderstanding between principle and agent. The misunderstanding comes naturally because managers at a privileged position due to the separation of possession from the control of modern-day business give them independence to take decision either analysis with or create the firm maximization objective. Thus, manager can use their power for self-interest at the expense of stakeholder.

The corporate manager can use the earning management in beneficial way or in some offensive way. Researcher labeled it as efficient earning management; it increases efficiency of insidedata and opportunistic earning management, which increase manger personally usefulness opportunity.

Female representation in business has been the focal point of open discussions from analysts, approach creators and financial specialists over two decades. The 21st century workforce is embodied by more female representatives with different ethnic foundations, elective ways of life, and inter-generational contrasts than previously (Lang-don, McMenamin&Krolik, 2001).

The responsibility of corporate Board is for governance and look after all the activities and purpose of the organization (Carroll and Buchholtz, 2011). Board diversity associates can better understand diverse market situation, and this can lead towards new innovation and it is possible due to Board consisted different members from demographic background and mix culture with diverse experience level (Carter, Simkin, &Simpso, 2003).

Diversity creates knowledge, creativity and innovations in the Boards which lead competitive advantages and therefore improve firm's performance (Watson, Kumar and 3 Michaelsen, 1993). Diversity can improve performance by enhancing good decision in the Board; it can also lead to a loss in performance due to risk increased conflicts among directors (Erhardt, Werbel and Shrader, 2003).

The presences of women on the boardroom might be inadequate results like (Labelle, Francoeur&lakhal ,2015) contented that numerous country in the phase of adopting or promoting different approaches to maximize the number of female on corporate board. The authors mentioned the three basic approaches in term of the female gender presence on the board in worlds. The 1st approach is to create female quotas for female representativeness on the board. The second approach is enabling approach, which make sure by the regulation to companies under certain given guidelines. The third approach is voluntary approach which means that female may be appointed on board of director by market force. The presences of women on the board are considered positive influence to the quality of company governance and strategic management and it leads towards positive performance.

BGD becomes more important in discussion due to four important benefits through which a firms gains more by diversifyboard gender, these are getting high financial performance, explore more talent, high response of market and strengthen corporate governance policies (Doldor et al 2012).

Kanter (1977) argued that gender diversity has two important arguments while in discussion, the first argument describes female hold high skills, qualification and experience tends chance to perform on board. 2nd argument describes the significant gender diversity inside board of directors tends toward high governance and high level of firm performance. The female representation on board should perform duties only to enhance performance otherwise, firms will be involved in "tokenism" shows a small amount of group on a board and tends sexual aspect and racial equality within a workforce. If the nomination committee understand that how much it is significant to have female on board of director, it may be easy for them to establish good business about their proficiency to investors (Carter et al 2010).

Hillman, et al, (2002) contented that women have different characteristic and framework which make them individual from other director. Female have capabilities to ask resilient queries and make unity in management position (Kramer et al 2007). Board gender diversity has explained by diversified theoretical argument, which means no single theory can describe the impact of women on board of director and firm-performance. However different theories supported the relationship of women on board of director and firm-performance investors (Carter, et al 2010).

1st agency theory describes the conflict in between owner and agent (Jensen and Meckling, 1976). Mixed gender diversity accomplishes strategic features such as bringing innovation in ideas, workforce experience, managing and advising and has work knowledge to making decision process on corporate board which tends to increase in firm-performance (Johnston & Malina,2008). The main purpose of board structure to solved agency problem and increase the board toward efficiency. A mix board which includes number of male and female may tends the role of female in the best interest of organization with owner interest (Hillman &Dalziel, 2003). Adman and Ferreria (2009) stated that female on corporate board introduce hard monitoring system and they do not lead the concept of old boy "club" network and also enhance attendance improvement rate over the male workforce.

The 2nd theory described Stakeholder model, which deals that firms maximize welfare by diversified stakeholder rather than individual shareholder. Stakeholder includes employees, either female or male, local communities, the government, customers, creditors and debtors (Blair, 1995). Stakeholder might have various supposition to those judged by shareholder, they night propose that the structure of board composition should be adjusted in reflection of stakeholder expectation, such as hiring women director on corporate board (Low et al, 2015 ;Balir, 1995).

Third theory is Resources Dependence theory deals that firms uses resources available to gain high level firm performances (Pfeffer,1978). The firms resources consists human capital, independent suggestion, experience and knowledge from both gender (Haniffa& Cooke, 2002).

A board diversified gender has a positive impact on the firms and it link with external resources and it includes skills, qualification and experience of board members, status and lawfulness (Goodstein, et al,1994; Ntim, 2004). As women ration of population is above 50% of total population in world and it is considered a major consumers and tend with group of talented people. It leads that female representativeness added new resources and improve firm performance efficiency (Burke and mattis, 2000).

