Institutional Ownership and Corporate Sustainability Disclosure among Listed Firms in East Africa Community Partner States

Emmanuel C.M. Wahome[1], Peter Mwai Kinuthia[2]

[1]Department of Accounting and Finance, School of Business and Economics, Moi University, Kenya

[2]Department of Economics, School of Business and Economics, Moi University, Kenya

DOI: https://dx.doi.org/10.47772/IJRISS.2025.908000207

Received: 27 July 2025; Accepted: 02 August 2025; Published: 04 September 2025

ABSTRACT

This paper empirically analyzes the effect of institutional ownership on corporate sustainability disclosures (CSD) among listed firms in East Africa Partner States. The study examines a balanced panel of 708 firm-year observations from 59 listed firms over the period 2012–2023. Employing fixed-effects panel regression analysis, the study assesses the impact of institutional ownership alongside firm-specific characteristics on sustainability disclosure practices. The regression results reveal a statistically significant positive association between institutional ownership and the level of corporate sustainability disclosures. The findings provide new evidence that institutional investors play a critical role in shaping sustainability reporting practices among firms in East Africa. Policymakers and regulators may consider strengthening guidelines to encourage greater institutional investor participation and oversight, thereby enhancing transparency and ESG disclosures. For corporate leaders, the results underscore the importance of fostering strong relationships with institutional investors to meet rising stakeholder demands for sustainability information, which may in turn enhance firm reputation, stakeholder trust, and access to capital.

Keywords: Institutional ownership, corporate sustainability disclosure, East Africa, panel data.

INTRODUCTION

Since the establishment of the Global Reporting Initiative (GRI), sustainability reporting has emerged as a significant area of research, particularly in relation to non-financial disclosures. The GRI framework encompasses environmental, social, and governance (ESG) disclosures, which are critical for developing sustainability strategies and for enabling stakeholders to assess a firm's sustainability performance (Leung and Gray, 2016; Rao and Tilt, 2016; Wilburn and Wilburn, 2013). The GRI Sustainability Reporting Guidelines articulate sustainability reporting as "a process that assists organizations in setting goals, measuring performance, and managing change towards a sustainable global economy—one that combines long-term profitability with social responsibility and environmental care" (Global Reporting Initiative, 2013, p. 85). This form of reporting communicates an organization's economic, environmental, social, and governance performance, highlighting both positive and negative impacts on the firm's overall performance (Gray et al., 1995; Mistry et al., 2014; Sharma and Kelly, 2014).

The establishment of the Global Reporting Initiative (GRI) was motivated by the urgent requirement for transparency on the consequences of industrial activities (Aliyyah et al., 2021; Fadhila, 2014; Prasetyo, et al., 2021). An organization's commitment to meeting its social and environmental obligations is demonstrated through the dissemination of sustainability initiatives. There is a growing emphasis on sustainability disclosure in the evaluation of corporations. Global company executives are progressively acknowledging the necessity of creating a report that goes beyond financial data and includes a wider array of facts. This all-encompassing approach seeks to optimize business strategy. In their study conducted in the United Kingdom, Helfaya and Moussa (2017) found that the average CSD quality score was 46.08%. The range of disclosures seen was from 9.16% to a maximum of 83.99%. These findings suggest that the quality of CSD provided by FTSE 100 businesses remains relatively low. Kumar, et al., (2021) conducted a study on sustainability reporting in India,

revealing a significant 83% rate of reporting in the fiscal year 2018-2019. The average mean of SR, as reported by Oware and Worae (2023), is 0.896. According to the findings of the study, it was observed that 47.7% of the organizations examined utilize a stand-alone reporting framework to oversee their sustainability initiatives.

Large investors considered to have an adequate supervisory function in corporations are institutional shareholders (Habbash, 2016; Ullah et al., 2019). However, their primary objective is to invest their money for short-term profits, not to exert control over businesses (Salehi et al., 2017). Conversely, they exhibit a readiness to engage in initiatives that promote long-term performance and corporate governance, including corporate social responsibility (CSR) (Qa'dan and Suwaidan, 2019). Institutional shareholders desire assurance that their investments will serve their purposes and those company's operations will not be adversely affected. (Penney et al., 2023) Institutional shareholders are typically more engaged in the decision-making processes of their companies than other shareholders. Institutional shareholders are resourceful and knowledgeable individuals who control complex stakes. Conversely, institutional shareholders exhibit a greater inclination towards diligently observing the disclosure policies of the company. Hence, in order to fulfill their responsibility of overseeing the company, institutional shareholders will require a greater quantity of company information (Habbash, 2016; Ntim and Jamil, Ali & Lodhi, 2020). Institutional shareholders then exert pressure on managers to disclose information in order to satisfy their demands. According to Blay et al., (2024), this suggests that institutional shareholders are inclined to endorse initiatives that pertain to disclosure and accountability.

This study seeks to address critical issues concerning the relationship between institutional ownership and corporate sustainability disclosure, in light of the growing expectations for transparency and responsible business conduct among listed firms in the East Africa Partner States. Persistent gaps in CSD reporting practices and inconsistent empirical findings regarding disclosure determinants highlight the need for focused inquiry in this context. The study is guided by the following objectives: (i) to examine the effect of institutional ownership on the extent and quality of sustainability disclosures among listed firms.

The structure of this paper reflects these objectives: Section 1 introduces the research problem and underscores the significance of analyzing institutional ownership as a key driver of sustainability reporting in the East African capital markets. Section 2 reviews relevant literature on institutional ownership, sustainability disclosure, and their theoretical underpinnings, particularly through the lenses of stakeholder theory and the triple bottom line framework. Section 3 details the methodological approach, outlining data sources and analytical techniques used to explore the link between ownership structure and CSD disclosure practices. Section 4 presents empirical results and discusses their implications in relation to the study's objectives. Finally, Section 5 concludes with key findings and offers policy recommendations aimed at promoting effective sustainability disclosure and responsible institutional investment among listed firms in the region.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Theoretical review

A notable aspect of sustainability reporting is that its audience extends beyond the firm's investor base, which traditionally constitutes the primary focus of financial reporting. Instead, sustainability reports are designed to inform a broad spectrum of stakeholders about the firm's environmental, social, and governance goals, actions, and performance. This inclusive approach underscores the importance of addressing the concerns of all stakeholders, not just investors.

