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Gender Diversity, Capital Structure and Financial Performance: A study of Banks in the UK

Daniel Temitope Laka[1]*
Jesse David Mamodu[2]
Unenwojo Folaolurin Laka[1]

[1]*Department of Accounting, Joseph Sarwuan Tarka University, Makurdi, Nigeria*
[2]*Coventry University, United Kingdom*
**Correspondence Email : laka.daniel@uam.edu.ng*

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Abstract
This study aims to explore the effect of gender diversity on capital structure and financial performance of listed banks in the UK covering a 10-year period from 2011 to 2020 and using a sample of 11 banks. To test the effect of gender diversity on capital structure and financial performance, the ordinary least square regression was employed. Debt-to-equity ratio was used as a measure capital structure while financial performance was measured using Tobin's q. Board gender diversity was found to have a negative and significant effect on UK banks' capital structure. On the other hand, Board gender diversity had a positive and significant effect on the financial performance of UK banks all at a 10% level of significance. It is therefore concluded that gender diversity will be significant in driving the economy, especially following the current economic strain caused by the pandemic. It is recommended that more strategies to encourage more women on the board should be encouraged.

Keywords: Gender Diversity, Capital Structure, Financial Performance, Banks in the UK.

1. Introduction

The board of directors of a company, holds an essential responsibility for managing and guiding the company as well as safeguarding the company's shareholders' interests (Kılıç & Kuzey, 2016). Their responsibilities cut across every sector of a company, which will have an impact on the economy as a whole (Dibra, 2016; Harvard business review, 2006). The issue of corporate governance and its impact has been of major importance and the subject of much research especially following the Enron and Macron case and the 2008 economic crisis (Brahma et al., 2020; Dezsö & Ross, 2012; Dibra, 2016). There has also been a growing focus of research on the impact of female participation on the board of firms (Brahma et al., 2020) and how it affects companies' general performance. Female boardroom involvement may facilitate access to a larger pool of human resources, enabling a company to compete and succeed. (Dezsö & Ross, 2012).

Although laws have been enacted over the years that encourage the inculcation of more women on the management team, board of directors and in the general work environment, most of the laws have been adjudged to be rather based on the matter of social justice and have been used as a tool to foster political agenda (García & Herrero, 2021). Hence, firms have been accused of just putting women on the board only as a matter of protecting their social image and then relegating them to a more secondary position on the management team and the board (Brahma et al., 2020). This will result in a situation where the collective impact, expertise, experience, and managerial capabilities of females on the management team and board level won't be truly considered and appreciated (Brahma et al., 2020; García-Meca et al., 2015).

The direction of the effect of gender diversity on a firm is an issue of divergent opinions. Some studies have found gender diversity to have a negative effect on firm financial and operating performance these

studies were based on countries that followed the quota system and they argued that the inexperience of the women on the board who were brought in to fill up the quota brought about a negative effect on performance (Ahern & Dittmar, 2012; Brahma et al., 2020; Snaebjornsson et al., 2015). However, the UK uses a voluntary approach to gender diversity issues which follows with the proposition of the Hampton Alexander report which suggested a cap of 33% females in Financial Times Stock Exchange (FTSE) 100 companies' management teams (Brahma et al., 2020). The voluntary approach leaves the decision to the firms in question which may not truly encourage firms in the UK to draw from the proposed richness and resources of a gender-diverse board. A gender-diverse board in favour of more women will bring to the board structure of firm resources (Chamo et al., 2025), which some studies have found to result in a positive impact of gender diversity on a firm's financial performance (Adusei & Obeng, 2019; Li & Chen, 2018; Post & Byron, 2015).

Another area men are found to be divergent from women on the board is in their perception of risk which forms the other area for which this study will be centered upon. Women are perceived to be more risk-adverse than men (Adusei & Obeng, 2019). This will affect their choice of capital structure as they will rarely want to take on debt as a means of financing investments even though it is cheaper than equity finance as debt is found to increase the riskiness of a firm and further increases the possibility of bankruptcy (Geel, 2019).

This study marginally contributes to existing literature by assessing the impact of gender diversity on capital structure and firm financial structure on banks in the UK which is a sample area that has received less focus, especially in the UK. Banks are noted to be part of the key drivers of an economy; thus, forming part of the core necessity for business operations. This makes the banking sector a relevant sample to be explored on how gender diversity would impact them. Hence, it will be interesting to see if there will be any variation in the findings of the study relative to that of other authors that used other sample types.

