

Ownership Structure and Corporate Sustainability Disclosure in Kenya: Interaction Effect of Board Gender Diversity

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Abstract

Most firms in this day and age seek to report issues affecting assorted stakeholders. Consequently, sustainability revelation endorses all-inclusive rather than economic performance analysis of the organization. The study sought after the interaction effect of board gender diversity in the relationship between ownership structure and corporate sustainability disclosure of listed companies in Kenya. The theoretical framework was made of legitimacy, triple bottom line and stakeholder theories. Guided by causal research design, 62 listed companies were targeted but 56 were included after inclusion and exclusion criteria. Secondary data obtained from audited annual reports for the year 2021 was analyzed using SPSS. From the multiple regression analysis, there was a negative but significant effect ($\beta = -.246$, $.001 < .05$) of managerial ownership on corporate sustainability disclosure. On the contrary, both institutional and foreign ownership positively but insignificantly affect corporate sustainability disclosure as indicated by ($\beta = .423$, $.816 > .05$) and ($\beta = .356$, $.559 > .05$) respectively. Furthermore, board gender diversity positively and significantly moderates the relationship between managerial ($\beta = .277$, $.001 < .05$) along with institutional ownership ($\beta = .343$, $.000 < .05$) and corporate sustainability disclosure. To sum up, sustainability disclosure of the firm is vital for institutional and foreign more than managerial investors. From the findings, board gender diversity enriches sustainability disclosure once interacted with managerial and institutional ownership structure. The management of the listed companies in Kenya are expected to uphold ownership structure by attracting investors, both individuals and institutions. More importantly, the companies are expected to formulate ways of promoting women representation in the board so as to progress the gender diversity concept.

Keywords: Ownership Structure; Managerial Ownership, Institutional Ownership, Foreign Ownership, Board Gender Diversity, Corporate Sustainability Disclosure.

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1. Introduction

Over time, the practices, attitudes and initiatives of most companies have evolved. Initially, all attention was directed on meeting and exceeding the expectations of the shareholders. As a

result, the organizations were simply complying with the agency view as brought forth by the agency theory proponents. In the recent past, the outlook of the companies has led to rejection of agency and embracing of stakeholder view (Finch, 2005a). According to Freeman (2010) any individual or group that can affect or is affected by organizations' realizations are termed as a stakeholder(s). The companies are expected to identify stakeholders who are prime drivers of their strategies (Epstein & Roy, 2001). Therefore, alongside maximizing shareholders' interests, the company will pursue actions given the different classes of stakeholders (Gelb & Strawser, 2001). With the help of stakeholders, shareholders' wealth would be increased since the organization could earn competitive advantage through creation of intangible and valuable assets (Hillman & Keim, 2001). Ideally, the focus of stakeholders is on sustainability of the company so as to continually attain their benefits (Freeman, 2010). Moreover, stakeholders advocate for holistic performance assessment, that is, incorporation of economic, social and environmental aspects (Pava & Krausz, 1996). Corporate sustainability aspect comes into light as a result of interests by different classes of stakeholders.

In today's world, both the results of decisions and strategies are highly scrutinized more than ever before by its stakeholders (Epstein & Roy, 2001). Corporates are expected more than ever to embrace sustainable practices given the global target set by the sustainable development goals (SDGs) (Naciti, 2019). The business leaders cannot disregard the sustainability initiatives (Sirslly & Sur, 2013) that has been noted a key driver for change (Seebode, Jeanrenaud, Bessant, & Management, 2012). In a survey of sustainability reporting by KPMG, reports published during July 2019 to June 2020 were scrutinized. In this survey, 80% of companies worldwide report on sustainability (KPMG, 2020). More importantly, 100% of top 100 companies in Japan and Mexico were found to report sustainability with North America having the largest sustainability reporting rate. KPMG (2020) therefore pointed out that sustainability reporting is nearly universally adopted. The survival and success of any firm depends on its ability to respond positively to the stakeholders' demand (Feng, Chen, & Tang, 2018). Sustainability is attributed to organizations' financial and market improvements (Eccles, Perkins, & Serafeim, 2012), corporate success (Bartlett, 2009) and creation of competitive advantage (Midttun, 2007) (Minoja, Zollo, & Coda, 2010) (Aksoy, Yilmaz, Tatoglu, & Basar, 2020). Any sustainable organization not only needs financial capital to be financially self-sufficient but also needs to be socially responsible (Finch, 2005b). Corporate sustainability as a dynamic business strategy has led to rise in socially and environmentally conscious companies (Aksoy et al., 2020). Due to sustainability call, corporate activities need to be more proactive (Rodrigo Lozano, 2012). The firms are expected to meet the stakeholders' direct and indirect need without compromising their ability to meet future stakeholders' needs (Dyllick & Hockerts, 2002). Consequently, firms can only interact with stakeholders by engaging in voluntary business activities, social and environmental concerns (Lo & Sheu, 2007).

Ownership structure concept has been accredited to the agency theory. According to the proponents of this theory, ownership is defined in terms of share or equity distribution which in turn determines the amount of capital invested, the voting rights as well as the categories of owners (Jensen & Meckling, 2019). Ownership structure hence is more on shareholders' interests (Haladu & Salim, 2016). In a company, the motivation of the owners or shareholders guide decision making (Eccles et al., 2012). By extension, ownership aspect has an impact on decisions

made in the organization (Hart & Moore, 1990). Ownership structure has a remarkable role that shapes the corporate social responsibility behavior and attitudes (Zaid, Abuhijleh, & Pucheta-Martínez, 2020). Actually, diverse interests by different types of owners propels the organization's actions given the social and environmental concerns (Simerly & Bass, 1998). Decision making has been extended to corporate innovative activities which have been linked to sustainability (Lev, 2000). Such innovations can aid organization in developing alternative products which are responsive to climate change as well as ecosystem degradation (Lehni, 2000). Moreover, the organization is able to efficiently manage its resources (Seebode et al., 2012), create new demand and revenue (Lehni, 2000), promote sustainable growth (Balkin, Markman, & Gomez-Mejia, 2000) and earn competitive advantage (Lev, 2000).

