LGBTQ and finance

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1. Introduction

“…the Exchange states that ‘the weight of empirical evidence’ supports its belief in the benefits of board diversity for companies that choose to meet the proposed diversity objectives”

NASDAQ (Securities and Exchange Commission, 2021)

In August 2021, the Securities and Exchange Commission (SEC) approved the proposal of NASDAQ (the second largest stock exchange in the United States) to adopt listing rules supporting board diversity. Under the new rules, companies will be required to meet gender and racial diversity requirements with at least one board member who self-identifies as LGBTQ or as a member of a racial minority. In a supporting letter, NASDAQ argued that the “overwhelming majority” of shareholders and stakeholders agree that the new rules enhance corporate governance and performance and “align with investor expectations for board diversity” (Nasdaq, 2021). Although the above example clearly illustrates the shift in corporate – alongside, social – mood on the issue of LGBTQ policies in finance, whether and how LGBTQ policies impact on a host of financial contexts has yet to be addressed. This paper fills this gap by surveying the literature on LGBTQ and financial outcomes.

The topic is of current interest for two main reasons: First, recent rulings and workplace diversity supportive policies have increased the presence of LGBTQ participation in companies. For example, in June 2020, the Supreme Court of the U.S. ruled that the Civil Rights Act of 1964 protects LGBTQ workers from workplace discrimination, effectively making it illegal for any company in the U.S. to fire employees on the basis of their sexual orientation (Liptak, 2020). On a related point, over 95% of large companies internationally have invested in workplace diversity programs (Krentz, 2019). Second, discrimination against LGBTQ individuals is still commonplace at work. In 2020, more than one in three LGBTQ Americans reported discrimination at work. In 2020, more than one in three LGBTQ Americans reported discrimination in the workplace (Gruberg, Mahowald, & Halpin, 2020).

What makes LGBTQ-policies important for financial outcomes?

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LGBTQ policies improve the access of LGBTQ people to work. Given the significant part of the general population that identifies as LGBTQ (5.6% of all adults in the U.S., see Jones, 2020), companies have the opportunity to open up to a pool of workplace candidates, making it easier for companies to identify the right skills and talents. Importantly, LGBTQ-policies also remove the glass ceiling that prohibits LGBTQ people from participating in top management roles, thereby increasing board diversity and enhancing the decision-making process in favour of improved financial outcomes.

It is not surprising therefore that the literature on LGBTQ studies in management, economics and finance is growing (see Fig. 1). In management science, Byington, Tamm, and Trau (2021) review the literature across the management field and, in economics, Badgett, Carpenter, and Sansone (2021) discuss the literature on LGBTQ policies and income and wage differentials, earnings and labour. Our article provides the first integrated review of the literature on LGBTQ practices in finance. Our aim is to (i) offer an overview of the current state of LGBTQ-research on finance-related studies and (ii) identify areas for future research. Although a chronological literature review would potentially highlight the increased interest in LGBTQ-related research on finance, studies on LGBTQ span several research topics across finance, which could make a chronological revision needlessly complicated. Therefore, we cluster the literature around four major finance themes, which we discuss below in more detail, before concluding by outlining avenues for future research.

To begin with, Table 1 maps the field of research studies on LGBTQ and finance. In Panel A, we provide a list of the unique Journal of Economic Literature (JEL) classifications for the majority of articles included in this review. Clearly, the topic spans several research areas, which is reflected in the wide range of JEL categories involved. As expected, a large number of studies are classified as Labour and Demographic Economics (J) and Financial Economics (G). Given that we discuss papers on household and corporate finance, Microeconomics (D) and Business Administration (M) are equally also strongly represented in the review. In Table 1, Panel B, we provide an equivalent list of the unique keywords. From a firm perspective, several keywords refer to “Corporate Social Responsibility” but also “Corporate (sexual) equality”. As expected, “Firm performance” is a popular keyword, coupled with the related term “organizational performance”. “Discrimination” and “Diversity” also appear frequently as keywords. Interestingly, “Innovation”, “Organisational performance” and “Strategic choice” also appear frequently enough, possibly reflecting the positive externalities associated with LGBTQ and corporate choices. See Tables 2–5.

We begin the survey of the research on this topic in Section 2 by discussing the literature on LGBTQ-friendly policies and firm performance. A large array of studies has confirmed the positive role of Corporate and Social Responsibility (CSR) and diversity on firm performance (Brahma, Nwafor, & Boateng, 2021; Fitzsimmons & Callan, 2020; Kirsch, 2018). In line with stakeholder theory (Freeman, 1984), this positive effect is attributed inter alia to the attraction of talented employees, the enhancement of firm reputation and customer relationship, and better access to external financing. Even though company policies, in terms of sex and race diversity, have long been established, it is only very recently that companies have started engineering policies against discrimination based on sexual orientation; to a great extent this issue still remains taboo in very conservative societies, as opposed to more open ones. Nevertheless, evidence so far indicates a positive relationship between the adoption of LGBTQ-friendly policies, firm performance, and credit ratings (Chintrakarn, Treepongkaruna, Jiraporn, & Lee, 2020; Johnston & Malina, 2008; Li & Nagar, 2013).

In Section 3, we review the literature on LGBTQ supportive policies and corporate governance practices. We identify a number of factors that can influence a firm’s decision toward adopting LGBTQ supportive policies, like co-opted boards (Kyaw, Chindasombatcharan, Jiraporn, & Treepongkaruna, 2021), liberal CEOs (Briscoe, Chin, & Hambrick, 2014) and board gender diversity (Cook & Glass, 2016; Steiger & Henry, 2020). LGBTQ-supportive workplace policies result in improved corporate brand image in terms of higher ranking in the Corporate Equality Index (CEI) (Roberson, 2009); employee disclosure (Carreiro, 2014); and openness (Badgett, Durso, Mallory, & Kastanis, 2013). Perhaps more importantly, a number of studies on LGBTQ and state laws show that firms that adopt LGBTQ-supportive policies have a positive influence on state laws (Chuang, Church, & Ophir, 2011) and these policies are particularly prevalent amongst companies that are located in LGBTQ friendly states and where similar policies are pursued by competitors (Everly & Schwarz, 2015). The review further suggests that corporations are likely to adopt LGBTQ non-discrimination policies if they are swayed by shareholder activism (Roy, 2009), corporate activism (Quartey, 2018) and education levels of employees (Maks-Solomon & Drewry, 2021).

