



PROF. MOHAMMAD AZEEM KHAN

**Faculty Member
Economics Area**

FIRMS' GREEN INVESTMENT PRACTICES: ARE FEMALE LEADERS GREENER?

Co-authors: PROF. SALMAN HAIDER & MS. HIMJA SHARMA

Abstract:

This study examines the role of female leadership and female ownership in the adoption of green investment at the firm level using the data from the World Bank Enterprise Survey (WBES) for Central, Eastern and Southeastern European (CESEE) countries. We classify firms' green investment practices (GIPs) into capital- and noncapital-intensive categories. Furthermore, using the negative binomial and zero-inflated Poisson regression models, we find that female leaders in noninnovative firms are less likely to adopt GIPs than their male counterparts. This is owing to the risk aversion among female leaders towards the strategic actions turning more salient in the absence of innovation and dynamic capabilities. Similarly, a negative association of female ownership is also reported with all types of GIPs for noninnovative firms. However, with innovative firms, female leadership's negative effect is reversed, signifying the dominance of their socially responsible decision-making trait. This is partly due to enhanced capabilities and resilience to internal financial constraints within innovative firms, as is also demonstrated through a higher likelihood of innovative firms adopting GIPs. Overall, these results suggest the presence of gender gaps, indicating that female leaders' connection to sustainability performance is contingent on firms' resource availability and organizational capabilities. The findings suggest that efforts to improve gender diversity should be coupled with enhancing the innovative environment along with addressing credit market frictions to promote sustainable practices in corporates.

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