The governance by the board of directors (BOD) has been pointed out as the most imperative driver of corporate sustainability performance (Disli, Yilmaz, & Mohamed, 2022). In an organization, the management comprises of the BOD whose role is to unveil relevant and reliable information for decision making. As such, it is the duty of the BOD to encourage the management in revealing information in the sustainability report (Said, Zainuddin, & Haron, 2009). Moreover, it is the responsibility of the BOD to ensure that relevant and accurate financial as well as non-financial information disclosed not only enhances corporate performance but also meets the diverse demands of the stakeholders (Prado-Lorenzo & Garcia-Sanchez, 2010). In regards to corporate transparency, both the attributes and configuration of the BOD matter (Fuente, García-Sánchez, & Lozano, 2017). To heighten holistic transparency, the BOD upholds the best corporate social responsibility practices, implement stakeholder engagement policies and processes (Frias-Aceituno, Rodriguez-Ariza, & Garcia-Sanchez, 2013). It was based on this background that the study sought to examine the moderating effect of board gender diversity in the relationship between ownership structure and corporate sustainability disclosure of the listed companies at NSE in Kenya. The study is significant as its findings are expected to give insights to the management of the companies given the nexus between ownership structure and corporate sustainability disclosure. As the main policy makers therefore, NSE and the Capital Market Authority will get a clear picture regarding the status of board gender diversity concept. Basing on the legitimacy, triple bottom line and stakeholder theories, a firm is expected to develop strong ties with its stakeholders which are constructive in heightening performance.

1.1. Corporate Sustainability Disclosure Concept at NSE in Kenya

In Kenya, most companies adopt GRI for sustainability or economic, social and governance (ESG) reporting (NSE, 2021). NSE has continually improved its operations as to remain relevant in the present-day world. The rising issues on economic, governance, social and environmental have led to development of new rules to accommodate them. Other than the Companies Act number 17 of 2015 laws of Kenya, NSE launched in November 2021 fundamental guidelines manual to reinforce the reporting on matters relating to ESG. The manual recommends adoption of GRI standards as a common framework for ESG reporting by listed companies in Kenya (NSE, 2021). According to NSE ESG disclosure guidance manual, there are different kinds of stakeholders who demand an all-inclusive information other than financial performance. NSE have categorized internal stakeholders to comprise of owners. Employees, joint venture partners and the board. On the other hand, external stakeholders are the lenders, regulators, investors,

suppliers, customers, community, media, political groups and the civil society. Through ESG reporting therefore, all stakeholders can access not only the performance in terms of numbers but also an inclusive report on company's activities. To promote compliance and comparability of ESG reports, all listed companies in Kenya have to report based on the four mandatory key areas as shown in Table 1. However, there are specific ESG disclosures devised based on the mandatory disclosures for different sectors. These include Agriculture, Telecommunication, banking, Investment, Manufacturing, Investment Services, Insurance, Commercial and Services, Construction and Allied, Energy and Petroleum.

Table 1: The Mandatory ESG Disclosure in Kenya

ESG Disclosure	Areas of Concern
General	Governance, environmental and social risk management, stakeholder engagement, regulatory compliance and supply chain screening
Economic	Economic performance, taxes and anticorruption
Environmental	Environmental compliance and emissions (carbon footprint assessment)
Social	Human rights, labor and working conditions, occupational health and safety, training and education, diversity and equal opportunity, consumer protection and data privacy.

Source: NSE ESG Disclosure Guidance Manual (November 2021)

1.2. Statement Of The Problem

The Global Reporting Initiative (GRI) guidelines remain dominant as a far as sustainability reporting is concerned (KPMG, 2020). This is because the information needs of stakeholders are aligned with the corporate sustainability reporting (GRI, 2021). Despite this, sustainability reporting methodologies and approaches are found to be complex and dynamic hence require deep professional knowledge and expertise backed with robust sustainability strategies as well as risk management processes (KPMG, 2020). Owners are involved in strategic decisions which are beyond investment (Oh, Chang, & Martynov, 2011). Collective insights of both the stakeholders and owners drives the enactment and adoption of various sustainability initiatives (Sirsly & Sur, 2013). In order to gain a sustainable perspective in the organization, BOD has to be appropriate in size, independent and diverse (Ludwig & Sassen, 2022). Therefore, the study sought to examine the interaction effect of board gender diversity in the relationship between ownership structure and corporate sustainability disclosure of listed companies at the Nairobi Securities Exchange (NSE) in Kenya. Ownership structure was assessed given the managerial, foreign and institutional ownerships in the company. At the outset, the management is expected to disclose information regarding sustainability (Said et al., 2009). More importantly, foreign investors are keen on social and environmental issues (Khan, Muttakin, & Siddiqui, 2013) while institutional

investors are there to push the organization to engage in corporate social responsibility activities (Gloßner & Finance, 2019).

2. Literature Review

2.1. Theoretical Framework

Under the traditional point of view as made known by agency theory proponents, the firm sole concern is the shareholders' needs and value. From the social contract perspective by legitimacy theory, the firm's activities are limited by the boundaries set by the society. Per se, the legitimacy of a firm is approved only if its activities are expected to give benefit but not harmful to the society. The society thus is a party that has relationship with the firm other than the shareholders. Under the Triple Bottom Line (TBL) theory, three dimensions of performance are incorporated; economic, social and environmental (Elkington, 1997). In view of TBL therefore, companies are expected to minimize the harm resulting from their activities while considering the needs of all the stakeholders. According to stakeholder theory, there are other parties as suppliers, customers, employees, financiers, communities, trade unions, governmental bodies, trade association and political groups (Freeman, 2010). The stakeholder theory therefore has been viewed as a new narrative (Parmar et al., 2010) which promotes interconnected relationships and value creation for both the shareholders and stakeholders (Freeman, 2015). As a means of succeeding in today's world, companies need to identify the key stakeholders, cultivate open rapport and devise ways to work with them for reciprocated benefit (Gladwin, Kennelly, & Krause, 1995). The study therefore was grounded by legitimacy, TBL and stakeholder theories since the organization is assessed holistically given both the shareholders and stakeholders. Corporate sustainability disclosure is aimed at addressing interests of shareholders and stakeholders. The strong ties nurtured with stakeholders as a result will enhance the effectiveness and growth of the firm.

