

GENDER DIVERSITY IN THE BOARDROOM AND PROPENSITY FOR PRIVATE-EQUITY PLACEMENTS: EVIDENCE FROM CHINESE LISTED FIRMS

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The effects of board diversity on corporate financing decision are not well documented, but it is assumed that any effect could result from major determinants of private equity issuance decision; information asymmetry and monitoring capabilities. This study investigates whether gender diversity increases or reduces information asymmetry and improves or deteriorates monitoring effects of firm's business operations. We also examine the effect of gender board diversity on information cost and gaining access to PE market. We collected PEP event data from CSRC's monthly bulletin, financial data and board characteristic data from CSMAR's database for the period of 2006-2010. Data were analysed by multiple logistic and fixed effect regressions. We find that greater board diversity at corporate board level help reduce discount on private equity offers and increase access to private equity market. Moreover, our research suggests the consequences of having greater diversity at corporate board level in terms of lowering information asymmetry and improving monitoring effects of private equity financing of Chinese listed firms. There is need for future researches to investigate the effects of gender diversity on other corporate financing activities before making recommendations on mandatory female representation in corporate boards. Moreover, findings of this study provide information that can improve policy debates within the capital market regulators beyond China.

Keywords: Gender diversity, Information asymmetry, Monitoring effect, Private Equity Placement (PEP), Regulations