

**SIMON DIEDONG DOMBO UNIVERSITY OF BUSINESS AND INTEGRATED
DEVELOPMENT STUDIES**

**ASSESSING THE MODERATING ROLE OF REGULATORY ENVIRONMENTS
ON OWNERSHIP STRUCTURE AND ESG DISCLOSURE IN WEST AFRICA**

BAYONG DESMOND

AUGUST, 2024

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**THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING, SCHOOL
OF BUSINESS, SDD-UNIVERSITY OF BUSINESS AND INTEGRATED
DEVELOPMENT STUDIES IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF (MPhil) MASTER OF PHILOSOPHY
DEGREE IN ACCOUNTING**

2024

DECLARATION

I, at this moment, declare that this thesis is the result of my original research. I affirm that no part of this work has been submitted previously for the award of any degree or diploma at this university or any other institution. Additionally, I confirm that all sources of information have been appropriately acknowledged and cited in the text.

Candidate's Signature:

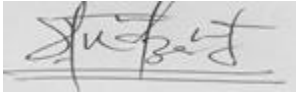
A rectangular box containing a handwritten signature in black ink. The signature is cursive and appears to read 'Bayong Desmond'.

Date: 31st July 2024

Name: **BAYONG DESMOND**

CERTIFICATION

I hereby certify that this project work was supervised in accordance with the procedures laid down by the Graduate School of SDD – UBIDS.



31st July 2024

DR. BERNARD BAWUAH

DATE

(SUPERVISOR)

DEDICATION

I dedicate this work to my late father, Mr. Bayong Anthony. His vision and desire to see me achieve greater heights have been my guiding light throughout this journey. Although he is no longer with us, his immense support and encouragement have been instrumental in bringing me to the completion of my two-year MPHIL program.

I also dedicate this work to my sister, Mrs. Tagba Esther, and all my family members. Their unwavering support, encouragement, and belief in me have been vital in helping me reach this milestone in my educational and academic endeavours. I am profoundly grateful for their love and assistance, which have played a crucial role in my success.

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ABSTRACT

As the disclosure of Environmental, Social, and Governance (ESG) practices become a requirement for corporate transparency and sustainability, disclosure of ESG practices is also becoming important in emerging markets where such disclosures have not been explored much. Innovatively responding to this gap, this study investigates how regulatory environments moderate the ownership structure—ESG disclosure relationship in West Africa. To produce empirical analysis, using a comprehensive dataset of 215 manufacturing firms across West Africa between 2010 and 2022, the research utilizes fixed effect and random effect estimations. Results show that managerial, state and foreign ownership enhance ESG disclosure significantly, while blockholder ownership does not. Additionally, the effect of the regulatory environment in transforming the link between ownership structure and ESG disclosure is robust, which indicates that in order to increase the transparency and accountability of firms, regulatory frameworks need to be developed thoroughly. On the other hand, the presence of weaker regulatory environments does not enhance the effectiveness of ownership structure's effect on ESG disclosures, suggesting the major role of regulatory contexts in shaping the corporate sustainability behavior. This research uses Institutional Theory, Stakeholder Theory, and Legitimacy Theory to emphasize business operations must match social expectations and demands. The research adds to corporate governance and sustainability literature by empirically testing how regulatory contexts affect ownership structure and ESG behavior. The findings help policymakers, investors, and stakeholders promote sustainable development via ESG transparency. This research shows that stronger regulatory frameworks and stakeholder engagement are needed to improve corporate governance, sustainability, and business transparency and accountability in the region.

TABLE OF CONTENT

Contents

DECLARATION	i
CERTIFICATION.....	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	v
TABLE OF CONTENT	vi
LIST OF TABLES.....	xi
LIST OF FIGURES.....	xii
LIST OF ABBREVIATION	xiii
CHAPTER ONE.....	1
INTRODUCTION	1
1.1 Overview.....	1
1.2 Background of the Study	1
1.3 Problem Statement	4
1.4 General Objective	9
1.4.1 Main Objective.....	9
1.4.2 Specific Objectives.....	9
1.5 Research Questions.....	10

1.6 Significant of the Study	10
1.7 Organisation of the Study	12
CHAPTER TWO	13
LITERATURE REVIEW	13
2.1 Introduction	13
2.2 Definition of Concept	13
2.2.1 Ownership structures	13
2.2.2 ESG Disclosure	14
2.3 Voluntary and Mandatory ESG Disclosure	16
2.3.1 Voluntary ESG Disclosure	16
2.3.2 Mandatory ESG Disclosure	17
2.4 ESG Reporting Standards and Frameworks	18
2.4.1 Importance of ESG Reporting Standards	20
2.4.2 Benefits of Adopting ESG Reporting Standards	23
2.4.3 Strong Governance and ESG Reporting	26
2.5 Forms of Ownership Structures	26
2.5.1 Family Ownership	26
2.5.2 Foreign Ownership	27
2.5.3 Managerial Ownership	28
2.5.4 State Ownership	29

2.5.5 <i>Block holders Ownership</i>	30
2.5.6 <i>Ownership Concentration</i>	31
2.6 Ownership Structure and ESG Disclosure	34
2.7 Theoretical Review	37
2.7.1 <i>Legitimacy Theory</i>	37
2.7.2 <i>Stakeholder Theory</i>	41
2.7.3 <i>Institutional Theory</i>	44
2.8 Empirical Review and Hypothesis Development	49
2.8.1 Managerial Ownership and ESG Disclosure	49
2.8.2 State Ownership and ESG Disclosure	50
2.8.3 Foreign Ownership and ESG Disclosure	51
2.8.4 Block holder and ESG Disclosure	53
2.8.5 The moderating role of the regulatory environment on ownership structure and ESGD Disclosure	54
2.9 Conceptual Framework	56
2.10 Chapter Summary	58
CHAPTER THREE	59
METHODOLOGY	59
3.1 Introduction	59
3.2 Research Design	59

3.3 Population	60
3.4 Sampling and Data Source	61
3.5 Model of Specification	64
3.6 Description of Variables	65
3.6.1 Dependent (ESG Disclosure)	65
3.6.2 Independent Variable	67
3.6.3 Moderating Variable (Regulatory Environment)	69
3.6.4 Control Variables	69
3.6.5 Summary of Variables	70
3.7 Data Processing	71
CHAPTER FOUR	73
RESULTS AND DISCUSSION	73
4.1 Introduction	73
4.2 Description Statistics	73
4.3 correlation	77
4.4 Cross-Sectional Dependency Analysis	80
4.5 Stationarity Test	81
4.6 The Direct Relationship Between Ownership Structure and ESG Disclosure ...	82
4.7 Moderating Analysis	87
4.8 Discussion	92

CHAPTER FIVE	98
CONCLUSIONS AND RECOMMENDATIONS	98
5.0 Introduction	98
5.1 Summary of findings	98
5.2 Recommendations	99
5.3 Theoretical Implications	100
5.4 Practical Implications	101
5.5 Limitations and Future Research	103
Reference	105

LIST OF TABLES

Table 3.1: Firms included in the sample per country	63
Table 3.3: Checklist of scoring items for ESG disclosure	65
Tables 3.2: Summary of study variables	70
Table 4.1 Descriptive statistics	74
Table 4.2: Spearman Correlation Matrix Analysis	78
Table 4.3 Multicollinearity Analysis.....	79
Table 4.4: Frees Test of Cross-Sectional Dependency.....	80
Table 4.5 CIPS unit root test	81
Table 4.6 Baseline regression	84
Tables 4.7 The moderating effect of the regulatory environment on the relationship between ownership structure and ESG	88

LIST OF FIGURES

Figure 1: Conceptual Framework	57
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LIST OF ABBREVIATION

NSE	Nigeria Stock Exchange
AGOA	African Growth and Opportunity Act
GICS	Global Industry Classification Standard
RGE	Regulatory Environment
CSR	Corporate Social Responsibility
SASB	Sustainability Accounting Standards Board
SMEs	Small and Medium-sized Enterprises
LDMs	Licensed Dealing Members
GSE	Ghana Stock Exchange
BRVM	Bourse Régionale des Valeurs Mobilières
ESG	Environmental, Social, and Governance
LiSE	Liberia Stock Exchange
SLSE	Sierra Leone Stock Exchange
GRI	Global Reporting Initiative
SEC	Securities and Exchange Commission
WFE	World Federation of Exchanges
WACMIC	West African Capital Market Integration Council
WAEMU	West African Economic and Monetary Union
ASEA	African Securities Exchanges Association
WASRA	West African Securities Regulators Association
WACMI	West African Capital Markets Integration
OS	Ownership Structure

WA	West Africa
NGOs	Non-Governmental Organisations
CFP	Certified Financial Planner
SDGs	Sustainable Development Goals
NFRD	Non-Financial Reporting Directive
NACD	National Association of Corporate Directors
MGO	Managerial Ownership
BHO	Block holder Ownership
FNO	Foreign Ownership
STO	State Ownership
P	Profitability,
CS	Capital Structure

CHAPTER ONE

INTRODUCTION

1.1 Overview

Within the constantly changing global corporate environment, the connection between ownership structure and Environmental, Social, and Governance (ESG) disclosure has emerged as a vital field for comprehending organisational conduct and societal influence. This thesis investigates the complex relationship between these two variables, aiming to gather empirical evidence from the changing commercial landscape of West Africa. The research intends to provide light on how ownership patterns impact ESG disclosure in the particular socio-economic context of firms in the area as they negotiate sustainability concerns, ethical business behaviour, and transparency.

1.2 Background of the Study

Environmental, Social, and Governance (ESG) concerns have gained substantial worldwide focus in recent years, fueled by growing calls for sustainable and ethical corporate conduct. ESG aspects are increasingly seen as crucial predictors of long-term corporate performance and sustainability by investors, customers, and regulators (Zhou et al., 2019). Global companies face increasing demands to publicly disclose their environmental, social, and governance (ESG) policies in order to showcase their dedication to ethical and sustainable business operations. This transparency not only impacts their market standing but also affects their relationships with investors. ESG disclosure is especially relevant in West Africa because of the region's distinct economic development concerns and intricate social issues. The economies of West Africa are characterised by

their dependence on natural resources, making environmental sustainability of utmost importance in this region. The legislative framework in West Africa is constantly changing, but it sometimes lacks the rigorous enforcement seen in more advanced areas. This presents difficulties and possibilities for ESG disclosure (Sim et al., 2024).

The ownership structure of a corporation significantly influences its behaviour and decision-making processes, particularly its practices related to environmental, social, and governance issues. Ownership structure pertains to allocating ownership rights among several categories of shareholders, including management, state, foreign, and blockchain-based ownership. Managerial ownership encompasses the shares owned by managers and board members of a firm. State ownership refers to shares held by the government. Foreign ownership comprises shares held by overseas investors. Blockchain ownership specifically relates to registered and managed shares using blockchain technology. Different ownership structures may have unique impacts on business objectives and priorities (Szóka, 2022).

The importance of ownership structure in influencing company initiatives, particularly environmental, social, and governance policies, cannot be emphasised enough. Managerial ownership might link the interests of managers with the long-term profitability of the organisation, which may, in turn, promote sustainable practices. State ownership may incentivise corporations to comply with higher environmental, social, and governance standards since they are accountable to the public. On the other hand, foreign ownership tends to create more demands for corporate responsibility that align with worldwide norms. Blockchain ownership, because of its focus on openness and accountability, has the potential to improve ESG disclosure standards (Zhou et al., 2024).

ESG disclosure refers to reporting a company's environmental, social, and governance practices. This includes aspects such as the company's environmental impact, such as its carbon footprint and resource usage; its social responsibility, including its labour practices and community engagement; and its governance, which encompasses factors like board diversity and ethics. Thorough ESG disclosure may result in enhanced risk management, heightened reputation, and bolstered investor trust. Disclosing a firm's sustainable and ethical practices is vital for stakeholders as it influences their investment choices and public opinion of the organisation (Yoon et al., 2024). West African enterprises have distinct obstacles when disclosing their environmental, social, and governance practices. These problems include discrepancies in regulations, limited resources, and differing degrees of stakeholder awareness. The regulatory landscape in the area is often characterised by fragmentation, resulting in varying degrees of enforcement and support for ESG activities. In addition, corporations may have insufficient resources and skills to efficiently adopt and report on environmental, social, and governance standards. Nevertheless, the area also has noteworthy prospects for enhancing and expanding ESG standards. The implementation of regional ESG reporting criteria and more stakeholder participation are recent efforts that demonstrate a favourable shift towards improved sustainable practices (Tjahjono, 2024).

The legislative framework in West Africa significantly impacts the correlation between ownership structure and ESG disclosure. Regulations differ across countries, with some nations having more comprehensive systems than others. Robust regulatory frameworks may facilitate improved environmental, social, and governance practices by requiring transparent reporting and ensuring adherence to legislation, but inadequate regulations may impede advancements in this area. Comprehending the legal framework is crucial for

evaluating the influence of various ownership arrangements on ESG disclosure and pinpointing areas where policy actions might improve company sustainability practices (Yoon et al., 2024). Although this subject is significant, there is a noticeable lack of research on how ownership structure affects ESG disclosure in the West African environment. There is a lack of comprehensive research examining the impact of various ownership forms on this location's environmental, social, and governance practices. This research addresses this void by studying the influence of different ownership arrangements on ESG disclosure and analysing how the regulatory environment might moderate this impact. This study investigates the relationship between West Africa ownership structure and ESG disclosure. Doing so will enhance our knowledge of the dynamics involved in this area. The findings of this study will be valuable for policymakers, investors, and business managers, providing them with valuable insights (Treepongkaruna & Suttipun, 2024).

1.3 Problem Statement

Over the last several years, there has been a significant increase in the significance of Environmental, Social, and Governance disclosures. This is mostly due to a growing recognition of sustainability concerns among various stakeholders, such as investors, regulators, and the general public. Companies face growing responsibility for financial success, environmental effects, social contributions, and governance procedures. However, there is still a notable lack of knowledge on the impact of ownership structure on ESG disclosure, especially in the West African setting. This research seeks to fill this void by investigating the influence of different ownership arrangements on ESG disclosures in

firms located in West Africa, while also studying how the regulatory environment may moderate this relationship.

Managerial ownership is the proportion of a company's shares held by its management. It is often theorised that this kind of ownership structure might match management's incentives with the shareholders, resulting in more extensive disclosures about environmental, social, and governance factors (Usman et al., 2024). Nevertheless, the literature has conflicting results. Wachidah and Hazmi (2024) discovered no substantial effect of management ownership on the voluntary disclosure practices of enterprises in Bahrain. On the other hand, Wang et al. (2023) contended that when managers have ownership stakes in a company, they may be less inclined to engage in social activities in order to save money. This, in turn, might have a detrimental impact on the company's ESG disclosures. This discrepancy implies a need for more investigation to elucidate the correlation between management ownership and ESG disclosure. This research aims to assess the relationship between management ownership and ESG disclosure in West Africa, specifically investigating whether higher managerial stakes result in more transparency and responsible business behaviour.

State ownership refers to the government's ownership of a certain number of shares in a company. This ownership is typically pursued to achieve social and economic objectives that go beyond just making a profit. Governments can have a substantial influence on firms, which may result in their being compelled to adopt more comprehensive environmental, social, and governance standards Al-Shouha et al. (2024) and Wei et al. (2024) argue that state ownership may pressure corporations to reveal more social and environmental information, improving their legitimacy and societal perception. This is supported by the

application of legitimacy and stakeholder theories. Moreover, research conducted by Maniruzzaman et al. (2024) and Mironenkova and Yahaya (2024) has shown that state ownership favours the disclosure of environmental, social, and governance information. However, the precise processes by which state ownership affects ESG disclosure in West Africa have not been well investigated. This research seeks to address this void by investigating the influence of state ownership on ESG disclosure in enterprises in West Africa. It sheds light on whether government ownership promotes transparency and accountability in corporate activities.

Foreign ownership refers to the ownership of shares by investors, not from the nation in question. Foreign investors often provide distinct expectations and criteria for corporate governance and transparency, which may result in enhanced ESG disclosures (Al_hazimeh et al., 2024). Nevertheless, according to Alshirah and Alshira'h (2024) and Ebbini et al. (2024), foreign ownership might give rise to a legitimacy gap, necessitating enterprises to use proactive legitimacy initiatives in order to fulfil the expectations of international investors. This may include improving ESG reporting to conform with international sustainability benchmarks (Arayssi et al., 2020; Wang et al., 2023). Furthermore, studies conducted in Bangladesh Ould Daoud Ellili (2020) Provide evidence that foreign ownership favours the disclosure of corporate social responsibility (CSR). This research examines the impact of foreign ownership in West Africa on environmental, social, and governance practices. The objective is to evaluate whether foreign investors play a significant role in promoting improved ESG practices, which in turn may contribute to the area's sustainable development.

Blockholder ownership pertains to influential shareholders who own a major proportion of a company's shares, giving them tremendous influence over corporate decision-making. Shareholders have the potential to fulfil two roles: they may either promote improved governance procedures or limit the sharing of information in order to preserve their strategic advantage (Bressanelli et al., 2022; Dameri & Ferrando, 2022). Ebbini et al. (2024) discovered no significant correlation between blockholder ownership and disclosure in Singapore. However, Chin et al. (2019) demonstrated that blockholder ownership had a detrimental influence on voluntary disclosure practices. Ellili (2022) has observed that stockholders might potentially control information, resulting in an information imbalance known as information asymmetry. In contrast, several researchers, like ElMaraghy et al. (2021) and Chin et al. (2019) contend that there is a positive association, indicating that blockholders may advocate for improved ESG disclosures in order to safeguard their interests. This research seeks to assess the effect of blockholder ownership on ESG disclosure in West African firms to gain comprehensive knowledge of its influence on corporate transparency.

The regulatory framework influences business conduct, including environmental, social, and governance policies. Robust rules may compel corporations to implement thorough ESG disclosures, but inadequate regulations may result in limited adherence (Edomah, 2019). In the context of West Africa, the legislative frameworks often lack consistency, which creates difficulties in achieving consistent reporting on environmental, social, and governance matters (Fàbregues et al., 2020). The legitimacy theory posits that regulatory pressure may strengthen corporate responsibility and transparency by matching company activities with social ideals (Koizumi, 2019). This research aims to investigate the impact

of the regulatory environment on the connection between ownership structure and ESG disclosure. It seeks to determine if more robust regulatory frameworks improve ESG practices. Although there is a growing emphasis on ESG disclosures worldwide, there is a lack of studies specifically examining West Africa, especially on the impact of ownership structure. The majority of previous research has been carried out in developed or rising countries, and its relevance to the distinct socio-economic and regulatory environment of West Africa is limited. This research aims to fill this void by investigating the separate and combined impacts of various ownership arrangements on ESG disclosure in West Africa, emphasising the significance of the legal framework in shaping this connection.

