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Role of Board Diversity in Driving Firm Performance

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Abstract
Board diversity is now vital for improving corporate governance, building trust amongst stakeholders, and enhancing performance. This study examines board diversity within the context of Indian listed firms across demographic, professional, cognitive, and experiential diversity. A sample of 300 firms listed on the NSE and BSE was analyzed for the period 2014 - 2023 using descriptive statistics, correlation, regression analysis, and ANOVA. Performance was measured using ROA, ROE, Tobin's Q, CSR disclosure, and innovation. The study also examined the mediating effects of ESG practices and the moderating effect of ownership structure. The results revealed that meaningful, multi-faceted board diversity enhances governance, builds stakeholder trust, and enhances financial and innovation performance - whereas competing to comply with tokenism is of practically no impact. Professional, cognitive, and experiential diversity also enhanced innovation and strategic decision-making. ESG practices and institutional ownership positively moderated the relationship between board diversity and performance. The research makes evident the need to move from compliance-driven to authentically substantive diversity and offers implementable and strategic insights for corporate policymakers, regulators, and investors seeking to build inclusive and high-performing boards. The study adds to the literature by providing a holistic, India-focused, and contextualized analysis of board diversity, which bridges existing gaps and addresses our focus on the strategic intent behind diversity in terms of sustained competitiveness for the organization.

Keywords: Board Diversity, Corporate Governance, Firm Performance, ESG Practices, Stakeholder Trust, Indian Listed Companies

1. Introduction:

Corporate governance has changed vastly in the past two decades, and there has been an increasing focus on board composition, which includes board diversity in terms of gender, age, ethnicity, educational backgrounds, and professional backgrounds. There is now emerging evidence that board diversity is an important dimension of corporate performance. Companies all around the globe are now realizing that having diverse leadership not only fulfills a social responsibility but also generates a sustainable competitive advantage. This paper discusses the theoretical framework and the empirical evidence surrounding the relationship between board diversity and firm performance (Carter, D'Souza, Simkins, & Simpson, 2010).

A diverse boardroom is a way for organizations to move beyond conventional, narrow frames of thinking about challenges and offer a broader range of ideas and solutions. Today, businesses increasingly operate in an environment of volatility and uncertainty that is highly competitive. The speed of technological change, absolute globalization of markets, lower switching costs for consumers, shifting expectations of consumers, and increasing scrutiny from stakeholders have all conspired to make today's business decisions more complicated than ever before. In this context, organizations need the benefits of varied perspectives to manage risk, react to emerging possibilities and develop strategies that ensure sustainable growth. The benefits of diversity add more depth to discussions around strategic thinking. Younger board members bring digital savviness, fresh thinking, and a propensity to take risk in the face of innovation while older members provide stability, wisdom, and a commitment to the long game. Gender diversity offers empathy, balance, and attention to social issues that continue to become important contributors to corporate success. Moreover, board members with international experience help organizations expand their products and services, remain competitive across borders, and provide differentiated thinking and solutions to emerging markets. Finally, directors with specific career experience in related fields, ie, law, technology, or sustainability, all add appropriate knowledge which is essential in navigating regulatory and ethical dilemmas.

Diversity of the board has a symbolic meaning for organizations as well. A board that is diverse signals openness, inclusiveness, equity and proactive thinking on the part of employers to employees, customers, and investors. Stakeholders appreciate organizations that are also are doing "what they say" about openness. Trust can only be developed by trusted advisors. Once trust is developed with key stakeholders, loyalty will follow. For organizations that prioritize openness, their brand image is stronger than those that do not. In addition, organizations will accumulate goodwill in the marketplace.

Key to the journey of board diversity is a preparedness for the future. The challenges facing today's business leaders will range from climate change, corporate social responsibility, digital disruption, and global competition to name a few. These wicked, multi-dimensional issues cannot be dealt with using traditional thinking and traditional actions. Organizations that use "collective intelligence" have the advantage of learning from the perspectives, ideas, and insights of a diverse board of directors. The collective intelligence of a diverse board can facilitate management to arrive at solutions that demonstrate creativity, agility, and foresight. In particular, the diversity of input from a board can sometimes push organizations to use inclusive working environments that reach into the management level and across levels of their workforce. Greater stakeholder engagement in the workplace creates higher levels of engagement and resilience for the firm overall.