2.1.1. Ownership structure and corporate sustainability disclosure

Corporate sustainability has risen as an alternative to the traditional approaches of managing the firm which were both short term and profit oriented (Rodrigo Lozano, Carpenter, & Huisingh, 2015). On the contrary, the corporate sustainability approach is holistic as it balances economic, environmental and social issues given the present and future generations. In the present, the popular sustainability or integrated reporting has been used to refer to corporate social reporting (Mahmud, 2019). Other interrelated terms to corporate social reporting are corporate philanthropy, corporate citizenship, corporate sustainability, corporate responsibility and corporate citizenship (Esa, Zahari, & Finance, 2016). According to Neubaum and Zahra (2006), corporate social performance is essential in that it is linked to sustainability. Through this, the firm is in a better position to cherish its growth over time by effectively addressing the expectations of the diverse stakeholders. In the long run, the fostered close connections with stakeholders not only improves the firm's market spot but also its competitiveness. Therefore, to assess the effect of ownership structure on corporate sustainability disclosure, a review of studies was done in this concept. In addition, a review of studies was done given corporate sustainability disclosure interrelated terms; corporate social responsibility and corporate social performance.

2.1.2. Managerial ownership and corporate sustainability disclosure

In a firm, agency relationship is created between the principal (shareholders) and the agent (management) (Jensen & Meckling, 2019). The management thus is tasked with decision making on behalf of the shareholders. From agency theory perspective, allocation of shares to the management is one way of resolving agency conflict. As a result, managerial ownership entails the proportion of ownership by the members of the management in the company. In Malaysia Ghazali (2007) investigated the effect of ownership structure on corporate social responsibility (CSR) disclosure of 87 non-financial companies included in Bursa Malaysia Index. Ownership structure was looked into given the government, director and ownership concentration. From the findings, there was no significant relationship between ownership concentration and CSR disclosure. Government ownership and CSR disclosure relationship was found to be positive. Quite the reverse, director ownership had a negative association with CSR disclosure. This is because owner managed companies are closely held with less public accountability. As a result, such companies do not find the urge to invest in social activities thereby leading to low levels of CSR disclosure. In Egypt, Soliman, El Din, and Sakr (2013) examined the effects of ownership structure on CSR disclosure of 42 companies using secondary data of 2007 to 2009. From the findings, managerial ownership negatively related with corporate social responsibility. Dakhli (2021) investigated the impact of ownership structure on CSR with the moderating effect of financial performance in France. Data of 200 firms covering 2007 to 2018 was analyzed. In this study, managerial ownership had a negative effect on CSR. Dewi and Wirawati (2021) analyzed the data of 49 manufacturing companies sampled in Indonesia. The main aim was to establish the effect of share ownership structure and company size on CSR disclosure. Data for 2011 to 2019 was analyzed using multiple regression. Contrary to the findings by (Ghazali, 2007), (Soliman et al., 2013) and (Dakhli, 2021), managerial ownership had no significant effect on CSR disclosure. As a result, managerial investors were not in a position in influencing company's CSR disclosure. The study sought to test the following hypothesis one (H_{01});

H₀₁: Ceteris paribus, there is no significant effect of managerial ownership on corporate sustainability disclosure of listed companies at the NSE in Kenya.

2.1.3. Institutional ownership and corporate sustainability disclosure

In a study by Johnson and Greening (1999), the effect of corporate governance and institutional ownership types on corporate social performance (CSP) was examined. The institutional ownership comprised of pension fund, investment management funds (mutual funds, banks and investment banks) and foundations (universities and churches). The latter category of institutional investors was however excluded from the study. While pension fund affected CSP, investment management funds had no direct effect. The study thus concluded institutional investors act as long term investors who are more concerned with the CSP since it has an impact on financial performance. On the other hand, some institutional act as traders given that they are more concerned primarily with quarterly earnings of the firm and not its social performance. (Cox, Brammer, & Millington, 2004) evaluated the relationship between institutional investors on CSP in United Kingdom. The study adopted portfolio theory in assessing institutional investors, that is, the long term and short term institutional investors. The former category were mentioned to have long term while the latter have short term investment horizon. Sample data of

678 firms for 2001 and 2002 was analyzed and found that long term institutional investors (pension fund, life assurance, charitable fund organizations) has a positive relationship with CSP. Thus, all companies with poor social performance were screened out by long term investors from their portfolio given that such companies were exposed to risk that could in long run lower the financial performance.

Neubaum and Zahra (2006) investigated the effect of institutional ownership on CSP of companies listed in the Fortune 500 given the moderating effect of investment horizon, activism and coordination. While guided by stakeholder salience theory, the study defined institutional owners to comprise of long term (pension funds) and short term (mutual fund and investment banks). From the analysis of data covering 1993 to 1998, it was found out that long term institutional ownership positively relate with CSP. The long term institutional investors have the ability to observe the decisions made by the senior executive in the company and express their impending extents regarding CSP. As a result, the management of the company readily responses to the expectation of long term investors as they are considered to be more steadfast and dependable unlike the short term investors. Sirsly and Sur (2013) sought to establish the influence of risk management objectives of firm owners on sustainability strategies. As guided by resource based view theory, ownership structure comprised of institutional, corporate and family ownerships. From the findings, Institutional owners adopt sustainability initiative as a risk mitigation strategy. Family ownership undertake such initiatives as patient investors based on their ideological motivation. Corporate owners undertake sustainability initiatives with capabilities building orientations. In a study by Soliman et al. (2013), there was a significant and positive relationship between institutional ownership and CSR disclosure in Egypt. In France, Ducassy and Montandrou (2015) explored the effect of ownership structure and corporate governance on CSP of listed companies. Corporate governance was indicated by board independence while ownership structure comprised of ownership concentration and type. From the findings, large shareholders placed less emphasis on CSP. On the other hand, there was no effect on CSP given family and institutional ownerships.