This study is motivated by the continually growing cry for gender equality and recognition of equal rights between men and women. This agitation can be traced to as far as back 1405 when Christine de Pizan wrote a book titled "The Book of the City of Ladies", which progressively led to the recognition of women in places of influence such as in politics and the corporate world as well.

The research is organized as follows: section two covers a more in-depth review of the literature, and the development of the hypothesis used in the study also looking closely at theories of both capital structure and financial performance with an overview in the banking sector of the UK. Section three outlines the methodology used in the research. Section four shows the results of the analysis conducted and the discussion of the findings of this research, while section five concludes and gives recommendations for further studies and the limitations of this study.

2. Literature Review and Hypotheses Development

Gender Diversity in the United Kingdom (UK) Banking sector

The banking sector in the United Kingdom (UK) just like every other country, plays an important role in the economic structure and health of the country (Jayawardhena & Foley, 2000). The structure of banks in the UK has evolved over the years with most of its significant changes occurring over a 25-year period of 1989 to 2013 (De-Ramon et al., 2017). This period covered times of boom and crisis, evolving from a traditional lending and deposit-taking paradigm to a new trading and wholesale funding strategy, and then partly reverting to the traditional lending and deposit-taking model.

Internal and external influences have contributed to the various forms of evolution in the banking sector particularly in the UK (Jayawardhena & Foley, 2000). As banks began to become more customer focused, more awareness of upholding ethical standards began to take shape within the banking sector. Arguments for promoting diversity and inclusion and the need for providing equal opportunities for growth irrespective of identity attributes such as gender, in companies owing to a lack of variety among top executives forms one of the ethical issues amongst others that has been on the mainstream (Suss et al., 2021).

Over the years, there has been a steady increase in the proportion of women at senior management level. Following research conducted by (Suss et al., 2021) for the bank of England, they find that at the end of 2001, 9% of the total authorized pool of individuals were women. As of 2020, the figure rose to 20.1% although this was a significant rise, it was still not up to the ethical level of 50%. They also found a slow growth rate in the increase in gender diversity in more senior positions, providing evidence of a 'glass ceiling' (i.e., an unseen barrier to advancement) in the UK banking sector. This is most evident in the CEO position, which has witnessed a relatively modest rise, with female CEOs accounting for just 9.7% of the 181 banks studied in 2020 as opposed to 1.7% at the end of 2001.

A 2018 study by the UK Treasury Committee highlighted barriers to gender diversity in banking and finance, citing workplace culture, unconscious bias, maternity leave, and childcare as key challenges. Women often perceive the sector as having a poor reputation for career progression, discouraging senior-level involvement (Adams & Funk, 2012). The study also pointed to unconscious bias contributing to the gender pay gap and an unfair bonus culture, where men tend to receive greater financial rewards at senior levels.

Considering the benefit of gender diversity on the board, which will bring about a more diversified talent pool, experience and perspective to the board thereby enhancing the quality of decisions made (Arnaboldi et al., 2021; Suss et al., 2021), there is still a growing need for a larger acceptance gender diversity and its importance especially at senior management level.

Gender Diversity and Capital Structure

Diversity in the workplace is an issue that began to gain more traction following reports by the Hudson institute in 1987. Saxena (2014) defined it to be ''the similarities and differences among employees in terms of age, cultural background, physical abilities and disabilities, race, religion, gender, and sexual orientation' (Adusei & Obeng, 2019). Gender diversity in the workplace reflects the way people of various genders are represented in a particular space. On the other hand, capital structure explains the mix of securities and financing sources that can be used by corporations to finance investments and business operations, it focuses on the proportion of debt to equity (Myers, 2001). The problem of capital structure lies in the proportion of the mix of debt and equity that will be needed to achieve an optimal capital structure if there is.

The Modigliani-Miller (M&M) theory of 1958, (Alves et al., 2015; Le & Phan, 2017) gives the foundation for attaining an optimum capital structure, although the theory assumes that a perfect capital market exists, with no bankruptcy or taxes which do not relate to the real world (Frank & Goyal, 2008). Miller and Modigliani second proposition (proponents of the theory) incorporates taxes and its effect on debt. According to this theory, the optimum capital structure is to maximize the incentive that comes with taking debt like tax shield. Thus, debt financing instead of equity will increase the total after-tax return

to debt and equity investors, which will therefore increase firm value (Myers, 2001). However, as the debt of a firm increases, the profit of the firm becomes volatile, this will in turn increase the riskiness of the firm (Campello, 2006; Onchong'a, et al, 2016).