Firm performance is reflected an important variable that effects various stakeholder i.e. manager, employees, shareholder, lender and creditor as their dividend, its compensation and bonus and so on. Hang on it. In financial reports as it shows the firms profitability which is an important issue of earning figure of a firm, affects various stakeholders. Thus, the earning quality is an important tool of proper financial reporting and the study again observed that business governance is a significant instrument which helps to improve firms earning quality by reducing earning management (Rahman & Ali, 2006, Abed, et al 2012).

Pakistan give a brilliant research facility to read the expressed relationship for at least twice purpose. To begin with, the social and professional workplace in "Pakistan" is altogether commanded by women, which does not enable women to ascend the stepping stool on corporate sheets (.Mirza et al, 2012). This evident from the way that still, there is no compulsory necessity of women re-presentation on corporate sheets in Pakistan non-financial firms (.Mirza et al., 2012). Be that as it may, even without obligatory prerequisite, the firms have female presence on Board. The example shows that roughly 41.5 percent of the organizations have at least one Female Director on board. In this manner, Pakistan gives a perfect setting to discover the nexus among Female Directors and firm-performance in a business in which there is no lawful prerequisite of female on board.

Second, in Pakistan point of view, Corporate choice in registered firms are altogether impact by macroeconomics intercessions, whose builds the contention for minority and controlling investors; subsequently organization clashes is a serious worry in Pakistani Listed firms on PSX (Ghazali and Bilal, 2017). Therefore, it is basic to adjust the corporate administration components to alleviate organization clashes and along these lines improve firm worth. We anticipate that female director on corporate board can assume a significant job by having assorted presence, which may thus increment a company worth.

Many researchers examined the relationship between "Board Gender Diversity" & "Capital structure", majority of the non-financial writing to examine the negative relationship between

BGD and leverage. Some authors suggested that the influence might be moderate by making comparison of female board of director in a “financial” situation versus a “non-financial setting”. The relationship between board dynamics and capital structure decisions is complex, and understanding how gender diversity on boards influences these decisions is crucial for advancing our knowledge of Corporate Governance Practices in the Pakistani non-financial industry.

Company Board is the main internal governance structures, have responsible to run Firm Management and protect shareholder interest. The members of board of director of firms have been vigilantly examined in both Academic and General Field. Board gender diversity within board room is given special focus in recent period of time for potential benefits and their implication in decision-making-process (Srivastav&Hagendoff, 2016).

The woman presence in board room is mentioned as a governance implementation which can perk up governance quality, monitoring, transparency and prevent shareholder rights. These all role are supported by the “Agency Theory” that plays an important role to monitor strategy in implementation to protect the share holder wealth and united with administrator (Guizani&Abdalkrim, 2022). Furthermore advantage of female presence in board of director is likely to be “more risk averse and less overconfident” than man and is concern in making decision (“Garcia and Herrero, 2021). In recent time the study related to board gender diversity found that male and female are different regarding “risk aversion, mutual trust dimension and overconfidence” and these diversity positively impact financial decision (.Beck, Behr, &Guettler, 2013).

The Economic drive to use the women section of work power and a few instances of shocking women exhibitions on top administrative positions are changing the perspectives on individuals with entry of time yet at the same time female are not considered as equivalent contenders of men. As per Trade-off theory, Firms should maintain maximum Leverage level which makes equal balance in between the expenses and settlement of holding debts (Kraus and Litzenberger, 1973).Capital structure is the resources available for finance of firms for current and potential investment needs. The main purpose of capital structure is to make choice between equity and debt financing. Optimal capital structure, which was discussed by many researchers determined by tax shield and bankruptcy, which gives benefits to bank to retain a specific Capital Structure and maintain a particular debt ratio to maximize profit. Optimal Capital Structure means with a maximum WACC and thus maximizes the asset of firms.

Capital Structure resolute by the organization structure illustrated by conventional theoretical separation of possession and organizes. The conflict raise due to position and disagreement of interest between owner and the agent, this may be some governance issue, called Agency Problem. This governance need to be resolved to avoid bankruptcy, business failure, corporate collapse and financial crisis at large.

During 2008 the financial crisis hits the world hardly and gained much attention by the importance of Leverage in non financial sectors. Many financial experts and boards at time showed the impor1tance of capital structure of a firm leads to financial distress during financial crisis. The requirement of higher capital will slow improvement by increasing the cost of capital (.Bandt et al, 2014).

The impact of Leverage on firm’s performance, different literature and practical studies are conducted and different analyses were used. The first stage study recommended that “high leverage level has significant impact on the performance of the financial sector”. The second view recommended that a high level of capitals and low level of debts can protect firms from financial crisis and bankruptcy.

Many theories has supported to the capital structure but “Modigliani and Miller” (,1958) got much attention prevalence in Financial Management. The nonappearance of transaction cost and other non variable costs are insensate to the leverage of the firm.