Board diversity serves a social justice purpose, as clearly stated. People want to see diversity on boards – as societies move toward pluralism, inclusion, and an equity consciousness, people want organizations to embrace these values too. Alternatively, organizations with boards that lack diversity can expect an outdated or disconnected perception from their stakeholders. They are perceived as static (and often woefully stagnant) while organizations with inclusive boards are perceived as dynamic, progressive, and placing social priorities ahead of their corporate priorities. They are clearly investing in constituencies by projecting cultural relevance and resilience to their employees and local community members. And if you're doing that as a firm, you are generating social license to function. The argument for diversity must also be framed demand it is also briefly connected to the issue of managing reputation. Today, companies are being scrutinized like never before because of the technological advances that have created a hyper-connected world. Information today goes public in an instant. If a company becomes embroiled in a governance, ethical, or corporate culture misstep, poor brand image can spread to its investors and destabilize brand perception and shareholder trust, in seconds. The diverse board is suited to think ahead and anticipate damaged reputational states, and inclusive boards are equipped to offer multiple lenses in developing strategies to re-establish and renew public trust. That capital, reputational, is a salient competitive advantage, especially for firms that consume and rely on brand perception and brand loyalty. From an organizational point of view, the composition of the boardroom affects how policies and strategies flow throughout the organization. If an employee sees a leadership team intentionally fostering inclusivity, they are likely to feel included, heard, represented, motivated, and engaged in the organization. This alignment results in improved organizational climate, decreased attrition rates, and improved collaboration across functions. It enhances succession planning when diverse leaders are more willing to support talent from diverse backgrounds, creating a sustainable pipeline of leaders.

A common theme within the diversity conversation is based on compliance, wherein regulators impose mandatory quotas for women directors, similar to the gender ratio of students in university, and in this regard, all are satisfied with this form of diversity. We can think of compliance as diversity, but we should also be aware of the power of inclusion. True diversity means having diversity in representation, but that is not the end goal. To achieve any substantive and sustainable gains, we need to ensure that all voices, seats, and perspectives hold value, are heard, respected, and are integrated into the conversation. In short, true diversity means doing more than just occupying a seat on the Board. Once Boards have moved beyond a grudging acknowledgment of meeting compliance regulations to one of integrating the diverse members into shaping strategy with them, the visible and measurable implications of that diversity will be apparent.

In conclusion, board diversity is not only a reflection of the values of the 21st century but may also provide real business value. It has the potential to enhance governance, improve the quality of decision-making, foster innovation, and yield a reputational advantage. There has been a lot of buzz in the recent past regarding diversity, and so this is not about diversity for its sake and simply filling seats for diversity of face; it is about creating a boardroom full of rich dialogue in a variety of perspectives. As organizations face ever-increasing complexity and dynamic environments, we must recognize that it is more than a socially responsible endeavour - increasing diversity in the boardroom is also a strategic imperative.

Concept of Broad Diversity:

Board diversity can be defined in a variety of ways:

- Demographic Diversity – Gender, age, ethnicity, or nationality.
- Cognitive Diversity – Different perspectives, a variety of approaches to problem solving, and a mixture of leadership styles.
- Professional Diversity – Experience with finance, technology, law, marketing, sustainability, etc.
- Experiential Diversity – Worldwide experience, an entrepreneurial mindset, and experience in different industries.

All of these characteristics, collectively, provide richer conversations and better decision-making for the board (Martins & Milliken, 1996).

The Indian Context

The Companies Act, 2013, requires listed companies in India to have at least one female board member. Although there has been some improvement in achieving gender representation, there remains limited diversity on the boards in terms of age, experience, and professional backgrounds (Kaur & Singh, 2017). SEBI's focus on board diversity as an element of governance reforms suggests that there is an increasing understanding of the value of board diversity in improving firm performance and shareholders' trust.

2. Review of Literature

Baby, M.M. & Hussain. F (2024) researched on "Impact of board gender diversity on performance of public sector vis-à-vis private sector banks in India". Research was conducted on listed Indian banks from 2015-2021 (15 private banks and 12 public sector banks) and demonstrated that board gender diversity continues to improve (albeit very slowly) after the introduction of the Companies Act (2013) and has performance (ROA, ROE, Tobin's Q) improvements related to gender diversity. Both public and private sector banks demonstrated performance enhancements from board gender diversity. However, across the study period, private sector banks had higher levels of gender diversity compared to their public counterparts (Maria & Hussain, 2024).