Several literature gaps in the context of Environmental, Social, and Governance (ESG) disclosure justify this study. Geographical gaps in his research show that there is little focus on business in emerging economy markets such as West Africa, where sense of context in socio economic and legal contexts that inform ownership structures and ESG disclosure still remain to be explored (Ben Ali & Chouaibi, 2024). Second, methodological gaps underscore the dominance of qualitative approaches in previous research which impedes generalizing study findings (Ackah-Baidoo, 2013). To overcome this limitation, this study employs a quantitative methodology based on the fixed and random effect estimations of a comprehensive dataset of 215 manufacturing firms. First, however, there are theoretical gaps because prior studies often use theories such as Stakeholder Theory and Legitimacy Theory in silos without an integrated framework. This research employs Institutional Theory in elucidating the relationship between ownership frameworks, regulatory environments and ESG disclosure (Bairulkifli, 2024). However, there are also empirical gaps from inconsistent findings on the effect of ownership structure on ESG practice,

indicating positive correlations, no effects, or even negative effects (Campanale et al., 2021). This study focuses on moderating effect of the regulatory environments to resolve these inconsistencies and to learn new empirical evidences in advancing a theoretical discourse and practical applications. Thus, the objectives of this study are to examine the influence of ownership structures on ESG disclosure, examine the role played by a potential moderating effect of regulatory environments, and make theoretical contributions towards corporate governance in emerging markets, especially West Africa.

1.4 General Objective

1.4.1 Main Objective

To investigate the impact of ownership structure on the disclosure of Environmental Social and Governance (ESG) performance in West Arica companies, with a specific focus on the moderating role of the regulatory environment.

1.4.2 Specific Objectives

The main objectives are broken down into the following specific objectives.

- I. To analyze the impact of managerial ownership on ESG Disclosure.
- II. To examine the effect of state ownership on ESG disclosure.
- III. To investigate the role of foreign ownership in enhancing ESG Disclosure.
- IV. To assess the potential of block holder ownership in improving ESG Disclosure.
- V. To evaluate the moderating effect of the regulatory environment on the relationship between ownership structure and ESG Disclosure.

1.5 Research Questions

- I. How does managerial ownership affect ESG disclosure in West African companies?
- II. How does state ownership impact ESG disclosure in West African companies?
- III. In what ways does foreign ownership influence ESG disclosure in West African companies?
- IV. How does block holder ownership impact ESG disclosure in West African companies?
- V. What role does the regulatory environment play in moderating the relationship between ownership structure and ESG disclosure in West African companies?

1.6 Significant of the Study

The study on "Ownership Structure and ESG Disclosure in West Africa" has substantial implications for academia, business practices, and policymaking. From an academic standpoint, this research adds to the current body of knowledge by addressing the gaps in understanding the impact of ownership structures on ESG disclosure in West Africa. This study offers valuable insights into regional dynamics, providing nuanced knowledge to scholars and researchers (Costa et al., 2022; De Colle & Freeman, 2023). The study's findings can provide valuable guidance for companies operating in West Africa, helping them adopt responsible and sustainable business practices. It offers valuable insights into the connections between ownership and ESG disclosure, assisting businesses in making well-informed decisions that align with global expectations for ethical corporate behavior (De Colle & Freeman, 2023).

Policymakers in West African countries can find valuable insights in the study's recommendations, which can serve as a helpful guide in developing frameworks and regulations that foster transparency, ethical conduct, and sustainability. These findings have far-reaching consequences for the region's economic growth and companies' ethical obligations. Investors looking for insights into sustainable and responsible investments will find the study valuable for making informed decisions. Understanding how ownership structure impacts ESG disclosure enables investors to align their portfolios with businesses prioritizing social responsibility and environmental sustainability (Edziah et al., 2022). The study's importance goes beyond academia and impacts business practices, policymaking, and investment decisions. It plays a crucial role in promoting responsible corporate behavior and sustainable development within the dynamic and diverse context of West Africa.

This study's significance lies in its unique treatment of the interplay between ownership structures, regulatory environments and ESG disclosure trends in West Africa, an environment fraught with pressing environmental challenges. This research makes a novel contribution by focusing on the moderating role played by regulatory frameworks in corporate accountability and transparency with regard to ESG. It is especially important for West Africa, where poor environmental practice and unsustainable business operation are the result of inadequate regulatory oversight (Dhiab et al., 2024; Gunarathna, 2023). Policymakers will be able to design and implement stronger regulations to incentivize firms to adopt sustainable practices and to advance their ESG disclosures based on the findings of this study. Additionally, the study shows, in practice, the positive effects of managerial, state, and foreign ownership on practicing ESG, and calls for a range of

ownership structures that can foster corporate responsibility. The alignment of business interests with climate protection in the region is crucial through promoting more enhanced ESG disclosures and therefore create better resource management, smaller footprint, and more corporate participation in climate resilience initiatives (Bairulkifli, 2024; Koizumi, 2019). This research not only fills critical gaps in the literature but also act as a catalyst for change and create a more sustainable and environmentally responsible corporate setting in West Africa.

1.7 Organisation of the Study

Five chapters have been sectioned off for this research: One of the chapters examined the introduction to the study, which included the following topics: the history of the study, the explanation of the issue, the questions and goals of the investigation, the relevance of the study, and the limits and delimitations of the research itself. An analysis of the relevant literature is presented in the second chapter, while the technique and approach to the study are the primary topics of discussion in the third chapter. Additionally, the empirical findings obtained, debated, and presented at the end of the research are provided in chapter four. The discussion of ownership structure and ESG Disclosure is presented in chapter four. In conclusion, the fourth chapter summarises the results, the study's conclusion, and the researcher's advice, which may include suggestions for themes or concerns that should be studied in the future and perhaps used in policy creation.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The introduction of the “related literature review seeks to highlight and define the key concepts of this study. The literature provides the context for the research, recognizing where the study fits into the existing body of knowledge (Forster et al., 2024). The literature review also relates the study to the ongoing dialogue in the literature, filling in gaps and extending prior studies. (Gimbason & Yahaya, 2024; Indrawati & Kuncoro, 2021). Based on this backdrop, this chapter provides an in-depth review of theories underpinning the study and findings of other research works relating to the study's objectives. Before reviewing the theories underpinning the study, a brief overview of the West Africa Stock Exchange is discussed.” The conceptual issues and framework are also discussed based on the existing literature, helping to depict the linkage between the variables.

2.2 Definition of Concept

2.2.1 Ownership structures

The knowledge of corporate governance and its impact on environmental, social, and governance disclosures is crucial in comprehending ownership structure. Ownership structure pertains to the allocation of ownership rights and obligations among various players in the organization, including shareholders, management, and other stakeholders. The distribution of power and authority inside the corporation determines the decision-making process, identifies the individuals responsible for those choices, and influences the overall financial success of the organization (Giordino et al., 2024; Ikhsan et al., 2024).

The ownership structure may be categorized into many forms, including family ownership, foreign ownership, management ownership, governmental ownership, and block holder ownership. Each form of ownership has distinct consequences for corporate governance standards and Environmental, Social, and Governance performance. Family-owned enterprises often prioritize long-term sustainability over rapid financial gains, whereas foreign investors emphasize transparency and conformity to international norms.

2.2.2 ESG Disclosure

This is when a business or organization tells the public in a clear and organized way how it handles and deals with environmental, social, and governance problems. This report details the organization's actions to help the earth, its people, and its management. ESG transparency is meant for many people, including investors, buyers, workers, lawmakers, and the general public. It can come in many forms, such as comments, reports, and data in financial documents, blogs, environmental reports, and other communication methods.

ESG transparency is integral to modern corporate reporting because it lets people know how committed a company is to doing business sustainably and ethically. It can affect investments, customer choices, and following the rules and make things more open and accountable. Companies in West Africa are trying to meet global ESG norms and show they care about sustainable growth in the area, so ESG exposure is becoming increasingly critical. ESG disclosure acts as a trigger, making companies reevaluate their tactics and methods of operation. It is hoped that organisations will maintain their ESG performance by adequately reporting their ESG practices, hence increasing transparency, even if there is a clear, often missed, contrast between ESG performance and ESG disclosure (Baratta et al., 2023; Borodako, 2023). A vital element of the changing non-financial information

disclosure environment is ESG reporting. A recent poll conducted by KPMG Global (2021) found that 80% of businesses globally now generate sustainability reports, and a sizable majority of those reports relate their operations to the Sustainable Development Goals (SDGs) as part of their corporate reporting. According to Cardoni and Kiseleva (2023), a voluntary disclosure may provide advantages, including increased stock liquidity and decreased stock price synchronisation by reducing knowledge asymmetry among investors.

The results of earlier studies on ESG disclosure have been inconsistent. According to Hammerstad (2022), there was a positive correlation between enhanced ESG transparency or more ESG disclosure and company value, as determined by Tobin's Q. They maintained that more ESG disclosure lowers investor agency costs and information asymmetry. Similarly, Korngold (2023) argued that social and environmental transparency significantly impacts market and financial performance metrics. However, several studies—including one by (Lorenzi, 2023; Machado, 2023)—indicate that financial performance is unaffected by the disclosure of the economic component, but disclosure of the environmental and social dimensions has a detrimental influence on financial performance. Research by Barak and Sharma (2024) revealed similar results. Several earlier research with somewhat different sample selection strategies, including those by (Andehaymanot et al., 2023; Anderson, 2023), revealed promising findings. Studies by (Câmara, 2023; Coelho, 2023) ESG disclosure within their respective sectors and countries is just a few research examples focusing on specific industries and nations. Scholars like (Lorenzi, 2023; Machado, 2023; Madden & Berger-Walliser, 2023; Samans & Nelson, 2022) I have studied ESG, especially Sharia investment.

2.3 Voluntary and Mandatory ESG Disclosure

Revealing Environmental, Social, and Governance information is crucial for ensuring corporate transparency and accountability. Companies can either voluntarily disclose this information or comply with regulatory mandates. Both approaches bring motivations and implications for corporate behaviour, stakeholder engagement, and market outcomes.

2.3.1 Voluntary ESG Disclosure

Engaging in voluntary ESG disclosure is frequently motivated by a company's desire to bolster its standing, appeal to socially conscious investors, and fulfil the expectations of diverse stakeholders, such as customers, employees, and the wider community. Companies prioritising corporate solid governance structures and active ownership are more likely to embrace voluntary disclosure practices. As an entrepreneur, it is interesting that firms with more institutional investors or those under significant scrutiny from non-governmental organisations are more likely to disclose their ESG initiatives proactively (Rashid, 2020). These disclosures indicate transparency and dedication to sustainable practices, which can boost the company's market value and appeal to investors who value sustainability.

Patagonia, a remarkable outdoor clothing company known for its unwavering commitment to the environment, sets a prime example of voluntary ESG disclosure. Patagonia proactively shares information about its environmental impact, supply chain practices, and social initiatives. This dedication has dramatically improved its brand reputation and attracted a devoted customer base that appreciates sustainability (Ikhsan et al., 2024). A shining example is Unilever's willingness to release comprehensive sustainability reports outlining its advancements in environmental and social objectives. This level of

transparency has played a crucial role in establishing trust with stakeholders and solidifying Unilever's reputation as a frontrunner in corporate sustainability (Kruse et al., 2023).

2.3.2 Mandatory ESG Disclosure

Mandatory ESG disclosure laws, on the other hand, aim to guarantee a minimum degree of openness across all businesses and standardise reporting procedures. These policies may improve market efficiency by reducing information asymmetry between businesses and stakeholders. However, the quality of the legislative framework and enforcement procedures significantly impact the success of mandated disclosure. For example, big public-interest businesses are required under the European Union's Non-Financial Reporting Directive (NFRD) to provide details about their environmental and social effect. The European Commission (2014) states that this rule promotes sustainable business practices across the EU and enhances corporate responsibility.

Notwithstanding the advantages of standardisation, organisations may develop a compliance-oriented attitude due to obligatory disclosure, wherein the emphasis is shifted from improving ESG performance to satisfying regulatory obligations. For instance, the Securities and Exchange Board of India (SEBI) mandated that the top 1,000 listed businesses submit Business Responsibility Reports (BRRs). Although this has made more ESG data accessible, others claim that some businesses use it more as a box to be checked than a strategic development tool (Lautier, 2024). The effects of required vs optional ESG disclosure on stakeholder participation and business behaviour may be used to compare how successful each is. Proactive governance and intrinsic motives driving voluntary disclosure often result in more strategic and significant ESG actions. Businesses publicly

sharing ESG data often include sustainability in their primary business plans, which has long-term advantages. Starbucks, for instance, has improved its supply chain resilience and consumer loyalty in addition to increasing the value of its brand via its voluntary commitment to ethical sourcing and environmental stewardship (Aluko et al., 2024).

However, required disclosure guarantees a standard of ESG openness across the board, facilitating stakeholder comparison and evaluation of businesses. However, the overall efficacy of such restrictions may be compromised by the possibility of poor compliance and the lack of detail in the revealed information. For example, the UK's obligatory carbon reporting laws have heightened openness but have also brought attention to the disparities in the quality of disclosures made by different companies; some give deep insights, while others merely provide surface-level information (Andreoni et al., 2021). There are benefits and drawbacks to both required and optional ESG reporting. Mandatory disclosures provide a uniform degree of openness for all companies, while voluntary disclosures are often more thorough and show a genuine business commitment to sustainability. To optimize the advantages of ESG disclosure for firms and stakeholders alike, the best solution would be a hybrid model that combines the depth and strategic focus of voluntary efforts with the rigor of required regulations.

2.4 ESG Reporting Standards and Frameworks

Adopting globally acknowledged Environmental, Social, and Governance reporting standards is crucial to improve the comparability, transparency, and credibility of ESG disclosures. The Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) are established standards that provide comprehensive frameworks for firms to disclose their environmental, social, and governance actions

systematically and uniformly. These frameworks facilitate the successful communication of an organisation's sustainability initiatives, promoting stakeholder trust and responsibility (GRI, 2021; SASB, 2022). The Global Reporting Initiative (GRI) is a prevalent framework for reporting environmental, social, and governance issues. The rules cover various ESG topics, allowing organisations to report on their economic, environmental, and social consequences. The GRI guidelines are intended to be relevant to organisations of any size and industry, encouraging a consistent methodology for reporting on sustainability. The standardisation of ESG data across various firms and sectors improves the capacity of stakeholders to assess and measure performance, therefore facilitating comparison and benchmarking (GRI, 2021).

Similarly, the Sustainability Accounting rules Board (SASB) provides industry-specific rules concentrating on financially significant environmental, social, and governance (ESG) challenges. The SASB standards are designed to address many sectors' distinct attributes and vulnerabilities, offering a more targeted methodology for reporting environmental, social, and governance (ESG) factors. SASB focuses on material concerns to assist firms in disclosing information that is highly relevant to investors and other financial stakeholders. This focused strategy guarantees that the disclosed ESG data is clear, easily understood, and closely connected to financial performance, enhancing its significance and practicality (SASB, 2022).

Companies with robust governance systems are more inclined to embrace these globally acknowledged ESG norms, demonstrating their dedication to openness and responsibility. Robust governance frameworks enable the incorporation of environmental, social, and governance (ESG) factors into corporations' strategic planning and decision-making

processes. The integration of ESG reporting is essential to transform it from a mere compliance exercise into a strategic tool for risk management and opportunity identification. Companies that comply with these criteria may showcase their commitment to ethical business practices, thereby bolstering their reputation and fostering trust with stakeholders (Ebbini et al., 2024).

In the business world, there is a growing need for comprehensive and reliable ESG information from different parties such as investors, regulators, and the general public. Investors use ESG data to evaluate firms' durability and future performance, while regulators enforce ESG disclosures to guarantee corporate responsibility. Additionally, the public demands openness on companies' environmental and societal effect. Companies may fulfil various stakeholder needs and support sustainable development on a global scale by using frameworks like GRI and SASB (Szennay et al., 2019). It is crucial to embrace globally recognized ESG reporting frameworks like GRI and SASB to enhance the calibre and trustworthiness of ESG disclosures. These frameworks provide systematic principles that improve the comparability and transparency of ESG data, thereby satisfying the increasing expectations of stakeholders for trustworthy and complete sustainability information. Companies that have strong governance systems are more likely to implement these standards, showcasing their dedication to openness and ethical business practices. Engaging in this practice not only improves the company's reputation but also helps achieve the larger objective of sustainable development.

2.4.1 Importance of ESG Reporting Standards

ESG reporting standards, such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), provide clear guidelines for

corporations to disclose their ESG performance openly. Companies worldwide are progressively embracing these standards to effectively communicate their sustainability initiatives and outcomes, thereby promoting a culture of openness and responsibility. It is essential to implement these standards in the current business landscape, since stakeholders want thorough and reliable ESG data. The GRI Standards are generally acknowledged for their all-encompassing approach to sustainability reporting. The Global Reporting Initiative (GRI) offers a flexible and interconnected structure that covers different environmental, social, and economic aspects. This framework allows corporations to report on their overall effects in these areas. This strategy enables organisations to concentrate on the subjects that are most pertinent to their company and stakeholders, guaranteeing that their disclosures are both significant and valuable. Companies may enhance their credibility and create stakeholder confidence by adopting GRI Standards, which allow them to effectively communicate their sustainability performance.

An important benefit of the GRI Standards is their focus on openness. By adhering to these guidelines, organisations may guarantee that their sustainability reports provide a transparent and precise depiction of their environmental, social, and governance effects. Transparency is crucial for establishing confidence with stakeholders, such as investors, consumers, workers, and the wider society. Furthermore, the extensive scope of the GRI Standards allows companies to tackle a broad spectrum of ESG issues, encompassing environmental impacts, social responsibility, and governance practices. This enables companies to present a comprehensive assessment of their sustainability performance (Mougenot & Doussoulin, 2024). Conversely, the SASB Standards give priority to financial material sustainability information, which is especially tailored to fulfil the

requirements of investors. The standards are customised for certain sectors, with a special emphasis on sustainability concerns that are expected to have a significant effect on financial performance (Abuzabiba & Al-Tai, 2024). SASB Standards facilitate the integration of sustainability into firms' fundamental business strategy and decision-making processes by integrating ESG reporting with financial reporting. This integration guarantees that sustainability factors are not seen as distinct from financial performance but rather as essential components of the company's overall success.