Firms with a volatile profit level will usually have an increased cost of debt (i.e., interest rate). Ultimately, an increase in debt may increase the risk of financial distress (Fosu, 2013; Le & Phan, 2017), more so in a situation when a company is unable to meet (or struggles to meet) its financial obligations as at when due (Madhushani et al., 2018). This brings about the assumptions of the trade-off theory, which suggests that firms will aim at an optimal capital structure involving a mix between equity and debt that will maximize the difference between the benefits (i.e., tax advantage) and costs of issuing debt (Alves et al., 2015).

Another major capital structure theory is the pecking order theory proposed by Myers (1984), he argues that retained earnings as a source of finance is better than debt while debt is, in turn, better than equity (Frank & Goyal, 2008). Retained earnings or private equity as a source of finance is regarded as cheaper than debt and equity, although if used as a source of finance, it is at the risk of making some investors not satisfied, as their dividends may not be paid or reduced (DePamphilis, 2022; Frank & Goyal, 2008). This theoretical proposition also suggests that next to retained earnings firms usually prefer debt over equity because they are likely to easily access debt markets quicker even though debt is considered riskier and will generally increase the riskiness of the firm as the level of debt increases (Dierker et al., 2019).

Empirical studies by (Abou-El-Sood, 2021; Adusei & Obeng, 2019; García & Herrero, 2021; García-Meca et al., 2015; Kristanti, 2015) all found that a higher percentage of female directors on a board has a significant impact on the capital structure of a company. While studies by (Arlette & Beltran, 2019; Beltran, 2019; Flabbi et al., 2019) finds no significant relationship between Gender diversity and capital structure. Thus, relative to the first research question which tries to enquire into the impact gender diversity has on the choice of capital structure, we hypothesize the relation between board gender diversity and capital structure as

H1: Board gender diversity has a negative effect on the capital structure of UK Banks.

Gender Diversity and Financial Performance

For a company to make more returns, it must take more risk, seeing that higher levels of risk are usually associated with higher returns (Malkiel & Xu, 1997). Women are perceived to be more risk-averse than men as they tend to take a more cautious approach to decision-making (Adusei & Obeng). The female gender is also considered to be more effective in managing funds, especially during periods of economic crisis. This can also be considered to affect the profitability of the firm adversely as this may result in lower returns given the drop in the level of risks (He & Huang, 2011; Kılıç & Kuzey, 2016).

Fernando et al. (2020) and Triana et al. (2019) suggest that a gender-diverse board comprising more women is better off managing resources more efficiently, as a result, producing superior performance, especially in times of general economic strain in business. This follows with the propositions of the stakeholder theory and resource dependency theory. A stakeholder is seen as any group or individual who can affect or be affected by an organisation (Hörisch et al., 2020). The stakeholder theory relates to how management efficiently manages the resources entrusted to them to effectively create value for their stakeholders (Hörisch et al., 2020). Women are proposed to foster a good relationship with their

stakeholders and having a gender-diverse board will facilitate trust which is necessary for a fair and transparent decision-making process (Lückerath-Rovers, 2011).

Gender diversity is advocated to improve corporate reputation (Adamu et al., 2024), increase board monitoring and further protect the interest of other stakeholders and investors in a firm which should positively affect the performance of the firm as resources will be channeled correctly (Poletti-Hughes & Briano-Turrent, 2019). On the other hand, over-monitoring may have a negative effect on the decision-making process of the firm as this could lead to conflict within the board which could lead to more time in decision-making and implementation. (Lückerath-Rovers, 2011). Resource dependency theory, on the other hand, describes a corporation as an open system that is reliant on external factors. Hence a board with larger and/or more diverse gender board members may have advantages in obtaining and managing their important resources (Nguyen et al., 2015)

The Agency theory also relates to the board and management, especially at senior levels. (Poletti-Hughes & Briano-Turrent, 2019). Agency theory examines the relationship between incentives and self-interest. It posits that self-interest lies at the heart of most organisational activity (Reddy & Jadhav, 2019), their managers who are also called agents are expected to act in the best interest of the shareholders (principals) but often act in ways that foster their self-interest. This conflict of interest can affect the financial performance of a firm (Nguyen et al., 2015); being that managers for instance may decide to turn down a good investment decision because of the risk and desire to protect their jobs while shareholders on the other hand will want to take on such an investment to maximize their wealth. It could also be reversed to a situation where managers may want to go ahead with a risky investment for the sake of empire building, ignoring the risk it poses to the financial health and investments of the shareholders.

