ROA as an enabler of board gender diversity's impact on banks' environmental performance

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ABSTRACT

The growing urgency to tackle global environmental challenges has heightened interest in identifying the factors that contribute to more sustainable corporate performance. In this regard, gender diversity on boards of directors and the availability of financial resources have been recognized as key determinants in the adoption of environmental practices. However, existing research has predominantly examined the direct effect of board gender diversity on sustainability, overlooking the potential moderating role of financial factors in this relationship. This study seeks to advance the understanding of corporate environmental engagement by analyzing the interaction between corporate governance and financial performance. Specifically, it examines whether the impact of board gender diversity on environmental performance depends on the ROA, representing the first empirical investigation of this relationship. The environmental performance was measured both at an aggregate level and disaggregated across its three dimensions. To address this question, an econometric analysis is conducted using fixed effects models on a global sample of 377 listed banks over the period 2002–2022. The findings underscore the crucial role of ROA in strengthening the positive influence of female board representation on environmental performance. This effect is particularly evident in areas related to natural resource management and environmental innovation. These results highlight the need to consider a firm's financial performance when formulating corporate strategies aimed at promoting sustainability. By demonstrating the interaction between board gender diversity and financial performance, this study provides valuable insights for academics, policymakers, and business leaders seeking to enhance corporate environmental responsibility.

Keywords: emissions; environmental innovation; financial performance; natural resource use women executives.