THE ROLE OF KUWAITI WOMEN IN BOARDROOMS: THE IMPLICATION ON CAPITAL STRUCTURE

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ABSTRACT

The implication of gender diversity has recently been given more attention, and this study aims to provide an empirical review and extend the existing literature on the impact of gender diversity, particularly the presence of Kuwaiti women in corporate boardrooms, on capital structure. We used a sample of 70 non-financial Kuwaiti firms over the period 2010-2020 in order to analyse the impact of gender diversity on the capital structure. Our findings reveal that, in Kuwait, women occupy a limited number of leadership positions in corporations, and their career progression is significantly slower than that of their male counterparts. This disparity may contribute to a higher unemployment rate among women. Moreover, the results of OLS, Fixed-effects models and Random-effects (GLS) confirmed our proposed hypothesis that the proportion of female directors on its board (GD) displays a negative and statistically significant coefficient. This suggests that boards with a higher percentage of female directors tend to use less leverage. Moreover, we have used four variables to measure the gender diversity, mainly the proportion of female directors on its board, Blau Index, Shannon Index, and a dummy variable that equals one if the board has at least one female director and zero otherwise. Interestingly, the results of all variables consistently support the findings that gender-diverse board of directors is negatively associated with leverage utilization, plying that more gender-diverse boards may lead firms to use less leverage.

Keywords*: Gender diversity, Capital Structure, Kuwait, Women in Boardrooms, Corporate Governance.*

1. INTRODUCTION

Agency theory literature suggests several mechanisms to resolve conflicts between shareholders and managers to improve corporate performance. The role of the board of directors is one such suggested mechanism, and characteristics such as board independence, the board size, board duality, director ownership, and board committees have been extensively examined in previous studies. Board gender diversity is also an important corporate governance characteristic capable of influencing strategic decisions in the boardroom and improving performance. Previous empirical studies have mainly explored the association between board gender diversity and financial performance in developed countries (e.g., Brahma, et al., 2020; Owen & Temesvary, 2018; Schrand et al., 2018). However, there is a limited amount of research on this topic in developing countries, especially in the Middle East (Yousef, 2019; Yousef, et al., 2020; Issa et al., 2021).

This study aims to examine the impact of board gender diversity on capital structure in Kuwaiti firms. Kuwait is an oil-rich country with approximately 10% of the world's crude oil reserves (Hassan et al., 2017). It also has the oldest and second-largest stock exchange among the Arabian Gulf countries, having been established in 1983 (Shehata, 2015). However, Kuwait is still a developing country with an inefficient stock market due to inadequate legislation. Moreover, when compared to developed countries' governance systems, Kuwait is characterized by a lack of transparency, accountability, disclosure, and protection for shareholders. Considering the lack of research on the effects of board gender diversity, this is an exciting and previously neglected avenue for investigation.

The Arab Spring of 2011, which saw women protesting alongside men for political change, and the difficulties that Kuwaiti women have faced in parliamentary representation (Olimat, 2012), each combine to make this study both important and timely, as it aims to give voice to women's representation. In Kuwait, women hold only a small portion of leadership positions in both corporations and government, and the forward progress of females is significantly slower than that of their male peers, which results in a higher