The diverse impact of gender diversity on financial performance has been found in various literature. Zaid et al. (2020) Amin et al. (2021) and Ongsakul et al. (2021) found that the presence of women on the board will significantly reduce agency costs and, mitigate principal-agent conflict as women are said to be better at monitoring than men (Amin et al., 2021; Usman et al., 2019). Thus, encouraging the need for gender diversity on the board to provide equitable monitoring and protect shareholders wealth. Triana et al. (2014) found gender diversity to negatively impact the financial performance of firms even during crisis and that hinders swift decision making. Other works of literature have assessed the impact of gender diversity on the financial performance of a firm and found a positive and significant impact of Gender diversity in favour of women on the financial performance of firms (Mustapha et al., 2025; Nguyen et al., 2021; Fernando et al., 2020; Triana et al., 2019; Conyon & He, 2017; Perryman et al., 2016). While studies by Adams and Ferreira (2009), and Ahern and Dittmar (2012) found gender diversity to negatively impact on the financial performance of firms. Other studies like Razaq et at., 2023; Carter et al. (2010) and Rose (2007) found insignificant or there was no relationship at all. Thus, we hypothesize the relation between board gender diversity and firm performance as follows:

H2: Board gender diversity has a positive effect on the financial performance of UK Banks.

3. Methodology

The sample for this research is drawn from the financial sector. The financial sector especially the banks is a key driver of sustainable economic growth and the primary financier of the country's economy. The financial sector of the UK accounted for 6.9% of its total economic output in 2019 placing it as the ninth

largest financial sector amongst OECD countries (Hutton & Shalchi, 2021). The years covered for the study range from 2010 to 2020. This covers a strategic period as more women were seen at important levels in the corporate structure. Between 2015 and 2018 alone, there was a rise in female involvement from 19% in 2015 to 29% in 2018 (Laura, 2019).

This research makes use of a purposive sampling method to extract data for banks that are directly involved in monetary intermediation and have been consistently listed in the London Stock Exchange between 2011 and 2020. This brings it to a total of 11 banks used as the sample for the study. The sample size is sufficient to represent the entire banks directly involved in monetary intermediation within the period under review. They are accounted as the largest banks in the UK both by total asset and market capitalisation for the past five years (Statista, 2021).

The data needed for this study were extracted from secondary sources. These data were drawn from credible data source centres like Fame (financial analysis made easy), Statista, Bloomberg Bank of England, and the annual reports and accounts of listed banks from 2011 to 2020. The credibility of these data sources is regulated and vetted by relevant governing bodies. Data necessary for measuring the financial performance, capital structure, gender diversity, firm size and liquidity were extracted from the Fame database while data for board size and independence were extracted from the Bloomberg database. All other necessary information was extracted from the company's annual reports.

Dependent Variables

To analyse the variables covered by this research, a multivariate econometric model has been adopted. The dependent variables, firm performance and capital structure were measured thus:

- Firm performance**:** Firm performance is measured by Tobin's Q. Tobin's Q is an indicator of a firm's market value (Gwa et al., 2025); it is computed by adding up the market value of the firm's equity, book value of long-term debt, and book value of short-term liabilities and dividing the results by total assets (Chung & Pruitt, 1994; Li & Chen, 2018). Tobin's Q has been a widely used measure of a firm's financial performance by most studies on gender diversity(Adams & Ferreira, 2009; Adusei & Obeng, 2019; Li & Chen, 2018) largely due to its combination of both market and financial components to make up the ratio.
- Capital Structure: Capital structure relates to a company's source of funding for its investments assets and normal operations which is usually a mix of equity and debt(Le & Phan, 2017). Several authors have used various proxies to measure capital structure such as long-term debt to total assets, short-term debt to total assets, total debts to total assets and debt to equity as a ratio. (Adusei & Obeng, 2019; Eduardo & Herbert, 2010; Hejazi et al., 2016; Le & Phan, 2017). This study measures capital structure as a percentage of debt-to-equity defined as long-term debt divided by share capital plus reserves (Adusei & Obeng, 2019).

