

Gender quotas, board diversity and spillover effects. Evidence from Italian banks

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March 15, 2023

Motivation

- Italy ranks poorly in gender equality comparisons:
 - 76th in *Global Gender Gap Index* ranking 2020 (over 153 world's countries)
 - 14th in the *Gender Equality Index* (over the 28 EU countries), and last in the *On the work equality* component
- Over the years several countries have imposed gender quotas in some domains, such as politic representation and firms' boards
- In 2011 Italy adopted such a law that imposed quotas on boards of listed and public firms

What we do

We study the effects on Italian **banks** of the introduction of gender quotas in corporate boards of **listed** companies by looking at:

- Gender composition of boards
- Other diversity measures of boards (age, tenure, regional origin of members)
- Performance of target banks
- Spillovers on **non listed banks** belonging to listed groups

Related literature

- Effects of gender quotas:
 - in politics: Baltrunaite et al. (2014), Besley et al. (2017) (among others)
 - in firms' boards: Nygaard (2011), Ahern and Dittmar (2012), Comi et al. (2020), Baltrunaite et al. (2020) on SOE, Ferrari et al. (2018)
 - in banks' boards: Liao et al. (2021), Arnaboldi et al. (2020) (cross-country evidence)

Contributions

- We complement the evidence based on cross-country banking sector by focusing on single country, with a common institutional setting and a largely documented divide in female representation (a significant *case study*)
- We can directly observe the effects of quotas on:
 - ① gender balance in board composition
 - ② diversity measures (e.g. age, tenure, local origins)
 - ③ performance measures
- We look at the effects on banks directly targeted by the quota law but also study the possibility of **indirect effects**:
 - ① spillovers on banks not directly targeted but closely linked to them (i.e. belonging to the same group)
 - ② opportunistic behavior on adjustments of board size

Outline

① Introduction

② Institutional setting

③ Data and Empirical strategy

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④ Results

Listed Banks: Compliance with the law

Listed Banks: Effects on other diversity dimensions

Banks in Listed Groups: Spillover Effects

Effects on economic performance

Robustness

⑤ Conclusions

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The application of the Quota Law in Italy

Law 120/2011 required all listed and public companies to adopt gender quotas in their boards:

- quota reserves to the less represented gender 1/5 of seats in the 1st renewal, 1/3 from the 2nd and 3rd renewal
- companies had 1 year to comply by adapting their Statutes (Aug. 2011-2012: *Phase-In* period)
- *temporary intervention*: quotas set to expire in 2023
- *sanctions*: formal warning \Rightarrow fine \Rightarrow boards' fall

Italian companies typically have two boards (both must comply with the Law):

- ① Board of Directors (BD)
- ② Board of Supervisors (BS)

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Empirical strategy

We adopt a DID strategy by comparing bank-level measures **before and after the implementation of the Law** (Aug. 2011) and distinguishing among:

- **two treated groups** of banks:
 - ① Listed banks (LB, directly affected by the quota law, $N_{LB} = 23$)
 - ② Non-listed banks in listed groups (BLG, potentially affected by spillovers, $N_{BLG} = 73$)
- **control group**: all banks belonging to non-listed groups ($N_{CG} = 91$)

Empirical specification (two-way FE):

$$Y_{it} = \alpha_0 + \beta_{LB} LB_i \times Post_t + \gamma X_{it} + \theta_i + \theta_t + \epsilon_{it} \quad (1)$$

$$Y_{it} = \alpha_0 + \beta_{BLG} BLG_i \times Post_t + \gamma X_{it} + \theta_i + \theta_t + \epsilon_{it} \quad (2)$$