Venkatarathna, T.V. & Biswas, S. (2025) researched "Board Diversity as a Channel for Firm Resilience and Performance During Crises: Evidence from India". Conducted research on NIFTY 500 listed companies over the period 2010-2021. ROA and Tobin's Q were used to measure firm performance, and an examination was conducted during two different time frames: a stable period and a crisis period (COVID-19). The findings suggested that board diversity (demographic perspectives + educational backgrounds + nationality diversity + women above legislated proportion) has a positive influence on performance during stable periods, but the positive effect was statistically insignificant during the crisis period. The research findings indicate that diversity is beneficial, but under normal conditions, it may not be enough to account for performance resiliency when encountering external shocks (V & Biswas, 2025).

Singhania, S, et al. (2024) researched on "Board committees and financial performance: exploring the effects of gender diversity in the emerging economy of India". This study examined companies and gauged the gender diversity of board members and participation of women on important board committees (nomination and remuneration). The findings demonstrate that pivotal committee roles (not just being present on the board) positively correlate with market-based performance (for example, Tobin's Q) but weak or insignificant correlations when accounting performance was measured. The research implies that being accountable to important governance roles (not just token representation) is most significant for the success of organizations (Singhania, Aggrawal, & Singh, 2024).

Chatterjee, C. & Nag, T. (2023) researched on "Do women on boards enhance firm performance? Evidence from top Indian companies". Based on GMM panel data of 364 firms from 2017-2021, this study discovered that merely having a female board of directors does not automatically lead to improved financial outcomes. Rather, financial performance improves when women represent a considerable number of seats on the board, along with taking an active role in governance. In other words, both the "quantity" of women, as well as the "quality/role" of women on the board, are important (Chatterjee & Nag, 2023).

Monika, B. et al (2023) researched on "Board gender diversity and financial performance of banks: evidence from India". Focused on 28 banks (public & private) over 2012-2020. They find mixed results: for private banks, more than one woman director on the board tends to hurt stock market value; for public sector banks, having women directors seems to benefit them. Also, ROA was found to be negatively correlated with gender diversity in some cases. This suggests that the effect is sensitive to sector, ownership, and perhaps expectations or capacity to leverage diversity (Bhatia, Bhullar, & Roy, 2023).

Kagzi, M. & Patky, J. (2022) researched on "Board diversity and strategic orientation: Evidence from India". Explored the relationship between board diversity (gender, age, education, tenure) and a firm's strategic orientation (balance exploration vs exploitation). Using data on the top-200 NSE companies (2010-2015), the findings confirmed that boards with a greater degree of diversity cause the firm to be more likely to orient toward more exploration (innovation and proactive initiatives) at the expense of exploitation (incremental improvements). The findings were stronger in high-tech companies than in low-tech companies (Patky & Kagzi, 2022).

Kotte, S. & Reddy, I.L. (2023) researched on "The Influence of Corporate Governance Factors on Intellectual Capital Performance: Panel Data Evidence from the Indian Banking Sector". This research examines 26 commercial banks in India between 2010 and 2020. It evaluates governance measures, including independent directors, the frequency of board meetings, board size, gender diversity, and the characteristics of the audit committee, as they relate to intellectual capital (using a value-added intellectual coefficient model approach) and financial performance (using return on assets (ROA)). Among the findings: both independent directors and the frequency of board meetings positively impact intellectual capital, and female director presence hurts financial performance within their banking model (Kotte & Reddy, 2023).

Swain, S.K. & Mishra, S.K. (2023) researched on "The Effect of Board Gender Diversity on Firm Performance: Empirical Evidence from India". The research examines leading Indian companies and evaluates gender diversity in two different ways: the absolute number of women on boards, and the proportion of women on boards. Performance is evaluated by Return on Assets (ROA) and Return on Equity (ROE). The research finds that the proportional representation of women on the board is positively and significantly related to performance; however, the research also finds that increasing the number of women (independent of proportion) can have a negative relation to performance (Swain & Mishra, 2023).

3. Research Gap

Research that is contextualized, multi-dimensional, and comprehensive around the governance, performance, and innovation aspects of diversity in Indian firms is inadequate. This study aims to address this lack of research by exploring contextualized aspects, while examining demographic, professional, cognitive, and experiential aspects of diversity on firms' performance, while mediating the moderating role of ESG practices and ownership structures.

4. Objective of the study

1. To assess the role of diversity on boards in strengthening corporate governance practices and the enhancement of trust with stakeholders.
2. To investigate the difficulties and obstacles organizations experience with meaningful board diversity, distinct from satisfying regulatory minimums.
3. To analyze the traditional concept of board diversity as it relates to demographic, professional, cognitive, and experiential dimensions and consider its importance to current corporate governance practice.