Independent Variables

The independent variable board diversity is measured as the percentage of women on the board of Listed UK banks modelled after studies by (Chamo et al., 2025; Razaq et al., 2023; Adusei & Obeng, 2019; Ongsakul et al., 2021; Strøm et al., 2014).

Control variables

Control variables account for other factors that will affect both the financial performance and capital structure of listed banks in the UK other than board gender diversity (which is the focus of the study). Having control variables gives a more balanced model. The control variables considered for this study include:

i. Firm Size: The size of a firm as noted by Niresh and Velnampy (2014) plays a vital role in the profitability of a firm and is also likely to affect the choice of capital structure of the firm (González & González, 2011). The measurement of firm size has varied among studies, some studies based the size of the firm on the firm's total assets (Adusei & Obeng, 2019; García & Herrero, 2021), while other studies used the total sales and employees of the firm to serve as a proxy for firm size(Adams & Ferreira, 2009; González & González, 2011; Triana et al., 2019). This study adopts the total assets proxy which is denoted as the natural logarithm of total assets (Bastari et al., 2020).
ii. Board size: The size of a board relates to the number of directors on the board. This is affected by various factors such as the size of the firm, company policy, and policies of regulatory bodies in countries where a firm operates (Al-Naif & Alnaif, 2014). The function of the board is generally categorised into advising and monitoring, with a larger board size found to have a better advantage in performing its advising and monitoring function better (Guest, 2009). Hence, the size of the board will also affect the balance of men and women on the board, which may in turn affect the choice of capital structure and financial performance to the board (Eisenberg et al., 1998). For this study, board size is measured by the number of directors on the board modelled after studies by (Adusei & Obeng, 2019; Strøm et al., 2014; Zalata et al., 2019).
iii. Board Independence: Independent directors also perform a monitoring and oversight function on the operations of management and are found to be better monitors of the activities of management (Nguyen & Nielsen, 2010). For this study, board independence is measured as the number of independent directors on the board as a proportion of the total number of directors (Adusei & Obeng, 2019; García & Herrero, 2021).
iv. Liquidity: Liquidity refers to the flow of funds in an organisation (Nikolaou, 2009). The level of liquidity in a firm will affect its operations. Firms with more liquidity can take on more investment without the need for external sources of financing(Lipson & Mortal, 2009). Thus, Liquidity will affect the choice of capital structure and financial performance of a company(Anderson & Carverhill, 2012). Liquidity in this study is calculated by dividing cash from operations by total assets.

The model estimated in logarithm form is therefore presented as:

$$l\_DTE_{it} = \beta_0 + \beta_1 l\_BGD_{it} + \beta_2 l\_FirmSize_{it} + \beta_3 l\_BODSIZ_{it} + \beta_4 l\_BIND_{it} + \beta_5 l\_LIQ_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots (1)$$

$$l\_TOBq_{it} = \beta_0 + \beta_1 l\_BGD_{it} + \beta_2 l\_FirmSize_{it} + \beta_3 l\_BODSIZ_{it} + \beta_4 l\_BIND_{it} + \beta_5 l\_LIQ_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots (2)$$

Where:
l_DTE = log of Debt to Equity
l_TOBq = log of Tobin's Q
l_BGD = log of Board Gender Diversity
l_FirmSize = log of Firm Size
l_BODSIZ = log of Board Size
l_BIND= log of Board Independence
l_LIQ= log of Liquidity of the firm
ε = Error Term
$_{it}$ = cross-section unit over time

4. Results and Discussion

Descriptive Statistics

Table 1 gives a summary statistic of the variables used in this study. It gives a quantitative description of the financial performance indicator i.e., Tobin's q, Capital structure proxy i.e., debt to equity, gender diversity and the control variables, Board Size, firm size, independent directors, and liquidity.

Table 1: Summary Statistics

Variable	Mean	Median	S.D.	Min	Max
DTE	5.250	5.250	0.677	3.570	6.690
TOBINSQ	-0.323	-0.006	1.110	-4.610	0.270
BGD	3.170	3.270	0.414	2.040	3.820
FIRMSIZ	2.470	2.370	0.272	1.700	3.050
BODSIZ	2.440	2.480	0.232	1.950	3.040
BINDP	4.270	4.340	0.194	3.650	4.520
LIQ	1.090	1.140	1.360	-3.37	3.760

Source: Authors' Computation using Gretl.