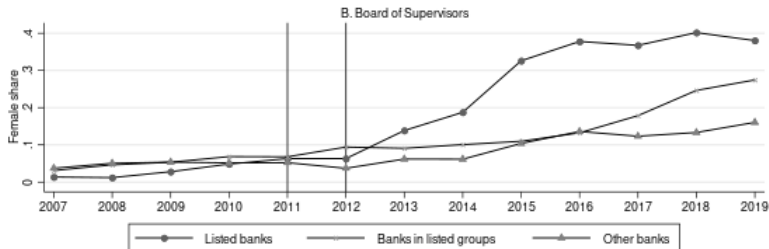
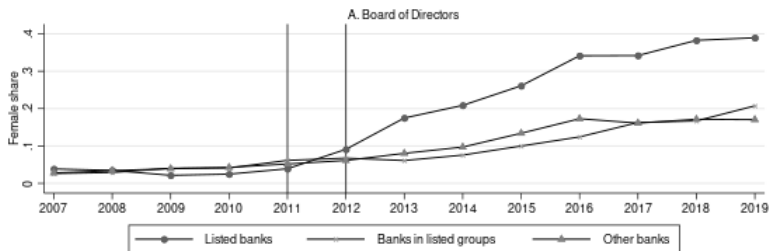
Data

We matched data in the period 2007-2019 on:

- ① Information on bank board members from the census of Corporate Boards held by the Bank of Italy
- ② Bank characteristics (i.e. legal form, size, location) from Bank of Italy's Census of banks
- ③ Information on listed status from Stock market authority (Consob)
- ④ Bank performance indicators from the Bank of Italy's Supervisory Reports and Balance Sheets

⇒ Panel of 187 banks for 13 years (40% of the universe and 70% of the loans intermediated)

Share of women in BD and BS 2007-2019: an overview



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Listed Banks: Compliance with the law

Listed Banks: Effects on other diversity dimensions

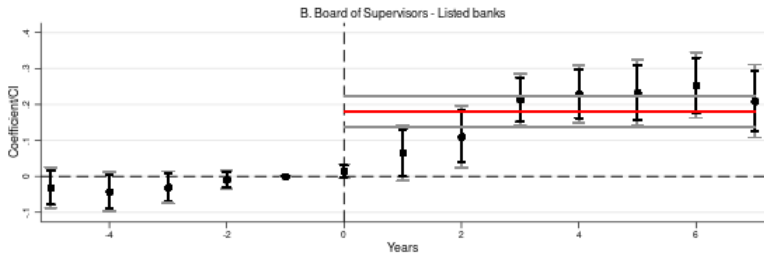
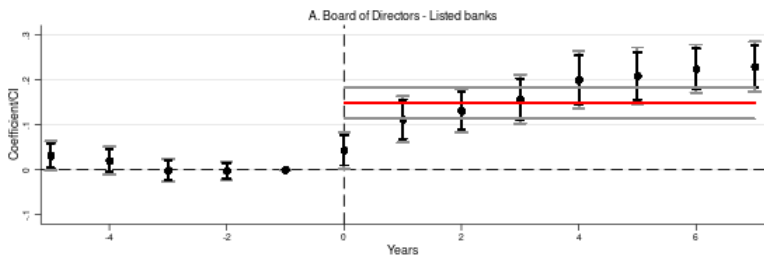
Banks in Listed Groups: Spillover Effects

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Listed Banks: Event study on the share of female members on boards

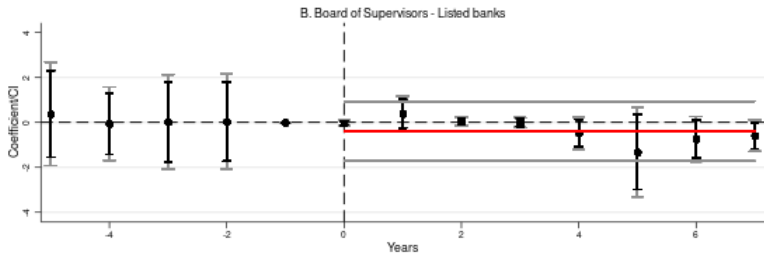
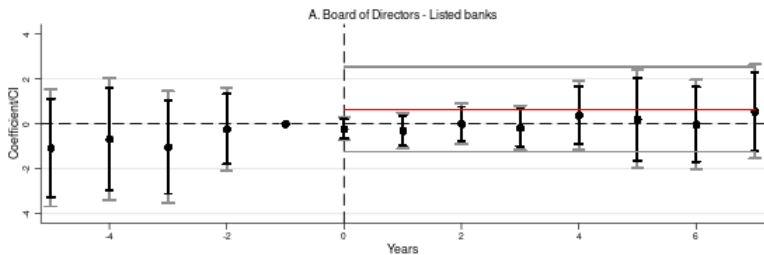


Listed Banks: the share of women

Table: The effects of the Quota Law on the share of females in the boards of listed banks.