Hu, Zhu, and Hu (2016) analyzed the effect of ownership structure on CSR of 1872 firms listed in China. Ownership structure was measured using state, foreign, corporate and institutional ownership (domestic financial institutions as mutual fund, pension fund, insurance companies, finance companies, security firms, banks and investment trusts). It was reported that institutional ownership had a positive but insignificant relationship with CSR. Qa'dan and Suwaidan (2018) investigated the effect of ownership structure and board composition of CSR disclosure in Jordan. Regression analysis was used given 2013 to 2015 data. Ownership structure was indicated by board ownership concentration, institutional and foreign ownership. Board composition comprised of size, age, gender, independence and chief executive officer (CEO)/ chairman duality. From the findings, institutional ownership, board ownership concentration, board independence, board duality and age had a significant negative impact on CSR disclosure. Aksoy et al. (2020) examined the effect of ownership structure and board attributes on corporate sustainability performance of 63 sampled non-financial companies listed in Turkey. Anchoring on stakeholder and agency theory, data collected for period 2014 to 2018 was analyzed using logit probit models. In this study, ownership structure comprised of foreign and institutional

ownership. The study found out that institutional ownership positively influenced the company's corporate sustainability performance.

In Palestine, Zaid et al. (2020) considered data for a sample size of 33 firms non-financial companies. The main purpose of their study was to scrutinize the effect of ownership structure and shareholder engagement on CSR disclosure in conjunction with moderating effect of board independence. Ownership structure indicators were government, institutional and foreign ownerships. From the findings, all the indicators of ownership structure had a significant impact on CSR disclosure. In Jordan, Al Nashef and Saaydah (2021) assessed the effect of ownership structure (family, government, institutional and foreign) on CSR disclosure among 61 companies listed. CSR disclosure was considered given reporting and spending. After analysis of data from 2011 to 2015, there was a significant negative impact of institutional, family and government ownership on CSR reporting. Moreover, despite all other ownership types lacking significant impact on CSR spending, institutional ownership was found to have an impact although it was negative. In a study conducted in France by Dakhli (2021), institutional ownership was found to have a significant positive effect on CSR disclosure. Dewi and Wirawati (2021) in Indonesia found out that institutional investors were unable to influence the decisions relating to CSR disclosure hence documenting no significant impact. Manogna (2021) in India evaluated the effect of ownership structure on CSR disclosure of 1594 listed firms from 2014 to 2019. Ownership structure was indicated by three forms namely; ownership by mutual fund investors, lending institutions (banks and insurance companies) and foreign institutional investors. From the findings, there was a positive and significant relationship between lending institutions and CSR disclosure due to their active influence on strategic decision making in the firm. Due to their familiarity with international markets as a result of their extensive operations, foreign institutional investors were found to have a positive impact on CSR disclosure. Moreover, mutual fund investors were found not to influence CSR disclosure. Despite the mixed findings, significant number of studies reviewed have acknowledged a positive effect of institutional ownership on corporate sustainability disclosure. Therefore, the study sought to test hypothesis two (H_{02}):

H₀₂: Ceteris paribus, there is a significant positive effect of institutional ownership on corporate sustainability disclosure of listed companies at the NSE in Kenya.

2.1.4. Foreign ownership and corporate sustainability disclosure

A study was conducted by Soliman et al. (2013) to ascertain the extent to which ownership structure affected CSR disclosure in Egypt. After analysis of data, there was a significant and positive relationship foreign ownership and CSR disclosure. Haladu and Salim (2016) assessed the effect of ownership structure on sustainability reporting among 67 companies sampled in environmentally sensitive sectors (industrial goods, oil and gas) in Nigeria. Agency and institutional theories guided the study whereby data for 2009 to 2014 was analyzed. Corporate ownership comprised of indigenous and foreign investors sustainability reporting was defined in terms of environmental disclosures. From the findings, there was a negative relationship between foreign owned firms and environmental disclosure. This was however attributed to the fact that disclosure in the country was voluntary and not compulsory. In China, Hu et al. (2016) found a significant positive effect of foreign ownership and CSR disclosure on CSR disclosure by listed

firms. The same result given foreign ownership and CSR disclosure was conveyed in Jordan by (Qa'dan & Suwaidan, 2018).

Amidjaya and Widagdo (2019) sought to establish the effect of ownership structure and corporate governance on sustainability reporting of 31 banks listed in Indonesia. Agency and institutional theories guided the study. Ownership structure comprised of family and foreign ownership. From the panel regression analysis of data covering 2012 to 2016, both family and foreign ownerships influenced sustainability reporting. Rustam, Wang, and Zameer (2019) focused on assessing the impact of foreign ownership on corporate sustainability disclosure in Pakistan. Using sequential mixed methods in analyzing data covering 2006 to 2018, it was reported that foreign ownership had a significant positive impact on corporate sustainability disclosure. The same result was found out in Turkey by (Aksoy et al., 2020). Shin and Park (2020) investigated the effect of ownership by foreign and domestic institutional investors on corporate sustainability as measured by the level of research and development investment in Korea. From data analyzed for period 2001 to 2014, high levels of foreign institutional ownership exhibit greater levels of corporate research and development activities. On the contrary, domestic institutional investors had no significant influence on firm's corporate sustainability. Other studies that have recounted a positive link between foreign ownership and CSR disclosure include (Zaid et al., 2020), (Manogna, 2021). In the findings by (Al Nashef & Saaydah, 2021), foreign ownership was found not to have a significant impact on CSR spending. Given that most findings have stated a positive effect, the study sought to test hypothesis three (H_{03}):

H₀₃: Ceteris paribus, there is a significant positive effect of foreign ownership on corporate sustainability disclosure of listed companies at the NSE in Kenya.