In Section 4, we review the literature on LGBTQ policies pertaining to household financial decisions. In general, LGBTQ individuals tend to save and invest more than their heterosexual peers (Black, Sanders, & Taylor, 2007; Negrusa & Oreffice, 2011). Nevertheless, LGBTQ people may be potentially missing out on investment income as they tend to invest in less risky assets relative to their risk preferences (Hanna & Lindamood, 2004). We also find that following the introduction of same-sex marriage laws and the abolition of legal barriers to mortgage choices, there is some recent evidence that same-sex couples face discriminatory policies in the mortgage market. Importantly, Sun and Gao (2019) show that same-sex applicants are 73% more likely to be

![Fig. 1. Number of peer-reviewed publications per year.](image-url)
denied a mortgage. Overall, LGBTQ couples are less likely to own a home than heterosexual couples (Botti & D’ippoliti, 2014; Jepsen & Jepsen, 2009; Romero, Goldberg, & Vasquez, 2020). Further, the literature on intra-household financial-decision making shows that financial management practices of same-sex couples are largely similar to those of cohabiting (unmarried) heterosexual couples (Burgoyne, Clarke, & Byrne, 2011; Klawitter, 2008). Finally, there exists a small body of evidence suggesting that when LGBTQ people experience discrimination, their risk-taking behaviour increases (Beer & Wellman, 2021).

In Section 5, we review the literature on LGBTQ policies and economic performance. An important part of this literature is concerned with the role of sexual orientation policies in the interplay between finance and economic growth. A positive relationship between GDP per capita and LGBTQ inclusion is caused by lost productivity and an inefficient allocation of human resources (Badgett, Waaldijk, & Van Der Meulen Rodgers, 2019). Furthermore, LGBTQ-inclusive policies facilitate innovation (Vu, 2021) and, importantly, explain the geographic distribution of talent that can positively influence regional economic development (Florida & Gates, 2003; Mellander & Florida, 2007). There is an overall positive relationship between LGBTQ-friendly policies and Foreign Direct Investment (FDI) flows (Brown, 2017; Noland, 2005). There is a general consensus that heterosexual individuals earn significantly more than their homosexual counterparts (Allegretto & Arthur, 2001; Badgett, 1995; Burn, 2020; Klawitter, 2015). Finally, a small set of studies investigates the relationship between LGBTQ preferences and house prices. In the seminal study on this issue, Florida and Mellander (2010) show that the concentration of LGBTQ people influences housing values directly or through high technology industry concentration.
In this section we review the literature on LGBTQ practices and firm performance. As LGBTQ friendliness can be considered a dimension of Corporate and Social Responsibility (CSR), there are two competing views on how the adoption of such policies may affect firm value. First, according to Friedman (1970), investment on LGBTQ-friendly policies (and CSR policies in general) is considered a misallocation of investment, in effect, an expenditure primarily for managers to improve their image; therefore this decreases firm value. Second, according to the stakeholder theory (Freeman, 1984), firms are affected by stakeholders in several dimensions, firm performance included; as such, investment into LGBTQ-friendly policies and other socially responsible ways is something that enhances firm performance. A channel through which firms may improve their performance via the adoption of LGBTQ-friendly policies is labour-related. For example, studies in the Management literature report that firms with LGBTQ-friendly policies attract high quality employees and enhance their employee satisfaction.

2.1. LGBTQ supportive policies, stock performance and firm value

Over the last few years, LGBTQ corporate friendliness has attracted the interest of both the academic and professional community. For instance, a report by Credit Suisse in 2016 uses a sample of 270 firms around the world which embrace LGBTQ policies and finds that these companies outperform the MSCI world index by 3% in a six-year period (Dawson, Natella, Kersley, Thomas, & Vair, 2016). More than 60% of these companies span across three industries, IT, financials and consumer staples. In addition, these companies exhibit higher ROE and cash flow returns compared to the benchmark companies. While the authors acknowledge that their findings do not imply causality (i.e., whether LGBTQ employees improve company performance, or better companies attract LGBTQ employees), their findings do provide fertile ground for further research.

In the academic literature, the impact of LGBTQ-friendly policies on corporate performance and firm value has been examined solely in the context of U.S firms. Perhaps, this geographical focus is mainly due to data availability regarding the adoption of LGBTQ-friendly policies by firms. Having said that, the most commonly used metric in academic studies regarding corporate LGBTQ-friendliness is the Corporate Equality Index (CEI), published by the Human Rights Campaign (HRC). Johnston and Malina (2008) were amongst the first to examine the impact of LGBTQ policy adoption on firms’ stock performance. The authors employ the CEI as a proxy for firms’ LGBTQ inclusiveness on a sample of 203 firms and examine how this affects stock performance. Using an event study methodology, the authors find that around the announcement date of CEI scores, firms in general do not exhibit any abnormal returns, apart from some evidence of announcement date abnormal returns. The authors suggest that at worst, firms are not penalized for encompassing LGBTQ policies. Holding a portfolio of firms that adopted a same-sex domestic partnership benefit exhibit an alpha of 10%. These firms also have improved operating performance. Firms with R&D activity experience higher profitability and market valuation via the adoption of LGBTQ-friendly policies. Firms with higher corporate sexual equality experience higher stock returns and increased market valuation.

In this section we review the literature on LGBTQ practices and firm performance. As LGBTQ friendliness can be considered a dimension of Corporate and Social Responsibility (CSR), there are two competing views on how the adoption of such policies may affect firm value. First, according to Friedman (1970), investment on LGBTQ-friendly policies (and CSR policies in general) is considered a misallocation of investment, in effect, an expenditure primarily for managers to improve their image; therefore this decreases firm value. Second, according to the stakeholder theory (Freeman, 1984), firms are affected by stakeholders in several dimensions, firm performance included; as such, investment into LGBTQ-friendly policies and other socially responsible ways is something that enhances firm performance. A channel through which firms may improve their performance via the adoption of LGBTQ-friendly policies is labour-related. For example, studies in the Management literature report that firms with LGBTQ-friendly policies attract high quality employees and enhance their employee satisfaction.

Leguizamon and Leguizamon (2017) find a positive relationship between housing prices and concentrations of same-sex couples in areas with high levels of human capital.

In Section 6, we propose directions for future research that build on the findings reported here. Ultimately, we stress the need to incorporate LGBTQ research in business studies not only as a way of allowing diverse individuals to gain access in corporate leadership but also as a way of taking advantage of the potential to increase firm profitability that is related to managing a set of diverse individuals. We conclude the paper in Section 7.

2. LGBTQ and firm performance

In this section we review the literature on LGBTQ practices and firm performance. As LGBTQ friendliness can be considered a dimension of Corporate and Social Responsibility (CSR), there are two competing views on how the adoption of such policies may affect firm value. First, according to Friedman (1970), investment on LGBTQ-friendly policies (and CSR policies in general) is considered a misallocation of investment, in effect, an expenditure primarily for managers to improve their image; therefore this decreases firm value. Second, according to the stakeholder theory (Freeman, 1984), firms are affected by stakeholders in several dimensions, firm performance included; as such, investment into LGBTQ-friendly policies and other socially responsible ways is something that enhances firm performance. A channel through which firms may improve their performance via the adoption of LGBTQ-friendly policies is labour-related. For example, studies in the Management literature report that firms with LGBTQ-friendly policies attract high quality employees and enhance their employee satisfaction.