	A. Board of Directors			B. Board of Supervisors		
	(1)	(2)	(3)	(4)	(5)	(6)
LB X Post	0.234*** (0.0155)	0.149*** (0.0180)	0.149*** (0.0182)	0.231*** (0.0182)	0.180*** (0.0223)	0.180*** (0.0222)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	No	Yes	Yes	No	Yes	Yes
Bank controls	No	No	Yes	No	No	Yes
<i>N</i>	1198	1198	1198	1199	1199	1199
<i>R</i> ²	0.586	0.743	0.743	0.537	0.616	0.619

Listed Banks: Event study on the size of the boards

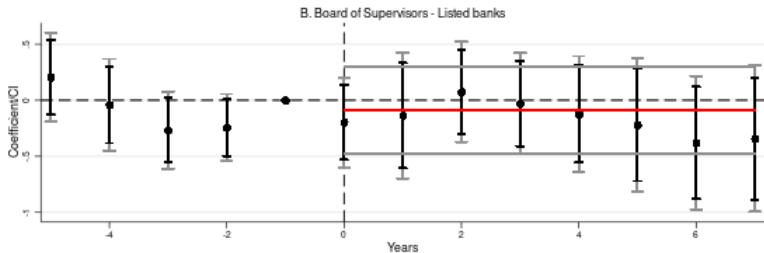
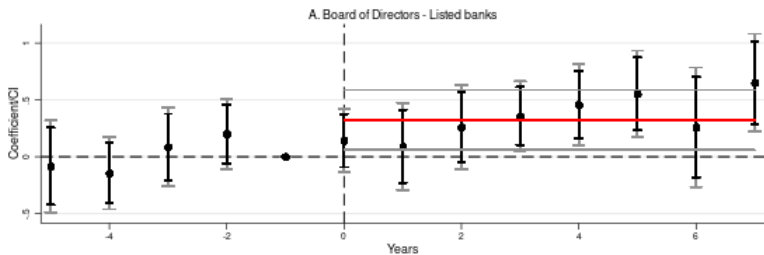


Listed Banks: the size of the boards

Table: The effects of the Quota Law on the size of the boards of listed banks.

	A. Board of Directors			B. Board of Supervisors		
	(1)	(2)	(3)	(4)	(5)	(6)
LB X Post	-0.215 (0.921)	0.678 (0.959)	0.631 (0.957)	-0.405 (0.671)	-0.388 (0.680)	-0.375 (0.674)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	No	Yes	Yes	No	Yes	Yes
Bank controls	No	No	Yes	No	No	Yes
<i>N</i>	1198	1198	1198	1199	1199	1199
<i>R</i> ²	0.718	0.731	0.737	0.821	0.822	0.822

Listed Banks: Event study on other measure of board diversity



Listed Banks: other diversity on boards (including gender)

Table: The effects of the Quota Law on diversity (including gender) in listed banks.

