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## The Performance Effects of Gender Diversity on Bank Boards

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The Performance Effects of Gender Diversity on Bank Boards<sup>1</sup>

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Abstract:

Previous literature has shown mixed results on the role of female participation on bank boards and bank performance: some papers find that more women on boards enhance financial performance, while others find negative or no effects. Applying Instrumental Variables methods to data on approximately 90 U.S. bank holding companies over the 1999-2015 period, we argue that these inconclusive results are due to the fact that there is a non-linear, U-shaped relationship between gender diversity on boards and various measures of bank performance: female participation has a positive effect once a threshold level of gender diversity is achieved. Furthermore, this positive effect is only observed in better capitalized banks. Our results suggest that continuing the voluntary expansion of gender diversity on bank boards will be value-enhancing, provided that they are well capitalized.

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*Keywords:* Bank performance; Gender Diversity; Instrumental Variables Estimation

*JEL Codes:* G21; G34; J16

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