SASB Standards are tailored to individual industries, enabling firms to provide investors reliable and comparable data for assessing sustainability risks and possibilities. The capacity to compare is essential for investors since they want consistent and dependable information in order to make well-informed selections. By implementing SASB Standards, organisations may showcase their dedication to sustainability and provide investors with the necessary evidence to evaluate the enduring feasibility and robustness of their investments (Abuzabiba & Al-Tai, 2024). It is crucial to use globally recognised ESG reporting standards such as GRI and SASB in order to improve the quality and reliability of ESG disclosures. These standards provide systematic principles that enhance the comparability and transparency of ESG data, addressing the increasing expectations of stakeholders for dependable and complete sustainability information. Companies that have strong governance frameworks are more likely to implement these standards, which demonstrates their dedication to ethical business practices. Engaging in this practice not only improves the reputation of the company, but also contributes to the larger objective of promoting sustainable development.

ESG reporting standards, such as GRI and SASB, are crucial for fostering openness, accountability, and sustainability in the business sector. These standards facilitate effective communication of organisations' ESG performance and integration of sustainability into their core business strategy by offering comprehensive and industry-specific frameworks. Integrating this is crucial for establishing trust among stakeholders, boosting investor confidence, and fostering sustained organisational success. As the need for reliable ESG information increases, firms will find it more vital to implement these standards in order to showcase their dedication to sustainability and ethical business practices.

2.4.2 Benefits of Adopting ESG Reporting Standards

Companies may get various benefits by adopting globally recognised Environmental, Social, and Governance reporting standards. Primarily, it greatly enhances the reliability of ESG disclosures. By complying with recognised guidelines such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), enterprises may guarantee the accuracy, dependability, and comparability of their reported data, both within their own organisation and across other sectors. Establishing credibility is essential for building confidence among many stakeholders, including investors, consumers, workers, and regulators (Andreoni et al., 2021). By adopting these standards, it demonstrates a dedication to being transparent and accountable, which are essential for establishing and preserving the trust of stakeholders.

Moreover, the use of standardised ESG reporting frameworks improves the capacity to compare ESG information across various companies. Investors and other stakeholders must evaluate the environmental, social, and governance performance of firms and sectors in order to make educated choices. Consistent and comparable reporting formats aid in the

process of benchmarking performance and identifying best practices for stakeholders. By using GRI or SASB Standards, investors may assess firms on a level playing field, enabling them to make more knowledgeable investment decisions based on sustainable performance (Clarkson et al., 2008). Comparability is crucial in a more globalised market where stakeholders are looking for dependable measures to inform their choices.

Adopting ESG reporting standards might further improve the firm reputation and augment brand worth. Companies that place high importance on being transparent about their environmental, social, and governance effects and performance are often seen as more responsible and reliable. This perspective may result in several advantages, including enhanced consumer loyalty, heightened staff involvement, and improved interactions with regulators and communities (Arayssi et al., 2020). Companies such as Unilever and Patagonia have successfully used comprehensive ESG reporting to bolster their brand and attract socially concerned investors and customers. These firms have shown that having transparent environmental, social, and governance policies may be a substantial factor that sets them apart in the marketplace.

Moreover, incorporating ESG reporting requirements into organisational procedures has the potential to stimulate internal enhancements and foster innovation. Through a methodical process of quantifying and disclosing ESG indicators, firms may pinpoint areas that need improvement and foster novel ideas. This iterative feedback loop enables organisations to optimise their sustainability strategies, resulting in more effective resource management, less environmental impact, and enhanced social results. Internal benefits not only support the company's sustainability objectives but also improve operational efficiency and save costs (Aguilera & Grøgaard, 2019).

Implementing ESG reporting standards may enhance risk management. Companies may enhance their ability to identify and address possible concerns by adopting a well-defined and organised method for revealing environmental, social, and governance risks and opportunities. Investors and stakeholders increasingly appreciate the proactive approach to risk management, as they acknowledge the substantial financial and reputational consequences associated with ESG risks. Companies that adeptly handle ESG risks are expected to have more durability in the face of environmental, social, and governance difficulties, hence improving their long-term sustainability and prosperity (Alregab, 2022).

ESG reporting standards may aid in regulatory compliance and help firms plan for forthcoming requirements. As global regulatory regimes place more emphasis on sustainability, organisations that use established ESG reporting standards are more likely to meet current and future laws. Implementing proactive compliance measures may effectively mitigate legal concerns and penalties while also establishing organisations as frontrunners in sustainable practices. Moreover, maintaining a proactive approach to regulatory compliance may provide a competitive edge in the face of evolving markets and laws (Andreoni et al., 2021). Ultimately, incorporating globally acknowledged ESG reporting frameworks like GRI and SASB provides many advantages to firms, such as increased trustworthiness, the capacity to compare information, enhanced reputation, internal creativity, risk control, and adherence to regulations. These benefits are crucial in the current business environment, where stakeholders are increasingly demanding openness and responsibility in environmental activities. By implementing these standards, companies may establish trust with stakeholders, enhance operational efficiency, and establish themselves as pioneers in sustainable business practices.

2.4.3 Strong Governance and ESG Reporting

Companies with robust governance structures are more inclined to embrace globally recognised ESG reporting standards. Companies must be managed transparently, accountable, and responsibly to ensure robust governance frameworks. These companies usually have boards and management teams dedicated to sustainability and long-term value creation, which leads to implementing thorough ESG reporting practices (Asonitou, 2021). Clear policies and practices for ESG oversight, accountability, and performance measurement are crucial for maintaining strong governance. Companies with governance structures can incorporate ESG considerations into their business strategy and operations. They are more inclined to acknowledge the significance of ESG reporting standards in showcasing their dedication to transparency and accountability. For example, companies with boards with independent and diverse members, robust risk management systems, and a commitment to engaging with shareholders are more likely to embrace GRI and SASB Standards (Chin et al., 2019).

2.5 Forms of Ownership Structures

2.5.1 Family Ownership

Family-owned enterprises are prevalent in several areas, including West Africa. These organisations often prioritise long-term stability and lasting effects rather than immediate financial profits, which may greatly influence the disclosure of environmental, social, and governance (ESG) factors. Family ownership is often defined as a close connection between the values of the company and the family, resulting in a dedication to sustainable practices that protect the family's heritage (Gutiérrez-Goiria et al., 2021; Ibrahim et al., 2024). Within the realm of ESG disclosures, family-owned enterprises may demonstrate

both advantages and disadvantages. Family enterprises tend to be more willing to adopt sustainable practices that safeguard the long-term success of the company. The commitment of family owners to sustainability may lead to increased levels of ESG disclosures, as they want to showcase their attention to preserving their heritage (Halkos & Nomikos, 2021). Moreover, family-owned businesses have a greater propensity to address the interests and needs of nearby communities and stakeholders, hence augmenting their environmental, social, and governance performance. Nevertheless, there are also possible disadvantages. Family ownership may result in less openness and limited disclosures if the family chooses to restrict strategic information to a select group. The firm's lack of openness might impede its capacity to attract external investment and perhaps erode confidence among stakeholders outside the organisation (Holle et al., 2021). Moreover, conflicts of interest may occur when family members give higher importance to their personal or familial interests rather than considering the wider interests of the organisation and its stakeholders.

2.5.2 Foreign Ownership

Foreign ownership pertains to the proportion of a company's shares that are held by investors who are not from the nation in question. This kind of ownership is often linked to the use of global leading methods, more examination from worldwide stakeholders, and a focus on openness and compliance with international benchmarks. Foreign investors have the ability to apply substantial influence on firms to enhance their Environmental, Social, and Governance disclosures, therefore conforming to international standards and enhancing their corporate governance procedures (Kruse et al., 2023). Foreign ownership may have a beneficial effect on environmental, social, and governance performance by

promoting a culture of openness and responsibility. Studies have shown that corporations held by foreign entities often have superior governance systems and are more inclined to implement stringent environmental, social, and governance norms. An empirical investigation conducted by Musarat et al. (2023) revealed a positive correlation between foreign ownership and enhanced corporate social responsibility (CSR) performance in European companies. The increase in quality might be linked to the foreign investors' need for more transparency and compliance with international standards. Nevertheless, the impact of foreign ownership might differ based on the investor's dedication to sustainability and their control over business decision-making. While some international investors may give priority to environmental, social, and governance issues, others may place more emphasis on immediate financial gains, leading to potential conflicts with sustainable practices (Kruse et al., 2023). Foreign ownership may generate conflicts between local and international stakeholders, especially when foreign investors advocate for behaviours that may not conform to local norms and values.

2.5.3 Managerial Ownership

Managerial ownership facilitates the alignment of managers' interests with those of shareholders by giving managers the opportunity to own shares in the firm. Aligning firm practices with governance principles, as suggested by Ma and Chen (2024), has the potential to enhance company performance and promote better governance. Managers who have a personal financial interest in the company's performance are likely to be more driven to secure its long-term viability and profitability (Laczniak & Murphy, 2012). Regarding ESG disclosures, management ownership may have both advantageous and detrimental outcomes. Managers who have substantial ownership in the business are more likely to be

dedicated to improving the company's environmental, social, and governance performance. This commitment is driven by the potential for long-term financial gains and an increase in the overall value of the firm (Mougenot & Doussoulin, 2024). Managers may choose to allocate resources towards sustainable practices and full ESG reporting in order to bolster the company's image and appeal to socially conscious investors. Conversely, significant degrees of management ownership may also result in conflicts of interest when managers prioritise their own financial benefit over the concerns of other stakeholders. Managers may reduce transparency and limit the sharing of environmental, social, and governance information in order to maintain their control and influence over the organisation (Lautier, 2024; Mohieldin et al., 2022). In addition, managers who have a significant ownership stake may oppose changes that might weaken their control or reduce their financial gains, possibly impeding the implementation of forward-thinking ESG policies.

2.5.4 State Ownership

State ownership refers to the situation when government bodies own shares in a corporation. Government ownership may have a substantial impact on corporate governance and environmental, social, and governance policies. This is because governments frequently have wider social and developmental objectives (Mody et al., 2021). According to Liu (2022), when the state owns a firm, it may improve the company's accountability and transparency. This is in line with public policy goals and helps to enhance the company's legitimacy. State-owned companies (SOEs) often prioritise thorough ESG disclosures in order to adhere to government rules and fulfil social expectations. Studies have shown that state ownership has a beneficial effect on ESG disclosure standards. Ma and Chen (2024) discovered that state-owned enterprises in

Jordan had a higher probability of revealing environmental, social, and governance information in order to conform to government initiatives that advocate for sustainable development. This inclination is strengthened by the need for State-Owned Enterprises (SOEs) to maintain public confidence and exhibit their dedication to social and environmental obligations. Nevertheless, the presence of state ownership might result in inefficiencies and political influence, thereby affecting the operational efficacy and overall performance of the organisation (Maier, 2015). The simultaneous pursuit of financial success and the fulfilment of governmental social goals may sometimes lead to disputes, which might hinder the company's capacity to adopt and communicate complete environmental, social, and governance (ESG) standards. Furthermore, the influence of state ownership on ESG disclosure might differ depending on the degree of government participation and the legislative framework.

2.5.5 Block holders Ownership

Blockholder ownership refers to the ownership of substantial portions of a company's shares by influential shareholders, usually amounting to at least 5%. Blockholders have significant power to influence company actions, hence potentially affecting ESG disclosures in either a favourable or unfavourable manner, depending on their objectives (Maniruzzaman et al., 2024; Mironenkova & Yahaya, 2024). Blockholders often advocate for particular agendas, which may either coincide with or conflict with the wider interests of other stakeholders. Studies have shown that blockholders have the ability to improve corporate governance by ensuring that management is held responsible and by promoting transparency (Mironenkova & Yahaya, 2024). Blockholders may request improved ESG disclosures to minimise risks and enhance the company's image, therefore attracting

additional investors and increasing long-term value. Nevertheless, blockholders may choose to limit the dissemination of information in order to preserve their strategic edge and keep control over the firm. This conduct has the potential to reduce transparency and create a greater imbalance of information, which may have a detrimental effect on the confidence of stakeholders and the overall environmental, social, and governance performance of the firm (Mody et al., 2021). Blockholders might potentially lead to power struggles and conflicts of interest, especially if their objectives differ from those of other owners and stakeholders (Markowitz & Black, 2019).

Comprehending the various forms of ownership arrangements and their consequences is essential for evaluating corporate governance and ESG disclosures. Every form of ownership has distinct difficulties and possibilities that impact how organisations manage the delicate balance between financial success and sustainable practices. When considering West Africa, where there are unique cultural, political, and legal conditions, studying different ownership forms offers vital knowledge for encouraging openness, accountability, and sustainable business practices. Additional investigation is required to examine the relationship between ownership structures and ESG disclosures, especially in locations with varied and ever-changing business environments. This comprehension may assist policymakers and company executives in formulating tactics that improve corporate governance and ESG performance, thus contributing to sustainable development and long-term economic expansion.

2.5.6 Ownership Concentration

Ownership concentration is the extent to which a few owners have control over a major portion of a company's shares, hence exerting a considerable influence on corporate

decisions. High ownership concentration often leads to substantial control by a small number of shareholders, while low ownership concentration distributes influence across a greater number of shareholders. The distribution of this may have diverse ramifications for company governance and ESG performance.

Extensive research has been conducted on the relationship between ownership concentration and corporate social responsibility (CSR) as well as environmental, social, and governance performance. However, the findings of these studies have been inconclusive. Studies conducted by (McGregor, 2019; Mironenkova & Yahaya, 2024; Wachidah & Hazmi, 2024) suggest that a high level of ownership concentration has a detrimental effect on corporate social responsibility (CSR) performance. They contend that significant shareholders are less likely to engage in corporate social responsibility (CSR) initiatives because of the substantial expenses associated with them. These shareholders place a higher importance on achieving financial gains rather than focusing on social performance, considering that there is a trade-off between financial and social objectives.

Usman et al. (2024) discovered a negative correlation between increasing ownership concentration and CSR performance in their examination of European enterprises. It is suggested that institutional investors and other major shareholders may see corporate social responsibility (CSR) operations as expensive and not providing immediate financial benefits. Treepongkaruna and Suttipun (2024) found that concentrated ownership structures may discourage enterprises from participating in socially responsible activities since the main concern of major shareholders is financial gains rather than social and environmental effects.

In contrast, Szóka (2022) provide an alternative viewpoint, demonstrating that the level of ownership concentration has a beneficial influence on sustainability practices in companies in the UK and the US but has a negative effect in Germany. The difference between ownership concentration and ESG performance emphasises the significance of contextual elements, including cultural, legislative, and market conditions, in comprehending their connection. In both the UK and the US, concentrated ownership may potentially result in improved sustainability practices. This is because major shareholders have the capacity to influence management and encourage the adoption of long-term sustainable initiatives that enhance the company's reputation and relationships with stakeholders. However, in Germany, the same ownership structure can result in worse ESG performance, perhaps as a result of divergent shareholder interests and legislative constraints.

The shareholders' identification is a critical factor in determining how ownership concentration affects ESG performance. Family-owned enterprises that have a high concentration of ownership may prioritise long-term sustainability and legacy above short-term financial advantages. This may result in improved disclosures related to environmental, social, and governance factors (Riaz & Ali, 2024; Sim et al., 2024). On the other hand, institutional investors that have large ownership shares may prioritise short-term financial success, sometimes disregarding social and environmental factors. Sim et al. (2024) highlight that shareholders with diverse identities within a certain location may possess distinct preferences for social activities and ESG disclosures. It is important to take into account both the degree of ownership concentration and the characteristics and goals of the controlling shareholders when studying the impact of these factors on ESG performance.

Given West Africa's distinct cultural, political, and economic backdrop, it is especially important to comprehend the influence of ownership concentration on ESG performance in this setting. The level of ownership concentration in West African enterprises has the potential to either impede or improve ESG disclosures, depending upon the particular motives and interests of the dominant shareholders. If major stakeholders in the area prioritise long-term sustainability and community involvement, having a high concentration of ownership might have a good impact on environmental, social, and governance performance. On the other hand, if the main emphasis is on financial rewards, ESG activities may not be given enough priority. West African companies that have ownership structures spread out among several shareholders may have difficulties in coordinating the different interests of these shareholders towards shared environmental, social, and governance objectives. Nevertheless, the growing incorporation of worldwide ESG norms and practices may lead to enhancements in openness and responsibility, irrespective of the degree of ownership concentration. Foreign investment in the area is increasing, and overseas shareholders may have a considerable impact on ESG disclosures and corporate governance procedures.

2.6 Ownership Structure and ESG Disclosure

An essential component of corporate governance and sustainability reporting involves examining the relationship between the ownership structure and the disclosure of Environmental, Social, and Governance information. The ownership structure of a firm, which includes factors such as family ownership, foreign ownership, and ownership concentration, may have a substantial influence on its strategic decisions, namely its dedication to ESG principles and transparency. Studies suggest that family-owned

enterprises often have reduced levels of transparency and effectiveness in addressing environmental and social aspects, leading to limited disclosure of environmental, social, and governance measures (Aluko et al., 2024). This inclination is often ascribed to the desire to uphold familial authority and evade external examination, which may potentially reveal delicate family-related issues (Aluko et al., 2024).

Conversely, there is a favourable correlation between foreign ownership and enhanced ESG disclosure. Companies that have a substantial amount of foreign ownership are often required to adhere to international standards and practices. These standards and practices commonly prioritise strong environmental, social, and governance policies as well as transparency (Chin et al., 2019). Foreign investors often have elevated expectations about corporate governance and environmental policies, leading corporations to improve their ESG reporting. Adopting increasingly stringent environmental, social, and governance procedures is encouraged by this global outlook. This benefits companies by enhancing their dedication to responsible corporate conduct and making them more appealing to foreign investors (Agyemang et al., 2019).