Table 2

<table>
<thead>
<tr>
<th>Market</th>
<th>Period &amp; sample</th>
<th>Methods</th>
<th>Main findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chintrakarn et al. (2020)</td>
<td>U.S. 1996–2011, 7469 firm-years</td>
<td>Instrumental variable analysis</td>
<td>Companies with LGBTQ policies enjoy higher credit ratings.</td>
</tr>
<tr>
<td>Foster et al. (2020)</td>
<td>U.S. 2013–2017, 2298 firm-years</td>
<td>OLS, propensity score matching</td>
<td>Positive relationship between CEI scores and firm innovation</td>
</tr>
<tr>
<td>Houssain et al. (2020)</td>
<td>U.S. 2011–2014, 398 firms</td>
<td>Portfolio analysis</td>
<td>Evidence of positive abnormal returns on the announcement date of CEI scores. At worst, firms are not penalized for encompassing LGBTQ policies.</td>
</tr>
<tr>
<td>Shan et al. (2017)</td>
<td>U.S. 2002–2006, 1283 firm-years</td>
<td>OLS, GMM and propensity score matching</td>
<td>Firms with higher corporate sexual equality experience higher stock returns and increased market valuation.</td>
</tr>
<tr>
<td>Zhu &amp; Smieliuskas (2021)</td>
<td>U.S. 2003–2015, 3119 firm-days in treatment sample and 95,321 firm-days in control sample</td>
<td>Event study</td>
<td>Positive, albeit weak, stock market reaction to firms located in states that legalize same-sex marriage.</td>
</tr>
<tr>
<td>Nadarajah et al. (2021)</td>
<td>U.S. 2011–2014, 398 large firms (1592 firm-year observations)</td>
<td>OLS, panel data regression, propensity score matching, GMM</td>
<td>Negative relationship between CEI scores/firm performance and individualism scores</td>
</tr>
<tr>
<td>Lourenço et al. (2021)</td>
<td>Global 2013–2018, 100 leading LGBT executives</td>
<td>Simultaneous equation</td>
<td>LGBT executives improves firm performance both directly and indirectly.</td>
</tr>
<tr>
<td>Do et al. (2022)</td>
<td>US 2002–2005, 400 firms</td>
<td>Logit model</td>
<td>Investors prefer to invest in mutual funds that invest in LGBT supportive firms</td>
</tr>
</tbody>
</table>

Li and Nagar (2013) examine the determinants that lead firms to adopt a same sex domestic partnership benefit (SSDPB) and compare the performance of adopters vs. non-adopters. They find that it is usually the larger firms with high performance, large cash reserves, and intense R&D that are more likely to adopt such policies. In addition, firms located in liberal states are more likely to adopt such policies compared

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<tbody>
<tr>
<td>Roy (2009)</td>
<td>U.S.</td>
<td>NA</td>
<td>Theoretical study</td>
</tr>
<tr>
<td>Roberson (2009)</td>
<td>NA</td>
<td>NA</td>
<td>Theoretical study</td>
</tr>
<tr>
<td>Chuang et al. (2011)</td>
<td>U.S.</td>
<td>1990–2003, 951, Fortune 500</td>
<td>Cox regression model</td>
</tr>
<tr>
<td>Badgett et al. (2013)</td>
<td>NA</td>
<td>NA</td>
<td>Review of studies on LGBTQ-supportive and workplace environment on business results.</td>
</tr>
<tr>
<td>Briscoe et al. (2014)</td>
<td>U.S.</td>
<td>1985–2004, 210 firm-year observations</td>
<td>Logistic regression</td>
</tr>
<tr>
<td>Carreiro (2014)</td>
<td>Netherlands and Portugal</td>
<td>128 organizations</td>
<td>Factor analysis, reliability test</td>
</tr>
<tr>
<td>Everly and Schwarz (2015)</td>
<td>U.S.</td>
<td>2003–2010, Fortune 1000, separate regression for each year with varying sample size</td>
<td>OLS Regression</td>
</tr>
<tr>
<td>Cook and Glass (2016)</td>
<td>U.S.</td>
<td>Fortune 500, 4 dependent variables, varying sample size for each regression</td>
<td>Panel data regression</td>
</tr>
<tr>
<td>Errigo (2016)</td>
<td>U.S.</td>
<td>NA</td>
<td>Case study</td>
</tr>
<tr>
<td>Quartery (2018)</td>
<td>U.S.</td>
<td>Interviews, 15 participants</td>
<td>Qualitative phenomenological study</td>
</tr>
<tr>
<td>Szyndlar and Wasiakiewicz-Firlej (2019)</td>
<td>U.S.</td>
<td>Three firms</td>
<td>Case study</td>
</tr>
<tr>
<td>Tritt and Teschner (2019)</td>
<td>U.S.</td>
<td>Amazon plc</td>
<td>Case study</td>
</tr>
<tr>
<td>Roumpki et al. (2020)</td>
<td>U.S.</td>
<td>2008–2015, 201 firms</td>
<td>Survival analysis, Cox regression model</td>
</tr>
<tr>
<td>Steiger and Henry (2020)</td>
<td>U.S.</td>
<td>2016–2018, 360 firms</td>
<td>OLS Regression</td>
</tr>
<tr>
<td>Kyaw et al. (2021)</td>
<td>U.S.</td>
<td>1996–2010, 1081 firms</td>
<td>Panel data regression</td>
</tr>
<tr>
<td>Maks-Solomon and Drewry (2021)</td>
<td>U.S.</td>
<td>2012–2016, 553 firms</td>
<td>Panel data regression, fixed effect</td>
</tr>
<tr>
<td>Brodman et al. (2021)</td>
<td>US</td>
<td>2003–2017, 1150 firm year observations</td>
<td>OLS model</td>
</tr>
</tbody>
</table>
to firms located in conservative states. Then, the authors examine the stock performance of 379 public firms that adopted a same sex domestic partnership benefit. By constructing calendar portfolios, and using propensity score matching, they find that adopting firms outperform non-adopting firms. In addition to stock performance, the authors provide evidence that adopting firms improved on their operational performance following the adoption of such policies.

Shan, Fu, and Zheng (2017) further examine the role of corporate sexual equality in firm performance in the U.S for the 2002–2006 period. Again, using the CEI and employing a wealth of control variables, they find that firms with higher corporate sexual equality scores exhibit increased market valuations. In addition, the authors show that corporate sexual equality indirectly affects firm value through the labour market channel, as firms with higher CEI scores exhibit higher labour productivity.

