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Limiting risk



Banks with female CEOs significantly less likely to fail during financial crisis

BY WITW STAFF 02.23.16



A WOMAN WALKS NEAR AN OFFICE OF PORTUGUESE BANK BANCO ESPÍRITO SANTO. (REUTERS/RAFAEL MARCHANTE)

In a study published in the *Journal of Business Ethics* in October, a group of researchers from Finland found that U.S. banks with female chief executive officers or chairmen were less likely to fail during the financial crisis than banks run by men. Speaking with *The Wall Street Journal*, one of the study's authors, Sami Vähämaa, a professor of accounting and finance at the University of Vaasa in Finland, said that of the 7,000 U.S. commercial banks they examined, female CEOs and chairmen on average held about 5 percent to 6 percent more equity capital than male-led banks. "There is strong evidence that banks with female CEOs were less likely to fail during the financial crisis," says Vähämaa. "Indeed, male-led banks were six to seven times more likely to fail."

As the European Union contemplates a law that would require at least 40 percent of a public company's boards seats be held by woman, Vähämaa believes the results of his study may persuade policy makers to further pursue gender quotas. "The idea that women may assess risk more conservatively could be good news for companies if it limits excessive risk taking and potential biases in risk assessments," says Vähämaa. "At the same time, it could be bad news for shareholders if women executives are too cautious and risk-averse."

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