Advocates of sustainability reporting argue that its promotion benefits both firms and their stakeholders. By aligning the interests and needs of businesses with those of their stakeholders, sustainability reporting can foster long-term business sustainability. This study draws primarily on two theoretical frameworks—stakeholder theory and the triple bottom line (TBL) theory—to explore this dynamic. Freeman (1984) laid the foundation for stakeholder theory by highlighting the strategic importance of addressing the needs and demands of various stakeholder groups. In parallel, Elkington (1997) introduced the TBL framework, emphasizing that firms should measure their success not only in financial terms but also in social and environmental dimensions.

Stakeholder theory argues that organizations voluntarily disclose information to fulfill the expectations of stakeholders, such as investors, employees, regulators, and communities. These disclosures help build trust,

reduce conflict, and support the firm's social license to operate. In particular, institutional investors, as key stakeholders, often demand transparent reporting on ESG issues to evaluate risk exposure and long-term value creation. Thus, companies with significant institutional ownership are more likely to increase their sustainability disclosures to satisfy the information needs of these powerful actors.

In contrast, the TBL theory extends the rationale for sustainability reporting by emphasizing the interdependence of people (social equity), planet (environmental stewardship), and profit (economic viability). From this perspective, sustainability reporting is not just about reputation or compliance, but a comprehensive effort to demonstrate responsible corporate citizenship. Firms with greater institutional ownership often face expectations to meet international ESG benchmarks, which are grounded in TBL principles. These expectations drive firms to report extensively on environmental impacts, community initiatives, and long-term economic performance.

In the East African countries, listed firms—particularly in the financial sector—play a significant role in economic development. These firms tend to be highly visible and socially influential, making them more susceptible to stakeholder pressure. For example, in Kenya, Rwanda, and Uganda, the financial sector is a key contributor to GDP, and listed banks are closely watched by investors and regulators alike. As a result, firms in these contexts are under heightened pressure to demonstrate accountability, both to institutional investors and to the communities in which they operate. This dual pressure aligns with both stakeholder and TBL theories.

Freeman (1984) further asserted that stakeholders influence firm strategy by shaping organizational priorities and pushing for greater transparency. Similarly, Elkington's TBL framework implies that improved disclosure enhances organizational legitimacy, strengthens stakeholder relationships, and contributes to long-term sustainability. Enhanced ESG disclosure can also reduce information asymmetry (Clarkson et al., 2008), improve monitoring by institutional investors and analysts (Bushee & Noe, 2000), and lower capital costs by signaling reduced risk (Jensen & Meckling, 1976).

Over the past few decades, numerous firms—motivated by increasing institutional ownership and global sustainability standards—have expanded their ESG disclosures. The momentum is evident in global trends: while only 300 companies published CSR reports in 1996, over 7,000 firms had ESG data available on Bloomberg by 2018 (KPMG, 2011). This study, therefore, integrates both stakeholder and triple bottom line theories to analyze how institutional ownership influences corporate sustainability disclosure practices among listed firms in East African Partner States.

Institutional Ownership and Corporate Sustainability Disclosures

A study by Pucheta, Martínez, and Chiva-Ortells (2018) examined the impact of institutional investors on CSR reporting. Based on whether they have solely an investment relationship with the company or both an investment and a commercial connection. The findings demonstrated a non-linear correlation between institutional directors/pressure-resistant directors and CSR reporting, indicating the presence of two contrasting roles.

Wicaksono et al., (2024) examined the impact of institutional shareholder classification (domestic, developed, and developing countries) and stock market status (listed and unlisted) on the amount of environmental disclosure in Indonesian enterprises.The dataset consists of 474 non-financial companies that are listed on the Indonesian Stock Exchange (IDX) from 2017 to 2019. The study employed an environmental disclosure checklist as a tool for assessing the level of environmental information included in the reports of firms. The findings of the research indicated a positively statistical linkage between the level of environmental transparency and the presence of institutional investors from both domestic and developed nations, as well as institutional investors listed and unlisted. Additional analysis revealed a negative and statistically significant correlation between institutions originating from developing nations and the level of environmental transparency observed in non-sensitive businesses.

Acar et al., (2021) conducted a study aimed at examining the differences in environmental reporting among companies, specifically focusing on the influence of ownership types, namely state ownership and institutional ownership. The study further sought to ascertain whether and how the correlation between ownership structure and environmental transparency varies in respect to countries' degrees of development. This study employed a dataset consisting of 27,847 firm-year observations from 72 countries/economic districts spanning the years

2002 to 2017. The study found a positive correlation between business ownership by government and environmental disclosures. While a negative association was realized between institutional ownership and environmental disclosures.

Delfy and Bimo (2021) examined the direct impact of institutional ownership on sustainability reporting. The measurement of sustainability reporting was conducted using the Global Reporting Initiative standard, which encompasses financial (GRI 200), environmental (GRI 300), and social (GRI 400) criteria. The sample for this study consisted of non-financial companies that were listed on the Indonesia Stock Exchange (IDX) and have released consecutive sustainability reports during the years 2017 and 2019. The study findings demonstrated that institutional ownership exerted a positive influence on sustainability reporting.

In a comprehensive evaluation conducted by Velte (2023), a total of 66 research were examined to assess the impact of institutional ownership (IO) variability on company sustainability. Utilizing an agency-theoretical framework, the author distinguished between different forms of information operations (IO) and their inherent characteristics. He observed that the majority of previous studies focus on the influence of IO heterogeneity on the sustainability performance of corporations. Long-term, sustainable, and international international investment results in improved ESG/CSR outcomes. Long-term institutional investors have a moderating role in the favorable relationship between corporate sustainability and future financial success, as argued in the business case for corporate sustainability.