Pichler, Blazovich, Cook, Huston, and Strawser (2018) examine a sample of 1347 U.S firms for the period 1996–2009. In contrast with previous studies that used the CEI scores as a proxy for LGBTQ friendliness, the authors use the â€œGay and Lesbian Policiesâ€ ratings from the MSCI ESG STATS dataset, which allows for greater coverage in terms of firm-numbers and time period. Another interesting feature of their study is that they examine the mediating role of R&D in the relationship between LGBTQ policies and firm performance. Their findings suggest that it is only firms with R&D activity that experience higher profitability and market valuation via the adoption of LGBTQ-friendly policies. On the contrary, the authors find that LGBTQ-friendly firms with no R&D activity tend to have lower profitability compared to non-LGBTQ-friendly firms.

Another study by Hossain, Atif, Ahmed, and Mia (2020) uses a sample of 398 firms for the period 2011–2014 and reports a positive relationship between CEI scores and firm innovation; this is also the case when using individual anti-discriminatory policies rather than the CEI score of the firm. The authors argue that this positive relationship between LGBTQ-friendliness and innovation leads to higher firm performance.

Fatmy, Kihn, Sihvonen, & Vähaamaa (2022), using a sample of 657 U.S. public firms for the period 2003–2016 and employing the CEI index, examine whether LGBTQ-friendly policies improve firm performance and how socio-political norms moderate this relationship. Their findings indicate that firms with LGBTQ-friendly policies experience higher profitability and market valuations. Furthermore, the authors report that the positive effect of these policies is more evident in firms located in Democrat-voting and less religious states.

Up until 2015, same-sex marriage was legally recognized in 36 U.S states, Guam and the District of Columbia. However, with the Obergefell v. Hodges Supreme Court decision (June 26th, 2015), this has been legalised at the federal level. Foster, Manikas, and Preece (2020) examine the impact of LGBTQ-friendliness on firm performance for the 2013–2017 period; that is during the pre-decision period, the decision year and the post-decision period. Using the CEI as a proxy for LGBTQ friendliness and Tobin’s Q as a measure of corporate performance, the authors show that firms with higher CEI scores experience stronger profitability and market valuations. Their results remain similar across all three time periods.

In a related study, Zhu & Smiejauskas (2021) examine how the stock market reacts when states legalize same-sex marriage. Their findings indicate that there is a positive, albeit weak, stock market reaction to
Table 5
Economic performance.

<table>
<thead>
<tr>
<th>Market</th>
<th>Period &amp; sample</th>
<th>Methods</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allegretto and Arthur (2001)</td>
<td>U.S. 1990 U.S. Census</td>
<td>OLS</td>
<td>The homosexual sample are estimated to have earned 15.6% less than heterosexual men, and 2.4% less than heterosexual men. Exclusion of LGBTQ people can generate economic costs through several important channels: lower productivity, diminished human capital development, and poorer health outcomes.</td>
</tr>
<tr>
<td>Badgett (2014)</td>
<td>India 2006 World Values Surveys</td>
<td>Case study</td>
<td>Behaviourally gay/bisexual men earn from 11% to 27% less than behaviourally homosexual men. The difference for lesbians ranges from 12% to 30%.</td>
</tr>
<tr>
<td>Badgett (1995)</td>
<td>U.S. 1989–1991 General Social Survey</td>
<td>OLS</td>
<td>One additional legal rights for LGB persons is associated with an increase in real GDP per capita of approximately $2000. Homophobia on gays, lesbians, and bisexuals results in economic costs caused by a series of health issues, such as suicide, smoking, alcohol abuse, illicit drug use, depression.</td>
</tr>
<tr>
<td>Badgett et al. (2019)</td>
<td>Global 1996–2011, 132 countries</td>
<td>OLS</td>
<td>Nonheterosexual men earn 22% less than heterosexual men, and nonheterosexual women earn 30% more than heterosexual women. An increase in tolerance toward homosexuals of 10 percentage points entails a decrease in the economic growth rate by 0.3–0.4 percentage points.</td>
</tr>
<tr>
<td>Banks et al. (2004)</td>
<td>Canada N/A</td>
<td>Survey paper</td>
<td>Gay and bisexual men experienced a 30–32% income disadvantage relative to heterosexual peers, while lesbian and bisexual women enjoyed a wage premium of 17–23%.</td>
</tr>
<tr>
<td>Berggren and Elinder (2012)</td>
<td>Global 1988–2007, 54 countries</td>
<td>OLS</td>
<td>The wages of gay men can increase 2.7% to 4% by one standard deviation decrease in the share of the individuals in a state who are prejudiced toward homosexuals.</td>
</tr>
<tr>
<td>Blandford (2003)</td>
<td>U.S. 1989–96 General Social Survey</td>
<td>OLS</td>
<td>Lesbian women report lower incomes than heterosexual women, a differential estimated to be about 30% or more on average. Gay men have 12% lower personal incomes and lesbians have 15% higher personal incomes than otherwise similar heterosexual men and women, respectively.</td>
</tr>
<tr>
<td>Brown (2017)</td>
<td>U.S. &amp; South Africa N/A</td>
<td>Survey paper</td>
<td>Self-identified lesbians and men earn significantly more than comparable heterosexual women and men, a difference on the order of 10% of annual earnings.</td>
</tr>
<tr>
<td>Carpenter (2008a)</td>
<td>Australia 2000 Australian Longitudinal Survey of Women’s Health Cycles 2.1 (fielded in 2003) and 3.1 (fielded in 2005) of the Canadian Community Health Survey (CCHS)</td>
<td>OLS</td>
<td>An increase in the number of same-sex coupled households is associated with an increase (decrease) in house prices in more liberal (conservative) neighbourhoods.</td>
</tr>
<tr>
<td>Carpenter (2008b)</td>
<td>Canada 2005–2007</td>
<td>OLS</td>
<td>The estimated probability of lesbian applicants receiving an invitation for an interview is 27.7% lower than that for heterosexual women applicants.</td>
</tr>
<tr>
<td>Carpenter et al. (2020)</td>
<td>U.S. 2014 to 2017 the Behavioural Risk Factor Surveillance System</td>
<td>OLS</td>
<td>The Gay Index is positively and significantly associated with the ability of a region to attract talent.</td>
</tr>
<tr>
<td>Christaford and Leguizamon (2012)</td>
<td>U.S. a data set comprised of over 20,000 house sale observations</td>
<td>spatial autoregressive hedonic price model</td>
<td>Bohemian and gay populations increase housing values in the neighbourhoods and communities in which they reside. Before transition, transgender workers have earnings similar to non-transsexual workers. MTF workers (but not FTM workers) earn less after their transition.</td>
</tr>
<tr>
<td>Drydakis (2012)</td>
<td>Greece 2008–2009, random sampling</td>
<td>OLS</td>
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</tr>
<tr>
<td>Florida and Mellander (2010)</td>
<td>U.S. 331 metropolitan statistical areas (MSAs) for the year 2000</td>
<td>Structural equation model (SEM)</td>
<td>The Gay Index is positively and significantly associated with the ability of a region to attract talent.</td>
</tr>
<tr>
<td>Geijtenbeek and Plug (2018)</td>
<td>Netherlands 291 transsexual workers and 63,841 non-transsexual workers</td>
<td>OLS</td>
<td>Bohemian and gay populations increase housing values in the neighbourhoods and communities in which they reside. Before transition, transgender workers have earnings similar to non-transsexual workers. MTF workers (but not FTM workers) earn less after their transition.</td>
</tr>
<tr>
<td>Leguizamon and Leguizamon (2017)</td>
<td>U.S. Seven Metropolitan Statistical Areas (MSA) in Ohio</td>
<td>Hedonic regression model</td>
<td>Housing prices are, on average, higher in places with higher concentrations of same-sex couples.</td>
</tr>
<tr>
<td>Mellander and Florida (2007)</td>
<td>Sweden all 81 Swedish labour market areas</td>
<td>Structural equation model</td>
<td>Tolerance and diversity have indirect effect on regional development.</td>
</tr>
<tr>
<td>Nolund (2005)</td>
<td>Global 2002, 38,000 respondents in 44 countries</td>
<td>OLS</td>
<td>More tolerant countries attract more FDI.</td>
</tr>
<tr>
<td>Plug and Berkhout (2004)</td>
<td>the Netherlands 1999, 11,600 observations</td>
<td>OLS</td>
<td>Young and highly educated gay male workers earn about 3% less than heterosexual men. Qualified lesbian workers earn about 3% more than their heterosexual female co-workers.</td>
</tr>
<tr>
<td>Terry (2011)</td>
<td>U.S. NA</td>
<td>Survey paper</td>
<td>Anti-LGBTQ policies can harm economic investment. The social exclusion of LGBTQ people harms economic development by hindering innovative activities.</td>
</tr>
</tbody>
</table>
| Vu (2021) | Global 166 countries, 1966 to 2011 | OLS | More recently, Do, Nguyen, Nguyen, and Nguyen (2022) report that investors have shown preference to invest in firms that support LGBT friendly policies. This has been reflected in their trading behaviour, where mutual funds with preference for LGBTQ stocks increase their
investments on LGBTQ adopters. Their results are robust across alternative samples taken from the Human Rights Campaign.