2.1.5. Interaction effect of board gender diversity

Board gender diversity is one of the dynamic element of the BOD of an organization. Ideally, gender diversity in the board is achieved when there is a certain percentage of female representation. Most discussions have been on this concept since gender equality is being promoted more in the present world. In an assessment done in line with leadership styles, women tend to possess some common features hence different from men (Eagly, Johannesen-Schmidt, & Van Engen, 2003). From these comparison, women tend to be kind, caring, cooperative, sensitive, concerned and sympathetic. Through participative leadership style (Eagly et al., 2003), women are dedicated in addressing social difficulties (Naciti, 2019) thereby upholding excellence in governance aspects (Wahid, 2019). Studies have been conducted across the world to address the relationship between board gender diversity and corporate sustainability. This is because unlike male, female directors are more philanthropically oriented and less sensitive to firm's economic performance (Ibrahim & Angelidis, 1994). According to Frias-Aceituno et al. (2013), women provide more information especially on sustainability. Some studies have found board gender diversity not to impact on corporate sustainability. To begin with, Frias-Aceituno et al. (2013) examined the role of the board in the dissemination of integrated corporate social reporting of 568 leading non-financial multinational companies sampled from 15 countries. The findings indicated that there was a positive but not statistically significant effect of board diversity and corporate social reporting. Naseem, Rehman, Ikram, and Malik (2017) investigated

the impact of board characteristics on CSR disclosure of 179 listed companies in Pakistan under financial and non-financial sectors. Board diversity as one of the board characteristic was found to have insignificant impact. Al Amosh (2022) sampled 51 industrial companies in Jordan to assess the role of governance attributes in CSR practices. From the findings board diversity had no effect on CSR practices. Ananzeh, Alshurafat, Bugshan, and Hussainey (2022) in Jordan analyzed data for 94 companies listed in order to establish the impact of corporate governance on forward looking CSR disclosure. In their findings, there was no association between board diversity and CSR disclosure.

A significant number of studies have recognized a positive association between board gender diversity and disclosures relating to sustainability reporting in the firm. Fuente et al. (2017) in Spain analyzed the role of the BOD in adopting GRI guidelines for CSR disclosure. Using a sample size of 98 non-financial firms listed, there was a direct link between board gender diversity and corporate information transparency. In a meta-analysis of 88 studies, Guerrero-Villegas, Pérez-Calero, Hurtado-González, and Giráldez-Puig (2018), board diversity was found to positively relate with CSR disclosure. Naciti (2019) focused on the effect of board composition on sustainability performance of 362 firms sampled from 46 different countries. The study reported higher sustainability performance was attributed to a more diversity board. Using data for 2008 to 2011, Formigoni, Segura, and Gallego-Álvarez (2020) looked into the effect of board characteristics on CSR disclosure practices of companies sampled from Brazil and Spain. The board characteristics assessed were board size, CEO duality, board independence and board diversity. The latter was found to have a positive effect on CSR disclosure of companies in both countries although it was statistically significant in Brazil. Disli et al. (2022) evaluated the effect of board attributes on sustainability performance of 439 publicly listed non-financial companies across 20 emerging countries. The study found a positive relationship between board diversity and sustainability performance across broad spectrum of sustainability indicators. Ludwig and Sassen (2022) sampled 56 articles to analyze the relationship between corporate governance and corporate sustainability. It was found out that board diversity was mostly discussed all over the literature. The study thus recommended the increase of the number of experienced female directors on the board as to increase social and environmental levels in the organization. The study sought to test hypothesis four (H_{04}) and subsequently H_{04a} , H_{04b} and H_{04c} :

H_{04} : Board gender diversity lacks significant moderating effect in the relationship between ownership structure and corporate sustainability disclosure of listed companies at the NSE in Kenya.

H_{04a} : Board gender diversity lacks significant moderating effect in the relationship between managerial ownership and corporate sustainability disclosure of listed companies at the NSE in Kenya.

H_{04b} : Board gender diversity lacks significant moderating effect in the relationship between institutional ownership and corporate sustainability disclosure of listed companies at the NSE in Kenya.

H_{04c} : Board gender diversity lacks significant moderating effect in the relationship between foreign ownership and corporate sustainability disclosure of listed companies at the NSE in Kenya.

2.2. Conceptual Framework

In Figure 1, the direct relationship between ownership structure and corporate sustainability disclosure is outlined. The main levels under ownership structure relate to the forms of ownership in the company namely; managerial, institutional and foreign ownership. Moreover, conceptual framework summaries the moderating effect of board gender diversity on the direct relationship between each form of ownership and corporate sustainability disclosure. As a result, hypotheses H_{04a} , H_{04b} , H_{04c} were tested to establish the moderating effect. In the study, firm size and leverage were control variables.

