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BOARD GENDER DIVERSITY AND CORPORATE RISK  
TAKING



MASTER OF SCIENCE (FINANCE)

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**BOARD GENDER DIVERSITY AND CORPORATE RISK TAKING**

**By**

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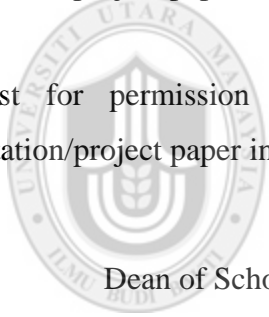
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## ABSTRACT

This study examines the relationship between board gender diversity and corporate risk taking among Malaysian companies. Pooled Ordinary Least Square (OLS) regression and Panel Data regression are used in this study to examine the relationship between these variables. The selected samples include of Malaysian listed companies in the main board Bursa Malaysia. Final sample consists of 634 non-financial companies with 6,816 firm-year observations for a sample period of 15 years that is from the year 2000 until 2014. Results indicate that the presence of women directors can mitigate corporate risk taking while; male-only board leads to higher level of firm risk taking. These results are consistently significant when different measures are used to proxy for risk taking. Consistently, both pooled OLS and panel data regressions confirm the findings. In addition, fixed effects panel data regression is found to better explained the hypothesised relationship than random effects. This study concludes that board gender diversity can be used as a monitoring agent to mitigate corporate risk taking, supporting the regulator's initiative to promote gender diversity in the corporate boardrooms.

Keywords: Board gender diversity, Corporate risk taking



## ABSTRAK

Kajian ini mengkaji hubungan diantara kepelbagaian gender lembaga pengarah dan pengambilan risiko korporat dikalangan syarikat-syarikat di Malaysia. *Pooled Ordinary Least Square (OLS)* regresi dan Data Panel regresi digunakan di dalam kajian ini untuk mengkaji hubungan antara pembolehubah. Sampel dipilih termasuk syarikat-syarikat di Malaysia yang tersenarai di papan utama Bursa Malaysia. Sampel terakhir terdiri daripada 634 syarikat bukan kewangan dengan 6816 pemerhatian firma-tahunan untuk sampel masa 15 tahun yang bermula tahun 2000 hingga 2014. Keputusan menunjukkan bahawa kehadiran pengarah wanita boleh mengurangkan pengambilan risiko korporat sementara, lembaga pengarah lelaki sahaja menyumbang kepada pengambilan risiko tahap tinggi syarikat. Keputusan ini signifikan secara konsisten apabila perbezaan ukuran yang digunakan sebagai proksi kepada pengambilan risiko. Secara konsisten, kedua-dua *pooled OLS* dan data panel regrasi mengesahkan dapatan kajian. Tambahan pula, data panel kesan tetap regrasi ditemui lebih baik dalam menjelaskan hubungan hipotesis daripada kesan rawak. Kajian ini menyimpulkan bahawa kepelbagaian gender lembaga pengarah digunakan sebagai ajen pemantauan untuk mengurangkan pengambilan risiko korporat dan menyokong inisiatif pengatur untuk menggalakkan kepelbagaian gender dalam bilik lembaga pengarah.

Kata kunci: Kepelbagaian gender lembaga pengarah, Pengambilan risiko korporat

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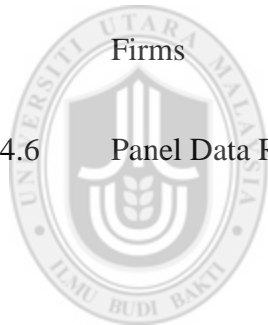
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## LIST OF ABBREVIATIONS

CEO	: Chief Executive Officer
CFO	: Chief Finance Officer
EBIT	: Earnings before Interest and Tax
MCCG	: Malaysian Code on Corporate Governance
OLS	: Ordinary Least Square
R&D	: Research and Development
RISK1	: Volatility of firm's ROA over three years overlapping period
RISK2	: Difference between maximum and minimum ROA in three years interval
ROA	: Return on Asset
VIF	: Variance Inflation Factor



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# CHAPTER 1

## INTRODUCTION

This chapter is divided into several sections which are:

- 1.1 Background of the study
- 1.2 Problem statement
- 1.3 Research question
- 1.4 Research objective
- 1.5 Scope of study
- 1.6 Significant of study
- 1.7 Organization of study

### **1.1 Background of the Study**

Corporate risk taking is important and have great influence on firms performance (John, Litov, and Yeung, 2008). The firms' performance can significantly be affected by the firms risk taking behaviours. Growth-oriented corporate risk taking could contribute to the growth of firms and shareholders' value. In fact, firms need to take certain level of risk to create economic value, but excessive risk taking can cause adverse effect. Excessive in risk taking and mismanagement of risk exposures are the reasons that lead to the collapse of Lehman Brothers and the financial crisis in 2008 (Waring, 2013).

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