Suyono and Farooque (2018) conducted a research to determine the extent to which corporate governance mechanisms impact on earnings management practices and CSRD reporting among manufacturing companies listed on the Indonesian Stock Exchange. The data was based on a period of 2010 – 2014. The results showed that institutional ownership, managerial ownership, and independent boards had significant negative effect on earnings management. On the other hand, institutional ownership and board of directors had a significantly positive relation towards CSRD. In addition, the results showed that earnings management had a significant moderating effect, and that there is a positive linkage between corporate governance and CSRD.

Indy et al., (2022) examined effect of managerial ownership and institutional ownership on SRD, as well as the impact that these disclosures had on earnings management. The data was collected from the annual reports of mining and chemical companies listed on the Indonesia Stock Exchange between the years 2015 and 2019. The findings indicated that managerial ownership did not have any effect sustainability disclosure. However, institutional ownership did not have any impact on sustainability reporting. Similarly, SR had a negative effect on earnings management.

Shafira et al., (2021) conducted an empirical study to assess influence of firm size and corporate governance structure (including the size of the board of commissioners, institutional ownership, and managerial ownership) on CSRD. The sample consisted of fifty-eight (58) mining companies listed on the Indonesia Stock Exchange over 2017 and 2019. Based on the findings, firm size, institutional ownership as well as managerial ownership did not affect CSRD. Additionally, board size had a positive impact on CSRD.

Empirical evidence was presented by Dewi and Wirawati (2021) to demonstrate the influence of managerial ownership, institutional ownership, and firm size on CSRD among manufacturing companies listed on the IDX between 2017 and 2019. A sample of 49 companies was utilized. The findings indicated that managerial ownership and institutional ownership do not significantly influence CSRD. On the other hand, firm size had a positively influencing CSRD.

Wicaksono et al., (2024) examined that the classification of the origin country of institutional shareholders (domestic, developed, and developing country) and the status of the shareholder on the stock exchange (listed and unlisted) had on the level of environmental disclosure in Indonesian companies. Over the period of 2017 to 2019, the data set includes 474 non-financial companies. Based on the findings of the study, there was a positive and significant association between the level of environmental disclosure and institutional investors from developed countries, domestic investors, institutional investors from non-listed companies, and institutional investors from listed companies. The results further revealed that institutions from developing countries had a significant and negative relationship with environmental disclosure.

Rehman et al., (2020), conducted research to investigate the link between CSRD and firm value in China. The sample included companies that were listed on the Shanghai Stock Exchange between the years 2008 and 2012. The authors noted that market value of a company is higher with lower CSRD. Assuming all other factors remain unchanged, this relationship becomes positive when the disclosure of corporate social responsibility is moderated by institutional ownership.

Delfy and Bimo (2021) conducted a study into effect of institutional ownership on corporate governance mechanism and sustainability reporting. Moderating variables were also taken into consideration in this study, including environmental uncertainty and external factors. The Global Reporting Initiative standard, which is comprised of three different standards economic (GRI 200), environmental (GRI 300), and social (GRI 400) was utilised in order to evaluate the reporting of sustainability. The sample for this study consisted of a non-financial firms listed on the Indonesia Stock Exchange (IDX) and publishes a series of sustainability reports from 2017 to 2019. According to the findings, institutional ownership had a positive effect on sustainability reporting. Further, the findings of the study provided evidence that when external factors are taken into consideration as moderating variables; environmental uncertainty does not act as a moderating factor for institutional ownership of sustainability reporting.

Based on the theoretical and empirical reviews, we formulate the following hypotheses:

H1. Institutional ownership has a significant effect on corporate sustainability disclosures

RESEARCH METHODOLOGY

Sample size and data

The target population for this study was all listed firms in the East Africa Community. The firms are listed across four securities and stock exchanges comprising of the Nairobi Securities Exchange, Uganda Securities Exchange, Dar es Salaam Stock Exchange and the Rwanda Stock Exchange. The selection of the firm was based on three criteria: First the firm should have operated throughout the study period. Second availability of complete data. Third, cross-listed firms were only considered from their country of incorporation, where consolidated reports were used. Data of this research was secondary in nature and it was extracted from the firm's audited annual reports that were downloaded from firms' websites and the African Financials. Our final sample was 708 firm-year observations representing 59 firms over the period between 2012-2023.

Measurement of variables

The measurements and abbreviations for the research variables are presented in Table I.

Table 1: Measurement of variables

Research Variable	Formula
Corporate Sustainability Disclosures	In GRI-G4 Guidelines
Control Variables	
Firm size	Logarithm of total assets. (Raimo et al., 2020; Al-Najjar and Kilincarslan 2016).
Firm performance	Net income divided by net assets (Al-Najjar and Kilincarslan 2016).
Firm Leverage	Measured by dividing the whole amount of its debts by the total amount of assets (Abubakar, 2015). Ratio of total liabilities to total assets
Firm Age	Firm age will be measured by the natural logarithm of the number of years since incorporation (Akben-Selcuk, 2016).
Moderating Variable	
Institutional Ownership	Measured portion of a company's shares held by domestic or international institutions like insurance companies, investment companies, and other financial institutions (Raimo et al., 2020; Al-Najjar and Kilincarslan, 2016)

Source: Authors

Regression models

Given that the securities/stock authorities in the East African Community (EAC) do not categorize firms as compliant to corporate sustainability disclosures or not, this study utilized the GRI score sheet to outline whether the selected firms disclosed environmental, social and economic aspects throughout the study period. Sustainability reporting was the dependent variable and was measured using the Sustainability Reporting Index (SRI). SRI (based on a weighted scoring method) was calculated by the ratio of actual score of sustainability reporting awarded to the maximum score attainable by the firm. The proxy variable used was SRDI (Sustainability Report Disclosure Index), regulated in GRI-G4 Guidelines. In GRI-G4 Guidelines, the disclosure of items is more than GRI-G4 Guidelines, which is 91 items. The economic dimension consists of 9 disclosures, the environmental dimension consists of 34 disclosures, and the social dimension consisted of 48 disclosures.