“Pecking order theory” disproves the concept that companies have equally combination of debts and equity which combinable minimize the cost of capital (Donaldson, 1961), for a long period of investment, the investor first preference is to allocate financing initially from its retained earnings. If the need of investment is not fulfilled then next option is to take external financing in the shape of bank loan and Corporate Bond. The last preference of financing is new equity financing because investors take a new equity issue rationally, and this step is taken in a very worse situation and only possible at a discount price. Different research have found by theorized and empirical methods that leverage is high valuable resources that gives potential to firms to generate high firms values. Furthermore scholar has also introduced that firm size are critical underlying mechanism in “business activities” such as “decision-making and innovation process” (.Li and Chen, 2018)

This study enhance with strong evidence on how Board Gender impacted the performance of capital structure with moderating role of firm size in financing decision. The empirical research is conducted to investigate the impact of study. This study is not examined in Pakistan, so therefore this study fills the research gap and it's important to enhance the performance of firm by investing the study hypothesis.

1.2 Research Gap

Many researches have been conducted in respect to BGD and capital structure and firm-performance like (Amin et al, 2021) studied the moderating impact of BGD in between corporate governance and capital structure of 226 non-financial firms listed in Pakistan Stock Exchange, but the impact of BGD on capital structure with interaction role of firm size is not investigated in Pakistan. So therefore this study will fill the gap and check the interaction role of Firm Size in between BGD on Board of Director and capital structure of non-financial firm listed on PSX. This study is important for investor to view the role of female on board of director because the female presence in board of director are likely to be "more risk averse and less overconfident" than man and are caution in making-decision (Garcia &Herrero, 2021)

1.3 Research Question

Followings are specific study questions based upon the problem statement:

- Does Board Gender Diversity negatively affect Capital Structure?
- Does the relationship between Board Gender Diversity and Capital Structure is moderated by Firm Size?
- Does Profitability negative effect on Corporate Leverage?

1.4 Research Objective

The following research objective to be analysis in this study.

- To examine the influence of Board Gender Diversity on Capital Structure.
- To examine the influence of moderating role of Firm Size in relationship between Board Gender Diversity and Capital Structure.
- To examine the effect of Profitability on Corporate Leverage.

1.5 Research Significance

This study contributes by investigating the above research questions and objective. The wider conceptualization of BGD, Capital Structure and Size of the firm will be checked as a model of Pakistan listed non-financial companies on PSX. The question will be answered by examining an extensive literature reviews on the effect of Firm Size in relationship between BGD and Capital Structure.

The study can help to resolve some unpredictable finding on the previous research on BGD and Leverage. Results can advise practically by analyzing the various level of diversity magnitude which may necessary for improving firms Leverage. Moreover, the moderate role of Firm Size in between relationship of BGD and companies Leverage may not be stationary across various measurement of size. This study helps for "company's corporate governance and other regulatory authorities" to improve decision making.

1.6 Problem Statement

Previous literatures have studied interaction role of BGD in between firm size in "Corporate Governance" and capital structure in Pakistan (Amin et al, 2021. However, there is no study examined on the impact of BGD on Capital structure with moderating role of firm size , since there are various factors that may influence the relationship and need to investigate for enhancing the performance of firm.

CHAPTER 2

2.1 Literature Review

Pakistan provides an important context to examine the impact of BGD on Capital Structure as wide change occurred in firm's restructuring and authoritarian in recent period of time. The impact of BGD got more attention in recent era and it is urged that female presence on board of director may experience improved financial performance. From agency theory perspective, the board gender diversity played an important role to moderate the conflict between management and shareholder and enhance corporate governance. The presence of female on board enhances monitoring, minimize agency cost and increase firm financial performance (Post & Byron, 2015).

2.2 Board Gender Diversity

Since 1973, the Pakistan has assumed most important reforms to modernize and extend s its business sectors. Different studied are examined to explore the importance of BGD on Firm-Performance. (Shafique, Idress&Yousaf, 2014) studied the impact of board gender diversity on firm value in non-financial sector of Pakistan and found that number of female on board room has significant impacted on firm-performance and also established that a number of percentage of women on a board and presence of women CEO has no impact on firm-performance. (Herring, 2009) suggested that women diversity on board is very important for corporate earning and income and also found that board gender diversity carries high return, high customer base and raised profit, this is because of more gender diversity leads to solve conflicts in decision making and lead toward high creativity and high firm performance.

(Kilic, 2015) studied the impact of BGD on firm-performance in turkey non-financial sector, the study discovered the negative relationship in BGD and firm performance. (Emma et al, 2015) studied the relationship of BGD on performance in firm by taking 159 non-financial firms in nine countries and discovered that board gender significantly impacted on performance of firms, those firms which regulatory system is weaker and gives less protection to customer less impact on the firm-performance. (Okoyeeuzu&ujunwa,2021) studied BGD on firm-performance in Nigeria and found positive association of BGD on firm performance in Nigeria.

(Manyaga, muturi & Olouch, 2020) studied BGD and non-financial performance and found a negative but significant impact on firm value, recommended a number of women presences in non-financial sector in Kenya is low and can be improve the performance by increasing number of women in board room. (Ntim, 2015) found that female have better knowledge of understanding of market than male counterpart and create better image in a community and found a significant relationship of BGD and market value.