Moreover, there exists a direct relationship between the disclosure of environmental, social, and governance information and the concentration of ownership. Ownership concentration refers to the situation when a few companies or persons own a substantial proportion of a company's shares. Companies with ownership structures that are highly focused are often exposed to increased scrutiny from stakeholders over their environmental, social, and governance policies (Aguilera & Grøgaard, 2019). The increased scrutiny might result in more extensive ESG reporting as these companies strive to showcase their enduring commitment to sustainability. Moreover, when ownership is

concentrated, it often results in the owners' interests being closely linked to the company's long-term success. This, in turn, promotes a more profound incorporation of environmental, social, and governance factors into the company's strategic agenda (Alregab, 2022).

Comprehending the connection between the ownership structure and the disclosure of environmental, social, and governance information is essential for policymakers and stakeholders who want to foster transparency, responsibility, and ethical conduct in corporations. Policymakers may promote responsible corporate conduct in different sectors by implementing specific laws and legal structures that acknowledge the impact of ownership dynamics on environmental, social, and governance (ESG) performance (Andreoni et al., 2021). Regulatory organisations have the authority to require family-owned and foreign-owned enterprises to adhere to certain ESG reporting criteria. This ensures that these entities maintain a minimal degree of openness and accountability in their activities (Urban et al., 2023).

Ultimately, a company's strategy for disclosing environmental, social, and governance information is greatly impacted by its ownership composition. Family ownership, foreign ownership, and ownership concentration have distinct impacts on a company's transparency and dedication to sustainable practices. Understanding these factors is crucial for improving corporate governance and promoting sustainability initiatives in many industries. To promote strong ESG practices and sustainable economic growth, stakeholders and policymakers should focus on tackling the unique problems and possibilities related to different ownership arrangements.

2.7 Theoretical Review

A critical literature review suggests that researchers have used different theories to explain the link between ownership structure corporate governance and ESG disclosure. The theoretical variation stems from the nature of the concept underlining the subject matter, the relevance of the theory to the study and the field of the study. This section examines relevant theories underlying the subject under study and its application. The analysis considers three theories (Legitimacy, Institutional and Stakeholder) relating to ownership structure, corporate governance, and ESG disclosure.

2.7.1 Legitimacy Theory

In the 1970s legitimacy theory arose from the fields of organizational sociology and institutional theory as a framework for understanding how organizations attempt to achieve and maintain legitimacy in the eyes of their stakeholders and society. However organizational theorists such as Richard Scott and Peter Suchman first developed theory that organizations operate within institutional context. In this context it considers organizational behavior taking note of social expectations, cultural norms and also regulatory frameworks. In this framework, legitimacy is considered to be the sine qua non for both the organizational survival and success since it literally impacts on stakeholder perceptions and societal acceptability. According to the theory, an organization is said to be legitimate when its behavior and acts conform to the values, norms, and there are standards and rules which if followed will uphold the society.

Largely, legitimacy theory is premised on the belief that organizations must adhere to the current social order, values and norms to be and remain credible. But this congruence is critical because it results in the organization's alignment with the expectations of society

and, in turn, a propensity to thrive. The fact that organizational legitimacy is not a matter solely of internal strategy but is also a reflection of the organization and its environment at a broader social and institutional level introduces an extra element of complexity in organizational rhetoric, namely how these stakeholders see the organization. Such a 'legitimacy gap' occurs when organizational practices fail to align with the society at which they are directed, thereby creating substantial risk to the organization's reputation, stakeholder support and long term viability. The theory is based around the concept of the legitimacy gap. It's the difference between what an organization does when it does not behave the way the society expects. But it can be a gap that leads to loss of stakeholder trust, and thus loss of support, damage to reputation, financial or regulatory consequences. As societal expectations evolve, organizations are expected to adapt their practices to maintain legitimacy, particularly in areas such as environmental, social, and governance (ESG) performance. The dynamic nature of legitimacy means that organizations must continually assess and align their behaviors with changing societal norms to avoid the risk of falling out of favor with stakeholders.

The study has practical benefits because of its relevance to corporate governance and ESG disclosure, and legitimacy theory provides good explanations for this. It is firstly a framework for understanding how organizations can strategically frame their reputation and relationship building with stakeholders. Organizations can improve their credibility and long term resilience by ensuring alignment with societal values. The fact that this is relevant in today's business environment, where high societal scrutiny of corporate behavior, and companies are expected to account for and transparently, is what makes it so important.

Legitimacy theory is one of the key benefits because it makes emphasis on proactively engagement in sustainability activities. Active participation and transparent communication of ESG initiatives by organizations can close this legitimacy gap and help create favorable relationships with ESG stakeholders, stated (Ahkam & Alom, 2024). Not only does its proactive approach make the organization more legitimate, it can also make it more sustainable by making sure it remains responsive to social and regulatory pressures. Moreover, legitimacy theory makes obvious that the use of transparent communication is a means of managing stakeholder expectations, increasing trust and mitigating possible risks that may be associated with corporate behavior.

Studies explaining corporate governance and ESG disclosure relationship have often relied on legitimacy theory in the case of emerging markets. For instance, Agyemang et al. (2023) and Rahayu (2023) show that many organizations disclose ESG because they don't care about sustainability and do so for image purposes and to meet external expectations. By implication, this may suggest that at other times ESG practices may not be a reflection of intrinsic ethics or sustainability, instead they may be pursued for reasons of preserving legitimacy. This point raises critical questions about the authenticity of corporate ESG disclosures and whether these actions truly reflect a commitment to societal well-being. The theory has also been used to explore how different ownership structures affect corporate governance practices and transparency. For example, Dahlmann et al. (2023) argue that family-owned firms may struggle with transparency in ESG disclosure due to a desire to maintain control and preserve family interests. However, Corbett Nisser (2023) counters this perspective, suggesting that family ownership can foster a sense of accountability and long-term stewardship, which can enhance the firm's legitimacy in the

eyes of stakeholders. Similarly, institutional ownership, with its professional management and adherence to global corporate governance norms, is often seen as a catalyst for improved ESG disclosure. However, some researchers caution that institutional investors may be driven by short-term pressures, which could compromise their commitment to long-term sustainability goals.

These studies demonstrate the versatility of legitimacy theory in analyzing how different ownership structures influence corporate behavior, particularly in relation to ESG practices. By framing these behaviors within the context of legitimacy, researchers can better understand the motivations behind corporate actions and the extent to which they align with societal expectations.

In the context of this thesis, legitimacy theory serves as a crucial lens through which the relationship between ownership structure and ESG disclosure can be examined, particularly in West Africa. The study explores how different ownership structures—family-owned, institutional, state, or foreign—affect the transparency and authenticity of corporate ESG disclosures. According to legitimacy theory, organizations must align their ESG practices with societal expectations to maintain legitimacy. Family-owned firms, for example, may prioritize long-term sustainability and legacy, aligning with social expectations for responsible corporate behavior. On the other hand, institutional ownership may drive compliance with international governance standards, albeit with potential challenges related to short-term performance pressures. The concept of the legitimacy gap is particularly relevant in this context. Organizations that fail to disclose ESG activities in a transparent and authentic manner risk falling into a legitimacy gap, which could erode stakeholder trust and damage their reputation. This is especially important in emerging

markets like West Africa, where regulatory frameworks for ESG disclosure may be less developed, and societal expectations regarding corporate responsibility are evolving.

2.7.2 Stakeholder Theory

Stakeholder theory was first proposed by R. Edward Freeman in the early 1980s and was formalized in his groundbreaking work, *Strategic Management: A Stakeholder Approach* (1984). Freeman's theory fundamentally challenged the prevailing shareholder-centric model of corporate governance by asserting that businesses should not only prioritize the interests of shareholders but should also account for the needs and welfare of a broad array of stakeholders. These stakeholders include employees, customers, suppliers, communities, and other entities that are affected by the organization's actions. Stakeholder theory emphasizes the interconnectedness of these groups, arguing that the long-term success of an organization depends on effectively managing relationships with all stakeholders, not just shareholders. This approach introduced a more inclusive, ethical, and sustainable paradigm for business decision-making, which has since gained widespread recognition and application in both academic research and corporate governance.

At the heart of stakeholder theory is the idea that organizations exist within a complex network of relationships, where the interests of various stakeholders must be balanced to achieve long-term success. Freeman argued that businesses have ethical obligations to these diverse groups, as their collective contributions and interests are essential to the organization's operations and survival. Rather than focusing solely on maximizing shareholder value, stakeholder theory encourages corporations to recognize the broader social and environmental impacts of their activities. Stakeholders, according to this theory, can be divided into two categories: primary stakeholders, such as shareholders, employees,

and customers, whose direct interests are tied to the company's success, and secondary stakeholders, such as the wider community, governments, and regulatory bodies, whose interests are indirectly affected by the company's actions. Freeman's theory suggests that businesses that ignore the interests of these groups are likely to face resistance, reduced legitimacy, and ultimately, diminished profitability.

The application of stakeholder theory offers several key benefits to organizations. Firstly, it promotes a more inclusive approach to decision-making by encouraging companies to consider the diverse needs and expectations of all stakeholders. This inclusivity fosters stronger relationships, trust, and loyalty, which are crucial for long-term sustainability. Stakeholder theory also encourages businesses to adopt socially responsible practices that go beyond short-term financial gains, aligning corporate actions with broader societal values. As organizations increasingly operate in environments where stakeholders are more aware of non-financial issues, such as environmental impact, social responsibility, and corporate governance, stakeholder theory provides a framework for aligning business practices with evolving stakeholder expectations. Scholars such as Thomas Donaldson and Lee Preston have expanded upon Freeman's original work by exploring the ethical dimensions of stakeholder theory. Their work has helped clarify the moral imperatives of balancing stakeholder interests and addressing ethical dilemmas in organizational decision-making processes.

Moreover, stakeholder theory facilitates the building of corporate legitimacy. As businesses engage more transparently with their stakeholders and actively address social and environmental concerns, they can reduce the "legitimacy gap," which arises when a company's actions deviate from stakeholder expectations. This proactive engagement

fosters trust and enhances the firm's reputation, thereby contributing to its long-term success and resilience in an increasingly competitive market.

Stakeholder theory has been extensively applied in research focusing on corporate governance, sustainability, and ESG (Environmental, Social, and Governance) practices. It provides a valuable lens for understanding how organizations can manage their relationships with various stakeholders while maintaining ethical and transparent business practices. For example, recent studies have highlighted the increasing pressure on companies to address sustainability concerns, as stakeholders become more focused on non-financial aspects of corporate performance (AL-Janabi et al., 2024).

One of the key applications of stakeholder theory is in understanding ESG disclosures. As stakeholders demand more transparency, companies are now expected to provide detailed reports on their environmental, social, and governance activities. Urban et al. (2023) argue that enhanced ESG disclosures not only help companies meet stakeholder expectations but also improve their overall legitimacy and social standing. They stress that transparent disclosure is a critical component of effective stakeholder management, as it demonstrates the company's commitment to ethical and responsible practices.

However, the complexity of ownership structures, such as family ownership or managerial ownership, can influence ESG disclosure practices. Babintsev, Gaidukova, and Shapoval (2023) and Onyekwelu (2023) explore how family-owned firms may be hesitant to disclose sensitive ESG information due to concerns about revealing private family matters. This reluctance can hinder transparency and may conflict with broader stakeholder expectations. Similarly, high levels of managerial ownership may create conflicts of interest, where managers prioritize short-term financial returns over long-term ESG goals,

which can undermine the company's ethical commitments. By applying stakeholder theory, these studies underscore the importance of balancing ownership interests with the broader expectations of various stakeholders to ensure comprehensive and effective ESG disclosures.

In the context of this thesis, stakeholder theory serves as a crucial framework for analyzing the relationship between ownership structures and ESG disclosure practices. The theory underscores the importance of aligning corporate actions with stakeholder expectations, emphasizing that businesses must consider the ethical and social implications of their activities to maintain legitimacy. In emerging markets, such as those in West Africa, where this research is focused, the growing demand for transparency and sustainability from stakeholders is putting pressure on companies to enhance their ESG disclosure practices.

This thesis will investigate how different ownership structures, such as family ownership or institutional ownership, influence the extent and quality of ESG disclosures. For instance, family-owned firms may prioritize long-term sustainability due to their focus on legacy and stewardship, but they may also face challenges related to transparency. On the other hand, institutional ownership often introduces professional management practices that align with international standards, which may enhance ESG reporting, although short-term financial pressures may occasionally conflict with broader sustainability goals.

2.7.3 Institutional Theory

Institutional Theory is a foundational framework that explains how organizations adapt their behaviors and practices in response to external pressures, norms, and institutional forces to gain legitimacy and social acceptance. This theory was primarily developed by scholars such as W. Richard Scott, Paul DiMaggio, and Walter Powell. Their work,

especially DiMaggio and Powell's seminal 1983 article *"The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields"*, established a deep understanding of how institutions influence organizational behavior. Institutional Theory posits that organizations do not merely operate based on internal efficiency or market competitiveness but also respond to the institutional environments in which they function. These environments comprise regulators, societal expectations, norms, and values that shape organizational decision-making processes.

According to Institutional Theory, organizations are motivated to conform to these external forces because doing so enhances their legitimacy, allowing them to be seen as trustworthy and credible by stakeholders, such as investors, regulators, employees, and the general public. This desire for legitimacy drives organizations to adopt prevailing norms, practices, and standards that reflect the values of their broader institutional context (Urban et al., 2023).

At the heart of Institutional Theory is the idea that organizations align their actions to the institutional framework within which they operate. This alignment is essential for gaining legitimacy and securing long-term sustainability. There are three core mechanisms through which organizations align with institutional pressures, as identified by DiMaggio and Powell:

1. **Coercive Isomorphism:** This occurs when organizations are compelled to adopt certain practices and behaviors due to formal regulations or external pressures from government bodies, industry regulations, or other authoritative entities.

2. Mimetic Isomorphism: In situations of uncertainty, organizations often imitate or replicate the successful practices of other leading firms in the industry. This form of isomorphism suggests that organizations view peer behavior as a template for success, driving them to mirror well-regarded industry leaders.
3. Normative Isomorphism: This refers to the influence of professional standards and educational training that shape organizational practices. Over time, as professional norms become standardized, organizations are incentivized to adopt those practices to be perceived as legitimate and credible by the professional community.

Through these processes, organizations continually adjust to the expectations and standards set by their institutional environments. Conformance, or institutional isomorphism, allows them to build trust, credibility, and legitimacy, which are critical for success.

The application of Institutional Theory offers several benefits for understanding organizational behavior and strategy: By adhering to recognized norms and institutional practices, organizations strengthen their legitimacy in the eyes of key stakeholders, such as investors, customers, and regulatory bodies. This legitimacy translates into increased trust and credibility, which are essential for an organization's survival and growth. Organizations that successfully align their operations with stakeholder expectations are better able to foster trust and long-term relationships. Meeting the institutional expectations of stakeholders enhances an organization's reputation, making it more resilient to market and environmental shocks. Institutional conformity can serve as a competitive advantage,

as organizations that demonstrate adherence to widely accepted standards and practices attract more investors, partners, and customers. In highly regulated industries, this is particularly important for maintaining market access and securing long-term growth opportunities.

Institutional Theory is widely applied in studies focusing on ownership structures, corporate governance, and ESG (Environmental, Social, and Governance) disclosures. These organizational domains are highly susceptible to institutional influences due to regulatory requirements, societal pressures, and evolving stakeholder expectations.

According to Institutional Theory, companies often adopt ownership models that align with widely accepted norms and institutional frameworks to enhance their legitimacy. For example, firms with dispersed ownership structures are perceived as more transparent and democratic, which can increase their attractiveness to a broader range of investors (Osei Asibey et al., 2017). On the other hand, firms with concentrated ownership, especially in family-run enterprises, may emphasize stability and long-term strategic vision, which is seen as favorable by certain institutional investors. Institutional Theory underscores the importance of adopting governance practices that conform to regulatory frameworks and industry standards. Organizations that adhere to best practices in governance—such as board independence, transparency in decision-making, and strong risk management practices—enhance their legitimacy. This conformity not only ensures regulatory compliance but also signals to investors and stakeholders that the company is well-managed and accountable (Cheong, Hoffmann, & Zurbrugg, 2021). Institutional Theory has significant implications for understanding the rise of ESG disclosures. As societal expectations regarding corporate responsibility and sustainability grow, organizations face

increasing pressure to disclose their environmental, social, and governance impacts. By adhering to established frameworks like the Global Reporting Initiative (GRI) or the Sustainability Accounting Standards Board (SASB), companies align their practices with institutional expectations, thereby gaining legitimacy and trust from investors, regulators, and consumers (Alregab, 2022). This alignment is crucial for organizations operating in industries where transparency and sustainability are critical.

Institutional Theory is particularly relevant to this thesis, which explores the role of ownership structures and corporate governance in shaping ESG disclosures within organizations. As highlighted by the theory, organizations adapt their behavior to align with institutional norms to gain legitimacy and ensure long-term viability. This thesis examines how ownership structures, such as family-owned enterprises or firms with high managerial ownership, influence ESG reporting and how companies respond to institutional pressures to disclose environmental, social, and governance factors.

Institutional isomorphism provides a useful lens for analyzing the pressures that lead organizations to adopt certain governance practices and ESG disclosure frameworks. Companies often mimic the practices of successful peers or respond to regulatory demands, which shapes their approach to ESG transparency. By applying Institutional Theory, this thesis will provide insights into the dynamic relationship between ownership structures, governance practices, and ESG disclosure, helping to explain why certain firms are more transparent in their sustainability reporting while others may resist full disclosure.

2.8 Empirical Review and Hypothesis Development

2.8.1 Managerial Ownership and ESG Disclosure

According to stakeholder theory, management practices significantly influence stakeholder attitudes, where stakeholders demand continuous transparency and information from corporate departments (Alregab, 2022). Managerial ownership, which refers to the proportion of shares owned by company executives, can create a dynamic where management interests may align or diverge from those of other stakeholders (Asonitou, 2021). This alignment, or lack thereof, plays a crucial role in determining how well corporate management meets stakeholder expectations and ultimately affects the company's performance (Asonitou, 2021).

The literature presents mixed views on the impact of managerial ownership on disclosure practices. Bauer et al. (2021) found that managerial ownership had no significant effect on voluntary disclosure practices in Bahraini companies. Similarly, Abubakr et al. (2020) argued that managerial ownership does not enhance the quality of ESG disclosures. These findings suggest that when executives hold substantial ownership stakes, they may prioritize internal goals over broader stakeholder demands, potentially leading to reduced transparency and accountability.