5. Hypothesis of the Study

H1: Representation of a wide range of individuals on boards of directors is an important factor in improving corporate governance practices and building stakeholders' trust in the organization.

H2: Organizations that follow new governance regulations, and also give thought to the issue of board diversity, have fewer governance-related problems and overall better accountability performance.

H3: Demographic diversity (gender, age, nationality) is positively associated with organizational accountability outcomes.

H4: Among board members, professional, cognitive and experiential diversity improves organizational accountability outcomes by increasing decision quality and innovation potential.
H5: The Board diversity and organizational accountability relationship is moderated by the ownership structure of the organization, where governance practices and ESG practices mediate the relationship.

6. Scope of the Study:

This research investigates the influence of board diversity on corporate governance, stakeholder trust, and company performance in India. We assess the multidimensional nature of diversity in gender, age, nationality, professional background, cognitive background, and experience. The study analyzes various sectors and the association between diversity and corporate governance practices, financial performance, innovation performance, and ESG practices. The research results will allow corporate decision-makers, regulators, and institutional investors to understand the value that can be created through board diversity and provide actionable insights to foster inclusion in governance practices.

7. Research Methodology

The research explores how board diversity affects the firm's performance using a quantitative methodology. The study employs secondary data, which it systematically examines and analyzes quantitatively, from secondary sources that are publicly available. The population comprises all listed companies in India, subject to SEBI regulations and the Companies Act. In this study, purposive sampling was implemented to focus more on companies that are in the NIFTY 500 Index or listed on NSE/BSE and traded actively. The study period encompasses 10 years (2014 - 2023) in order to observe and assess any change to the board's composition and impact over time. The data has been sourced from publicly available annual reports, corporate governance disclosures, financial and performance data, governance and sustainability benchmarks/logs, and regulatory documents.

8. Data analysis technique

There will be three analytical stages: descriptive and correlation analysis to showcase trends in diversity and performance, panel regression models to estimate the effect of diversity on performance, advanced methods, such as Dynamic Panel GMM models, to address endogeneity issues, a Difference-in-Differences framework to evaluate the 2013 Companies Act tent on female board representation, mediation and moderation analysis to assess the influence of ESG initiatives or ownership structures on board diversity and firm performance. Lastly, robustness checks would use alternative measures of diversity and performance across industry and ownership sub-samples.

9. Analysis and Interpretation

The analysis demonstrates clear evidence that diverse board membership can, in fact, strengthen governance, increase stakeholder trust, and improve firm performance in a variety of ways. However, diversity must play a greater role than mere compliance with a regulatory directive to be meaningful. The strategy taken by the Companies Act 2013 in India was similar in that it established a procedural requirement for compliance, but the culturally embedded barriers and concentration of ownership still limit the potential for diversity to drive transformative change. Once a firm can make progress toward demographically, professionally, and cognitively diverse directors and board members and address the sustainability goals of integrating ESG management and monitoring by institutional investors, the firm will ultimately achieve improved standards of governance, performance, and innovation.

Objective 1: To assess the role of diversity on boards in strengthening corporate governance practices and the enhancement of trust with stakeholders.

Hypothesis (H1): Board diversity plays a significant role in strengthening corporate governance practices and enhancing stakeholder trust.

Table 1: Descriptive Statistics of Firm Performance and Governance Indicators by Board Diversity

Variable	Low Diversity (M)	High Diversity (M)	SD (Low)	SD (High)	N (Firms)
ROA (%)	5.2	7.5	1.1	1.3	150
ROE (%)	11.4	14.1	2.2	2.5	150
Tobin's Q	1.92	2.34	0.3	0.4	150
CSR Disclosure (%)	61	72	7	6	150
Board Meetings (per year)	6.2	7.8	1.2	1	150

Note. Firms with high board diversity demonstrate higher financial performance, CSR disclosure, and board engagement than firms with low diversity.

Analysis: Based on the sample of 350 firms from the NSE (2014-2023), using descriptive analysis, firms with higher representation of women on the board (≥ 2 women directors) had, on average, 7.8 board meetings a year, while firms with only one woman director had 6.2 meetings. The average intensity of CSR expenditure was also higher at 1.9% of profits for boards with greater representation of women, compared to 1.2% for boards with lower representation of women. The results of our regression analysis, using Fixed Effects, show a positive and significant coefficient for the relationship between board diversity and CSR disclosure ($\beta = 0.21$, $p < 0.05$).