Zafar, Zeeshan & Ahmed,(2016) studied the impact of leverage on firms performance in 25 manufacturing listed firms on PSX, the study found positive association of leverage on firm profitability. (.Mujahid et al, 2014) investigated the effect of leverage on firm value. Capital structure is determinant within country and foreign country, positive relation is revealed between leverage and firm value.

Siddik, kabrig & Joghee, (2017) investigated leverage on firms value in a emergent economy studied in "Bangladesh" of 122 firms from 2005 to 2014 found that leverage inversely effected firm performance, this finds helps greater significance for the developing countries to concentrate on firm management and help policy maker to reduce the dependence on debt to achieve optimal level of firm structure. (Nguyen, 2020) explored the impact of debts on firms value in Vietnam Stock Exchange. The result found that a debt has a significant negative impact on firm value. State owned companies showed stronger effect than non-state owned company.

Niclas et al (2004) investigated "demographic diversity in relation on Board of directors with financial performance Result showed that diversified Board is statistically significant. Similarly Johanne et al (2007) investigated "Board diversity in the United Kingdom and Norway". The main variables of Board diversity were Board of director and gender diversity. The study used cross-sector variation between diversified Board and firm size, used DataStream and run multiple regression analysis. It is more important to discover the educational contextual of number of female directors associating them with their male colleagues.

Additionally Nuria,Pilar and Joaquina (2015) studied that there was 98% increase in female directors. This ration concluded that it is compulsory regulation suggestion for a competent framework to perform the approval of "Spanish code of good governance" by means to increase females' directors. Further the study found that by increasing the number of females has a significant relationship to achieve higher performance. Therefore, the study recommended that gender diversity in the Board of director should be mandatory. Law enforcement must be the key factor for implementation. Furthermore

Muhammad,Yin and Carol (2013) studied that gender diversity is statically significant with employee productivity and Board diversity is statistically linear insignificant with return on asset and there existed an inverted U-shaped influence in between return on asset and age diversity.

Recently Aqil and Qazi (2019) examined the study on Board diversity which examined in term of gender diversity. The result showed that the occurrence of female directors promotes entity's performance, while female who are the part of Board is not associated to firm performance.

Additionally Ernest et al (2019) examined "Board diversity and dividend policy. The results concluded that there is positive significant relationship between Board diversity and dividend payments, if the ownership consideration is high, then diversified Board decrease dividend payoff in case of three or more female on the Board. The study also found that during financial crisis period the dividend payment is paid high, but female directors hold the payment of dividend payment in financial crisis period. They also found that diversified Board in gender may be effective corporate governance for improving principal-agent conflicts.

Dobbin &Jung (2011) examined the impact of company BGD on stock and inferred the association with board gender diversity showed negative or impartial outcomes with numerous performance extent such an ROA, Tobin's q and combined stock returns. In this case financial experts become one-sided and maintain strategic resources into firms having female leaders which prompt a decrease in stock costs.

Furthermore Hammad, Shahid and Sumaira (2012) investigated gender diversity and firm performance targeted non-financial sector in Pakistan. The authors found that the number of women director have insignificantly related with firm value. The explanation is might be accept of individuals that women are passionate, aggressive, risk averse, less sure and not knowledgeable and some imperceptible hindrances, which are worked by society to keep women in lower position.

Jan et al, (2015) studied "the controversial relationship in between female representative on firm performance and corporate Board". The result showed that current meta-analysis with more female representation on corporate Board did not influence on firm performance. Furthermore, the finding not supported diversity in business case, and recommended that diversity increase in firm financial performance. They concluded that it is a moral reason to promote fairness. Larger female director representation is not matter with respect to firm.

Ramzi, Aymen and Faten (2019) investigated BGD and firm non-financial performance in France. These authors contented that firms performance is increased by adding more female on board of director. The approval of French code may be decrease the performance of poorly performing firms.

Peter and Hannu(2017) examined gender board diversity and entities performance in UK. The study found as more female presence on board of director has a direct relationship to the firm performance. Women shared positive contribution to the entities value, but in between the financial disaster period in 2008, the female contribution not makes any positive effect on the entities value. This mean that the whole UK economy was suffering an economic down-turn and firm were no exemption,

Qaiser (2012) examined the relationship between BGD and its impact on firm performance in Pakistan. The result demonstrates that there is no noteworthy association between gender board diversity on firm value in “Pakistan”.

Irfan, Hongxing and Fang (2019) studied that how BGD and CEO gender can impact on entities in Pakistan. The authors found that women director on board have a significant relationship with entity values. The studied also found that female CEO improves firm performance. Additionally, the impact of female director and female CEOs on firm worth is more grounded in Public and Private entities.

Caspar et al (2017) studied the impact of female board on entities performance in Danish during the period of 1998- 2001. Regardless of that reality that Denmark did progression in female, Danish board of director are still to an enormous degree commanded by men. In spite of various different examinations, this article doesn't discover any critical connection between entity performance measured by firms value and women number of “board representative”.