Nadarajah, Atif, and Gull (2021) approach the issue of the relationship between firm performance and adoption of workplace diversity policies (proxied in their study via CEI) through the lens of culture; more specifically, utilizing Vandello and Cohen (1999)’s index, they assess the effect of a state’s individualism over CEI for the 2011–2014 window drawing on a longitudinal sample of 398 large US firms. Results, overall, suggest that managers in firms located in highly individualistic states are less likely to adopt workplace diversity policies; in turn, the latter is found to bear an adverse effect over their firm’s performance (proxied through returns on sales and Tobin’s Q).

In similar vein, Lourenço et al. (2021) also examines the relation between firm LGBT supportive policies and firm performance. Drawing from resource dependency theory this study has measured LGBT adoption through firms’ hiring of LGBT executives. Their data comprises of the list of 100 leading LGBT executives published by OUTstading and The Financial Times (FT). They find that firms’ financial performance improves both directly and indirectly through LGBT executives. They advance that the indirect effect is mediated through employees’ and customers’ goodwill in support of LGBT friendly practices and strategies.

2.2. LGBTQ supportive policies and external financing

Besides stock performance, the adoption of LGBTQ-supportive policies may affect other aspects of financial performance, such as credit ratings. For instance, a recent study by Chinntrakarn et al. (2020) examines the role of LGBTQ-friendly corporate policies in credit ratings. Employing an instrumental variable analysis, they find that companies with LGBTQ policies enjoy higher credit ratings. Their results remain robust when they control for various firm, corporate governance and other CSR characteristics as well as when they use a propensity score matching approach. The LGBTQ population in the location of the firm affects the propensity of firms in these areas to adopt LGBT-friendly policies. Specifically, the larger the LGBTQ population, the more likely it is for a firm to adopt such policies. This finding is in line with those of Li and Nagar (2013) and Fatmy, Kihn, Siivonen, & Vähämäa (2022), who find that the location of a firm affects its propensity to adopt such policies.

3. LGBTQ and corporate governance

In this section we review the literature on LGBTQ supportive policies and corporate governance practices. Corporations and regulators have in recent years attempted to create inclusive corporate policies. In April 2019, the UK government published a policy paper on diversity and inclusion strategy to promote a diverse and inclusive workplace for all employees. In a similar vein, in 2013, the U.S. has launched the Employment Non-Discrimination Act. The CEI rating, which is one of vital indicators to evaluate the LGBTQ inclusiveness of any employer, suggests that inclusive workplace policies would promote enhanced recruitment and retention of diverse employees (Human Rights Campaign Foundation, 2021).

3.1. Corporate governance and LGBTQ supportive policies

Roberson (2009) advances that diversity and inclusion are established pointers for long term sustainability of firms and businesses strive to achieve that through their target to score higher in the Corporate Equality Index. This study concludes that firms who have scored higher

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2 The index is based on Hofstede’s cultural framework and aims at ranking US states in terms of their cultural individualism.

3 For instance, the UK is going to host the first global LGBTQ conference in June 2022.

4 Suggests that women have a deeper pledge toward equity, diversity and fairness.

5 Critical mass of three or more female directors is required to create a gender diverse board (Konrad et al., 2006).
Also, retirement income provides a further motive in the optimal saving return on savings and consumption motives and precautionary savings.

4.1. Savings and allocation of savings

and heterosexual couples in household decision making. of same-sex couples) and the effect of legal differences between same-sex impact of biological constraints (for example, a relatively lower fertility rates than homosexual couples) that impact the financial management of same-sex couples. Further, using survey data from 1992 to 2001, Hanna and Lindamood (2004) show that even though same-sex couples exhibit the same risk tolerance and stock ownership as different-sex couples, they tend to invest in less risky assets.

Hood, Nofsinger, and Varma (2014) show that the more homosexuals in a zip code, the more likely individual investors are to own stock in an LGBTQ-friendly company. This preference bias in investment decisions is relatively common in the behavioural finance literature in general and has a strong impact on the portfolio choices of investors (see Barberis & Thaler, 2005).

In a related study, Negrusa and Oreffice (2011) show that homosexual couples tend to save more than their heterosexual peers. As a result, these extra savings take the form of higher annual mortgage payments relative to house value and higher annual retirement and social security income. These differences are explained by a smaller set of financial constraints that impact same-sex couples relative to heterosexual couples.