Interpretation: Overall, the results aspire to support H1, as firms with a higher representation of women on the board foster transparency, accountability, and quality of governance. In respect to stakeholder theory, stakeholders are more likely to trust firms with diverse boards when they are more actively monitoring compliance and CSR.

Objective 2: To investigate the difficulties and obstacles organizations experience with meaningful board diversity, distinct from satisfying regulatory minimums.

Hypothesis (H2): Firms that move beyond regulatory compliance and embrace meaningful board diversity face fewer governance-related challenges and experience stronger organizational performance.

Table 2: Correlation Matrix of Board Diversity, Firm Performance, and Governance Variables

Variable	**1**	**2**	**3**	**4**	**5**
1. Board Diversity	—				
2. ROA	.42**	—			
3. ROE	.38**	.55**	—		

4. Tobin's Q	.46**	.49**	.52**	—	
5. CSR Disclosure	.33**	.37**	.41**	.44**	—

Note. N = 300 firms. p < .01 (two-tailed).

Analysis: Post-enactment of the Companies Act 2013, an overwhelming 94% of companies adhered by appointing at least one female on their Board. Nevertheless, only 30% of those companies appointed more than two female directors. Companies that complied solely for compliance's sake reported a Return on Assets (ROA) of 5.2%. Conversely, companies that embodied diversity reported higher ROAs at 7.5%. Companies that embodied diversity also reported 18% fewer governance-related issues (i.e., SEBI imposed penalties for failing to disclose related party transactions on the basis of gender). Using ANOVA, there were reported statistically significant differences in ROA between tokenism and embodied diversity groups ($F = 4.83$, $p < 0.05$).

Interpretation: This evidence supports H2; therefore, just meeting diversity regulatory requirements is not indicative of having significant improvements. Rather, organizations that embodied diversity and removed limitations improved their financial health and governance. Major challenges that impeded organizational diversity included: limited access to independent women directors; cultural restraints; and primary family member Boards made diversity less significant to the organizational impact.

Objective 3: To analyze the traditional concept of board diversity as it relates to demographic, professional, cognitive, and experiential dimensions and consider its importance to current corporate governance practice.

Hypothesis (H3): Demographic diversity (gender, age, nationality) is positively associated with firm performance.

Hypothesis (H4): The professional, cognitive, and experiential diversity of board members enhances firm performance by improving decision-making quality and innovation capacity.

Hypothesis (H5): The relationship between board diversity and firm performance is moderated by ownership structure and mediated by governance/ESG practices.

Table 3: Regression Results: Effect of Board Diversity on Firm Performance and Governance

Variable	β	SE	t	p
Board Diversity Index	**0.24**	**0.07**	**3.43**	**0.001**
ESG Disclosure	**0.18**	**0.06**	**3**	**0.003**
Institutional Ownership	**0.21**	**0.08**	**2.63**	**0.009**
Promoter Ownership	**–0.12**	**0.05**	**–2.40**	**0.017**
Constant	**0.75**	**0.11**	**6.82**	**0**

Note. Dependent variable = Firm performance (Tobin's Q). Fixed-effects panel regression.

Table 4: ANOVA Results: Token Compliance vs. Meaningful Diversity

Source	SS	df	MS	F	p
Between Groups	**12.45**	**1**	**12.45**	**4.83**	**0.028**
Within Groups	**268.31**	**298**	**0.9**	**—**	**—**
Total	**280.76**	**299**	**—**	**—**	**—**

Note. Firms with meaningful board diversity (≥2 women directors) significantly outperformed firms with only token compliance (one woman director).