In contrast Adam & Ferreira (2009) analyzed an insignificant relationship of BGD and firm value in United State , this result suggested that the mandatory female participation on board of director reduce overall firm value. The total 500 largest firms registered on Stock Exchange in “Denmark, Norway and Sweden”,Ronday et al, (2006) failed to find the significant relationship of BGD on firm performance.

2.3 Capital Structure

“Capital structure” consists of debts and equities use by firms. Capital structure played an essential role among scholar in finance field. The determination of capital structure is very hard. Financial manager faces several problems to determine the optimal capital structure. Additionally (.Saeed et.al, 2013) determined the study the impact of leverage on performance on Pakistan firms, determined that capital structure includes “short term debt’ to ‘capital ratio’, “long term debt” to “capital ratio”, founded the positive impact of leverage on firms value non-financial sector.

Furthermore Datta, Doan &Toscano, (2021) examined gender biased behavior dimension to firms debts maturity choice the study found that the impact of debt maturity indirectly impacted to the percentage of their enticement compensations. The alternative impact the interaction of relationship between BGD and leverage increase BGD. Furthermore the firm included female benefits from organization accounts payable ranking helps re-financing risk normally linked with short financing. The gender studied found that woman is more cautious about moral issue such as, integrity, interest conflict, disclosure and high moral standard as compared to male (Ho et.al, 2015).

2.4 Board Gender Diversity & Capital Structure

Female executive are estimated not as much in personal benefits then male counterpart, therefore in decision of liability maturity decision, female executive estimated the low preference for optimal longer maturity debts than male executive, therefore female executive are more correlated with minimum debts related agency conflicts and select less maturity debts than male counter-parts. Additionally the interaction impact of BGD in between “corporate governance” and leverage of 226 listed non financial firms in PSX and discovered that BGD is positively related with effective corporate governance and firms leverage, suggested the compulsory placement of women director in board of director in Pakistan and for accomplishment of “Corporate Governance” mechanism registered firms to attract lenders assurance (Amin et al 2021).

Pourmohammadian & Bahri (2021)studied leverage and BGD on board on 82 non-financial firms listed on Tehran Stock Exchange from 2009 to 2019, the data revealed that BGD has significantly effected on Leverage and show the importance of women on board in this digitalization era.

Yakubu&Oumarou (2023) studied gender diversity on capital structure of 30 publicly traded Ghanaian firms from 2008 to 2011, found that gender diversity on board exert significantly positive effects leverage. Gender diversity supported firm's reputation and magnetism to the lender.

In Contrast, Geel (2019) examined BGD and it impact on leverage in companies located mostly European countries. The study revealed a negative association between BGD on leverage. Additionally, the study also found that the effect of BGD on leverage in fact larger and more significantly for "Financial Firms" comparative to "Non-Financial firms". Furthermore Farag&Mallin(2016) found no significant relationship of board structure on gender diversity in China, but the study found direct relationship between supervisory size of board and BGD.

2.5 Capital Structure and Firm Size

(Ahmed et.al, 2023) examined that size of the companies plays a significant role in improving leverage and firm value by conducting the study of 156 firms listed in Tehran stock exchange from 2011 to 2019.furtherSarfaraz et al (2020) studied the moderating role of size of company in capital structure of firms 29 sugar firms listed on PSX, found firm size impacted significant and negative relationship capital structure. Sugar sector has great financial leverage to manage the fund financial obligation for better performance of the firms. Additionally China firms perform better by examine the interaction role of firm size and leverage. Total 2502 sample size was investigated and reached that capital structure partially mediated the relationship on firm performance and size of the company significantly moderated the impact on firm value (Mubeenet al, 2022).

Dao & Ta (2020) studied the relationship of firm size, leverage and firm value. The empirical evidence found that firm size is significantly impacted on the capital structure, which means large firm can take more advantage from capital structure to enhance firm growth and small size firms take less advantage from capital structure for firm growth, in addition (Tabe et al, 2022) examined firm size and leverage on enhancing firm performance in listed firms on "Indonesia Stock Exchange" for the period of 2009 to 2019, and found that firm size significantly impacted on firm size while leverage has no impact on firm value from investment point of view. Furthermore they studied the value of leverage and firm size on firm-performance on mining sector listed firm on India Stock Exchange and found that leverage have significant effect on firm value, while firm size have negative impact on firm-performance (Hirdinis, 2019)

2.6Firm Size and Board Gender Diversity

Li &-Chen, (2018) examined the relationship among BGD, firm performance and firm size, the study checked the interaction role of firm size in relationship between BGD and firm-performance of list firms in China from 2007 to 2012. The study found that the interaction of BGD and Firms size has significant impact on firm values but the values remain negative, suggested that size of the firms significantly undermines the positive association between BGD and Firm-Performance. Further Arnegger (2014) studied the relationship of Firm Size and Board gender of 151 German listed firms on German Stock Exchange found that BGD is positively interacted with increasing size of firms.