From Table 1, capital structure, however, DTE shows a mean value of 5.25 and a standard deviation of 0.677. This implies that on average most of the companies used debt as a source of financing rather than equity. Also, the higher mean value compared to the standard deviation shows that the observation is concentrated around the mean. This also shows an average debt-to-equity ratio of 5.25. For financial performance of firms measured by Tobin's q show an average value of -0.323 with a standard deviation of 1.11. This shows that the data are dispersed from the mean because the standard deviation is higher than the mean. The negative mean value of -0.323 shows that most of the observations of the firm's financial performance based on Tobin's q were negative within the period under review. A similar occurrence is deduced from the results of the mean and standard deviation of gender diversity and the control variables as all the variables had a mean value that was greater than the standard deviation other than liquidity which had a slightly higher standard deviation which suggests that the variables are slightly dispersed from the mean.

Correlation Result for Model 1

Table 2 presents the correlation matrix of the independent variable gender diversity and control variables on capital structure DTE. This helps to shed light on the common relationship that exists among these variables.

Table 2: Correlation coefficients

DTE	BGD	BODSIZ	FIRMSIZ	BINDP	LIQ
1.000	0.014	-0.091	0.357	0.301	-0.116
	1.000	0.048	0.236	0.177	-0.376
		1.000	0.652	0.111	-0.319
			1.000	0.399	-0.499
				1.000	-0.063
					1.000

Source: Authors' Computation using Gretl.

From Table 2, DTE has a positive relationship with BGD FIRMSIZ and INDP at 0.014, 0.357, and 0.301 respectively which suggests that there will be an upward movement in DTE as either of the variables increases. BODSIZ and LIQ on the other hand have a negative correlation on DTE. This shows that DTE will reduce as either of the variables increases. The correlation matrix also reveals that the values of all variables fall below the acceptable threshold of 0.7 suggesting that there is no cause to worry about the problem of multicollinearity.

Correlation Result Model 2

The correlation matrix seeks to establish relationships that exist between variables used in the research. Table 3 shows the correlation matrix of the independent variable gender diversity and control variables on firm financial performance Tobin's Q. This helps to understand the inter relationship that exists among variables.

Table 3: Correlation coefficients

TOBINSQ	BGD	BODSIZ	FIRMSIZ	BINDP	LIQ
1.000	-0.085	-0.211	-0.735	-0.426	0.067
	1.000	0.052	0.282	0.179	-0.376
		1.000	0.673	0.109	-0.319
			1.000	0.429	-0.512
				1.000	-0.063
					1.000

Source: Authors' Computation using Gretl.

From table 3 above, Tobin's q has a negative relationship with independent variables BGD, BODSIZ, FIRMSIZ, and INDP at -0.085, -0.211, -0.735, and -0.426, respectively. This shows that Tobin's q will reduce as either of the variables increases. Liquidity, on the other hand, shows a positive value of 0.067, this means that it has a positive correlation with Tobin's Q, which suggests that as liquidity increases, Tobin's Q will also go up. The correlation matrix also reveals that the values of all variables fall below the acceptable threshold of 0.7 suggesting that there is no cause to worry about the problem of multicollinearity.

Normality Test

This test is conducted to determine if the data set is normally distributed. The Jarque-Bera (JB) test was conducted to check for the normality of residuals in the data set used in this study. The decision rule is to reject the null hypothesis that the residual is not normally distributed if the P-value < sig level of 0.05.

Table 4: Jaque Bera Test for Normality of Residual

	Test Statistic	P-value
Model 1	5.724	0.057
Model 2	3.587	0.166

Source: Authors' Computation using Gretl.

From Table 4 above, the p-value of the JB test for model 1 is 0.057 which is higher than the significance level of 5%. Hence, we reject the null hypothesis and acknowledge that the residuals of the data set are normally distributed. Also, the p-value of the JB test for model 2 is 0.166 which is higher than the significance level of 5%. Hence, we reject the null hypothesis and acknowledge that the residuals of the data set follow a normal distribution.