Contrarily, Aguilera and Grøgaard (2019) highlighted that managerial ownership can enable management to dominate company decisions, often pushing to limit participation in social activities to cut costs. This approach can negatively impact social responsibility disclosures, as it prioritizes short-term financial gains over long-term sustainability. This perspective underscores the potential conflict between managerial interests and stakeholder expectations, particularly in the context of ESG practices.

However, Agyemang et al. (2019) identified a linear relationship between managerial ownership and disclosure, suggesting that increased managerial stakes can align management and stakeholder interests, promoting better disclosure practices. Despite these conflicting findings, it remains possible that management's hegemony could limit investment in sustainability-related issues, posing a risk to comprehensive ESG disclosures. As a result, we put up the following hypothesis.

H1: Managerial ownership positively affects environmental, social, and governance (ESG) disclosure among West African countries

2.8.2 State Ownership and ESG Disclosure

State ownership is the percentage of company shares owned by the government. Governments invest in companies to achieve strategic goals and promote development. Research indicates that state ownership positively affects sustainability reporting (Rudyanto, 2017; Kumar et al., 2022). Naser et al. (2006) employed legitimacy and stakeholder theories, suggesting that government ownership can pressure companies to disclose more social, environmental, and financial information, thereby enhancing societal perceptions of the companies. This pressure can increase corporate accountability and transparency, which in turn enhances legitimacy (Aluko et al., 2024).

Stakeholder theory helps explain companies' motivations for transparent environmental, social, and governance (ESG) disclosure. According to this theory, companies must manage their relationships with stakeholders, significantly influencing business decisions. Companies and stakeholders are interdependent, and transparency in ESG reporting is crucial to maintaining this relationship (Agyemang et al., 2019; Alkaraan et al., 2022).

Therefore, state ownership can drive companies toward better ESG practices and disclosures.

Empirical studies support the positive impact of state ownership on ESG disclosure. Zhou et al. (2019) found that state ownership positively and significantly influences voluntary disclosure. For instance, (Sim et al., 2024; Tjahjono, 2024) analyzed 72 non-financial companies listed on the Amman Stock Exchange in Jordan from 2009 to 2013 and concluded that state ownership plays a decisive role in sustainability disclosure. Companies with significant state ownership tend to align with government strategies that promote sustainable development, as government pressure aligns with stakeholder interests (Szóka, 2022).

Furthermore, state ownership enhances accountability and transparency systems within companies, thereby increasing their legitimacy (Usman et al., 2024). The emphasis on social and environmental responsibilities is more pronounced in state-owned companies, positively affecting ESG disclosure. As state ownership increases, so does the level of disclosure, which hypothesizes reflects a commitment to transparency and accountability. Based on these findings, this study hypothesizes the following:

H2: State ownership positively affects environmental, social, and governance (ESG) disclosure among West African countries.

2.8.3 Foreign Ownership and ESG Disclosure

The percentage of shares owned by foreign entities is called foreign ownership. Research by Andreoni et al. (2021) suggests that foreign ownership enhances a company's confidence and transparency with its stakeholders. However, according to (Agyemang et

al., 2019; Andreoni et al., 2021; Arayssi et al., 2020), foreign investors might contribute to a significant legitimacy gap when viewed through the lens of legitimacy theory. To bridge this gap and meet international investors' funding needs, firm management might adopt proactive legitimacy strategies, such as publishing information about environmental, social, and governance factors.

Legitimacy theory is crucial for understanding and guiding organisational objectives, particularly as firms seek to gain benefits and avoid legal repercussions. According to (Andreoni et al., 2021; Asonitou, 2021), stakeholder values are integrated into the decision-making process of legitimacy theory's environmental and social disclosure model, influenced by societal values. Sherman (2021) also found a positive correlation between ESG transparency and foreign ownership, suggesting that companies with foreign stakeholders are more likely to disclose comprehensive ESG information.

Further evidence from research conducted in Bangladesh (Amoah, 2019) and China (Agyemang et al., 2023; Sherman, 2021) supports the notion that foreign ownership enhances corporate social responsibility (CSR) disclosure. This implies that foreign ownership can improve corporate governance standards and optimize stakeholder value by promoting the release of sustainability-related performance measures. Companies with significant foreign ownership stakes are often required to provide more information on social and environmental concerns, aiding stakeholders in making informed decisions. Moreover, Onyekwelu (2023) shows that businesses under pressure from foreign owners tend to provide more information about governance and social and environmental issues. This transparency can enhance a business's credibility and reputation. In conclusion, foreign ownership encourages the disclosure of non-financial information, such as ESG

disclosures, which can improve corporate governance and maximize stakeholder value. Based on these findings, the following hypothesis is proposed:

H3: Foreign ownership positively affects environmental, social, and governance (ESG) disclosure among West African countries.

2.8.4 Block holder and ESG Disclosure

A block holder is an influential shareholder who owns a significant block of the company's stock or bonds. Typically, no specific number of shares defines a block holder. However, significant block holders are alerted to companies through Form 13D, which shareholders must file with the Securities and Exchange Commission (SEC) when their ownership reaches 5% of a company's outstanding shares. Corporations monitor ownership levels of shareholders to stay aware of how the stock is trading in the open market and who holds the shares, which is crucial due to the influencing rights associated with stock issuance.

Common and preferred stock issued by companies come with varying provisions and privileges. Common shares typically include voting rights, allowing shareholders to vote on board of director elections, new securities issuance, corporate actions, and substantial operational changes. Shareholders usually receive one voting right per common share and may have additional voting rights with other shares. Preferred shareholders, however, typically do not have voting rights. Block holders, due to their significant share ownership, have more influential voting rights and may accumulate more shares to increase their voting power and voice concerns about company issues. These block holders, known as activists, often try to direct the company to engage in specific agendas (Szóka, 2022).

Block holders' influence can align with stakeholders' aspirations, as management must consider the demands of large shareholders (Szennay et al., 2019). However, block holders may also restrict information disclosure, leading to inconsistency (Riaz & Ali, 2024). Wang et al. (2023) argue that the presence of block holders can strengthen corporate governance. However, much of the literature suggests either an absence of a relationship or a negative relationship between block holder ownership and disclosure levels. For instance, Zhou et al. (2024) found no link between block holder ownership and disclosure in Singapore. Zhou et al. (2024) indicated that block holder ownership negatively impacts voluntary disclosure practices, as block holders may monopolies information to maintain their advantage (Zhou et al., 2019). (Sim et al., 2024; Wachidah & Hazmi, 2024) also documented the negative impact of block holder ownership on disclosure. Zhou et al. (2024) argued for a positive correlation between block holder ownership and disclosure. Nonetheless, block holders often carry specific agendas that may conflict with public stakeholders' interests (Zhou et al., 2019), and their ownership dispersion can increase information asymmetry (Wang et al., 2022). Therefore, the following hypothesis is proposed:

H4: Block holder ownership is negatively associated with ESG disclosure among West African countries.

2.8.5 The moderating role of the regulatory environment on ownership structure and ESGD Disclosure

It is typical for a strong regulatory environment to enhance good governance in companies, ensuring that decisions are taken without bias or personal interests (Usman et al., 2024). Stringent regulations contribute to significant oversight of corporate performance (Usman

et al., 2024). Moreover, a robust regulatory environment can limit the negative impact of ownership, such as family ownership, on disclosure practices (Wang et al., 2023). This fosters transparency and trust, ensuring that stakeholders' demands are considered. According to the legitimacy perspective, a stringent regulatory environment stimulates social responsibility disclosure, enhancing the sustainability of the company's activities (Yoon et al., 2024). Consequently, it is expected that companies operating within strict regulatory frameworks will tend to meet the aspirations of various stakeholders and consider means that guarantee the company's legitimacy in its operating environment.

In the relevant literature, Zhou et al. (2024) argued that a stringent regulatory environment plays a crucial mediating role in promoting corporate social responsibility, as its positive impact on foreign ownership and government ownership is reflected in Palestinian companies' disclosure practices. Zhou et al. (2024) added that companies subject to more rigorous regulations are likely to be more invested in sustainability activities, as demonstrated in a study conducted in Italy. Usman et al. (2024) also state that companies operating in environments with high regulatory standards are more likely to be involved in ESG activities. This underscores the role of regulations in ensuring that companies adhere to best practices in sustainability and governance.

Conversely, Usman et al. (2024) presented a different point of view, arguing that stringent regulations do not necessarily motivate companies to disclose, a prediction supported by Zhou et al. (2024). They suggest that while regulations are in place, they may not directly influence disclosure practices if companies do not perceive regulatory enforcement as stringent. This indicates that the mere presence of regulations is insufficient; these

regulations' enforcement and perceived importance are crucial for motivating disclosure practices.

According to Wachidah and Hazmi (2024) Through an analysis of 87 published research papers, it is clear that companies operating under stringent regulatory frameworks are more likely to adhere to stakeholders' demands and ESG criteria. This comprehensive analysis highlights that a robust regulatory environment plays a critical role in ensuring that companies meet high standards of transparency and accountability. Thus, a stringent regulatory environment can significantly impact corporate governance and sustainability practices, reinforcing the importance of effective regulation in promoting ESG disclosure. As a result, the study suggested the following hypotheses:

Hypothesis 5 (H5a): H6a. The regulatory environment moderates the effect of managerial ownership on the level of ESG disclosures.

Hypothesis 5 (H5b): The regulatory environment moderates the effect of state ownership on the level of ESG disclosures.

Hypothesis 5 (H5c): The regulatory environment moderates the effect of foreign ownership on the level of ESG disclosures.

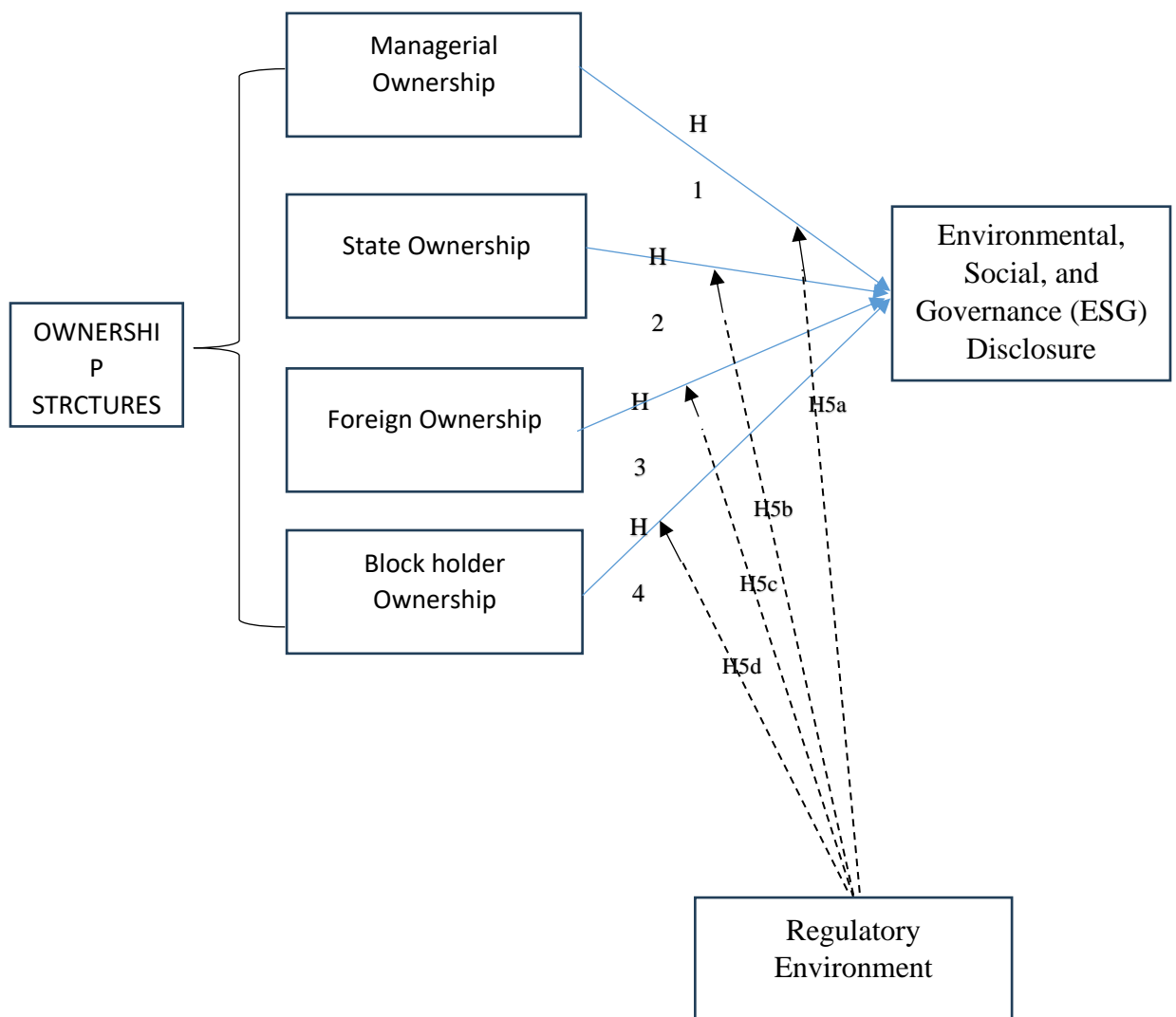
Hypothesis 5 (H5d): The regulatory environment moderates the effect of block-holder ownership on the level of ESG disclosures.

2.9 Conceptual Framework

The conceptual framework of this study was constructed from available literature based on the purpose of the study and variables adopted in this current study. The study conceptualizes ownership structure variables as managerial ownership, state ownership,

foreign ownership, and block holder ownership. These variables or constructs are interrelated and reflect the independent variables for the present study. Performance, the dependent variable, is measured based on accounting and market-based performance measures. The performance indicator consists of ESG Disclosure (accounting base measure).

Figure 1: Conceptual Framework



Source: Authors owned construct.

The conceptual framework above depicts the linkage or relationship between ownership structure (independent variable) and ESG disclosure on the West Africa Stock Exchange. The relationship is explained by the institutional, stakeholders, and legitimacy theories adopted for the study. The study also introduces control variables that affect ESG disclosure: capital structure, profitability, and company leverage. From Figure 1, the box labelled the independent variable represents the ownership variables, and the box labelled the dependent variable denotes the ESG disclosure variable with its appropriate measure.

2.10 Chapter Summary

The study examined various theories to establish the theoretical foundations for its investigation, including institutional, legitimacy, and stakeholder theories. These theories were critical for comprehending the connection between ownership structure and ESG disclosure, especially in emerging economies. There is an apparent lack of research on the connection between ownership structure and ESG disclosure in emerging economies. This study emphasizes the importance of conducting more research in this field. The study investigated the influence of ownership structure and environmental, social, and governance disclosure on stock exchanges, particularly in emerging markets. Various factors, including legal protection, geographical systems, tax systems, and industrial development, have been identified as potential influences on ownership structure practices in emerging markets. (Coelho, 2023; Samans & Nelson, 2022). A conceptual framework was developed to visually represent the study's conceptual framework and research focus. This framework helps to provide a clear understanding of the variables and relationships being investigated in the study.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter delves into the methodologies employed during the study to fulfil the five (5) research objectives. It covers the underlying philosophical assumptions, research design, target population, sample selection process, data sources, collection methods, and analysis techniques.

3.2 Research Design

According to Nwokolo et al. (2023), “A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure”. In essence, a research design is a strategic plan that a researcher adopts to answer questions in a valid, objective, and accurate way. The quality of the research design determines the type of analysis to be carried out to get the desired results. A good research design ensures that the research questions are answered effectively. Conversely, a poor design will likely lead to unsatisfactory results (Osei et al., 2023). A research design is defined as a framework of methods and techniques chosen by a researcher to logically combine various components of research (Coelho, 2023; Samans & Nelson, 2022). This ensures that the research problem is efficiently addressed. It provides insights into "how" to conduct research using a particular methodology. Every researcher has a list of research questions that need to be assessed, and this can be done with a proper research design. Essentially, a research design is a blueprint for conducting research. This study adopts a quantitative research design to investigate the relationships between ownership structure, corporate governance, and Environmental, Social, and

Governance (ESG) disclosure among publicly listed companies in the West African region. The study focuses on a sample of publicly traded companies across various industries, particularly in larger economies such as Nigeria, Ghana, and Senegal. To achieve the objectives of quantitative research design, the researcher collected financial, ownership and ESG disclosure data from the sample companies' annual reports, company website, and other publicly available sources. This data is analyzed quantitatively using advanced statistical techniques like multiple regression analysis and Model Data modelling. The sample has been selected using a stratified random sampling approach to ensure representativeness and capture the diversity of ownership structures in the region. This approach divides the population into subgroups (strata) and randomly selects samples from each stratum, ensuring all relevant groups are represented.

3.3 Population

The scope of the present analysis encompasses all manufacturing businesses that are publicly traded on the Stock Exchanges in West Africa throughout the period from 2010 to 2022. The selected time frame was intended to provide a thorough perspective on the patterns and modifications in Environmental, Social, and Governance disclosure procedures across the years. There are a total of 250 manufacturing enterprises in this population. Choosing this specific time range enables the examination of extended-term trends and the detection of noteworthy changes in ESG disclosure procedures that are impacted by ownership structures and external legislative modifications. This population consists of a wide array of manufacturing companies that operate in many sectors, such as textiles, food and drinks, chemicals, and automotive, among others. The research intends to comprehensively examine how ESG disclosure methods change across various

manufacturing sectors in order to get a holistic picture. By including all the manufacturing businesses that are listed, the study's results may be applied to the whole industry in West Africa, offering useful information for policymakers, investors, and corporate leaders.

3.4 Sampling and Data Source

In order to accomplish the research goals, the study used a purposive sampling method to guarantee that the chosen sample accurately represented the whole population and also catered to the unique requirements of the research. At first, the sample consisted of 250 manufacturing enterprises that were specifically chosen from the list of companies registered on the Stock Exchanges in West Africa. The purpose of this selection was to include a broad range of companies in order to accurately represent the different characteristics of the manufacturing industry in the area. Nevertheless, modifications were necessary owing to the absence of comprehensive data from certain firms for particular years. Among the 250 firms, 35 were omitted from the analysis due to inconsistent availability of their data from 2010 to 2022. The exclusion was crucial to sustain the quality and dependability of the data analysis. As a result, the total number of firms in the final sample was decreased to 215. This ultimate sample guarantees a resilient dataset, taking into consideration any absent or unfinished data that might distort the study results. Through the exclusion of firms with contradictory data, the research improves the validity of its findings and guarantees that the results are derived from dependable and comprehensive information.