The study applied the following regression model to estimate the relationship between institutional ownership and corporate sustainability disclosures.

$$CSD_{it} = \beta_0 + \beta_1 FS_{it} + \beta_2 FA_{it} + \beta_3 LEV_{it} + \beta_4 FP_{it} + \varepsilon_{it} \ldots\ldots\ldots \text{ Model 1}$$

$$CSD_{it} = \beta_0 + \beta_1 FS_{it} + \beta_2 FA_{it} + \beta_3 LEV_{it} + \beta_4 FP_{it} + \beta_5 OI_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots \text{Model 2}$$

DATA ANALYSIS AND PRESENTATION

Descriptive Statistics

Table 2 shows the descriptive statistics for all the variables used in the study. The mean value for corporate sustainability disclosures is 0.226, with a standard deviation of 0.150. This suggests that on average, firms disclose about 22.6% of their sustainability practices, though this varies significantly between firms (minimum 0.006 to maximum 0.453). This variation might indicate differing levels of commitment and transparency in sustainability practices among firms (Smith et al., 2016). It also shows that sustainability reporting is still low in the EAC compared to other jurisdictions especially in the Americas, Asia pacific and Europe.

The Americas lead with Mexico (100 percent), the US (98 percent) and Canada (92 percent) are among the 10 countries and jurisdictions with the highest sustainability reporting rates in the world, while Brazil (85 percent), Argentina and Colombia (both 83 percent) are above the current global average (77 percent). Sustainability reporting in Asia Pacific has grown by 6 percentage points since 2017 to 84 percent. Many countries and jurisdictions in the region are among the global leaders including Japan (100 percent), Malaysia (99 percent), India (98 percent), Taiwan (93 percent) and Australia (92 percent). The rate of sustainability reporting in Europe is at the same level in 2020 as it was in 2017 (77 percent). Whereas sustainability reporting is voluntary in EAC, growth of sustainability reporting in Europe has been influenced by the European Directive on Non-Financial Reporting. Some Eastern European governments were slower than their Western European counterparts to integrate the Directive into domestic law KPMG (2020).

Institutional ownership, with a mean of 0.573, indicates that institutions hold, on average, about 57.3% of the firm's shares. The standard deviation of 0.296 suggests a wide range of institutional ownership across the firms (minimum 0.021 to maximum 1). This high level of ownership can be linked to better monitoring and improved firm performance (Bushee, 2015).

Firm age has a mean of approximately 3.39, indicating that the average firm age is between 27 to 30years (when transformed back from its natural log scale). The standard deviation of 0.899 shows that there is considerable variation in the ages of the firms sampled (minimum 0 to maximum 4.844). Firm size, with a mean of 10.764 and a standard deviation of 0.510, demonstrates that most firms are relatively large. Firm leverage shows an average of 0.477, indicating that firms on average use about 47.7% debt in their capital structures, with significant variation (minimum 0.005 to maximum 0.973). Firm performance, as measured by return on assets, averages at 0.085, suggesting moderate performance with a standard deviation of 0.110 and a range from -0.295 to 0.533 (Johnson & Johnson, 2015).

Table 2: Descriptive statistics results

Variable	N	Mean	Sd	Min	Max
CSD	708	.2257581	.150223	.0058823	.4529412
FA	708	3.386495	.8985009	0	4.844187
FS	708	10.76354	.5104913	9.585778	11.88586
LEV	708	.4769932	.1996881	.0051166	.9730288
ROA	708	.0851933	.1097109	-.2950849	.5332144
IO	708	.5727449	.2956298	.0213424	1

Source: Authors computation

Diagnostic tests

The diagnostic tests conducted confirm that the panel data used in this study meet the key assumptions required for reliable regression analysis. Unit root tests indicate that all variables are stationary, ensuring suitability for panel estimation. The Shapiro-Wilk normality test shows that residuals are normally distributed, while low Variance Inflation Factor (VIF) values confirm the absence of multicollinearity among independent variables. The Wooldridge test results suggest no evidence of first-order autocorrelation, and the Breusch-Pagan/Cook-Weisberg test affirms homoscedasticity, meaning the variance of the error terms is constant. Finally, the Ramsey RESET test finds no indication of model specification error or omitted variable bias. Collectively, these results validate the appropriateness of the model and the reliability of the regression outcomes for examining the relationship between institutional ownership and corporate sustainability disclosures among listed firms in East Africa Partner States.

Table 3: Summary of diagnostic test results

Test	Purpose	Statistic/Value	p-value	Decision / Interpretation
Unit Root (Stationarity)	Ensure variables are stationary	All tests (CSD, ROA, FS, FA, LEV, IO): statistics << 0	All < 0.05	No unit root; variables are stationary
Normality (Shapiro-Wilk)	Assess residuals for normality	adj chi2(2) = 3.90	0.1426	Residuals are normally distributed
Multicollinearity (VIF)	Detect correlation among predictors	Mean VIF = 1.26 (max = 1.31)	-	No multicollinearity (all VIF < 10)
Autocorrelation (Wooldridge)	Test for first-order autocorrelation	F(1, 30) = 0.885	0.3543	No evidence of autocorrelation
Heteroskedasticity (Breusch-Pagan/Cook-Weisberg)	Test for constant error variance	Chi2(1) = 0.12	0.724	Homoscedasticity assumed (constant variance)
Specification Error (Ramsey RESET)	Check model specification/omitted variables	F(3, 295) = 1.35	0.2577	No specification error detected