Multicollinearity Test

Multicollinearity is a test to ascertain the extent of correlation between explanatory variables. High correlation between predictor variables can limit the reliability of test results. To test multicollinearity, the Variance Inflation Factor (VIF) of regressors was obtained. VIF quantifies the extent to which the variance of an estimated regression coefficient increases due to multicollinearity. The rule of thumb is if the VIF is less than or equal to one, there is no multicollinearity, if the VIF is between 1 and 5, there is moderate collinearity, while a VIF of ten and above signifies high multicollinearity. From Table 5, the

values of the regressors are all below five, which shows that there is little or no presence of multicollinearity among the regressors. This also validates the results of the correlation discussed earlier in Tables 2 and 3.

Table 5: Test for Multicollinearity

Variable	VIF	Tolerance
BGD	1.308	0.765
BODSIZ	1.737	0.576
FIRMSIZ	2.316	0.432
INDP	1.373	0.728
LIQ	1.382	0.724
Mean VIF	1.623	

Source: Authors' Computation using Gretl.

Regression Result

After conducting the relevant test necessary to ensure an unbiased model for regression, regression analysis for both capital structure model and financial performance model designed to test the two earlier proposed hypotheses have been conducted.

Table 6: OLS, using observations

	Model 1(DTE)			**Model 2(TOBINS Q)**		
	Coefficient	*t-ratio*	*p-value*	*Coefficient*	*t-ratio*	*p-value*
const	3.511	2.233	0.029	1.284	0.791	0.432
BGD	−0.355	−1.863	**0.067**	0.347	1.822	**0.074**
BODSIZ	−1.136	−2.947	0.005	2.423	6.136	0.000
FIRMSIZ	1.062	2.498	0.015	−5.272	−10.81	0.000
INDP	0.713	1.908	0.061	1.104	2.630	0.011
LIQ	−0.021	−0.330	0.743	−0.151	−2.289	0.026
Adjusted R Squared		0.192			0.682	
F-statistics		4.088			27.183	
P-value		0.003			0.000	

Source: Authors' Computation using Gretl.
*Represents the level of significance at 10%

Model Fitness Measure and Regression Coefficients

The model fitness measures indicate the overall effectiveness of the regression models in explaining the variation in the outcome variables because of the predictor variable. As shown in table 6, model 1 shows a limited explanatory power with adjusted R-square value of 0.192 indicating that 19.2% of the variation in capital structure is explained by board gender diversity and the control variables. The model is, however, statistically significant with a p-value of 0.003. Model 2 on the other hand demonstrates a stronger fit and predictive power, with an adjusted R-square of 0.682 signifying that 68.2% of the variation in the performance of UK banks is caused by board gender diversity and the control variables

in this study. The predictive strength of model 2 is also complemented by the F-statistics of 27.183 and a p-value of 0.000 showing that the model is statistically significant to predict the variations in the firm performance because of changes in board gender diversity.

The result from coefficients of the regressors BGD, BODSIZ and LIQ in model 1 reveal that for every 1% increase in both BGD, BODSIZ, and LIQ there will be a decrease in DTE by -35.5%, -113.6% and −2.12% respectively. This therefore implies that both BGD, BODSIZ and LIQ have a negative impact on DTE which represents capital structure within the period under review. While FIRMSIZ and INDP have a positive impact on DTE by 106.2% and 71.3% respectively.

The result from coefficient of the regressors BGD, BODSIZ and INDP in model 2 shows that for every 1% increase in both BGD, BODSIZ, and INDP there will be an increase in Tobin's q by 34.7%, 242.3% and 110.4% respectively. This therefore implies that both BGD, BODSIZ and INDP had a positive effect on Tobin's q which represents the financial performance of UK banks within the period under review. FIRMSIZ and LIQ on the other hand had a negative effect on Tobin's by −527.2% and −15.1% respectively.

Test for Research Hypothesis 1

H_1 Board gender diversity has a negative effect on capital Structure of listed UK Banks

From Table 6, BGD has a negative coefficient of −0.355 with associated T-value of −1.863 and p-value of 0.067. This suggests that BGD has a negative and significant (at 10% level of significance) effect on the capital structure of listed UK banks during the period under review. Hence, the author fails to reject the hypothesis which states that board gender diversity has a negative effect on capital Structure of UK Banks.