The purposive sampling approach was used to guarantee that the final sample effectively reflects the various ownership arrangements found throughout the population. This methodology enables the investigation of the subtle effects of different ownership forms,

including state ownership, foreign ownership, management ownership, and block holder ownership, on ESG disclosure procedures. The purposive sampling strategy guarantees the inclusion of organizations that are highly relevant to the study's aims, therefore yielding more focused and significant insights.

The research gathered data from several secondary sources, such as financial records, annual reports, and sustainability reports of the manufacturing businesses included. The publications included comprehensive data about the financial performance, governance structures, and sustainability activities of the businesses. The financial reports provided valuable insights into the financial well-being of the organizations and their dedication to Environmental, Social, and Governance principles. Annual reports include a comprehensive summary of the firm's strategic objectives, including their methods for dealing with environmental, social, and governance concerns. If sustainability reports are accessible, they provide comprehensive information on the company's particular environmental, social, and governance programmes, performance measures, and future goals.

Supplementary data was obtained from Stock Exchange databases, business websites, and pertinent financial information providers. The databases of the Stock Exchange provide reliable information on the listings of firms, their stock performance, and several other financial parameters. Corporate websites serve as a great repository of information on the firm's purpose, values, and particular announcements and activities linked to environmental, social, and governance issues. Financial information services provide extensive data and analysis on the performance and market position of firms. A multi-source data gathering method was used to improve the quality and comprehensiveness of

the dataset. This approach ensured that the study's results are well-founded and accurately represent the ESG disclosure procedures in West African manufacturing organizations. The research sought to provide a thorough representation of each company's ESG disclosure procedures over the course of 13 years by using data from various sources and using triangulation.

Extensive cross-checking and validation were conducted throughout the data-gathering process to verify the reliability and consistency of the acquired information. Any disparities or incongruities in the data were resolved by further inquiries, which included consulting supplementary public information and databases. The meticulous method of collecting and validating data guarantees that the study's conclusions are derived from precise and dependable facts. This research intends to get significant insights into the influence of ownership structure on ESG disclosure across the manufacturing sector in West Africa by using a broad time frame and a rigorous sampling approach. The results are anticipated to add to the wider understanding of how various forms of ownership impact business transparency and sustainability practices, providing practical implications for improving ESG disclosure and advancing sustainable development in the area.

Table 3.1: Firms included in the sample per country

Country	Stock Exchange (Names)	Symbol	Number of Firms
Ghana	Ghana Stock Exchange	GSE	22
Nigeria	Nigerian Exchange Group	NSE	85
Senegal	Bourse Régionale des Valeurs Mobilières	BRVM	28
Francophone countries	Bourse Régionale des Valeurs Mobilières	BRVM	80
Total			215

Source: Bayong 2024.

3.5 Model of Specification

The study adopted a model from Osei et al. (2023) given its relevance for examining this nexus. We transformed the function into its natural logarithmic form to control for heteroskedasticity and outliers. Different mathematical notations were used to distinguish the coefficients to be estimated in Equations 3 and 4.

$$ESG_{it} = f(MGO_{it}, STO_{it}, FNO_{it}, BHO_{it}, FS_{it}, P_{it}, CL_{it}, \varepsilon_{it}) \dots \dots \dots \text{(Eq. 1)}$$

To determine the Environmental, Social, and Governance equation 1 can be re-written as;

$$ESG_{it} = \phi_0 + \phi_1 \ln MGO_{it} + \phi_2 \ln STO_{it} + \phi_3 \ln FNO_{it} + \phi_4 \ln BHO_{it} + \gamma \sum \text{controls}_{it} + \mu_i + \lambda_t + \varepsilon_{it} \dots \dots \dots \text{(Eq. 2)}$$

Moreover, the following model is proposed to assess the moderating role of the regulatory environment ownership structure and ESD Disclosure.

$$ESG_{it} = \delta_0 + \delta_1 \ln MGO_{it} + \delta_2 (\ln MGO_{it} \times RE) + \delta_3 \ln STO_{it} + \delta_4 (\ln STO_{it} \times RE) + \delta_5 \ln FNO_{it} + \delta_6 (\ln FNO_{it} \times RE) + \delta_7 \ln BHO_{it} + \delta_8 (\ln BHO_{it} \times RE) + \delta_9 \ln RE_{it} + \gamma \sum \text{controls}_{it} + \mu_i + \lambda_t + \varepsilon_{it} \dots \dots \dots \text{(Eq. 3)}$$

Where ESG represents Environmental, Social, and Governance, MGO donates managerial ownership, STO donates state ownership, FNO donates foreign ownership, BHO donates block holder ownership, RE donates regulatory environment, FS firm size, P donates profitability, CL donates company leverage, ϕ_0 , δ_0 donates the constant term, μ_i and λ_t donate the year effect and industry effect, respectively.

The stepwise regression form of the models is given below:

$$ESG_{it} = \beta_0 + \beta_1 MGO_{it} + \beta_5 FS_{it} + \beta_6 P_{it} + \beta_7 CL_{it} + \varepsilon_{it} \dots \dots \dots \text{(Eq. 4)}$$

$$ESG_{it} = \beta_0 + \beta_2STO_{it} + \beta_5FS_{it} + \beta_6P_{it} + \beta_7CL_{it} + \varepsilon_{it} \dots \dots \dots \text{(Eq. 5)}$$

$$ESG_{it} = \beta_0 + \beta_3FNO_{it} + \beta_5FS_{it} + \beta_6P_{it} + \beta_7CL_{it} + \varepsilon_{it} \dots \dots \dots \text{(Eq. 6)}$$

$$ESG_{it} = \beta_0 + \beta_4BHO_{it} + \beta_5FS_{it} + \beta_6P_{it} + \beta_7CL_{it} + \varepsilon_{it} \dots \dots \dots \text{(Eq. 7)}$$

3.6 Description of Variables

3.6.1 Dependent (ESG Disclosure)

Previous studies such as (Ma et al., 2024; and Potharla, 2024) have traditionally used methods such as MSCI, Thomson Reuters ESG Data, etc, to quantify and measure ESG performance. In contrast, this study introduces an innovative ESG disclosure index utilizing a content analysis technique. This index evaluates metrics drawing insights from the sustainable development frameworks and guidelines of organizations like the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). The innovation lies in its comprehensive approach, integrating 22 items across three dimensions: Environment, Social, and Governance. Unlike traditional methods, which may lack this breadth, the ESG Performance index employs a binary scoring system (0, 1). A score of zero (0) denotes non-disclosure of an item, while a score of one (1) indicates disclosure, providing a robust measure of corporate ESG practices. The ESG Performance index introduced in this study surpasses traditional methods by integrating comprehensive metrics across environmental, social, and governance dimensions, thus providing a nuanced and standardized assessment of corporate sustainability practices. **Table 3.3** illustrates this categorization, underscoring the index's ability to capture nuanced aspects of sustainability reporting and disclosure.

Table 3.3: Checklist of scoring items for ESG disclosure

Dimensions	Codes	Scope
Environmental	EPD1	Disclosure of greenhouse gas emissions activities, expressed in carbon dioxide equivalents.
	EPD2	Performance of the company's efficiency in using water resources and managing water-related risks.
	EPD3	Declaration of the company's energy consumption percentage derived from renewable sources.
	EPD4	Statement on how well the company complies with environmental laws and norms.
	EPD5	Evaluation of the company's trash disposal, recycling, and reduction efforts.
	EPD6	Declaration of effective measures of the company's processes in utilizing energy resources.
	EPD7	Statement on the organization's efforts to save and maintain biodiversity.
Social	SPD1	Execution of measures on the diversity and inclusivity of the company's workforce, such as gender, ethnicity, and other demographic characteristics.
	SPD2	Statements on the initiatives and policies to ensure employees' well-being and satisfaction.
	SPD3	Assessment of the company's initiatives in engaging with and positively contributing to local communities.
	SPD4	Evaluation of the company's adherence to human rights principles within its operations and supply chain.
	SPD5	Disclosure of the company's commitment to fair labor practices, including wages, working hours, and employee rights
	SPD6	Assesses the company's efforts in providing employee training and development opportunities.
	SPD7	Evaluate the company's operations' positive and negative social impacts on local communities.
	SPD8	The company's commitment to producing safe and high-quality products.
Governance	GPD1	Adherence to measures on diversity of the company's board of directors regarding gender, ethnicity, and other factors.
	GPD2	Existence and effectiveness of policies and practices to prevent organizational corruption.
	GPD3	The protection of shareholder rights and mechanisms for the execution of their engagement.
	GPD4	Reporting stakeholder involvement in the formulation of strong ecological policy

	GPD5	Reporting on the organization's procedures and processes for locating, evaluating, and controlling risks.
	GPD6	The company's compliance and commitment to ethical practices within its supply chain.
	GPD7	Details on the structure of executive compensation to ensure alignment with sustainable and ethical practices.

The computation equation for the ESG performance index is shown as follows:

$$\text{ESG Disclosure} = \frac{\text{Sum of ESG items disclosed}}{\text{Optimal disclosure score}} \dots \text{Eq. 8}$$

3.6.2 Independent Variable

3.6.2.1 Managerial Ownership

Managerial ownership reflects the proportion of shares owned by a company's executives and management team. This ownership structure is particularly significant as it aligns the interests of managers with those of shareholders, encouraging greater focus on long-term sustainability goals. Research suggests that managerial ownership fosters increased ESG disclosure, as managers with a stake in the company's performance are more likely to prioritize sustainable practices that enhance corporate reputation and stakeholder trust (Agyemang et al., 2023). Higher managerial ownership can lead to improved corporate governance and greater accountability, promoting transparency in ESG-related activities (Gutiérrez-Ponce et al., 2022).

3.6.2.2 State Ownership

State ownership refers to the percentage of a company's shares held by government entities. State-owned enterprises (STO) are typically subject to stricter regulatory oversight and societal expectations, which can drive improvements in corporate transparency and

sustainability. Empirical evidence suggests that state ownership has a positive effect on ESG disclosure, as state-owned firms often face greater public scrutiny and are compelled to adhere to government mandates on social and environmental performance (Agyemang et al., 2019). This increased accountability makes state-owned enterprises more likely to disclose comprehensive ESG reports, fulfilling both regulatory and societal demands (Zhou et al., 2019).

3.6.2.3 Foreign Ownership

Foreign ownership captures the extent to which foreign investors hold shares in a company. Firms with significant foreign ownership often adopt international standards of governance and transparency, as foreign investors typically demand higher levels of corporate accountability (Asmar et al., 2024; Chovancova et al., 2019). Studies show that foreign ownership can positively influence ESG disclosure, as these investors bring with them expectations for adherence to global best practices in sustainability and governance (Andreoni et al., 2021). The presence of foreign shareholders often encourages companies to improve their ESG practices to meet international standards and attract global investment.

3.6.2.4 Block Holder Ownership

Block holder ownership refers to the ownership of a significant portion of a company's shares by a single entity or a small group of related entities, usually holding at least 5% of the total shares. This concentrated ownership structure can significantly influence corporate governance and disclosure practices. However, the impact of block holder ownership on ESG disclosure is mixed. While block holders can drive stronger governance, they may also prioritize their interests, potentially reducing transparency if

their goals conflict with broader stakeholder concerns (Ebbini et al., 2024). This study explores the nuanced role of block holder ownership in shaping ESG reporting, recognizing both its potential to enhance governance and its possible risks to transparency (Ebbini et al., 2024).

3.6.3 Moderating Variable (Regulatory Environment)

The regulatory environment encompasses the legal and institutional framework governing corporate behavior, particularly regarding ESG practices. A strong regulatory environment is crucial for ensuring that companies comply with disclosure requirements and maintain transparency in their ESG activities. Prior research suggests that robust regulations enhance the positive effects of various ownership structures on ESG disclosure, as companies are compelled to meet higher standards of accountability (Usman et al., 2024). This study examines the regulatory environment as a moderating variable, positing that a well-established regulatory framework amplifies the influence of ownership structures on ESG disclosure practices.

3.6.4 Control Variables

3.6.4.1 Firm Size

Firm size, often measured by total assets or the number of employees, plays a significant role in determining a company's capacity for ESG disclosure. Larger firms generally have more resources to implement comprehensive ESG initiatives and face greater scrutiny from stakeholders, which encourages them to adopt more transparent reporting practices (Aluko et al., 2024). Larger companies may also benefit from economies of scale in developing sustainability strategies, leading to more detailed and consistent ESG disclosures.

3.6.4.2 Profitability

Profitability, typically defined as earnings before interest and taxes (EBIT) divided by capital employed, serves as an indicator of a company's financial health. Firms that are more profitable are generally better positioned to invest in sustainability initiatives and adopt comprehensive ESG disclosure practices (Aguilera & Grøgaard, 2019). Financially stable firms are more likely to engage in long-term planning, including the integration of ESG factors into their business strategies, as they can afford to balance profitability with sustainability goals.

3.6.4.3 Company Leverage

Company leverage refers to the ratio of total debt to equity at the end of the year. Highly leveraged firms may face pressures to prioritize financial performance over sustainability initiatives due to the burden of debt repayment. Leverage is a critical variable for understanding corporate behavior, as firms with higher debt levels may have less flexibility to invest in ESG activities (Mody et al., 2021). This study examines how leverage influences ESG disclosure, hypothesizing that companies with high leverage may disclose less due to financial constraints, whereas firms with lower leverage might exhibit greater commitment to sustainability reporting.

3.6.5 Summary of Variables

Tables 3.2: Summary of study variables

Variables	Symbol	Measurement	Source
ESG Disclosure	ESG	The unweighted scoring method divides the actual ESG disclosure score by the optimal disclosure score.	Refinitiv database

Managerial Ownership	MGO	The proportion of shares held by managers or executives.	companies' annual reports
State ownership	STO	Percentage of shares held by the state	companies' annual reports
Foreign ownership	FNO	The percentage of the shares owned by foreigners is the total number of issued shares.	companies' annual reports
Block holder Ownership	BHO	Owners of 5% or more of a total share.	companies' annual reports
Regulatory Environment	RE	It is computed using 14 environmental policy instruments, most of which are related to pollution, ecology, and the index of natural resource control, which ranges from 0 to 6	OECD database
Firm Size	FS	Total number of employees in a company	companies' annual reports
Profitability	P	Earnings before tax and interest divided by capital employed	companies' annual reports
Company Leverage	CL	The total debts divided by equity at the end of the year	companies' annual reports

3.7 Data Processing

The author performed descriptive statistics analysis and correlation matrix analysis. The most successful estimating approach was identified by utilizing a cross-sectional dependence test. The Pesaran CD test was used to assess cross-sectional dependency. This test calculates the generalized average of the pairwise correlation coefficients among the regressors of each department. The test's null hypothesis is the lack of cross-sectional dependence (Jijian et al., 2021). Furthermore, a cointegration test determined the enduring link between the investigated variables. The authors used both fixed effect and random effect estimators for the multiple regression analysis. The study used the fixed effect

estimator to mitigate cointegration concerns (Jijian et al., 2021), circumventing endogeneity issues (Lechene et al., 2022). The random effect estimator, however, addressed the presence of heteroscedasticity (Ebbini et al., 2024) and autocorrelation (Jijian et al., 2021) and showed resilience to stationarity concerns (Kaba, Aygun, & Turan, 2022). The results from the fixed effect and random effect estimators provide vital insights for manufacturing organizations.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

The chapter is in two sections. Each section deals with results presentation, analysis, and discussion of each of the study's broader objectives

4.2 Description Statistics

The first results of the research show the characteristics of the factors used to decide on the ownership structure and ESG disclosure in Western Africa. **Table 4.1** Descriptive statistics emphasise the numerical value of certain traits and features. The relevant variables were also used to create a summary descriptive statistic for the research, which displays the mean, maximum, minimum, standard deviation, skewness, kurtosis, and coefficient of variation with observations. An excellent example of the facts is in **Table 4.1**

Table 4.1 Descriptive statistics

Variables	Observation	Mean	Median	Std. Dev	Min	Max	Skewness	Kurtosis
ESG	2508	0.618	0.648	0.143	0.123	0.961	-0.627	3.921
MGO	2508	0.364	0.321	0.202	0.014	0.951	0.604	2.305
STO	2508	0.171	0.164	0.199	-0.562	0.856	-0.316	5.561
FNO	2508	0.618	0.584	0.443	0.123	0.962	-0.627	3.921
BHO	2508	0.554	0.506	0.219	0.012	0.965	-0.657	2.761
FS	2508	0.171	0.143	0.199	-0.562	0.856	-0.316	5.561
P	2508	0.567	0.501	0.184	0.115	0.986	-0.687	3.204
CL	2508	0.538	0.553	0.158	0.115	0.954	-0.606	3.766

According to the summary data in **Table 4.1**, the average ESG score for the sample manufacturing enterprises is 0.618, with the lowest value at 0.123 and the highest value at 0.961. This indicates that manufacturing firms in West Africa generally benefit from strong environmental, social, and governance conditions. The median value of 0.648, which is close to the mean, confirms the symmetrical distribution of the dataset. However, the standard deviation of 0.143 suggests a broad range relative to the mean, indicating some variability in the ESG scores.

The analysis shows that managerial ownership has an average value of 0.364 and a median of 0.321. The values range from a minimum of 0.014 to a maximum of 0.951, suggesting that managerial ownership is a highly attractive investment option. The proximity of the median to the mean indicates a symmetrical distribution of the dataset. The standard deviation of 0.17 further supports that the data points are relatively close to the mean.

State ownership exhibits a symmetrical distribution, with an average value of 0.171 and a median of 0.164. The standard deviation of 0.199 indicates significant variability from the mean. The minimum and maximum values of -0.562 and 0.865, respectively, imply a relatively high percentage of state ownership among the sample manufacturing companies. The closeness of the median to the mean reinforces the egalitarian distribution of the dataset.

Foreign ownership shows an average value of 0.618 and a median of 0.584. The values range from 0.123 to 0.962, indicating that foreign ownership is also an attractive investment option. The proximity of the median to the mean suggests a symmetrical distribution of the dataset. The standard deviation of 0.443 indicates that the data points are quite near the mean, confirming low variability.