4.2. Mortgage choice and debt

Typically, for an average household, a mortgage is the single most significant household liability and commonly-used household characteristics that are used to predict the demand for houses include marital status, children and income. There is a relatively large amount of literature that investigates mortgage decisions for same-sex couples. Overall, the literature on mortgage choice and debt shows that LGBTQ individuals and same-sex couples were initially constrained by the effect of the same-sex prohibition laws. Even though these legal barriers were lifted following the introduction of same-sex marriage laws, there is some recent evidence that same-sex couples face discriminatory policies in the mortgage market.

Jepsen and Jepsen (2009) show that even after controlling for household, personal and geographic characteristics, LGBTQ couples are less likely to own a home than heterosexual couples. This finding is confirmed in Botti and D’ippoliti (2014) for the Italian housing market. Relatively, Romero et al. (2020) show that LGBTQ people are more likely to be tenants rather than home-owners. It is unclear however, if these perceived differences in homeownership are attributed to non-observed personal characteristics or discriminatory practices in the mortgage market. In a more recent paper, Sun and Gao (2019) show that same-sex applicants are 73% more likely to be denied a mortgage. The authors show that lenders tend to charge same-sex mortgage borrowers higher financing costs. Sun and Gao (2019) conclude that, even though same-sex borrowers are more likely to default than their peers, this is not a reliable signal of loan underperformance and therefore the differences in lending practices amongst same-sex and heterosexual couples are potentially associated with discriminatory practices of the lenders.

Mortgages are often also considered an indicator of the propensity of households to save. Negrusa and Oreffice (2011) show that homosexual couples tend to save more as measured by their annual mortgage payments. Importantly, the authors show that these results are mainly attributable to the gender composition of same-sex couples and their very low fertility relative to their heterosexual peers. Ortigueira and Siasii (2013) argue that another explanation for the high saving rates of same-sex couples is their higher precautionary savings compared to heterosexual couples.

Leppel (2007) shows that same-sex couples are more likely to own a property than unmarried heterosexual couples but less likely to own a property than married (i.e., heterosexual) couples. This paper was
written at a time when same-sex marriage was prohibited by Federal law, therefore same-sex couples were facing a number of legal barriers to shared homeownership that were not faced by married couples. On the other hand, same-sex couples have a greater propensity to save (Negrusa & Oreffice, 2011) than their heterosexual peers. Therefore both legal and intra-household saving characteristics explain the findings of Leppel (2007).

Finally, Miller and Park (2018) investigate the effect of marriage laws on demand for mortgage credit for same-sex couples. The authors show that following the introduction of same-sex marriage laws, mortgage applications from same-sex couples increased between 65 and 66% for states allowing same-sex marriage. Importantly, the authors show evidence that the effect of the marriage law had a more significant effect on mortgage applications than the introduction of anti-discrimination policies in housing.

4.3. Intra-household financial decision making

Almost all papers in the household finance literature examine households as one unit of analysis (Gomes et al., 2021). However, intra-household financial decision-making practices are equally important as they reflect intra-household bargaining practices amongst members of the household.6 One question that arises in household finance for same-sex couples is whether household financial management practices are different from heterosexual households. The question is interesting because homosexual couples do not conform to the longstanding heterosexual model of marriage in which women tend to have less economic power than men.7 Any financial decisions are therefore ultimately affected by the distribution of power amongst the members of the household.

To this end, using a very small sample (N = 22 couples), Burns, Burgoyne, and Clarke (2008) show that same-sex couples mainly adopt partial-pooling and independent financial management practices in household decisions. Relatedly, Klawitter (2008) shows that bargaining power (relative years of education, relative years of work experience, and relative level of reported health) predict whether money will be held in individual or joint accounts for same-sex and different-sex (i.e., unmarried) couples but not for married couples. This difference potentially reflects the effects in legal differences between married and unmarried couples rather than differences in sexual orientation.

Burgoyne et al. (2011) are able to shed more light on this subject. In particular, the authors study the financial practices and beliefs regarding the Civil Partnership Act (2004) in same-sex couples in the UK. Given the lack of legal protection for same-sex couples, it is not surprising that most same-sex couples resembled the financial management practices of heterosexual cohabiting couples. However, the combination of a Civil Partnership Act and a shared mortgage is a strong predictor of shared financing amongst same-sex couples, suggesting that common household finances are a function of the level of commitment and security that is linked with the enactment of the Civil Partnership Act.8

Overall, the literature on intra-household financial decision-making shows that financial management practices of same-sex couples are very similar to the practices of cohabiting (unmarried) heterosexual couples. The commitments that arise from children-bearing, marriage and shared expenses are a strong predictor of financial management practices of same-sex and heterosexual couples.

4.4. Financial literacy

In the household finance literature (see Gomes et al., 2021), deviations of household financial behaviour from optimal behaviour are often associated with low levels of financial literacy. The literature on the financial literacy of LGBTQ people is very scarce and there is clearly scope for research in this area of household finance.

In a recent study, Rehr and Regan (2020) show that transgender college students had significantly lower mean scores in financial knowledge that their cisgender peers.9 Relatedly, transgender students also exhibit significantly lower financial self-efficacy scores and financial optimism, indicating that they anticipate lower financial performance in the long-run.

4.5. Financial advice

Financial advice is considered a very effective way in dealing with low levels of financial literacy. It is also relevant to highly-literate individuals given that the rate of financial innovation is high and financial instruments have become increasing more complex. The literature on financial advice for LGBTQ individuals is very limited and there is clearly scope for future research on the effect of sexual orientation on the quality of financial advice.

Hanna and Lindamood (2004) show that even though same-sex couples exhibit relatively high risk-tolerance, they tend to own much less stock than expected by their risk-tolerance levels. The authors argue that same-sex couples are possibly receiving inappropriate advice by financial advisors, therefore failing to optimize their investment portfolios.

In a study on gay men’s financial risk-tolerance, Beer and Wellman (2021) show that gay men that have been subjects of stigmatisation and discrimination exhibit a greater appetite for financial risk. This finding has potentially serious implications for the type of financial advice these people may receive. Financial theory predicts that when faced with unexpected risk, investors are more likely to invest in safer assets, however this study shows that victims of stigmatisation and discrimination may potentially invest in riskier assets (i.e., a reduction in risk aversion). In particular, the increase in risk taking activities is directly related with the fact that LGBTQ people who have faced stigmatisation and discrimination demonstrate more impulsive behaviour and poorer decision-making.

Overall, the literature on household finance and LGBTQ people is small but growing. Worryingly, whilst a growing list of countries have enacted anti-discriminatory policies, there is some evidence to suggest that LGBTQ individuals face discrimination in the mortgage market. Further, to date, there is a small body of evidence suggesting that LGBTQ people may either be receiving inappropriate financial advice or may tend not to ask for financial advice, perhaps for fear of being discriminated against their sexual preferences.