Ownership Structure

(Independent Variable)

Dependent Variable

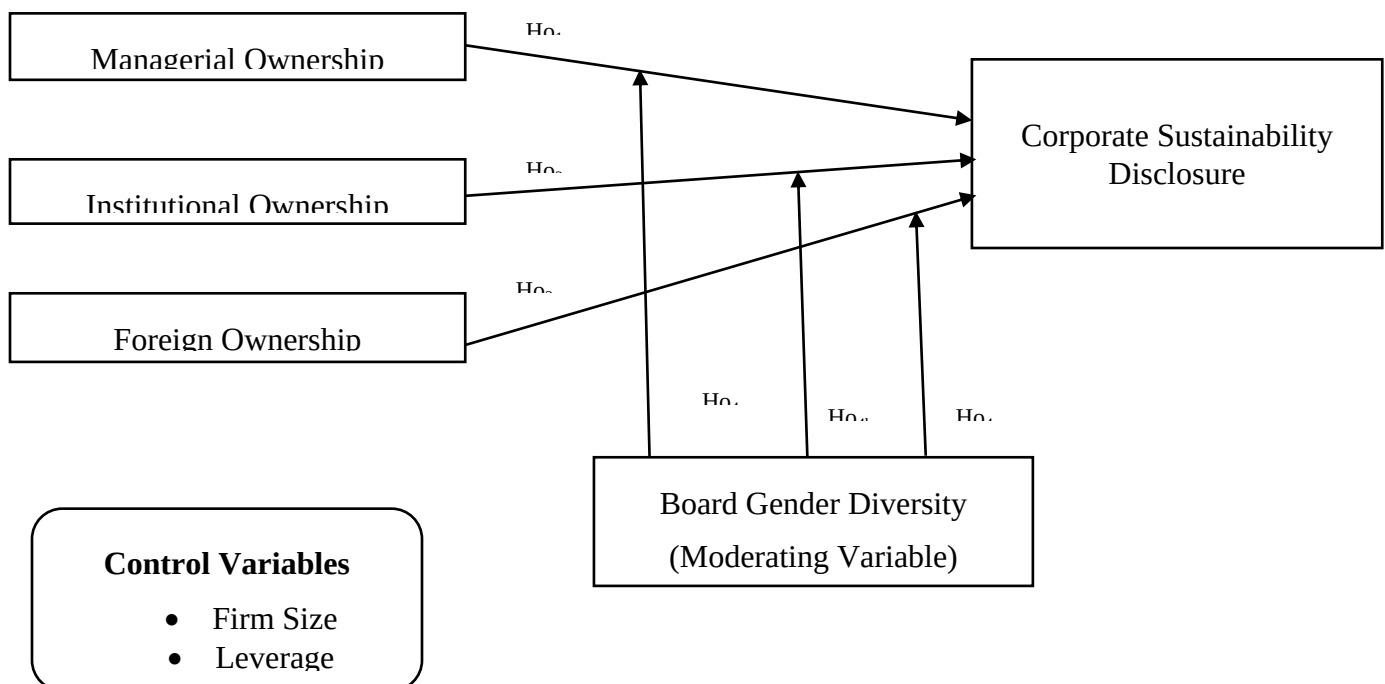


Figure 1: Conceptual Framework of the Study

3. Research Methodology

The main objective of the study was to establish the interaction effect of board gender diversity in the relationship between ownership structure and corporate sustainability disclosure of listed firms in Kenya. In order to analyze this relationship, causal research design was adopted. The study targeted 62 listed companies at NSE in Kenya (NSE, July 2022). These companies are under the different sectors namely agricultural (6), automobile and accessories (1), banking (10), commercial and services (13), construction and allied (5), energy and petroleum (4), insurance (6), investment (5), investment services (1), manufacturing and allied (8), telecommunication (1), real estate investment trust (1) and exchange traded fund (1). Secondary data for year 2021 was collected from the annual financial reports of listed companies obtained from the NSE and

Capital Markets Authority (CMA) websites. In Kenya, listed companies were given a grace period of one year to assimilate, familiarize themselves and comply with the NSE ESG disclosure guidance manual launched in November 2021. Therefore, the study period was selected as it marked the last year when listed companies were allowed to present their annual reports basing on GRI standards and not NSE ESG disclosure manual. Inclusion and exclusion criteria was used whereby firms with incomplete financial reports were excluded. As a result, data for 56 out of 62 companies was analyzed using Statistical package for the Social Sciences (SPSS). The main variables were measured as shown in Table 2 whereby ownership structure (independent variable) comprised of managerial, institutional and foreign ownership. The other variables were board gender diversity (moderating variable) and corporate sustainability disclosure (dependent variable). Companies that are large in size and with high leverage tend to disclose more information relating to sustainability (Kumar, Kumari, Nandy, Sarim, & Kumar, 2022). As a result, the study controlled firm size and leverage.

Table 2: Measurement of Variables

Variable		Measurement
Ownership Structure	(Independent Variable)	
Managerial Ownership (MO)		Percentage of shares owned by top management (Dakhli, 2021; Dewi & Wirawati, 2021)
Institutional Ownership (IO)		Percentage of shares owned by institutional investors (Aksoy et al., 2020; Al Nashef & Saaydah, 2021; Zaid et al., 2020)
Foreign Ownership (FO)		Percentage of shares owned by foreign investors (Aksoy et al., 2020; Amidjaya & Widagdo, 2019; Rustam et al., 2019)
Board Gender Diversity (BGD)	(Moderating Variable)	Percentage of female in the board of directors (Al Amosh, 2022; Ananzeh et al., 2022; Disli et al., 2022; Formigoni et al., 2020)
Corporate Sustainability Disclosure (CSD)	(Dependent Variable)	Corporate sustainability reporting disclosure items whereby dummy value '1' is given if disclosed and '0' if otherwise. Percentage score is computed given the total number disclosure items (Gurvitsh & Sidorova, 2012; Kinyua, 2020)
Control Variables		
Firm Size (FS)		Natural logarithm of total assets (Amidjaya & Widagdo, 2019; Dakhli, 2021; Dewi & Wirawati, 2021; Kumar et al., 2022)
Leverage (LEV)		Ratio of total debt to total assets (Hu et al., 2016; Rustam et al., 2019; Shin & Park, 2020)

Source: Researcher (2022)

Secondary data was subjected to analyzing using descriptive statistics, that is, minimum, maximum, mean and standard deviation. Multiple regression analysis was done as to test the hypotheses of the study. The overall regression models used were as follows:

Direct effects model

$$CSD = \beta_0 + \beta_1MO + \beta_2IO + \beta_3FO + \beta_4FS + \beta_5LEV + \varepsilon \dots \dots \dots \text{Model 1}$$

Interaction effects of board Gender diversity in the relationship between ownership structure and corporate sustainability disclosure

$$CSD = \beta_0 + \beta_6MO + \beta_7BGD + \beta_8(MO*BGD) + \varepsilon \dots \dots \dots \text{Model 2}$$

$$CSD = \beta_0 + \beta_9IO + \beta_{10}BGD + \beta_{11}(IO*BGD) + \varepsilon \dots \dots \dots \text{Model 3}$$

$$CSD = \beta_0 + \beta_{12}FO + \beta_{13}BGD + \beta_{14}(FO*BGD) + \varepsilon \dots \dots \dots \text{Model 4}$$

Key: CSD (Corporate Sustainability Disclosure); MO (Managerial Ownership); IO (Institutional Ownership); FO (Foreign Ownership); BGD (Board Gender Diversity); FS (Firm Size); LEV (Leverage)

4. Findings and Discussions

4.1. Descriptive Statistics

In Table 3, CSD in Kenya has been incorporated by most listed firms as shown by the mean of 49.130 (SD = 17.754) with a maximum and minimum value of 88% and 19% respectively. Given the ownership structure, managerial ownership had a mean of 7.362 (SD = 17.429). This indicates that values in the data set are more spread out from the mean. In addition, the minimum percentage of managerial ownership was 0.000% implying that members of managerial team in majority of the firms do not own shares. In most listed firms, institutional investors own as significant number of shares as compared to the management and foreigners.

Table 3: Descriptive Statistics

	CSD	MO	IO	FO	BGD	FS	LEV
Mean	49.130	7.362	38.094	24.371	23.210	16.54	0.181
Standard Deviation (SD)	17.754	17.429	27.210	28.537	15.461	2.544	0.376
Minimum	19.000	0.000	0.000	0.000	0.000	12	0
Maximum	88.000	68.696	91.580	94.640	64.000	21	2.086

Source: Field Data (2022)

Key: CSD (Corporate Sustainability Disclosure); MO (Managerial Ownership); IO (Institutional Ownership); FO (Foreign Ownership); BGD (Board Gender Diversity); FS (Firm Size); LEV (Leverage)

BGD was found to have a mean of 23.210 (SD = 15.461) with a minimum and maximum values of 0 and 64% respectively. This implies that female representation in the board of significant number listed firms in Kenya is still poor to some extent that some firms do not have their representation at all. Under firm size, data set is clustered around the mean with the maximum value of 21 and minimum of 12. The leverage in most listed firms is low as shown by mean of 0.181 (SD = 0.376). As a result, the companies with debts are financially at an advantage and are able to generate more income from their assets.

4.2. Testing Hypothesis for Direct Effects

The study tested the first three hypotheses (H_{01} , H_{02} and H_{03}) so as to establish whether ownership structure dimensions have a significant impact on corporate sustainability disclosure of listed companies at NSE in Kenya. To begin with, the model summary in Table 4 indicates that ownership structure (independent variable) explains 55.6% variations in corporate sustainability disclosure (dependent variable).

Table 4: Model Summary Table for Direct Effects

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.647 ^a	.599	.559	15.587

a. Predictors: (Constant), LEV, MO, IO, FS, FO

Source: Field Data (2022)

In Table 5, the F-ratio aimed at testing whether the overall model was good fit for the data. In the finding, $F(5, 50) = 4.272$, $0.003 < 0.05$ denotes that independent variables statistically and significantly predict the dependent variable.

Table 5: ANOVA Table for Direct Effects

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5188.933	5	1037.787	4.272	.003 ^b
	Residual	12147.192	50	242.944		
	Total	17336.125	55			

a. Dependent Variable: CSD

b. Predictors: (Constant), LEV, MO, IO, FS, FO

Source: Field Data (2022)

First and foremost, managerial ownership in Table 6 had a negative ($\beta = -.246$) and statistically significant (probability value, p-value = $.001 < .05$) effect on corporate sustainability disclosure. Given the beta coefficient therefore, for one unit increase in managerial ownership, there is a decrease in corporate sustainability disclosure by 0.246 units. The null hypothesis (H_{01}) stated that there was no significant effect of managerial ownership on corporate sustainability

disclosure of listed companies at NSE in Kenya. From the findings, the study rejected the null hypothesis. Alternatively, the study concluded that there is significant effect of managerial ownership on corporate sustainability disclosure. Even though the negative effect was reported, this result is contrary in terms of significance with those findings by (Dewi & Wirawati, 2021; Ghazali, 2007; Soliman et al., 2013).

Table 6: Estimated Regression Model Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	5.090		2.963	.009*
	MO	-.246	.124	-.346	.001*
	IO	.423	.297	.535	.816
	FO	.356	.095	.489	.559
	FS	3.223	.864	.462	.000*
	LEV	-9.030	5.867	-.191	.130

Dependent Variable: CSD, * Significant at 5% level of significance

Source: Field Data (2022)

Secondly, the study tested hypothesis two (H_{02}) to determine as to whether institutional ownership had a significant positive effect on corporate sustainability disclosure of companies listed at NSE in Kenya. In Table 6, institutional ownership had a positive effect ($\beta = .423$) on corporate sustainability disclosure. Consequently, one unit increase in the institutional ownership leads to 0.423unit increase in corporate sustainability disclosure. The study failed to reject H_{02} since there was a positive but insignificant effect ($p\text{-value} = .816 > .05$). In line with the findings by (Dakhli, 2021; Zaid et al., 2020), it was therefore concluded that institutional ownership positively and significantly affects corporate sustainability disclosure of listed companies at NSE in Kenya. However, this was contrary to the zero effect outcome reported by (Dewi & Wirawati, 2021; Ducassy & Montandrou, 2015) and negative effect found by (Aksoy et al., 2020; Al Nashef & Saaydah, 2021). Lastly, H_{03} was not rejected since there was a positive but not significant effect ($\beta = .356$, $p\text{-value} = .559 > .05$) of foreign ownership on corporate sustainability disclosure. This finding therefore supported those by (Amidjaya & Widagdo, 2019; Hu et al., 2016; Rustam et al., 2019).