Source: Authors computation

Correlation analysis

The correlation results in Table 4 provides insights into the relationships between corporate sustainability disclosures (CSD) and various firm-specific characteristics and institutional ownership. Corporate sustainability disclosures have a significant positive correlation with several variables, indicating that certain factors are associated with higher levels of sustainability reporting. Notably, firm size (FS) has a weak but positive correlation with CSD ($r = 0.2813$, $p < 0.05$), suggesting that larger firms are more likely to disclose sustainability information, possibly due to greater public scrutiny and resource availability (Hussain et al., 2018). Additionally,

firm performance (ROA) shows a strong positive correlation with CSD ($r = 0.5818$, $p < 0.05$), implying that more profitable firms may have the means and incentive to engage in and report sustainable practices (Michelon et al., 2015). Firm age on the other hand seem to have weak correlation towards CSD ($r = 0.0388$, $p > 0.05$). Institutional ownership (IO) exhibits a weak positive correlation with CSD ($r = 0.4767$, $p < 0.05$), highlighting that firms with significant institutional investor presence are more likely to disclose sustainability information. This aligns with the idea that institutional investors push for greater transparency and sustainable practices to mitigate risks and enhance long-term value (Amran et al., 2014). Conversely, firm leverage (LEV) shows a significant negative correlation with CSD ($r = -0.3937$, $p < 0.05$), suggesting that highly leveraged firms may disclose less sustainability information, possibly due to resource constraints or risk-averse behavior (Al-Hadi et al., 2017).

Table 4: Correlation test results

	CSD	FA	FS	LEV	ROA	IO
CSD	1.0000					
FA	0.0388	1.0000				
FS	0.2813*	-0.1133*	1.0000			
LEV	-0.3937*	-0.1138*	0.0512	1.0000		
ROA	0.5818*	0.0697	0.1361*	-0.4034*	1.0000	
IO	0.4767*	0.0217	0.0534	-0.2761*	0.4214*	1.0000

Source: Authors computation

Regression results

To investigate the effect of institutional ownership on corporate sustainability disclosures (CSD) among listed firms in the East African Community (EAC) Partner States, a fixed-effects (within) regression model was applied to a balanced panel of 708 firm-year observations covering 59 firms over 12 years. The fixed-effects model is preferred in this context as it controls for unobserved, time-invariant firm-specific heterogeneity that could bias coefficient estimates, unlike the Ordinary Least Squares (OLS) approach, which assumes constant error variance and does not account for unobserved heterogeneity (Baltagi, 2008). The model's suitability was established via diagnostic tests, and the inclusion of key control variables—firm age (FA), firm size (FS), leverage (LEV), and firm performance (ROA)—ensures that the results account for other firm characteristics that could influence sustainability disclosure (Gujarati & Porter, 2009). The model's within R-squared is 0.3043 and overall R-squared is 0.5761, suggesting moderate explanatory power for the independent variables.

Table 5 presents the fixed-effects regression results. The coefficient for institutional ownership (IO) is positive and statistically significant ($\beta = 0.145$, $p < 0.001$), indicating that firms with higher levels of institutional ownership are more likely to engage in greater sustainability disclosures. This finding supports the argument that institutional investors, with their demand for transparency and robust corporate governance, drive firms toward more comprehensive ESG reporting (Zadeh & Eskandari, 2012; Prado-Lorenzo et al., 2009). Empirical evidence from other contexts confirms that institutional ownership encourages the adoption of best practices in non-financial disclosures, including in emerging markets where regulatory oversight may be weaker (Barako et al., 2006; Hossain et al., 2006). Institutional investors are typically more sophisticated, have greater monitoring capabilities, and pressure management to enhance transparency and disclosure quality (Bushee & Noe, 2000).

The regression further demonstrates a positive and significant association between firm performance (ROA) and CSD ($\beta = 0.151$, $p < 0.001$), echoing prior literature that financially successful firms are better positioned to allocate resources to sustainability initiatives and reporting (Wang et al., 2018). Higher profitability may also reflect effective stakeholder engagement and operational efficiency, both of which are positively related to ESG disclosure (Herremans et al., 1993; Clarkson et al., 2008). The stakeholder theory perspective posits that profitable firms have both the capacity and incentive to meet stakeholder expectations through transparent reporting (Freeman, 1984).

Firm size (FS) also shows a significant positive relationship with CSD ($\beta = 0.029$, $p = 0.011$). Larger firms tend to be more visible, subject to greater stakeholder scrutiny, and have more resources to implement sustainability

practices and disclosure frameworks (Kolk, 2008; Haniffa & Cooke, 2005). This result is consistent with findings from both developed and developing economies that firm size is a robust predictor of the extent and quality of sustainability disclosure (Cormier & Magnan, 2003).

Conversely, firm age (FA) and leverage (LEV) are negatively and significantly associated with CSD (FA: $\beta = -0.026$, $p = 0.002$; LEV: $\beta = -0.077$, $p < 0.001$). Older firms may be less agile or less willing to adapt to new reporting trends, potentially due to path dependency and established routines that resist change (Ntim et al., 2013). Meanwhile, highly leveraged firms may hesitate to disclose extensive sustainability information due to concerns about revealing potentially negative information to creditors, or may prioritize financial survival over voluntary disclosures (Brammer & Pavelin, 2008; Haniffa & Cooke, 2005).

The model's F-statistic ($F(9, 640) = 31.11$, $p < 0.001$) indicates overall statistical significance. The correlation between unobserved firm-specific effects and the regressors (corr(u_i, X) = 0.4471) justifies the fixed-effects approach, while the high intra-class correlation (Rho = 0.77) demonstrates that firm-specific characteristics account for a large share of the variance in sustainability disclosures. This supports previous evidence that fixed-effects models are appropriate in analyzing panel data where within-entity variation is of interest (Baltagi, 2008).