5. LGBTQ and economic performance

In this section, we review the literature on LGBTQ people and economic performance. Since firms have a crucial role in local economic growth, the effects of LGBTQ people on corporate governance and performance can ultimately influence economic performance. This relationship may contribute to explore the existence of large disparities in economic prosperity across regions which is one of the most puzzling issues recognized by economists. Earlier studies (e.g. Altonji & Blank, 1999) address this issue through race and gender discrimination as firm-specific human capital plays a crucially facilitating role in economic growth. However, Badgett (1995) developed the first study that

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6 For example, Negrusa and Oreffice (2011) shows that intra-household-bargaining power with respect to labour supply is a function of the sexual orientation of the household members.

7 See Burns et al. (2008) for an early discussion on household economic behaviour separately for homosexual and heterosexual couples.

8 Martell and Nash (2020) emphasize that there is a financial return to marriage in addition to any social, symbolic and personal benefit.

9 Cisgender refers to a person who identifies as belonging in the same gender as their gender assigned at birth.
introduces the role of sexual orientation in this puzzling issue. More recently, Badgett et al. (2021) confirm the economic costs of discrimination against LGBTQ people and thereby focus on income differences, while Badgett et al. (2019) show that the economic costs relative to LGBTQ people can also be explained by human capital approach. Moreover, concentration of LGBTQ people results in greater regional innovation and productivity (Florida & Mellander, 2010). To obtain a competitive advantage, firms are inclined to locate in such areas that improve housing values (Glaser, 2000). Hence, the following reviews will begin with the direct effects of LGBTQ people on economic growth, followed by the sexual orientation earnings differences and the impact on housing values.

5.1. LGBTQ inclusion and economic development

The varying economic development across countries is driven by differences in human capital which includes skills, knowledge, and health attributes to shape individuals’ productivity. Hence, the economic output can be improved if there is a better performance of human capital. Vu (2021) studies a global dataset of 116 countries to show that LGBTQ inclusion improves human capital skills and thereby facilitates national innovative capacity. The results imply that the inclusion of LGBTQ people can contribute to economic prosperity through facilitating innovation. This argument is consistent with Florida and Gates (2003) and Mellander and Florida (2007) who use tolerance toward homosexuals and openness to diversity to explain the geographic distribution of talent that can positively influence regional economic development.

Using India as a case study, Badgett (2014) directly shows the economic costs caused by the exclusion of LGBTQ people from social institutions. The author identifies the major sources of economic costs as: exclusion from education and employment, lost output caused by health disparities, and extra social and health services for addressing exclusion. Banks, Muhajarine, Waygood, Duczek, and Hellquist (2004) focus on health and social issues in Canada and find up to $8.067 billion as avoidable costs for social and health services required to address the effects of homophobia. To further investigate LGBTQ inclusion, Badgett et al. (2019) create a new inclusion index that covers 132 countries from 1966 to 2011 and confirm a positive relationship between GDP per capita and LGBTQ inclusion. More importantly, the authors show a mutually reinforcing relationship between them. They suggest that firms will see positive business outcomes and improve economic output if LGBTQ people can fully participate in society. With a sample of 54 countries from 1998 to 2007, however, Berggren and Elinder (2012) find a negative relationship between tolerance and economic development when taking human capital levels into account. They explain that tolerance may reduce the productivity of intolerant people. Besides, tolerance may also reduce the psychological need felt by homosexuals to prove their worth in society, hence tacitly prompting them to reduce their average productivity.

Noland (2005) uses foreign direct investment (FDI) as another explanation for the connection between LGBTQ inclusion and economic development. The author examines the effects of tolerant attitudes toward LGBTQ people in 44 countries on FDI from 1997 to 2002. By controlling for other FDI determinants, there is a positive relationship between tolerance and inward FDI flows. Terry (2011) shows that anti-LGBTQ policies can harm economic investment because such policies have a significant impact on the ability to attract and retain talent. Brown (2017) confirms the negative effects of anti-LGBTQ treatment on investment and the economy, while the author further shows that it is difficult to improve global LGBTQ rights by conditioning FDI on LGBTQ rights provisions due to two issues. Firstly, host countries may view conditioning FDI as an unreasonable threat to their sovereignty. Secondly, the current investment trends are moving away from FDI due to increased protectionism.

5.2. Sexual orientation in earnings differences

Wage and income differences between LGBTQ and non-LGBTQ people form a traditional approach to investigate LGBTQ economics. If the attitudes of employers and co-workers are anti-homosexual, they could distinguish LGBTQ people from heterosexual employees and foster discrimination that may lead to lower earnings for LGBTQ people. Almost all studies support the argument that there is a significant relationship between sexual orientation and economic outcomes. Badgett (1995) developed the first study about the sexual orientation earning differences in the U.S. and shows that gay men and lesbians earn 28% and 35%, respectively, less than their heterosexual counterparts. However, later studies (e.g. Aksoy, Carpenter, & Frank, 2018; Allegretto & Arthur, 2001; Burn, 2020; Klawitter, 2015) confirm sexual orientation earnings differences around the world but show differential earnings patterns between gay men and lesbians.

Although the gay earning premium could reach up to 30% (Blandford, 2003), most studies (see, Klawitter, 2015) find lower wages for bisexual men than for heterosexual men. For example, this gay earning penalty is confirmed by Plug and Berkhout (2004), Carpenter (2008b), and Drydakis (2012) for the Dutch market, the Canadian market, and the Greek market, respectively. On the contrary, a number of studies (Carpenter & Eppink, 2017; Drydakis, 2011) show that earnings for lesbians are generally higher than for heterosexual women and this lesbian earnings premium could be up to 30% (Berg & Lien, 2002). These differential patterns between gay men and lesbians are explained by Klawitter (2015) through discrimination, human capital, and interhousehold influences. However, the earnings patterns for lesbians tend to vary across studies. For example, Carpenter (2008a) and Martell (2019) show that lesbians earn 30% and 11%, respectively, less than heterosexual women. Badgett et al. (2021) argue that these mixed results for lesbians could be driven by the endogeneity of labour force participation that is difficult to take into account.

In recent studies, Geijtenbeek and Plug (2018) and Carpenter, Eppink, and Gonzales (2020) investigate incomes of transgender-identified people and show that transgender people have lower incomes and employment rates than cisgender men. This lower income is caused by discrimination (Geijtenbeek & Plug, 2018) and the low levels of educational attainment of transgender people (Carpenter et al., 2020).