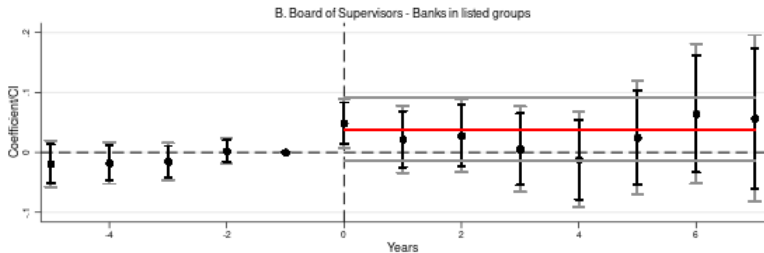
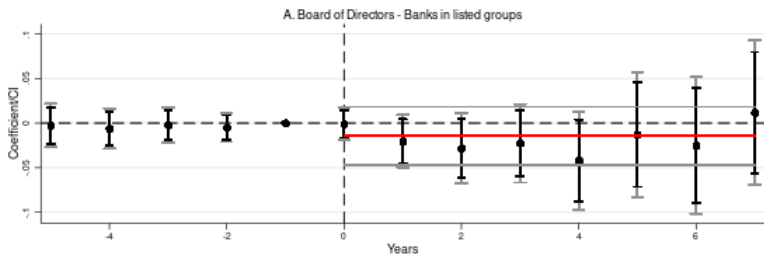
	A. Board of Directors			B. Board of Supervisors		
	(1)	(2)	(3)	(4)	(5)	(6)
LB X Post	0.622*** (0.125)	0.561*** (0.152)	0.556*** (0.152)	0.321 (0.202)	0.192 (0.210)	0.208 (0.206)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	No	Yes	Yes	No	Yes	Yes
Bank controls	No	No	Yes	No	No	Yes
<i>N</i>	1198	1198	1198	1199	1199	1199
<i>R</i> ²	0.504	0.510	0.516	0.475	0.487	0.496

Listed Banks: other diversity on boards (excluding gender)

Table: The effects of the Quota Law on diversity (excluding gender) in listed banks.

	A. Board of Directors			B. Board of Supervisors		
	(1)	(2)	(3)	(4)	(5)	(6)
LB X Post	0.200* (0.110)	0.326** (0.135)	0.323** (0.135)	-0.0676 (0.195)	-0.108 (0.202)	-0.0916 (0.197)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	No	Yes	Yes	No	Yes	Yes
Bank controls	No	No	Yes	No	No	Yes
<i>N</i>	1198	1198	1198	1199	1199	1199
<i>R</i> ²	0.479	0.489	0.494	0.465	0.468	0.478

Banks in Listed Groups: Event study on female share on boards

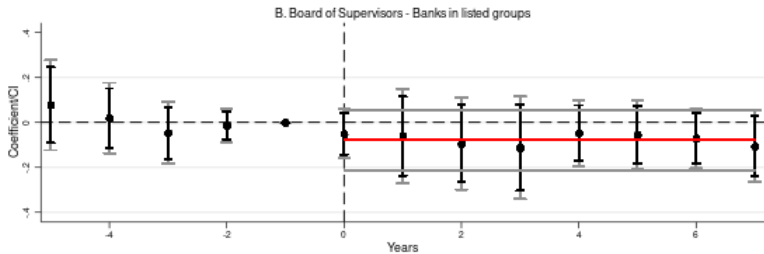
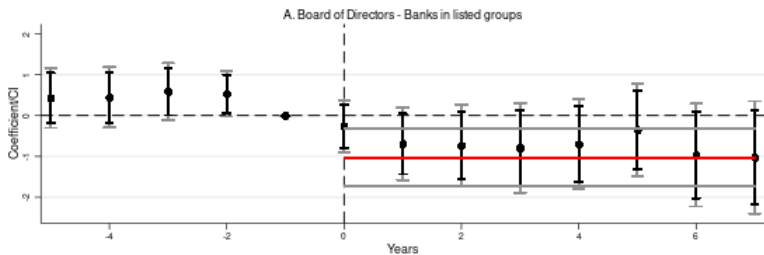


Banks in Listed Groups: the share of women on boards

Table: The effects of the Quota Law on the share of females in the boards of banks in listed groups.