Wicaksana, Yuniasih, and Handayani (2017)studied the relationship between organization's gender board diversity and Earning Management in Indonesian listed-companies. Data collected from Indonesian Stocks Exchange (IDX) for as far back as 6 years utilizing purposive testing technique creating 298 observations, at that point investigated utilizing different direct relapses. The aftereffect of the examination showed that gender board diversity have negative influence on earning management, implies the higher board diversity, the lower the earning management. Joey (2019) contributed by inspecting the impacts of gender board diversity and earning management on entities performance in the short since quite a while ago run. This discovered that board gender diversity has no effect on entities performance in the short run, and has a significant impact over the long run.

Larger Firm are often slow in process to implement new innovation of technology because of bureaucracy and rigidities and tend to focus on previous market, therefore the motivating impact of BGD on modernization in more evident than smaller firms (n (Van Knippenberg et al., 2004).

2.7Capital Structure ,Firm Size& Board Gender Diversity,

Kamil&Appiah, (2022)studied the interaction role of firm size in relationship between BGD and Capital Structure of 17 Ghanaian listed Firms from 2007 to 2017, found the role of BGD are positively related to Capital Structure, additionally the interaction role of size of company is negatively interacted in relation between BGD and Capital Structure. Jerg,(2022) studied the effect of BGD on Leverage, thus 1500 S & P firms are analyzed with a panel regression method and found the positive association of BGD and Leverage.

2.8Development of Hypothesis

For the purpose of this study Capital Structure was measured through most Leverage. The testable hypothesis for the study has been formulated as:

H_1: There Board Gender Diversity negative effect on Capital Structure.

H_2: The relationship between Board Gender Diversity and Capital Structure is moderated by Firm Size

H_3: Profitability negative effect on Corporate Leverage.

CHAPTER 3

Methodology

The intention of this study is to check the moderating relationship of Firm Performance between Board Gender Diversity and Capital Structure. This chapter further includes theoretical framework, sample size, data set, measurement, discussion of variables and statistical techniques. The key purpose of this part is to look into test qualities, investigating procedure, configuration, instrumentation, dependency and legitimacy etc. regarding information.

3.1 Theoretical Framework

The aim of this study is to check the impact of Board Gender Diversity on Capital Structure. Theoretically, the testable relationship has been framed as under (Hussain et al, 2020).

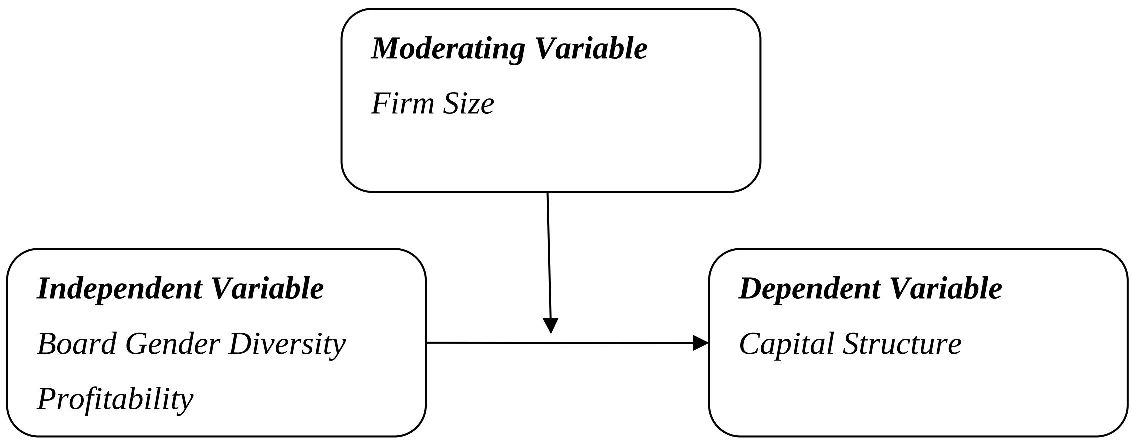

Fig 01: Theoretical Framework

3.2 Sample and Data Set

The thesis is quantitative approach in nature with the technique of suggestion research. The populations of this research are non-financial listed firms on PSX for the period of 2011 to 2020. This research is based on secondary data, sources of data is collected from annual reports and websites of the firms, Pakistan Stock Exchange and State bank of Pakistan website. The sample is comprised 154 listed firms with 1540 number of observation. The study excludes financial firms because its capital structure and profits are different, and other companies for which the is not available.

3.3 Statistical Techniques

The present study implies Panel data to analyze the factors of BGD, Capital Structure, Firm Size and Profitability. The purpose of relying upon panel data is that it creates highly robust information with more choice and proficiency (Gujarati & Porter, 2003). Furthermore, panel data is also helpful to overcome the problems of using time-series data and cross-sectional data (Sekaran, 2006). The data has been analyzed through Descriptive Statistic, Correlation statistic, regression, and moderating analysis for examination and interpretation. This study use STATA for examination of data.