In summary, the results underscore the important role of institutional ownership in enhancing sustainability disclosures among listed firms in the EAC Partner States, consistent with findings from other developing and emerging markets (Barako et al., 2006; Prado-Lorenzo et al., 2009; Zadeh & Eskandari, 2012). Moreover, larger and more profitable firms tend to disclose more, while older and more leveraged firms disclose less, reinforcing patterns observed in global research (Haniffa & Cooke, 2005; Wang et al., 2018; Kolk, 2008). These insights suggest that regulatory efforts to encourage institutional investment, alongside capacity-building for transparency and sustainability reporting, could further enhance ESG disclosure practices in East Africa's capital markets

Table 5: Fixed effect regression results

Fixed-effects (within) regression	Number of obs	=	708				
Group variable: FIRMID	Number of groups	=	59				
R-sq: within = 0.3043	Obs per group: min	=	12				
between = 0.6507	Avg	=	12.0				
overall = 0.5761	Max	=	12				
	F (9, 640)	=	31..11				
corr(u_i, X) = 0.4471	Prob > F	=	0.0000				
CSD		Coef.	Std. Err.	t	P>z	[95% Conf.	Interval]
FA		-.0259483	.0082797	-3.13	0.002	-.042207	-.0096986
FS		.0289374	.0113494	2.55	0.011	.0066509	.0512239
LEV		-.0774335	.019745	-3.92	0.000	-.1162063	-.0386607
ROA		.1513576	.0340292	4.45	0.000	.0845352	.2181801
IO		.1450949	.0369291	3.93	0.000	.0725781	.2176117
_cons		-.4354905	.1150631	-3.78	0.000	-.6614374	-.2095437
sigma_u		.09497548					
sigma_e		.05193148					
Rho		.76983735	(fraction of variance due to u_i)				

Source: Authors computation

CONCLUSIONS AND RECOMMENDATIONS

Analyzing a sample of 59 companies listed across four East African Community (EAC) stock and securities exchanges over the period 2012–2023, resulting in 708 firm-year observations, this study set out to investigate the effect of institutional ownership on corporate sustainability disclosures (CSD) among listed firms. Utilizing

a fixed-effects regression approach and controlling for key firm characteristics such as firm size, age, leverage, and financial performance, the study revealed several notable findings. The results underscore that institutional ownership exerts a significant and positive influence on both the extent and quality of CSD in the EAC region. Firms with higher institutional ownership tend to be more transparent and proactive in sustainability reporting, a trend likely driven by the monitoring and accountability expectations of institutional investors. Additionally, both firm size and profitability (measured by ROA) show positive associations with CSD, indicating that larger and more profitable companies are more likely to engage in robust sustainability disclosure practices. In contrast, firm age and leverage were found to have a negative association with CSD, suggesting that older and more leveraged firms are less inclined to report on sustainability matters. These findings contribute to the literature by demonstrating that institutional investors play a pivotal role in advancing corporate sustainability disclosure practices within emerging capital markets, such as those in East Africa.

Based on the study's findings, several clear recommendations are proposed. First, it is crucial for regulatory bodies and policymakers in the EAC to foster greater participation of institutional investors in local capital markets. This could be achieved by offering incentives for long-term institutional investment and strengthening investor protection measures. Enhanced institutional participation is likely to increase pressure on firms to improve their transparency and sustainability reporting. Second, EAC stock exchanges and financial regulators should consider implementing more robust and standardized requirements for sustainability disclosures. Such requirements should not only align with global reporting frameworks but also reflect region-specific sustainability challenges, ensuring that disclosures are credible, comparable, and comprehensive. By doing so, risks of superficial compliance or greenwashing can be minimized. Third, capacity-building initiatives targeting listed firms, especially smaller or less profitable ones, should be prioritized. Providing training, technical support, and awareness campaigns will empower these companies to develop the skills and resources necessary for meaningful sustainability reporting and to meet rising investor expectations. Fourth, particular attention should be paid to older and highly leveraged firms, which the study identifies as less likely to disclose sustainability information. Regulators could develop targeted interventions—such as specialized workshops, compliance incentives, or tailored disclosure guidance—to encourage better reporting practices among these firms. Fifth, institutional investors themselves should continue to integrate environmental, social, and governance (ESG) criteria into their investment decisions. By actively using sustainability disclosures as part of their due diligence, institutional investors can further incentivize firms to enhance their sustainability practices and transparency. Lastly, future research should expand by examining other forms of ownership, as well as additional moderating or mediating variables—such as board diversity, governance mechanisms, or stakeholder engagement—that may shape the relationship between institutional ownership and CSD. Researchers should also consider longitudinal and cross-country studies to generalize findings and account for evolving sustainability reporting landscapes beyond the EAC.

While this study provides valuable insights, certain limitations should be acknowledged. The research focused exclusively on publicly listed companies within the EAC, limiting the generalizability of findings to other types of firms or regions with different governance systems. Additionally, the reliance on secondary data and recognized reporting frameworks introduces potential limitations related to self-reporting bias, the risk of greenwashing, and the absence of region-specific sustainability metrics. Although the Global Reporting Initiative (GRI) framework is comprehensive, it may not fully address unique local sustainability challenges, and some firms may only comply superficially.

REFERENCES

1. Abubakar, A. (2015). Corporate governance and financial performance of listed insurance firms in Nigeria. International Journal of Accounting, Finance and Risk Management, 1(3), 98–106. https://doi.org/10.11648/j.ijafrm.20150103.13
2. Acar, Z., & Çalıyurt, K. T. (2021). Does ownership type affect environmental disclosure? International Journal of Climate Change Strategies and Management, 13(5), 525–542. https://doi.org/10.1108/IJCCSM-02-2020-0016
3. Akben-Selcuk, E. (2016). Factors affecting firm competitiveness: Evidence from an emerging market. International Journal of Financial Studies, 4(2), 9. https://doi.org/10.3390/ijfs4020009

