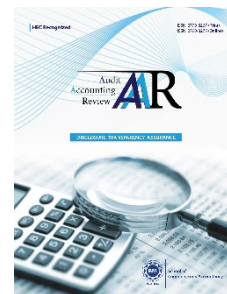
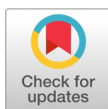



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Board Diversity and Corporate Outcomes: Evidence from Gender and Ethnic Heterogeneity in Pakistan's Non-Financial Firms

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Abstract

This study examines how board gender and ethnic diversity shape the financial performance, innovation capacity, and decision-making efficiency of non-financial firms listed on the Pakistan Stock Exchange (PSX). Using panel data for 310 firms over the period 2015–2023, the analysis applies the System-GMM estimator to address unobserved heterogeneity, dynamic persistence, and endogeneity concerns inherent in corporate governance research. Both board gender diversity and ethnic diversity exhibit positive, significant effects on return on assets, return on equity, and firm innovation, indicating that diverse boards enhance strategic perspectives and resource access. However, the benefits of gender diversity weaken in firms with highly concentrated ownership, suggesting that dominant shareholders may limit board influence. The results highlight the importance of inclusive governance in settings characterized by institutional constraints and cultural fragmentation. By providing empirical evidence from an emerging economy, the study contributes to the growing literature on board diversity. It offers guidance to regulators and corporate leaders seeking to strengthen governance quality and enhance firm competitiveness in evolving market environments.

Keywords: Board Diversity, Ethnic Heterogeneity, Financial Performance, Innovation Outcomes

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