	A. Board of Directors			B. Board of Supervisors		
	(1)	(2)	(3)	(4)	(5)	(6)
BLG X Post	0.0515*** (0.0134)	-0.0151 (0.0168)	-0.0147 (0.0168)	0.0702*** (0.0235)	0.0359 (0.0276)	0.0381 (0.0270)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	No	Yes	Yes	No	Yes	Yes
Bank controls	No	No	Yes	No	No	Yes
<i>N</i>	1660	1660	1660	1661	1661	1661
<i>R</i> ²	0.502	0.633	0.633	0.527	0.567	0.573

Banks in Listed Groups: Event study on the size of boards

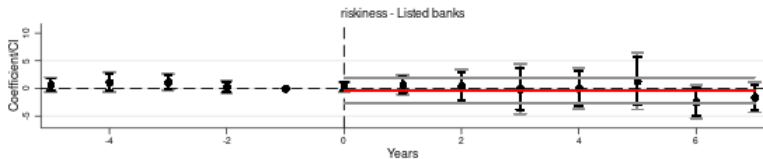
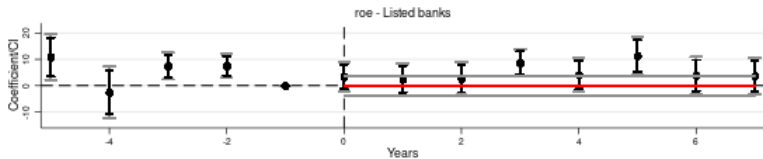
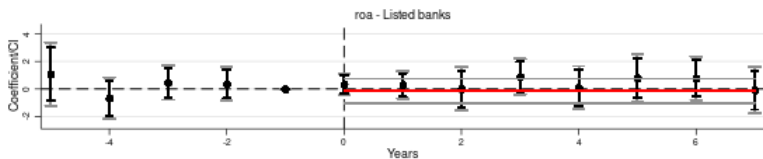


Banks in Listed Groups: the size of the boards

Table: The effects of the Quota Law on the size of the boards of banks in listed groups.

	A. Board of Directors			B. Board of Supervisors		
	(1)	(2)	(3)	(4)	(5)	(6)
BLG X Post	-1.808*** (0.282)	-1.097*** (0.377)	-1.028*** (0.362)	-0.0966** (0.0490)	-0.0793 (0.0684)	-0.0790 (0.0682)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	No	Yes	Yes	No	Yes	Yes
Bank controls	No	No	Yes	No	No	Yes
<i>N</i>	1660	1660	1660	1661	1661	1661
<i>R</i> ²	0.733	0.752	0.760	0.777	0.779	0.779

Listed Banks: Event study on economic performance



Listed Banks: Effects on economic performance

Table: The effects of the Quota Law on listed banks' performance.

	A. ROA			B. ROE			C. Riskiness		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
LB X Post	0.133 (0.310)	0.148 (0.315)	-0.129 (0.444)	0.202 (1.911)	0.330 (1.938)	-0.038 (1.938)	-0.648 (1.267)	-0.732 (1.275)	-0.340 (1.193)
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Bank controls	No	No	Yes	No	No	Yes	No	No	Yes
<i>N</i>	1263	1263	1263	1263	1263	1263	1250	1250	1250
<i>R</i> ²	0.338	0.366	0.509	0.386	0.420	0.435	0.515	0.568	0.614

Robustness and sensitivity analysis

Results are robust to:

- Banks de-listing to avoid the law (none does)
- Alternative control group (All non-listed banks)
- Checking for time-region trends
- Alternative time window (since 2015 all banks encouraged to have gender quotas)

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Concluding remarks

Main results: a recap

We contribute to the literature on gender diversity and evaluate the impact of gender quotas on the banking industry

We find:

- Listed banks complied with the law
- Reshuffling on boards only slightly increased diversity along other characteristics (age, tenure, local origin), and limited to BDs
- Performance of listed banks was not affected by the law
- Spillover effects were very limited

Policy implications

In the setting under study, the policy tool of imposed gender quotas:

- was effective in increasing women representation (i.e., banks complied with the Law) \Rightarrow but through this way they did not significantly increase board diversity along other dimensions
- if anything, was neutral to economic consequences
- did not produce relevant spillover effects \Rightarrow we are far from a *diversity culture*, as only those targeted by the Law comply

THANK YOU FOR YOUR ATTENTION!

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