Block holder ownership ranges from a minimum of 0.012 to a maximum of 0.965, with an average value of 0.554. This suggests that a significant presence of block holders is common among the sample manufacturing firms. The median value of 0.506, which is close to the mean, confirms the symmetrical distribution of the dataset. However, the standard deviation of 0.219 shows a broad range relative to the mean, indicating some variability in block holder ownership.

The descriptive statistics for firm size reveal a mean value of 0.171 and a median value of 0.143, suggesting a symmetric distribution of the dataset. The minimum and maximum values are -0.562 and 0.856, respectively, indicating a broad dispersion in firm size among the sample firms. The standard deviation, which shows that the dataset values are near the mean, further supports the low variability in firm size.

For profitability, the mean and median values are 0.567 and 0.501, respectively, indicating a symmetric distribution. The range, with a minimum of 0.115 and a maximum of 0.986, suggests that most sample organizations generate sufficient revenue from their ongoing business activities to offset their losses. However, the standard deviation of 0.184 indicates significant variability from the mean, highlighting the substantial skew in profitability among the firms.

The analysis of capital structure reveals a mean value of 0.538 and a standard deviation of 0.158, suggesting a wide dispersion around the mean. The minimum and maximum values are 0.115 and 0.954, respectively. The median value of 0.553, which is close to the mean, indicates a symmetric distribution of the dataset. These findings imply that capital structure is a crucial source of capital for the daily operations of most manufacturing firms.

A, a dataset is considered standard if the skewness and kurtosis lie between the ranges of (-2 to +2) and (-7 to +7), respectively. Due to this, only the MGO provides positive values for skewness, demonstrating the dataset's symmetrical distribution and positive skewness to the right. In addition, negative values were recorded for ESG, STO, FNO, BHO, FS, P, and CS, demonstrating the data's asymmetrical distribution and leftward skewness. However, when it comes to kurtosis, every study variable showed a range of -7 to +7, which shows that the dataset was distributed in the usual way. All variables are tiny in variance when variance is generally considered, showing how close the data points are to the mean and one another.

4.3 correlation

The matrix of Spearman correlation is shown in **Table 4.2**. The matrix combines the weak, moderate, and high correlations between the pairwise comparisons of the variables. **Table 4.2** shows that the absolute correlation between P and STO was the lowest (0.009), the significance level was inconsequential, the absolute correlation between P and BHO was the greatest (0.668), and the significance level was 1%.

Table 4.2: Spearman Correlation Matrix Analysis

Variables	ESG	MGO	STO	FNO	BHO	RE	CS	P	CL
ESG	1.000								
MGO	0.108	1.000							
STO	0.214	0.045	1.000						
FNO	0.578	-0.012	0.145	1.000					
BHO	-0.128	-0.027	0.040	-0.079	1.000				
RE	-0.136	0.095	0.127	-0.081	0.042	1.000			
FS	0.076	0.038	-0.028	0.016	0.138	0.053	1.000		
P	0.014	0.137	0.009	0.010	0.668	0.029	0.101	1.000	
CL	0.534	-0.175	0.123	0.427	-0.009	-0.061	-0.047	-0.042	1.000

***=10%, **=5%, ***=1% significant level.**

The study performed a variance inflation factor (VIF) test to determine whether there is multicollinearity among the study variables. Failure to account for multicollinearity leads to inflated standard errors, unreliable statistical inferences, and potentially misleading results in regression analyses (Tawiah, 2023). **Table 4.3** shows the variance of inflation factor results.

Table 4.3 Multicollinearity Analysis

	VIF	1/VIF
MGO	1.094	.914
STO	1.056	.947
FNO	1.277	.783
BHO	1.917	.522
RE	1.039	.962
FS	1.029	.972
P	1.912	.523
CL	1.285	.778
Mean VIF	1.326	.

According to the multicollinearity results presented in **Table 4.3**, the variance inflation factor (VIF) values are all below the threshold of 10, and the corresponding 1/VIF values are all greater than 0.10. This confirms the absence of multicollinearity among the study variables. As per previous literature A. Agyemang et al. (2023); (Agyemang et al., 2021) , a VIF greater than ten or a 1/VIF less than 0.10 indicates potential multicollinearity issues.

4.4 Cross-Sectional Dependency Analysis

According to A. O. Agyemang et al. (2023), additional factors, such as the degree and kind of cross-sectional correlations, affect how well cross-sectional dependence may be quantified. Estimate accuracy could suffer significantly if cross-sectional dependence is disregarded (Amoah, 2019; Chioatto & Sospino, 2023).

Table 4.4: Frees Test of Cross-Sectional Dependency

Significant level	probability
alpha = 0.10	0.1984
alpha = 0.05	0.2620
alpha = 0.01	0.3901

The findings presented in Table 4.4 show that the probability values of 0.1984, 0.2620, and 0.3901 are not statistically significant at the 10%, 5%, and 1% significance levels, respectively. These values exceed the thresholds for statistical significance, leading to the acceptance of the null hypothesis of no cross-sectional dependence (CSD). Consequently, the alternative hypothesis, which posits the presence of cross-sectional dependence, is rejected.

This lack of statistical significance implies that there is no evidence of interdependence among the companies in the sample with respect to their responses to market shocks or significant events. In practical terms, if one company experiences a significant event or shock, it is unlikely to have a similar impact on other companies within the sample. The

data indicates that the companies operate independently in their responses to market fluctuations, reinforcing the conclusion that there is no cross-sectional dependence

4.5 Stationarity Test

The co-integration test must be run on a stationary series in order to be (Gutberlet et al., 2023). After confirming no CSD among the study variables, the authors performed the Levin Lin chu stationarity unit root test. Lags of the dependent variable may be added to the mistakes to enable autocorrelation issues (Polat, 2022). The test might be categorized as a pooled Dickey-Fuller test or an Augmented Dickey-Fuller (ADF) test with non-stationary performance as the null hypothesis when delays are considered. The CIPS unit root test results are shown in Table 4.4.

Table 4.5 CIPS unit root test

Variable	Level		First Difference	
	Constant	Constant & trend	Constant	Constant & trend
ESG	-3.184	-3.262	-4.519	-4.435
MGO	-3.222	-3.351	-4.201	-4.331
STO	-3.688	-3.680	-4.464	-4.348
FNO	-3.489	-3.751	-4.681	-4.977
BHO	-2.100	-2.557	-4.181	-4.045
RE	-3.111	-3.59	-4.332	-4.393
FS	-3.594	-3.402	-4.617	-4.444
P	-2.054	-2.105	-4.566	-4.397
CL	-3.331	-3.398	-4.569	-4.245

The stationarity analysis, as presented in Table 4.4, reveals that except for variables BHO and P, all other study variables exhibit stability at their level forms. This conclusion is based on surpassing the critical thresholds of 2.72 and 2.78 for both the constant-only model and the constant with trend model, respectively. Specifically, the results indicate that these variables do not have unit roots, thereby confirming their stationarity at levels. However, since the variables BHO and P were not stationary at their levels, it was necessary to apply the first differencing to achieve stationarity. The results of the first differencing, shown in Table 4.5, demonstrate that all variables, including BHO and P, attained stationarity. This was evidenced by test statistics that exceeded the critical values, indicating that the series no longer contained unit roots post-differencing.

4.6 The Direct Relationship Between Ownership Structure and ESG Disclosure

To prevent divergence in regression results due to incorrect estimation strategies, the authors employed both Fixed Effect and Random Effect estimation procedures. The Fixed Effect estimator was utilized as the primary estimation method because of its ability to control for unobserved heterogeneity by allowing for individual-specific intercepts. This method effectively addresses issues such as omitted variable bias that could affect the regression results. The Random Effect estimator was used as a robustness check to account for potential cross-sectional and temporal variations that the Fixed Effect model might not fully capture. This approach ensures that the results are not sensitive to the choice of estimation method and provides a comprehensive analysis of the data. The variables were transformed into their natural logarithmic form to control for heteroscedasticity and outliers. The authors also implemented the stepwise regression technique, which includes each independent variable sequentially at each stage, as shown in Models A to D. In Model

E, all independent variables are combined into a single regression model. This stepwise approach allows for a thorough examination of the impact of each variable individually and collectively. For all panels in R1, the Fixed Effect estimator was chosen as the primary method, while the Random Effect estimator was employed for the robustness test in R2. The baseline estimation results are presented in Table 4.6.

Table 4.6 Baseline regression

Variable	MODEL A		MODEL B		MODEL C		MODEL D		MODEL E	
	R1	R2	R1	R2	R1	R2	R1	R2	R1	R2
LNMG0	0.117*	0.122*							0.085***	0.090***
	(0.027)	(0.026)							(0.023)	(0.023)
LNSTO			0.070***	-0.076**					0.048**	0.057***
			(0.022)	(0.022)					(0.020)	(0.019)
LNFN0					0.382**	0.069**			0.344***	0.338***
					(0.039)	(0.038)			(0.038)	(0.037)
LNBO							-0.083***	-0.093	-0.055***	-0.062***
							(0.037)	(0.036)	(0.033)	(0.032)
LNFS	0.066**	0.069**	0.067**	0.074**	0.051*	0.061*	0.083***	0.086***	0.064**	0.072***
	(0.032)	(0.031)	(0.032)	(0.031)	(0.029)	(0.028)	(0.032)	(0.031)	(0.028)	(0.027)
LNP	(0.012)	0.013	-0.025	-0.014	0.019	0.009	0.131*	0.123*	0.076**	0.070**
	(0.025)	(0.025)	(0.025)	(0.025)	(0.023)	(0.022)	(0.033)	(0.033)	(0.030)	(0.029)
LNCL	0.418**	0.461***	0.377***	0.419**	0.243***	0.288**	0.394*	0.439*	0.277**	0.316**
	(0.036)	(0.034)	(0.036)	(0.035)	(0.035)	(0.034)	(0.035)	(0.034)	(0.035)	(0.033)
R-Squared	0.636	0.437	0.538	0.625	0.503	0.492	0.682	0.526	0.705	0.682
Prob > F	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Observation	2508	2508	2508	2508	2508	2508	2508	2508	2508	2508

Note: *** p<.01, ** p<.05, * p<.1,

Standard errors are enclosed in parentheses.

In Model A (R1), managerial ownership exhibits a positive and statistically significant relationship with ESG disclosure. In R1, it is at the 10% significance level. Specifically, a one-unit increase in managerial ownership results in a 0.117-unit increase in ESG disclosures. This suggests that higher levels of managerial ownership are associated with greater transparency and reporting in ESG activities. In Model E, where all independent variables were integrated into a single regression, managerial ownership maintains a statistically significant relationship with ESG disclosure at the 1% significance level. Here, a one-unit increase in managerial ownership leads to a 0.085-unit increase in ESG disclosure. This stronger significance level reinforces the robustness of the relationship between managerial ownership and ESG disclosure across different model specifications. The robustness tests in R2 are consistent with the main estimations in R1, further confirming the stability and reliability of the findings. These results may be attributed to the fact that managers with ownership stakes are likely more invested in the long-term sustainability and transparency of the company, thus promoting higher levels of ESG disclosure. These findings validate our first hypothesis (H1).

In Model B (R1), state ownership shows a substantial positive association with ESG disclosure in R1 at the 1% significance level. Specifically, a one-unit increase in state ownership results in a 0.070-unit increase in ESG disclosures. This indicates that higher levels of state ownership are strongly linked to enhanced ESG disclosure. In Model E, where a combined regression was performed, state ownership continues to reveal a statistically significant positive connection with ESG disclosure, this time at the 5% significance level. Here, a one-unit increase in state ownership leads to a 0.048 unit increase in ESG disclosure. The significance across different panels suggests a robust relationship between state ownership and ESG disclosure. The main estimation results in R1 are consistent with the robustness results presented in R2, confirming the stability and reliability of the

findings. These results may be attributed to the influence of state ownership in prioritizing corporate social responsibility and sustainability, which in turn promotes higher levels of ESG disclosure. These findings support our second hypothesis (H2), which posits that state ownership positively influences ESG disclosure. The consistent results across various panels and robustness checks emphasize the role of state ownership in enhancing ESG disclosure.

In Model C, foreign ownership shows a positive and statistically significant relationship with ESG disclosure in R1 at the 5% level. Specifically, a one-unit increase in foreign ownership results in a 0.382-unit increase in ESG disclosure. In Model E, which includes all independent variables, foreign ownership remains positively and statistically significant with ESG disclosure at the 1% level. This indicates that a one-unit rise in foreign ownership leads to a 0.344-unit increase in ESG disclosure. The robustness checks in R2 confirm that these results are consistent with the main findings in R1. These results suggest that foreign ownership plays a significant role in enhancing ESG disclosure, likely due to the influence of international investors who often demand higher levels of transparency and ESG commitment. Thus, our third hypothesis (H3), which posited a positive relationship between foreign ownership and ESG disclosure, is supported.

In contrast, Model D reveals that block holder ownership (INBHO) has a negative and statistically significant relationship with ESG disclosure in R1 at the 10% level. Specifically, a one-unit increase in block holder ownership is associated with a 0.083-unit decrease in ESG disclosure. Similarly, in Model E, block holder ownership shows a statistically significant negative relationship with ESG disclosure at the 1% level, with a one-unit rise leading to a 0.055-unit decline in ESG disclosure. The

robustness checks in R2 confirm that these results align with the main estimations in R1. These findings suggest that block holders may have less incentive to promote comprehensive ESG disclosure, possibly due to their concentrated ownership which reduces the pressure to meet broader stakeholder expectations. Consequently, our hypothesis regarding the negative impact of block holder ownership on ESG disclosure is supported, and thus, our final hypothesis is confirmed as not supported.

4.7 Moderating Analysis

The moderating analysis conducted in this study utilized the moderating effect of the regulatory environment on the relationship between ownership structure and ESG disclosure. We used stepwise regression analysis by utilizing five panels. In Model A, we analyzed the impact of management ownership funding on ESG disclosure. We examine the connection between state ownership and ESG disclosure in panel B. In Model C, we investigate the impact of management ownership funding on ESG disclosure. We assess the connection between state ownership and ESG disclosure in Model D. We discussed both management ownership, state ownership, foreign ownership and block holder ownership on ESG in Model E. I used fixed effect in R1 and random effect in R2. Table 4.7 shows the moderating role of ownership concentration on ownership structure and ESG disclosure.

Tables 4.7 The moderating effect of the regulatory environment on the relationship between ownership structure and ESG

Variable	MODEL A		MODEL B		MODEL C		MODEL D		MODEL E	
	R1	R2	R1	R2	R1	R2	R1	R2	R1	R2
LNMGGO	0.205*	0.206**							0.131**	0.169***
	(0.068)	(0.064)							(0.061)	(0.057)
LN(MGO× RE)	0.171***	0.167*							0.082**	0.091
	(0.133)	(0.126)							(0.119)	(0.113)
LNSTO			0.056	0.051**					0.018***	0.028
			(0.047)	(0.045)					(0.041)	(0.040)
LN(STO× RE)			0.103	0.085					0.086	0.083
			(0.098)	(0.096)					(0.085)	(0.082)
LN FNO					0.265***	0.244***			0.262**	0.247
					(0.076)	(0.075)			(0.074)	(0.027)
LN(FNO ×RE)					0.262**	0.109**			0.137	0.095
					(0.057)	(0.154)			(0.154)	(0.150)
LN BHO							0.162**	0.137**	-0.110*	-0.104
							(0.073)	(0.071)	(0.065)	(0.063)
LN(BHO× RE)							0.093*	0.085	0.082***	0.093*
							(0.132)	(0.127)	(0.117)	(0.112)
LNRE	0.095***	0.074*	0.093**	0.115***	0.270**	0.397**	0.074*	0.042	0.174**	0.093
	(0.048)	(0.046)	(0.057))	(0.055)	(0.101)	(0.099)	(0.030)	(0.029)	(0.117)	(0.115)

LNFS	0.072**	0.074	0.071**	0.078*	0.055*	0.066*	0.087	0.089	0.068*	0.076*
	(0.025)	(0.031)	(0.032)	(0.031)	(0.029)	(0.028)	(0.032)	(0.030)	(0.028)	(0.027)
LNP	0.011-	-0.001	0.029	0.017	0.018	0.007	0.131	0.121*	0.073**	0.064**
	0.025	(0.024)	(0.025)	(0.025)	(0.023)	(0.022)	(0.035)	(0.033)	(0.030)	(0.029)
INCL	0.416*	0.460*	0.363***	0.404	0.236*	0.028*	0.387*	0.434*	0.270**	0.310*
	(0.036)	(0.034)	(0.036)	(0.435)	(0.035)	(0.034)	(0.035)	(0.034)	(0.034)	(0.033)
R-Squared	0.436	0.537	0.478	0.525	0.703	0.592	0.482	0.626	0.505	0.601
Prob > F	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Observation	2508	2508	2508	2508	2508	2508	2508	2508	2508	2508

Note: *** p<.01, ** p<.05, * p<.1,

Standard errors eclosed in parenthesis.

Managerial ownership (LNMGO) shows a positive and significant relationship with ESG disclosure in Models A (0.205, 10%) and B (0.206, 5%), indicating that higher managerial ownership is associated with improved ESG performance. The interaction term (LN(MGO \times RE)) is also positive and significant in both models (0.171, 1% and 0.167, 10%), suggesting that a stronger regulatory environment amplifies this effect. Notably, the coefficients in the models with the interaction terms are higher compared to the baseline results, which potentially indicates the moderating influence of the regulatory environment. This may be because managers with significant ownership stakes are more invested in the long-term success of the company, which includes sustainability efforts. A robust regulatory environment further incentivizes these managers to prioritize ESG initiatives. The implication is that firms with higher managerial ownership, especially in stringent regulatory contexts, are better positioned to enhance their ESG practices.

State ownership (LNSTO) demonstrates a positive and significant impact on ESG disclosure in Model B (0.051, 5%), indicating that state-owned firms tend to exhibit better ESG practices. However, the interaction term (LN(STO \times RE)) is not significant, suggesting that the regulatory environment does not significantly influence the relationship between state ownership and ESG disclosure. The coefficients in the moderated models are not significantly higher than the baseline, indicating that the moderating influence of the regulatory environment is minimal for state-owned enterprises. This could be because STO are already subject to rigorous regulations and government oversight, making additional regulatory pressures less impactful. The implication is that while state ownership inherently promotes better ESG practices due to government mandates, further regulatory measures may be more beneficial for non-state-owned enterprises.