Test for research Hypothesis 2

H_2 Board gender diversity has a positive effect on the financial performance of listed UK Banks

From the above Table 6. BGD has a positive coefficient of 0.347 with associated T-value of 1.822 and a p-value of 0.073. This suggests that BGD has a positive and significant (at 10% level of significance) effect on the financial performance of listed UK banks during the period under review. Hence, the author fails to reject the hypothesis which states that board gender diversity has a positive effect on financial performance of UK Banks

Discussion of Finding

Results from the regression analysis for hypothesis one found gender diversity to have a negative and significant effect on capital structure. This aligns with the earlier postulations which suggested that gender diversity is likely to have a negative effect on capital structure This also correlates with the findings of (Adusei & Obeng, 2019; García & Herrero, 2021; Geel, 2019; Kristanti, 2015) who also found gender diversity to have a negative relationship with capital structure and is in tandem with findings of (Adams & Ferreira, 2009) who found a positive effect of gender diversity with capital structure. This also relates with the proposition of the pecking order theory of capital structure which posits that when considering any of the sources of finance, they make their decision following an order that prefers internal sources of finance first before debt and equity, with debt been ranked higher than equity due to cost of sourcing equity financing (Julius, 2012).

The result from second hypothesis which tests the positive effect of gender diversity on the financial performance of UK banks, found that gender diversity had a positive effect on the financial performance of banks in the UK within the period under review. This follows with the findings of (Conyon & He, 2017; Nguyen et al., 2021; Perryman et al., 2016; Triana et al., 2019) who also found a positive and significant effect of board gender diversity on financial performance. The findings are however not in tandem with the findings of (Adams & Ferreira, 2009; Ahern & Dittmar, 2012) who found a negative relationship between firm financial performance and board gender diversity. The variation in the result can be linked to the differences in the samples used

5. Conclusion and Recommendations

The issue of gender diversity has always been a matter of controversy and generally arouses attention in the social and economic atmosphere of any country (García & Herrero, 2021). This study was conducted with the aim of finding the effect of women in the board room relative to capital structure and the performance of the firm. To achieve the earlier stated objectives of this study, data drawn from listed banks in the UK within a 10-year period was analysed to test the two-hypothesis designed for this study. The result from analyzing the first hypothesis reveals that there is a negative and significant relationship between gender diversity in favour of more women on the board and capital structure measured by debt-to-equity ratio. While the second hypothesis also follows with the earlier postulations which predicated on the premise that gender diversity positively affects the financial performance of listed banks in the UK.

This study marginally contributes to existing literature on the subject matter by testing the relationship between gender diversity and capital structure and its effect on performance on the banking sector in the UK. It therefore supports the findings of other studies that more women on the board will negatively react to the use of debt financing and will also improve financial performance through means such as monitoring which is evident by the positive effect of independent directors on financial performance. Thus, gender diversity will be a driving mechanism to economic stability, especially following the current global strain caused by the pandemic.

Following the conclusions of this study, it is therefore evident that gender diversity will ultimately have a positive impact on the performance of firm especially following the current pandemic that has had impact on the global economy, this will necessitate the need to encourage more women on the management team of firms. Hence, more concise laws and policies that will encourage the adoption of more women on the board should be enacted. Although the equality act of 2010 encourages gender reassignment, the revised financial reporting council of 2019 which sets the standard for corporate governance in the UK (FRC, 2019), is rather quiet on the issue.

Another line of recommendation is around working conditions for women. After childbirth for instance, women are more likely to fall out of the labour market or reduce their commitment at work especially in the UK when compared to other European countries (Chung & Van der Horst, 2018). Hence, a more favourable and flexible working conditions that helps women balance work and family life should be encouraged.

Also, social clubs and other initiative that can be positioned in work environments, university settings and other areas of academic and social gathering that will inspire and encourage women to pursue their careers goals and objectives and knowing their relevance in contributing to a balance and stable economy should be encouraged so that women can be motivated from an early stage of their career path.

This sample used in this study is limited to only banks that have been consistently listed in the UK over a 10-year period. This leaves out other observations in the sample that may be important to the analysis and findings of this study. Also, the control variables used in this study which are firm size, board size, independence of the board and liquidity of the firm may not be wide enough to account for all the factors asides gender diversity that may have affected the dependent variables capital structure and firm financial performance of UK banks during the period under review. Another limitation is in the number of independent variables used in this study which was only gender diversity of board. Additional measures of diversity such as gender diversity in board committees should be considered in the independent variables in the light of future studies.

Further studies should also consider the effect of gender diversity on other financial institutions like insurance and mortgage banks in the UK as they were not included in the samples considered for this study. Also, another area of study could be to look at a comparative study between firms that are solely managed by women and firms that are managed by men.

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