4. Al-Hadi, A., Hasan, M. M., Taylor, G., & Hossain, M. (2017). Market risk disclosures and the cost of equity capital: Evidence from the banking industry. Journal of International Accounting, Auditing and Taxation, 28, 1–13. https://doi.org/10.1016/j.intaccaudtax.2016.12.001
5. Aliyyah, N. R., Setiawan, M., & Prasetyo, A. R. (2021). Drivers of sustainability reporting practices in Indonesia: Institutional pressure perspective. Journal of Current Research in Business and Economics, 4(2), 124–134. https://jcrbe.org/index.php/rbe/article/view/428
6. Al-Najjar, B., & Kilincarslan, E. (2016). The effect of ownership structure on dividend policy: Evidence from Turkey. Corporate Governance: The International Journal of Business in Society, 16(1), 135–161. https://doi.org/10.1108/CG-09-2015-0129
7. Amran, A., Lee, S. P., & Devi, S. S. (2014). The influence of governance structure and strategic corporate social responsibility toward sustainability reporting quality. Business Strategy and the Environment, 23(4), 217–235. https://doi.org/10.1002/bse.1767
8. Baltagi, B. H. (2008). Econometric Analysis of Panel Data (4th ed.). John Wiley & Sons.
9. Barako, D. G., Hancock, P., & Izan, H. Y. (2006). Factors influencing voluntary corporate disclosure by Kenyan companies. Corporate Governance: An International Review, 14(2), 107-125. https://doi.org/10.1111/j.1467-8683.2006.00491.x
10. Brammer, S., & Pavelin, S. (2008). Factors influencing the quality of corporate environmental disclosure. Business Strategy and the Environment, 17(2), 120-136. https://doi.org/10.1002/bse.506
11. Bushee, B. J. (2015). Corporate disclosure practices, institutional investors, and stock return volatility. Journal of Accounting Research, 38(3), 171–202. https://doi.org/10.2307/2672914 (Note: The original article is from 2000, but you referenced 2015. For accuracy, cite as shown or correct date to 2000 if needed.)
12. Bushee, B. J., & Noe, C. F. (2000). Corporate disclosure practices, institutional investors, and stock return volatility. Journal of Accounting Research, 38, 171-202. https://doi.org/10.2307/2672914
13. Bushee, B. J., & Noe, C. F. (2000). Corporate disclosure practices, institutional investors, and stock return volatility. Journal of Accounting Research, 38(Supplement), 171–202. https://doi.org/10.2307/2672914
14. Clarkson, P. M., Li, Y., Richardson, G. D., & Vasvari, F. P. (2008). Revisiting the relation between environmental performance and environmental disclosure: An empirical analysis. Accounting, Organizations and Society, 33(4–5), 303–327. https://doi.org/10.1016/j.aos.2007.05.003
15. Clarkson, P. M., Li, Y., Richardson, G. D., & Vasvari, F. P. (2008). Revisiting the relation between environmental performance and environmental disclosure: An empirical analysis. Accounting, Organizations and Society, 33(4–5), 303–327. https://doi.org/10.1016/j.aos.2007.05.003
16. Cormier, D., & Magnan, M. (2003). Environmental reporting management: A continental European perspective. Journal of Accounting and Public Policy, 22(1), 43-62. https://doi.org/10.1016/S0278-4254(02)00085-6
17. Delfy, M., & Bimo, I. D. (2021). The institutional ownership and disclosure of sustainability report with environmental uncertainty as moderation variables. Accounting Analysis Journal, 10(3), 157–168. https://journal.unnes.ac.id/sju/aaj/article/view/45731
18. Dewi, G. A. A. P., & Wirawati, N. G. P. (2021). The influence of share ownership structure and company size on corporate social responsibility disclosures. American Journal of Humanities and Social Sciences Research, 5(5), 180–186. http://www.ajhssr.com/wp-content/uploads/2021/02/J21526773.pdf
19. Elkington, J. (1997). Cannibals with forks: The triple bottom line of 21st-century business. Capstone Publishing.
20. Fadhila, R. (2014). The effect of GRI-based sustainability reporting on company financial performance [Undergraduate thesis, Universitas Jambi]. https://repository.unja.ac.id/74810/
21. Freeman, R. E. (1984). Strategic Management: A Stakeholder Approach. Boston: Pitman.
22. Global Reporting Initiative. (2013). Sustainability Reporting Guidelines (Version G4). Amsterdam: Global Reporting Initiative. http://www.bsuceres.org/GRI/0404122011GRIReport2.pdf
23. Gray, R., Kouhy, R., & Lavers, S. (1995). Corporate social and environmental reporting: A review of the literature and a longitudinal study of UK disclosure. Accounting, Auditing & Accountability Journal, 8(2), 47–77. https://doi.org/10.1108/09513579510146996
24. Gujarati, D. N., & Porter, D. C. (2009). Basic Econometrics (5th ed.). McGraw-Hill/Irwin.
25. Habbash, M. (2019). The role of corporate governance regulations in constraining earnings management practice in Saudi Arabia. In M. Habbash (Ed.), Research in Corporate and Shari'ah Governance in the

Muslim World: Theory and Practice (pp. 167–191). Emerald Publishing. https://doi.org/10.1108/978-1-78973-007-420191011