3.4Variables measurement

3.4.1 Dependent variable

The dependent variable for the study is Capital Structure (LEV) and is calculated as total debt to total asset ratios (Ayalew& McMillan, 2021). This shows that how much firms relay on debt against equity in the capital structure.

3.4.2 Independent Variable

BGDis an “independent variable”, the main factor of this study is BGD on board of director. This variable is measured as a binary variable that equal to 1, which means that if there were at least one female director on board and 0 for otherwise (Ramzi,Aymen, and Faten, 2019).

3.4.3 Moderating Variable

Firm Size is used as moderating variable between BGD and LEV and is measured as the natural log to total asset (Ayalew& McMillan, 2021). Firm size variable is used to check the interaction role in relation between BGD and capital structure .Control variable is taking into account to check the strength and relationship between BGD and LEV.

3.4.4 Controlling Variable

Profitability is used as control variable. Profitability is measured as the proxy of Economic Margin of business (Ayalew& McMillan, 2021). The control variable is taking into account to check the strength and relationship between BGD and capital structure.

3.5 Study Model

The relationship between dependent variable i.e. Capital Structure, independent variable i.e. Board gender diversity and moderating variable i.e. Firm Size is tested with the following model. The model is determined with control variable of Profitability.

$$\mathrm{LEV}_{it} = \beta_0 + \beta_1 \mathrm{BGD}_{it} + \beta_2 \mathrm{FS}_{it} + \beta_3 \mathrm{FS} * \mathrm{BGD}_{it} + \beta_4 \mathrm{PROF}_{it} + \mu_{it}$$

Where

LEV_{it}= Leverage

BGD_{it}= Board Gender Diversity

FS_{it}= Firm Size

PROF_{it}= Profitability

As the scope for study events at macroeconomics indicator and high availability of data increased, it increase the specific contribution to use panel data analysis indicator (Gujarati, 2004).

CHAPTER 4

DATA ANALYSIS AND DISCUSSION

Chapter 4 discusses the detail of result of data interpretation on the basis of research methodology as was discussed in previous chapter. All tests were accomplished according to the objective of giving empirical evidence to response the main research question. The analysis provides the detail study for all three hypotheses drawn in chapter 2 by using a research model adopted in this study.

4.1 Descriptive Statistics

The descriptive statistic segment describes the outline of “dependent, “independent, “moderating and ‘control variables used in this study. Table 1 underneath, reports the descriptive measurements for all variables, a sample of 154 Financial and non-financial listed entities has been collected for the period of ten years from 2011 to 2020 from Pakistan listed entities. The total observations for this study were 1540.

Table1: Descriptive Statistics

Variable.	***Min.***	***Max..***	***Mean,***	***SD***	***Skewness..***	***Kurtosis.***
LEV	0	151.91	54.77	25.10	0.0046	0
BGD	0	1	0.42	0.49	0.000	0
FS	9.56	21.34	15.55	1.73	0.025	0.1039
FS*BGD	0	19.95	6.44	7.57	0	0
PROF	-39.01	29.83	4.06	7.57	0	0

Table 1 shows the descriptive statistic for (dependent, independent, moderating and control variable) of the study of listed firms in Pakistan. Mean is the average of sample used for the calculation of central tendency. Standard deviation is a measure of dispersion and explains how widely spread our distribution is. The closer the skewness value to zero shows that the distribution is normal, positively large value indicates the largely positively skewed distribution and negatively large value indicates that the data is negatively skewed distribution. Likewise if the kurtosis value is closer to zero it will show the normal distribution of variable. The more peak value shows when kurtosis value is more positive and it shows negative if the value is largely flat.

The study used a dependent variable of Capital Structure is Leverage, the mean value of LEV is 54.77 ranging between 0 to 151.91 and the “standard deviation” is 25.10. The “mean” value for BGD is 0.42 and its “standard deviation” is 0.49. The maximum and minimum value for both dependent variables showed that some companies bear losses, while the remaining made high profit. Overall, the mean values for both dependent variables are positive in Pakistan listed firms for the period of 2011 to 2020.

In respect to FS, the mean value is 15.55 and is ranged from 9.56 to 21.34 and its 0.025 standard deviation. The max value of positive FS stated that some value of the sample containing in an increasing trend. The mean value of moderating Variable is 6.44, Moreover the minimum and maximum value of moderating variable (FS*BGD) is lies between 0 and 19.95 and its Standard Deviation value is 7.57. Profitability isa control variable; the mean value of PROF is 4.06 and is range between -39.01 to 29.83. The max value of positive PROF stated that some value of the sample containing in an increasing trend while the negative min value indicated that some value involved in earning deceasing trend.