Foreign ownership (LNFNO) shows a strong positive relationship with ESG disclosure in Models C (0.265, 1%) and D (0.244, 1%), indicating that firms with higher foreign ownership tend to perform better in ESG metrics. The interaction term (LN(FNO × RE)) is significant in one variation (0.262, 5% in Model C) but not in another, suggesting that while a stronger regulatory environment can enhance the positive impact of foreign ownership on ESG disclosure, this effect is not consistently observed. The coefficients in the moderated models are higher compared to the baseline, highlighting the potential moderating influence of the regulatory environment. This may be due to foreign investors bringing global best practices and higher expectations for ESG standards, which are bolstered by local regulations. The implication is that fostering foreign investment can drive improvements in ESG practices, especially when supported by robust regulatory environments.

Block holder ownership (LNBHO) shows a positive and significant relationship with ESG disclosure in Models D (0.162, 5%) and E (0.137, 5%), indicating that firms with significant block holders tend to have better ESG practices. The interaction term (LN(BHO × RE)) is also positive and significant (0.093, 10% in Model D and 0.082, 1% in Model E), suggesting that the regulatory environment enhances the positive effect of block holder ownership on ESG disclosure. The coefficients in the models with interaction terms are higher than the baseline, suggesting the potential moderating influence of the regulatory environment. Large shareholders, or block holders, have the influence and resources to push for better ESG practices, and regulatory frameworks provide the necessary support to amplify these efforts. The implication is that engaging block holders in ESG initiatives and leveraging regulatory frameworks can significantly improve a firm's ESG outcomes.

The regulatory environment (LNRE) consistently shows a significant positive impact on ESG disclosure (0.095, 1% in Model A and 0.074, 10% in Model B), underscoring the importance of strong regulatory frameworks in enhancing ESG practices. The positive and significant interaction terms across various ownership structures highlight the critical role of the regulatory environment in amplifying the effects of different ownership types on ESG performance. The higher coefficients in the models with interaction terms compared to the baseline results potentially indicate the significant moderating influence of the regulatory environment. This suggests that well-enforced ESG regulations are crucial for maximizing the positive impact of ownership structures on corporate sustainability. The implication is that policymakers should focus on developing and enforcing robust ESG regulations to drive significant improvements in corporate ESG practices.

4.8 Discussion

The research examines how the ownership structure of West African enterprises affects the disclosure of their Environmental, Social, and Governance performance. It specifically looks at how the regulatory environment influences this relationship. The results provide useful insights into the intricate connections among different ownership structures and ESG disclosure practices, as well as the crucial impact of the legislative environment.

Institutional theory posits that firms align their practices with established norms and expectations to gain legitimacy. Managerial ownership supports this alignment by motivating executives to adopt ESG practices that meet these norms, thus securing the firm's legitimacy within its institutional environment. Legitimacy theory further underscores this by suggesting that managers with substantial ownership stakes are more likely to engage in transparent ESG reporting to align their firm with societal values and

expectations, thereby reinforcing their firm's legitimacy and societal acceptance. Stakeholder theory complements this by emphasizing that managerial owners, who are directly accountable to stakeholders, have a heightened incentive to disclose ESG information. This is because they are motivated to address stakeholder concerns and secure ongoing support by demonstrating a commitment to ESG practices. Consequently, managerial ownership drives firms to enhance their ESG disclosure as a strategy to align with institutional norms, maintain legitimacy, and address stakeholder demands. Based on these theoretical perspectives, our study hypothesized a positive relationship between managerial ownership and ESG disclosure. Our findings align with this hypothesis, confirming a positive link between managerial ownership and ESG disclosure. This outcome is consistent with Gutiérrez-Ponce et al. (2022); (Lagasio & Cucari, 2019), who found a favorable association between managerial ownership and sustainability disclosure. However, it contrasts with O'Hare (2022); (Sharma et al., 2020), who reported a negative relationship between managerial ownership and CSR disclosure.

According to institutional theory, companies get legitimacy by aligning their operations with established norms and expectations. By encouraging CEOs to implement ESG practices that adhere to these standards, state ownership helps to ensure this alignment and protects the company's credibility inside its institutional setting. This is further supported by legitimacy theory, which contends that managers of state-owned organisations (STO) are more inclined to participate in transparent ESG reporting to bring their companies into compliance with social norms and expectations. This reinforces the legitimacy of the STO and its public acceptance. Stakeholder theory provides further support to this by highlighting the increased motivation for state-owned firms to publish ESG information

since they are directly responsible to a wider group of stakeholders. This is due to their desire to show their dedication to ESG practices to allay stakeholders' worries and win their continued support. Institutional theory, state-owned businesses employ ESG practices to legitimise themselves since they must comply with social and legal requirements. Managers at these companies are encouraged to be open and honest in their ESG reporting since they are subject to public scrutiny and governmental inspection. This openness helps them gain the required credibility in their own institutional settings. This perspective is supported by legitimacy theory, which holds that managers are under pressure from the state to align their companies with society ideals to increase their legitimacy and acceptability by the public. Stakeholder theory goes on to say that state-owned businesses are more likely to provide thorough ESG information since they are answerable to a wide range of stakeholders. Their need to respond to stakeholder concerns and show that they are committed to sustainable practices is what motivates them to do this. In order to maintain their legitimacy and garner support going forward, state-owned enterprises are incentivised to comply with stakeholder requests by ensuring that they participate in comprehensive ESG reporting. As a result of state ownership, companies are compelled to improve their ESG disclosure in order to comply with institutional standards, preserve their credibility, and meet stakeholder expectations. Our analysis postulated a favourable correlation between state ownership and ESG disclosure based on these theoretical approaches. Our results support this theory by demonstrating a beneficial relationship between state ownership and ESG disclosure. This result is in line with the research of Agyemang et al. (2019) and Arayssi et al. (2020), who found that state ownership and sustainability disclosure had a positive correlation. It is in contrast, however, to findings

published in 2021 and 2024 by Andreoni et al. and Black & Yahaya, who discovered a negative correlation between state ownership and CSR disclosure.

Institutional theory suggests that companies conform to existing norms and expectations in order to create legitimacy. Foreign ownership facilitates the alignment of executives with environmental, social, and governance (ESG) standards that adhere to established norms. This, in turn, ensures the firm's credibility and acceptance within its institutional framework. The legitimacy hypothesis emphasises that managers in companies with significant foreign ownership are more inclined to practise honest reporting on environmental, social, and governance (ESG) issues. This is done to align the company with societal ideals and expectations, ultimately strengthening the company's legitimacy and acceptability by society. The stakeholder theory enhances this concept by emphasising that foreign owners, who are directly responsible to a wide variety of stakeholders, have a stronger motivation to disclose environmental, social, and governance (ESG) information. Their motivation stems from the need to address stakeholder concerns and ensure continuous support by showcasing a strong dedication to environmental, social, and governance (ESG) principles. As a result, when foreign entities control companies, they are motivated to improve their ESG (Environmental, Social, and Governance) disclosure practices to conform to institutional standards, preserve their credibility, and meet stakeholders' expectations. Our research formulated a hypothesis that there is a positive correlation between foreign ownership and ESG disclosure, drawing on these theoretical approaches. The results of our research support this idea, providing evidence of a direct correlation between foreign ownership and the disclosure of environmental, social, and governance (ESG) practices. The results align with the research conducted by (Dameri &

Ferrando, 2022); Driver (2024); (Ellili, 2022), which both found a positive correlation between foreign ownership and the disclosure of sustainable practices. Nevertheless, it contradicts the findings presented by Chin et al. (2019), which indicated a negative correlation between foreign ownership and CSR disclosure. Foreign ownership facilitates enterprises' adoption and public reporting of environmental, social, and governance practices. This helps them conform to established standards and expectations, ensuring their legitimacy and resolving the concerns of stakeholders. The results of our analysis validate the existence of a direct correlation between foreign ownership and the disclosure of environmental, social, and governance practices. This emphasises the impact of institutional norms, the desire for legitimacy, and the demands of stakeholders in determining the behaviour of corporations.

The stakeholder theory highlights the need for enterprises to take into account the concerns and interests of all stakeholders rather than only focus on shareholders. Block holders, who own a substantial amount of ownership, may prioritise their own interests, thus diminishing the importance placed on engaging with a wider range of stakeholders and disclosing information related to environmental, social, and go rather than only focus institutional theory posits that organizations adhere to institutional rules and practices in order to establish legitimacy. However, in the case of block holder ownership, the concentrated ownership's power may cause a deviation from institutional constraints to increase transparency in environmental, social, and governance matters. Block holders, who often prioritize financial returns and have influence over the firm, may exhibit resistance towards implementing complete ESG standards. This is consistent with the perspective of Gryko et al. (2024), who explore the strategic reactions to institutional constraints and how

companies with concentrated ownership may oppose institutional standards that do not coincide with their objectives. The concept of legitimacy theory suggests that organizations strive to justify their conduct by conforming to society's expectations. Nevertheless, when block holders control a significant portion of a company, the need to demonstrate legitimacy via ESG disclosures might be diminished. This is because these owners may prioritize immediate financial gains rather than long-term sustainability and openness. The study conducted by academicians and Ikhsan et al., (2024) supports our results since they contend that concentrated ownership might result in prioritizing control and financial success above wider stakeholder concerns, such as ESG disclosure. It is suggested that block holders possess the potential to oppose demands for more openness and accountability, prioritizing the maximization of their profits instead. Kabukcu and Chabal (2021) propose that the existence of important block holders may result in improved governance practices, such as the disclosure of environmental, social, and governance (ESG) information, provided these block holders are driven by the desire to create long-term value and maintain a positive reputation. Nevertheless, our research indicates that when it comes to ESG disclosure, block holders may give more importance to their interests rather than engaging with a wider range of stakeholders. Several researchers provide various perspectives. Forster et al. (2024) contend that the influence of ownership structure on corporate governance standards, such as ESG disclosure, might differ greatly depending on the institutional environment. Block holders might facilitate beneficial changes in some contexts by conforming to institutional demands for improved governance and transparency.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

In this final chapter, the research paper presents a comprehensive summary of the key findings, implications, limitations, conclusions, and recommendations derived from the study on the complex relationships between manufacturing firms' ownership structure, corporate governance, and environmental, social, and governance disclosure.

5.1 Summary of findings

This study aimed to explore the moderating role of regulatory environments on the relationship between ownership structure and Environmental, Social, and Governance (ESG) disclosure in West Africa. Utilizing secondary data from 215 manufacturing firms from 2010 to 2022, we employed fixed effect and random effect estimations to analyze the data. Our findings revealed several key insights. Firstly, managerial, state and foreign ownership significantly promoted ESG disclosure. These types of ownership structures have inherent motivations and pressures to enhance transparency and sustainability reporting. Conversely, block holder ownership did not significantly impact ESG disclosure, indicating that large, concentrated ownership might not prioritize ESG transparency to the same extent.

Additionally, the interaction between ownership structures and the regulatory environment was found to have a substantial positive association with ESG disclosure. Strong regulatory frameworks amplify the positive impacts of managerial, state, and foreign ownership on ESG reporting, enhancing corporate transparency and accountability. On the other hand,

weak regulatory environments do not provide the necessary reinforcement for ownership structures to promote ESG disclosures effectively. These findings underscore the critical role that regulatory contexts play in shaping corporate ESG practices, particularly in emerging markets like West Africa.

5.2 Recommendations

Firstly, Policymakers in West Africa should prioritize the enhancement of regulatory frameworks governing ESG disclosures. This involves establishing comprehensive guidelines and standards for ESG reporting that are aligned with international best practices. Regular monitoring and enforcement mechanisms should be implemented to ensure compliance. By creating a robust regulatory environment, firms will be compelled to adopt and adhere to higher standards of ESG transparency, thereby improving corporate accountability and sustainability reporting across the region. Secondly, Governments and regulatory authorities should introduce incentives to encourage firms to excel in ESG disclosures. These incentives could include tax benefits, subsidies, or public recognition for companies demonstrating exceptional ESG performance. Such measures will motivate firms to prioritize ESG practices and engage more thoroughly with sustainability reporting. Recognizing and rewarding companies for their commitment to ESG can foster a competitive environment where businesses are driven to adopt better-reporting practices to gain these benefits.

Thirdly, to improve ESG reporting practices, continuous education and training programs should be established for corporate managers and stakeholders. These programs should focus on the practical aspects of ESG reporting, including data collection, analysis, and disclosure practices. By providing targeted training and resources, firms will be better

equipped to meet regulatory requirements and effectively communicate their ESG performance. Capacity-building initiatives can also help bridge the knowledge gap and ensure that all firms, regardless of size or sector, can achieve high standards in ESG reporting. Fourthly, Increasing investor awareness about the importance of ESG disclosures is crucial for driving sustainable investment practices. Awareness campaigns should be designed to educate investors on how ESG factors impact firm performance and long-term value. Investors should be encouraged to incorporate ESG criteria into their investment decisions, which will, in turn, create a market demand for better ESG reporting. Investors can drive greater corporate transparency and accountability by aligning investment strategies with sustainability goals. Fifthly, Collaborative efforts among regulatory bodies, industry associations, and firms are essential for developing and implementing effective ESG disclosure practices. Multi-stakeholder platforms, such as industry working groups and public-private partnerships, can facilitate sharing of best practices and knowledge. These collaborations can create practical and effective ESG guidelines that reflect the needs and realities of businesses in West Africa. By working together, stakeholders can build a supportive ecosystem that promotes better ESG practices and drives sustainable regional development.

5.3 Theoretical Implications

The study contributes to the existing literature on corporate governance and sustainability by highlighting the interplay between ownership structures and regulatory environments in influencing ESG disclosures. Several theoretical implications emerge from our findings. Resource Dependence Theory posits that organizations depend on external resources and that their strategies are influenced by the need to manage these dependencies. Our findings

support this theory, showing that firms with managerial, state, and foreign ownership are more inclined to disclose ESG information to manage dependencies and legitimize their operations in the eyes of regulators and stakeholders.

Agency Theory suggests a conflict of interest between owners (principals) and managers (agents). Our results indicate that managerial ownership aligns the interests of managers with those of the firm, promoting ESG disclosure as a means to reduce information asymmetry and agency costs. However, the lack of significant impact from block holder ownership suggests that large shareholders might not face the same pressures or incentives to prioritize ESG transparency. Institutional Theory emphasizes the role of institutional pressures in shaping organizational behavior. The positive moderating effect of regulatory environments on the relationship between ownership structures and ESG disclosure supports Institutional Theory, suggesting that firms respond to regulatory pressures by enhancing their ESG reporting practices. Strong regulatory frameworks are coercive mechanisms that compel firms to adopt better disclosure practices.

Additionally, Stakeholder Theory can be applied to our findings. This theory posits that various stakeholders, including shareholders, employees, customers, and regulators influence organizations. Our study shows that ownership structures that are accountable to diverse stakeholders are more likely to disclose ESG information, especially when operating in strong regulatory environments. This suggests that the presence of diverse and influential stakeholders can drive better ESG practices.

5.4 Practical Implications

The findings of this study have several practical implications for policymakers, investors, corporate managers, and regulators. Policymakers in West Africa should focus on

strengthening regulatory frameworks to enhance ESG disclosure practices among firms. Robust regulations can create an environment where ownership structures are more likely to prioritize and improve transparency in ESG reporting. This can be achieved through the development of clear guidelines, regular monitoring, and enforcement mechanisms to ensure compliance. Investors should consider the regulatory context and ownership structure when making investment decisions. Firms with managerial, state, or foreign ownership in strong regulatory environments are more likely to exhibit high levels of ESG disclosure, which can be a sign of good governance and long-term sustainability. Investors can use this information to make more informed decisions, aligning their investments with their values and sustainability goals.

Corporate managers should recognize the importance of ESG disclosure in enhancing firm reputation and stakeholder trust. By improving their ESG reporting practices, especially in strong regulatory environments, firms can better meet the expectations of stakeholders and regulatory bodies. This can lead to increased investor confidence, improved access to capital, and a stronger competitive position in the market. Regulators and corporate governance bodies should work collaboratively to design and implement regulations that incentivize ESG disclosures. This collaboration can ensure that regulations are both effective and practical, promoting better compliance among firms. For instance, regulatory bodies can provide training and resources to help firms understand and implement ESG reporting standards. There is a need for capacity-building initiatives to support firms, especially in emerging markets, in understanding and implementing effective ESG disclosure practices. This can include workshops, training sessions, and the development of best practice guides to help firms improve their ESG reporting. Firms should actively

engage with their stakeholders, including employees, customers, and communities, to understand their expectations and incorporate their feedback into ESG reporting practices. This can enhance the relevance and credibility of ESG disclosures, building stronger relationships with stakeholders.

5.5 Limitations and Future Research

While this study provides valuable insights, it is not without limitations. These limitations also open avenues for future research. The study relies on secondary data from 215 manufacturing firms in West Africa. While comprehensive, this dataset may not capture all the nuances of ESG disclosure practices across different industries and regions. Future research could expand the scope to include a broader range of sectors and geographical areas to enhance generalizability. Regulatory environments are dynamic and can change over time. This study provides a snapshot based on data from 2010 to 2022. Future research could adopt a longitudinal approach to examine how changes in regulatory frameworks over time influence the relationship between ownership structure and ESG disclosure.

This study employs quantitative methods to analyze the data. Future research could incorporate qualitative methods, such as interviews and case studies, to gain deeper insights into the motivations and challenges faced by firms in disclosing ESG information. Understanding the perspectives of corporate managers, investors, and regulators can provide a more comprehensive understanding of the factors driving ESG disclosures. Comparative studies between West Africa and other regions could provide valuable insights into how different regulatory and institutional contexts influence ESG disclosure practices. Such studies could identify best practices and offer lessons that can be applied across different contexts. While this study focuses on the factors influencing ESG

disclosure, future research could investigate the impact of ESG disclosure on firm performance. Understanding the financial and non-financial benefits of ESG transparency can further encourage firms to adopt better reporting practices. The role of technology in enhancing ESG disclosures is another area for future research. Examining how digital tools and platforms can improve the efficiency and accuracy of ESG reporting could provide practical solutions for firms and regulators.

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