4.3. Testing for Interaction effects of Board Gender Diversity

In Table 7 under model 2 and 3, there was a statistically significant effect of board gender diversity and corporate sustainability disclosure as shown by ($\beta = .305$, $p\text{-value} = .008 < .05$) and ($\beta = .135$, $p\text{-value} = .013 < .05$). This therefore supports the findings by (Disli et al., 2022; Formigoni et al., 2020; Guerrero-Villegas et al., 2018). Given characteristics, women working as corporate executives perform better than their male counterparts (Van Staveren, 2014), actively chip in strategic concerns affecting stakeholders more than shareholders (Huse, Nielsen, &

Hagen, 2009) on top of giving more contributions toward decisions touching on corporate social responsibility (Burgess & Tharenou, 2002).

Table 7. Interaction effect Board Gender Diversity

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
2	(Constant)	42.141	4.855			8.680	.000*
	MO	.128	.251	.126		.510	.002*
	BGD	.305	.170	.265		1.795	.008*
	MOBGD	.277	.310	.283		.894	.001*
3	(Constant)	45.570	7.504			6.073	.000*
	IO	.465	.160	.499		2.906	.007*
	BGD	.135	.266	.118		.509	.013
	IOBGD	.343	.106	.354		3.236	.000*
4	(Constant)	35.483	5.485			6.469	.000*
	FO	.313	.147	.504		2.132	.038
	BGD	.477	.189	.415		2.524	.065
	FOBGD	.249	.115	.261		2.861	.075

Dependent Variable: CSD, * Significant at 5% level of significance

Source: Field Data (2022)

The moderating role of board gender diversity was analyzed in H_{04a} and found that that it was positive ($\beta = .277$) and significant ($p\text{-value} = .001 < .05$) given the relationship between managerial ownership and corporate sustainability disclosure of listed companies at NSE in Kenya. On the other hand, there was a positive and significant ($\beta = .343$, $p\text{-value} = .000 < .05$) effect of board gender diversity in the nexus between institutional ownership and corporate sustainability disclosure. Therefore, these results led to rejection of H_{04a} and H_{04b} concluding that board gender diversity has a significant moderating effect in the relationship between managerial as well as institutional ownership and corporate sustainability disclosure among listed companies in Kenya. The findings thus supports the insight that board of directors of most firms shoulders the responsibility of disclosure of both financial and non-financial information for the benefit of various stakeholders (Prado-Lorenzo & Garcia-Sanchez, 2010). Moreover, women have a broader perspective which are paramount in addressing issues relating to corporate social responsibility (Bear, Rahman, & Post, 2010). On the contrary, the study failed to reject H_{04c} since there was a positive but insignificant moderating effect ($\beta = .249$, $p\text{-value} = .075 > .05$) of board gender diversity in the relationship between foreign ownership and corporate sustainability disclosure. This could have been attributed to the insignificant effect of board gender diversity and corporate sustainability disclosure ($\beta = .477$, $p\text{-value} = .065 > .05$).

5. Conclusion

Corporate sustainability has continued to be a contemporary issues in most organizations. Different stakeholders are mounting more pressure for firms to disclose more information rather

than financial performance. As a result, stakeholders are more concerned with holistic reporting by the company. In Kenya, listed companies at NSE have complied with corporate sustainability disclosure. Basing on the requirements by GRI, integrated reports of most companies have disclosures relating to economic, social and environmental issues. The study examined the moderating effect of board gender diversity in the relationship between different dimensions of ownership structure and corporate sustainability disclosures of listed companies at NSE in Kenya. From the findings, managerial ownership negatively affects corporate sustainability disclosure. Contrariwise, both institutional and foreign ownership positively affect corporate sustainability disclosure. This is because unlike the managerial investors, institutional and foreign investors are more concerned with sustainability aspects in the firm which affect performance in the long run. Other than influence by diverse categories of owners, corporate sustainability decisions are driven by the board of directors. In order to succeed, diversity of the board is one of the qualities as pointed out by Ludwig and Sassen (2022). In terms of gender diversity, women in the board are known to possess unique attributes and thus perform much better than male (Van Staveren, 2014). Given their philanthropic nature Ibrahim and Angelidis (1994), women representatives in the board are more passionate with issues touching on corporate social responsibilities (Bear et al., 2010). The study investigated board gender diversity based on the percentage of female representation. From the findings, interaction of board gender diversity with managerial and institutional ownership enhances corporate sustainability disclosure of listed companies at NSE in Kenya. However, there was no interaction effect of board gender diversity in the relationship between foreign ownership and corporate sustainability disclosure.

In an organization, different needs for both shareholders and stakeholders sway decision making. Practically, the findings of the study will enable the management of the listed companies to promote institutional and foreign ownership given the vital contributions toward corporate sustainability disclosure. Female directors in the board have an upper hand in driving sustainability disclosure in the firm. From there, these policy makers will be in a better position to promote gender equality in the board of directors of most listed companies. The findings of the study contribute to the legitimacy, triple bottom line and stakeholder theories which bring out insights of interacting ownership structure dimensions with board gender diversity with the sole aim of promoting sustainability disclosure in the firm. Given the limitations of this study, future research could explore institutional ownership based on investment horizon (short term or long term) and domicile. Moreover, institutional ownership be considered as individual as well as institutional. Other forms of ownership (government and family) could be incorporated. Future studies could be undertaken in relation to ownership concentration in a firm. Furthermore, future researchers could use panel data to analyze the study variables. Last but not least, comparative study could be conducted given so as to understand the variables given securities exchange especially in the East African Community (EAC).

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