Female CEOs issue less debt than their male counterparts

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Female CEOs issue less company debt than male CEOs, because women are often more risk-averse than their male counterparts and therefore less likely to get the company into financial difficulty, according to new research by Durham University Business School.

The study also showed that the younger the CEO, the more pronounced the findings are, with younger female CEOs very conservative in their debt issuing, in contrast to younger male CEOs, who are more likely to rack up arrears.

Conducted by Dr Yeqin Zeng, Professor of Economics at Durham University Business School, alongside Qi Zhu, Central South University Business School, Yuxuan Huang, Hunan University Business School, and Cheng Yan, Essex Business School, the study examined the effects of a CEO's gender on a company's debt structure.

To do so, the researchers examined data from the S&P 1500 – the market index of US stocks – from the years 1993-2021. Using over 28,000 firm observations in this period, the researchers were able to monitor the changes in CEO appointments and over time, as well as the debt structure of each firm, and whether or not this changed dependent on the CEO's gender and age.

The researchers found that for female CEOs, the average value of borrowed capital was 2.7% lower, as well as the average value of investing or trading in financial markets by 2.9% compared to companies with male CEOs. The researchers state that women's risk-averse nature is likely the reason why.

Younger CEOs, the research suggests, are more likely to have more extreme results compared to older CEOs because the potential rewards for risk-taking are higher. This means male CEOs are more likely to take chances due to potential for a higher reward, whilst female CEOs are less likely to take the chances due to the potentially higher risks to their careers and companies.

"Over the past 20 years we've seen an increase from just 0.5% of CEOs in the S&P 1500 being women, to 7% in 2021." says Dr Zeng. "Clearly it is a positive that the gender split of CEOs is on the up, but it makes for interesting new challenges for firms when they look at how their company is structured and performs. Our findings show that typically, female CEOs are less likely to get the company in debt, whilst men are more likely to be riskier CEOs".

Interestingly, the researchers also found that the influence exerted by the CEO's gender is much more pronounced when the level of market competition is higher, and the risk of litigation is higher too – due to the heightened risks and rewards. The researchers also found that the CFO's gender has much less of an impact on how the firm structures it's debt – it is the CEO's gender that really matters.

The researchers say that these findings clearly show that gender does have an impact on how firms perform, and the decisions the wider company enacts on behalf of the CEO's decision-making. The researchers say that this gives food for thought to companies when they are looking to hire their next CEO, giving them opportune time to manage their debt structuring too before doing so.

For more information, to speak with Dr Zeng or to receive the research paper, please contact Peter Remon at BlueSky Education – peter@bluesky-pr.com +44 (0) 77 235 228 30.