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Financial Performance and Gender Diversity: The Moderating and Mediating Effect of CSR Disclosure and Expenditure of Listed Firms in India

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Abstract

The study examines the moderating and mediating effect of corporate social responsibility (CSR) disclosure and CSR expenditure on the association between listed firms' financial performance and gender diversity. There are 80 listed firms with 800 firm-year observations from 2010 to 2019 that qualified for the study using the Indian stock market. The first finding shows a negative association between financial leverage and gender diversity. The second finding shows that the implementation of CSR disclosure hurts the improvement of gender diversity. The third finding shows that CSR expenditure improves gender diversity of listed firms in an emerging market. The fouth finding shows that CSR expenditure positively mediates the negative association between financial leverage and gender diversity. The fifth finding shows that CSR disclosure does not mediate the association between financial performance (return on assets, price to book ratio and financial leverage). The sixth finding shows that CSR expenditure negatively moderates the negative association between return on assets and gender diversity.

Key Words

Financial Performance, CSR Disclosure, CSR Expenditure, Gender Diversity, Social Role Theory

Introduction

The purpose of this study is to examine the moderating and mediating effect of corporate social responsibility (CSR) disclosure and expenditure on the association between financial performance and gender diversity. Very few studies have examined gender diversity from the general workforce perspective (Pedrini, 2018). The enactment and acceptance of sustainable development goals in 2015 (Sustainable Development Goals, 2019) allows firms to contribute to the sustainable development agenda by addressing minority issues, including gender diversity. The transferability of this agenda into a local firm perspective makes CSR and sustainability meaningful (Mun & Jung, 2018). In addition, an understanding and implementation of gender diversity gives a firm an implied advantage of having a wide range of resources and skills which has a competitive edge over other non-practicing firms in the industry (Sahoo & Lenka, 2016). The study uses the Indian context as the testing ground because the World Bank and the United Nations data on India show a weak growth of women employment (Annette, 2018). However, firms are making the efforts for improving gender diversity by communicating through CSR disclosure and incurring a continuous expenditure in CSR activities (Usman & Amran, 2015). The effectiveness of CSR disclosure and CSR expenditure to promote gender diversity lacks in-depth study. On the basis of the points mentioned above, this study uses the social role theory to examine the moderating and mediating effect of CSR disclosure and expenditure between financial performance and gender diversity of listed firms in India.

There are studies on gender diversity and financial performance with mixed results from both developed and developing economies (Chieh Hsu & Lawler, 2019; Chih-shun Hsu et al., 2016; D'Amato, 2017; Darmadi, 2013;

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