BOARD GENDER DIVERSITY AND STOCK PRICE CRASH RISK: EVIDENCE FROM INDIA

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ABSTRACT

This study investigates the relationship between Board Gender Diversity (BGD) and Stock Price Crash Risk (SPCR) using a panel dataset of 434 non-financial privately owned firms listed on the National Stock Exchange (NSE) of India over the period 2016 to 2023. The analysis is situated within the context of the Securities and Exchange Board of India (SEBI)'s 2014 mandate requiring listed companies to appoint at least one woman director, which aimed to enhance board diversity and corporate governance. Drawing on agency theory, the study examines whether increased female representation on corporate boards improves oversight and transparency, thereby mitigating managerial bad-news hoarding and reducing the likelihood of abrupt stock price crashes. Stock price crash risk is measured using three established proxies: negative conditional skewness (NCSKEW) and down-to-up volatility (DUVOL) and Crash Weeks Count (COUNT) of firm-specific weekly returns. Employing fixed effects panel regression in the Indian context—characterized by distinct cultural norms, ownership structures, and governance frameworks—there is limited empirical evidence on whether mandated female board representation can act as a meaningful governance mechanism. By focusing on this question, the present study explores whether board gender diversity mitigates opportunistic managerial behaviours such as bad-news hoarding, thereby lowering the likelihood of stock price crashes.

Keywords: Board Gender Diversity (BGD), Stock Price Crash Risk (SPCR), Corporate Governance, Emerging Markets

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