5.3. Impact of LGBTQ policies on housing values

According to economic theory, housing prices are determined by the interaction of supply and demand. Hence, Florida and Mellander (2010) use both supply and demand mechanisms to explain their finding that the concentration of LGBTQ people directly influences housing values. On the one hand, the supply side is influenced by the ‘aesthetic amenity’ premium because gays are selective buyers and are thereby attracted to higher levels of amenity which is reflected in greater home values. On the other hand, concentration of LGBTQ individuals is associated with greater tolerance and openness that reduce entry barriers for human capital and thereby enhance demand. Additionally, this concentration also contributes to human capital and innovation that further influence housing values via entrepreneurship and new firm formation. This demand-side argument is confirmed by Leguzamon and Leguzaman (2017) who only find the positive relationship between housing prices and concentrations of same-sex couples in areas with high levels of human capital.

In a related study, Christiafore and Leguzaman (2012) explain the relationship through discrimination. They show that the concentration of same-sex couples is positively related to housing prices only in more liberal neighbourhoods. If the neighbourhoods are more conservative, housing prices will decrease with more same-sex couples.

In conclusion, the literature on LGBTQ people and economic performance is small but growing, especially in the area of sexual
orientation earnings differences. Evidence suggests LGBTQ people as a crucial component of human capital, as LGBTQ inclusion can contribute to economic development in both direct and indirect ways. However, discrimination is one of the primary reasons that shrink an economy’s human capital, thereby motivating economic costs, FDI reduction, and earning differences.

6. Directions for future research

To date, there exists a small but rapidly growing literature on the effects of LGBTQ policies on finance. This literature has grown in tandem with recent developments in workplace diversity initiatives, firm and exchange policies and court rulings. In this survey paper, we have provided a comprehensive review of this literature. Several themes have emerged, ranging from robust findings to areas where more research is required. We outline those below.

First, there is a strong consensus that LGBTQ-friendly policies are associated with improvements in firm performance. The channels via which these improvements are realized range from being able to attract more talented employees from a larger pool of candidates, enhancements in firm reputation and better access to external financing. Nevertheless, the debate about whether LGBTQ policies affect firm performance is not yet settled. A major limitation of the literature to date is the geographical concentration of studies; this currently being U.S-centric, it would be interesting to examine attitudes toward LGBTQ-friendly policies in firms in other countries around the world, and how corporate sexual equality affects their performance. Furthermore, as more and more people express their sexual preferences openly, future research could look into the actual sexual diversity within firms (e.g., CEO, executives, employees), rather than policies encompassing sexual diversity, and how this affects investment and management decisions.

Another potential area for further investigation is assessing the trading behaviour of market participants with respect to LGBTQ friendly firms. Recent evidence (Do et al., 2022) reports increased flows to mutual funds investing in LGBTQ-friendly firms. This finding opens new avenues for further research on the trading behaviour of institutional investors in these firms (e.g., in terms of whether LGBTQ-friendly investing becomes a distinct style or motivates herding), as well as the impact of such investors, being key stakeholders, on the propensity of firms to adopt LGBTQ-friendly policies. Moreover, the adoption of LGBTQ-friendly policies may impose peer effects on firms; given that relevant literature documents the impact of peer effects on several financial aspects, such as corporate payout policy (Adhikari & Agrawal, 2018), the cost of capital of firms (Shroff, Verdi, & Yost, 2017) and CEO compensation (Denis, Jochem, & Rajamani, 2020), amongst others, LGBTQ could also be explored in this respect. Finally, to the extent that LGBTQ friendliness reflects the culture within a firm, future research could examine the role of LGBTQ in the success of merger and acquisition bids amongst firms with variations in their LGBTQ-friendliness cultures (given the role of corporate culture in the success of such bids (Bereskin, Byun, Officer, & Oh, 2018)).

Second, we identify the factors that influence a firm’s decision to adopt LGBTQ-friendly policies. One strong consensus that has emerged from the literature is that corporations are likely to adopt LGBTQ non-discrimination policies if they are pressurized by shareholder and corporate activism. However, research on LGBTQ and corporate governance is still in its nascent state. More research is required incorporating more extensive corporate governance data to check the robustness of the current findings that are reviewed here. In addition, as CEI has become an important indicator for various stakeholders, more research is needed to assess whether the various corporate governance characteristics could influence LGBTQ supportive policies and thereby the CEI index. In addition, all of the studies on LGBTQ and corporate governance so far are based on U.S. data. Future research needs to focus on non-U.S. data as LGBTQ inclusive policies have been embraced in most developed and several emerging countries in recent years.

Another area of consensus is on the relative difference in household financial decisions between homosexual and heterosexual couples. One worrying finding that has emerged from this line of research is that LGBTQ people may still face discriminatory policies in the mortgage market. In that respect, more research is required in order to identify if LGBTQ people have limited or restricted access to other financial instruments. Further, research has identified that the risk preferences of LGBTQ people may not be in line with their investment choices, therefore missing out on investment income. Relatedly, LGBTQ people that have faced stigmatisation and discrimination exhibit a greater appetite for financial risk. Clearly, more research is needed in order to understand the risk preferences of LGBTQ people. Importantly, despite the recent growth in financial literacy studies, the empirical literature on the financial literacy of LGBTQ people is very limited and more work is needed to better understand the determinants of financial literacy amongst LGBTQ individuals.

Finally, a strong consensus has emerged on the positive effects of LGBTQ-friendly policies on economic growth. Importantly, LGBTQ-inclusive policies explain differences in regional economic development, differences in FDI and innovation rates. To date, research on transgender people is limited and more research is needed to investigate the effects of transgender populations on economic development. Also, there is a small group of studies investigating the relationship between the concentration of LGBTQ people and housing prices. The general consensus is that LGBTQ concentration has a positive effect on housing prices. However, these studies focus on large, metropolitan areas where discrimination against LGBTQ people is relatively low. Cross-sectional studies on LGBTQ concentration and housing availability and prices are needed in order to establish a causal relationship between LGBTQ people and housing.

7. Conclusion

In this paper, we survey the burgeoning literature on the role of sexual orientation in finance. This topic is of current interest as discrimination against LGBTIQ individuals is still commonplace at work despite the fact that recent rulings and workplace diversity supportive policies have increased the presence of LGBTQ participation in companies. Importantly, LGBTQ policies improve the access of LGBTQ people to work which gives the opportunity to companies to access a pool of skilled workforce. At a managerial level, LGBTQ-policies remove the glass ceiling that prohibits LGBTQ people from participating in top management roles.

We show that there is a positive relationship between the adoption of LGBTQ-friendly policies and firm performance. Further, we identify the factors that influence a firm’s decision to adopt LGBTQ-friendly policies. We also provide evidence that sexual preferences play an important role in leadership styles in the household.

We acknowledge that the literature surveyed in this paper is still in its infancy. As we have argued in this article, LGBTQ policies bear substantial implications for firms, managerial and individual behaviour, corporate governance and economic development. Many questions regarding the impact of LGBTQ policies in finance remain unanswered, and our work has identified that LGBTQ and finance is a fertile area for future research.

Data availability

No data was used for the research described in the article.

References