4.2 Correlation Analysis

Table 2 below shows the analysis of correlation between variables

Table 2: Analysis of Correlation

Variables	*LEV*	*BGD*	*FS*	*FS*BGD*	*PROF*
LEV	1				
BGD	-0.027	1			
FS	0.132	-0.202	1		
FS*BGD	-0.016	0.989	-0.112	1	
PROF	-0.293	-0.027	0.132	-0.008	1

The table 2 describes the summary of Pearson's correlation between dependent, independent,

Moderating and control variable. The purpose of correlation is to analyze the correlation of study variable and also solve the issue of multicollinearity in between independent variable. The problem of multicollinearity is existing if the value of Pearson's correlation is more than 0.80 (Field, 2007). The statistically variables correlation is observed. Correlation has a coefficient which is observed during statistical analysis. The coefficient defined the relation among variables. The relation of variables perfectly correlated if the value of R=1. During analysis variables show correlation as from table 1. The statistical analysis described by correlation of variables. Analysis explore that variable itself correlate perfectly as the value within analysis was r is equal to one (1) (r=1).

The output of the analysis shows that the only strong positive correlation exists between BGD and FS*BGD with r=0.989. LEV has been found to have a weak negative correlation with BGD, FS*BGD and PROF and weak positive relationship with FS. BGD impact weak relationship on FS. The Moderating Variable shows a direct connection negative association with BGD and FS*BGD and positive relationship with LEV and Profitability, it shows accordance to the principle that moderator variable and independent variable shall not be related.

4.3 Regressions Analysis

Table 3: Regression Analysis among variables

Variable	*Beta*	*t-stat*	*Sig*
Constant	40.885	5.520	0.000
BGD	2.157	0.190	0.850
FS	1.116	2.40	0.017
FS*BGD	-0.172	-0.24	0.814
PROF	-0.806	-12.30	0.000
R^2	0.092		
F-Stat	38.64		
F-Sig	0.000		

Table 3 Shows the impact of BGD on Capital Structure with interaction role of Firm Size. The constant determination F value is (38.64), the value is greater than 4 with sig (0.000). R^2 value is 9.20 %,, which explained LEV by BGD, FS, FS*BGD) PROF. The Result revealed that Board Gender Diversity has a positive and insignificant impact on Capital Structure. Firm Size has positive and significant relationship with Leverage. Since the interaction term of moderating variable FS*BGD holds a negative and insignificantly impact on Leverage. The control variable Profitability has showed significant relationship with leverage but however the impact remains negative. The nature of study is positive and insignificant having gender diversity in the executive board, Capital Structure deteriorates with Board Gender Diversity.

CHAPTER 5

5.1 Conclusion

This study examined the impact of BGD on capital by checking the moderating role of Firm Size in relation between Board Gender Diversity and capital structure of listed firms on PSX. The study was based on an empirical model; the total sample size was reduced to 154 nonfinancial firms after the availability of data for the period of 10 years from 2011 to 2020. The total numbers of observation are 1540 and STATA software is used to analysis the Hypothesis. The baseline Econometrics model was created in order to study this relationship. The study support hypothesis and revealed that Board Gender Diversity has positive but insignificant impact on Capital Structure, which showed that greater female presence represented high debt usage in country like in Pakistan. The number of female on board of director in Pakistan is minor and explanations is might be accepted of individuals that woman are passionate, aggressive, risk averse less sure and not knowledgeable and some imperceptible hindrance, which are worked by society to keep woman in lower position (Geel, 2019).. The interaction role of Firm Size is negative and insignificant in relationship between BGD and Capital Structure (Kamil&Appiah, 2022). This result of moderating variable support the hypothesis and suggested that larger firms did not make strong relationship in between Board Gender Diversity and Capital Structure. The study used Profitability as control variable and found significant but negative relationship with Capital Structure. This result accepted to support the hypothesis, which showed that Profitability impact inverse relationship on Capital structure. The firms who showed strong profitability used minimum debt level of financing. They invested major part from equity rather than debts.

5.2 Limitation

This study has research limitation; it is needed to be addressed for future researcher. Due to data non-availability, the study used a sample of 154 non-financial entities listed on PSX, which is limited from a large non-financial sector. The year also used in study from 2011-2020, which is limited for a research and for a good research the number of years also extend with maximum duration. The study was not conducted by including other factors of variable i.e. Education Background and age diversity as independent variable because the data information was unavailable.

5.3 Practical Implication

The contribution of this paper provides practical implication for Policy maker, government and regularity authority by emphasizing the importance of female on board room for organization success, the presence of more woman on board decrease Capital Structure. This study also motivated the investors and companies by emphasizing Board Gender Diversity constantly correlated with lower debt utilization. The aftereffects of this exploration can added to organization decisions maker in relation with the strategy of choosing board member as another way to deal with augment the organization's good corporate governance practice. Besides it tends to be utilized as thought for the controller with respect to guideline on the great corporate governance practice.

5.4 Future Prospects

The future research gap recommends by adding other variables as independent variable i.e. Qualification of board, age diversity, Board of Director Experience and nationality diversity which may tends to improve Capital Structure management. Secondly the future authors should study by changing the number of years or Firms in order to investigate the impact of BGD on Capital Structure. This current study is based on non financial sector of Pakistan Listed firm on stock exchange. The future study may be organized by taking financial sector of data.

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