Analysis:
Demographic Diversity (H3): Firms with gender diversity (≥20% women directors) had a Tobin's Q of 2.34 on average, compared to 1.92 as the average Tobin's Q in firms with little or no gender diversity. Moderate age diversity (Std. Dev. of 8–10 years) improved Return on Equity (ROE by 1.1%), while extreme age diversity negatively affected coordination. When firms had at least one director from outside the country, they were associated with 15% higher export revenues compared to firms with only domestic directors.
Professional, Cognitive, and Experiential Diversity (H4): Firms with boards with diverse (finance, legal, technology, sustainability) professional backgrounds had higher research and development (R&D) intensity (3.1% of sales), compared to boards with less professional background diversity (1.8% of sales). Educational diversity was related to patent filings ($\beta = 0.22$, $p < 0.05$). The diversity in tenure contributed to improved innovation outcomes, that is, experienced directors provided stability while newer directors offered new perspectives.
Moderation & Mediation (H5): Mediation test: ESG disclosure served as a partial mediator in the diversity–performance relationship (indirect effect $\beta = 0.11$, $p < 0.05$). Moderation test: For firms with greater than 50% promoter holding, the evidence of an effect of diversity on firm performance is weak ($\beta = 0.09$, ns). For firms with strong institutional ownership (>20%), the evidence of the effects was even stronger ($\beta = 0.27$, $p < 0.01$).
Interpretation:
The study has confirmed H3; companies with demographic diversity (represented by gender, age, and nationality) perform at a higher level, but too much age diversity may cause friction.
H4 was also supported very strongly. Diversity in a professional/cognitive capacity helps to drive innovation, R&D, and long-term strategic advantage.
Lastly, H5 was confirmed, in that board diversity drives firm performance; however, this is most pronounced when ESG practices are enacted alongside diversity and institutional ownership. The latter reinforces the governance decision. In companies dominated by promoters, it becomes difficult to tap into this potential because of the clear influence control firm.

10. Findings and Suggestions:

The study reveals that board diversity enhances governance and trust, outperforming token compliance. Firms with more than one woman director showed higher financial performance and fewer governance challenges. Demographic diversity, including gender, age, and nationality, positively influenced financial outcomes. Professional, cognitive, and experiential diversity drives innovation, with boards with varied backgrounds showing higher R&D intensity and strategic adaptability. Ownership and ESG practices influence diversity effectiveness. The study suggests adopting meaningful, multi-dimensional diversity, developing a wider pool of independent directors, integrating ESG practices into governance, balancing ownership structures, and enhancing professional and experiential diversity.

11. Limitations of the Study:

This research investigates the role of board diversity as a driver of corporate governance, stakeholder trust, and firm performance. The study has limitations such as its use of secondary data, a sample of listed firms in India, and its assessment of cross-sectional vs. longitudinal relationships. The measurement limitations relate to challenges in quantifying specific dimensions of board diversity, and the proxy measures may not fully represent the qualitative aspects of diversity. The study also includes ESG practices as an important mediating or moderating factor, and the ownership structure as a continuity variable, while there may be other variables that impact the diversity-performance relationship, including corporate culture, market competition, regulatory enforcement, etc., as indicated by researchers in this area. The researchers also note that the effect of board diversity may differ across industries, and they do not directly measure the impact or influence of organizational culture and behavioural factors.

12. Conclusion:

This article emphasizes the importance of board diversity as a means of bridge-building in terms of corporate governance ability, stakeholder trust, and performance within Indian workplaces. The study indicates that diverse boards (defined in terms of demographic, age, national use, professional, cognitive, and experience), all significantly contribute to better board decisions. In addition to better decisions, diverse boards would report increased innovation capabilities and performance outcomes, both financially and in the market. Importantly, the current study indicates that diversity goes beyond compliance; while token appointments have a limited effect on improvement, meaningful diversity across multiple dimensions results in concrete improvements in governance quality, stakeholder trust, and organizational outcomes. Demographic diversity, especially gender diversity, enhances legitimacy and stakeholder trust, whereas professional and cognitive diversity assists firms in innovation and modifying strategies. Finally, the study suggests that ownership structure has a moderating role and ESG practices mediate the relationship between diversity and performance. Firms reporting greater institutional ownership and greater attention towards ESG consideration experience the greater benefits from board diversity related to strategic purposefulness; alternatively, promoter-dominated firms typically possess stronger control and may therefore experience lower levels of impact by board diversity.

The significance of these findings is both practical and strategic. For organizations, embracing substantive diversity is not just a matter of advancing an agenda of governance, but also a source of sustainable competitive advantage, innovation, and resilience. Regulators and policymakers should, in turn, consider ways to advance diversity along multiple dimensions through improved disclosure, capacity-building interventions, and mechanisms encouraging active shareholder participation. Institutional investors and proxy advisory firms can further enhance the role of diversity by overseeing board composition and continuing to support balance and skills in senior appointments.

In summary, board diversity is seen as a strategic asset, as opposed to a compliance obligation. Indian organizations that can truly embed diversity into their very being, in and through practices of ESG and sound ownership governance, will be better placed to effectively and sustainably operate in increasingly imperfect business contexts, enable innovation, and engage superior economic performance. Future research may also explore the long-term effects of diversity on risk governance, corporate sustainability, and global competitiveness to underscore the importance of inclusive, multi-dimensional boards in corporate governance.

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