Board Diversity as a Determinant of the Social Performance in the European Banking Sector

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Abstract

Recently, the researchers' attention has focused on the study of Corporate Social Responsibility. In the banking literature, the theme is under-investigated, although banks have a strategic role in encouraging the adoption by companies of sustainable projects through a financing activity that considers the environmental and social characteristics to assess credit risk. The board diversity is considered a tool able to enrich the board of directors by expanding skills and the number of links with stakeholders, which have a strategic role in achieving a competitive advantage, especially in the banking sector.

As a determinant of banks' CSR commitment, the board diversity is analysed using a sample of 46 European banks, observed from 2009 to 2017. The Resource-Dependence Theory is employed to test the possible relationship between board diversity, detected with demographic and gender characteristics, and banks social performance. Thus, the sample is matched with a hand-collected dataset of information on the gender and age of 1,651 directors who succeeded each other in the 46 banks during the observed period.

The research hypotheses are tested using a fixed-effects panel model. The empirical results show that social performance is positively influenced by board members' gender and age diversity. Human capital constitutes an essential resource, as everyone can draw on channels of information and resources that enrich the stock of skills available to the firm. The appointment of directors to the boards of banks becomes a critical moment in strategic planning to optimise corporate strategy and, ultimately, Social performance, benefiting the entire economic system.

Keywords: Board Diversity, Age Diversity, Gender Diversity, Corporate Social Performance, Banking Sector