26. Haniffa, R. M., & Cooke, T. E. (2005). The impact of culture and governance on corporate social reporting. Journal of Accounting and Public Policy, 24(5), 391-430. https://doi.org/10.1016/j.jaccpubpol.2005.06.001
27. Helfaya, A., & Moussa, T. (2017). Do board's corporate social responsibility strategy and orientation influence environmental sustainability disclosure? UK evidence. Business Strategy and the Environment, 26(8), 1061–1077. https://doi.org/10.1002/bse.1960
28. Herremans, I. M., Akathaporn, P., & McInnes, M. (1993). An investigation of corporate social responsibility reputation and economic performance. Accounting, Organizations and Society, 18(7-8), 587-604. https://doi.org/10.1016/0361-3682(93)90044-5
29. Hossain, M., Perera, M. H. B., & Rahman, A. R. (2006). Corporate social responsibility reporting: Illustrations from Bangladesh. Journal of Business Ethics, 61(2), 165-177. https://doi.org/10.1007/s10551-005-0273-2
30. Hussain, N., Rigoni, U., & Orij, R. P. (2018). Corporate governance and sustainability performance: Analysis of triple bottom line performance. Journal of Business Ethics, 149(2), 411–432. https://doi.org/10.1007/s10551-016-3099-5
31. Indy, L. A., Uzliawati, L., & Mulyasari, W. (2022). The effect of managerial ownership and institutional ownership on sustainability reporting and their impact on earnings management. Journal of Applied Business and Technology, 3(2), 108–119. https://equatorscience.com/index.php/jabter/article/view/48
32. Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. Journal of Financial Economics, 3(4), 305–360. https://doi.org/10.1016/0304-405X(76)90026-X
33. Johnson, S., & Johnson, J. (2015). Corporate financial structure and firm performance. International Journal of Financial Studies, 3(2), 204–222. https://doi.org/10.3390/ijfs3020204 (Ensure you use the correct Johnson & Johnson reference as per your actual source.)
34. Kolk, A. (2008). Sustainability, accountability and corporate governance: Exploring multinationals' reporting practices. Business Strategy and the Environment, 17(1), 1-15. https://doi.org/10.1002/bse.511
35. KPMG. (2011). KPMG international survey of corporate responsibility reporting 2011. https://assets.kpmg/content/dam/kpmg/pdf/2012/03/corporate-responsibility2011.pdf
36. KPMG. (2020). The time has come: The KPMG Survey of Sustainability Reporting 2020. KPMG International. https://home.kpmg/xx/en/home/insights/2020/11/the-time-has-come-survey-of-sustainability-reporting.html
37. Kumar, K., Aggarwal, P., & Singh, H. (2021). Sustainability reporting practices in India: Evidence from BSE 100 companies. International Journal of Environmental Sciences, 6(1), 33–47. http://theaspd.com/index.php/ijes/article/view/54
38. Leung, T. C. H., & Gray, R. (2016). Social responsibility disclosure in the international gambling industry: A research note. Meditari Accountancy Research, 24(1), 73–90. https://doi.org/10.1108/MEDAR-01-2015-0001
39. Michelon, G., Pilonato, S., & Ricceri, F. (2015). CSR reporting practices and the quality of disclosure: An empirical analysis. Critical Perspectives on Accounting, 33, 59–78. https://doi.org/10.1016/j.cpa.2014.10.003
40. Mistry, J., Sharma, U., & Low, M. (2014). Managers' perceptions and commitment to sustainability reporting: Evidence from a developing country. Pacific Accounting Review, 26(1/2), 88–114. https://doi.org/10.1108/PAR-06-2013-0052
41. Ntim, C. G., Opong, K. K., & Danbolt, J. (2013). Board size, corporate regulations and firm value in Africa. International Review of Applied Economics, 27(5), 623-650. https://doi.org/10.1080/02692171.2013.812933
42. Oware, K. M., & Worae, T. A. (2023). Sustainability (disclosure and report format) and firm performance in India: Effects of mandatory CSR reporting. Cogent Business & Management, 10(1), 2170075. https://doi.org/10.1080/23311975.2023.2170075
43. Prado-Lorenzo, J. M., Gallego-Álvarez, I., & García-Sánchez, I. M. (2009). Stakeholder engagement and corporate social responsibility reporting: The ownership structure effect. Corporate Social Responsibility and Environmental Management, 16(2), 94-107. https://doi.org/10.1002/csr.182

44. Prasetyo, K., Ningsih, S., Puspitasari, N., & Cahyono, S. (2023). Earnings management and sustainability reporting disclosure: Some insights from Indonesia. Risks, 11(7), 137. https://doi.org/10.3390/risks11070137
45. Pucheta-Martínez, M. C., & Chiva-Ortells, C. (2018). The role of directors representing institutional ownership in sustainable development through corporate social responsibility reporting. Sustainable Development, 26(6), 596–610. https://doi.org/10.1002/sd.1853
46. Raimo, N., Vitolla, F., Marrone, A., & Rubino, M. (2020). Factors affecting human capital disclosure in an integrated reporting perspective. Measuring Business Excellence, 24(3), 293–313. https://doi.org/10.1108/MBE-01-2020-0010
47. Rao, K., & Tilt, C. (2016). Board diversity and CSR reporting: An Australian study. Meditari Accountancy Research, 24(2), 182–210. https://doi.org/10.1108/MEDAR-08-2015-0052
48. Rehman, R. U., Riaz, Z., Cullinan, C., Zhang, J., & Wang, F. (2020). Institutional ownership and value relevance of corporate social responsibility disclosure: Empirical evidence from China. Sustainability, 12(6), 2311. https://doi.org/10.3390/su12062311
49. Salehi, M., Tarighi, H., & Rezanezhad, M. (2022). The effect of mandatory audit firm rotation on earnings management and audit fees: Evidence from Iran. Journal of Risk and Financial Management, 15(3), 102. https://doi.org/10.3390/jrfm15030102
50. Shafira, N., Nurkholis, & Rahman, A. F. (2021). Enhancing corporate social responsibility (CSR) transparency: The role of corporate governance in Indonesia's mining sector. Library of Progress Journal, 3(2), 87–101. [Available via ResearchGate]
51. Sharma, U., & Kelly, M. (2014). Students' perceptions of education for sustainable development in the accounting and business curriculum at a business school in New Zealand. Meditari Accountancy Research, 22(2), 130–148. https://doi.org/10.1108/MEDAR-12-2012-0042
52. Smith, M., Yahya, K., & Amiruddin, R. (2016). Environmental disclosure and performance reporting in Malaysia. Asian Review of Accounting, 24(3), 333–361. https://doi.org/10.1108/ARA-04-2014-0042
53. Suyono, E., & Farooque, O. A. (2018). Do governance mechanisms deter earnings management and promote corporate social responsibility? Accounting Research Journal, 31(3), 423–445. https://doi.org/10.1108/ARJ-09-2015-0117
54. Ullah, S., Mollah, M. B., & Saggar, R. (2019). Corporate governance and corporate social responsibility disclosures in insurance companies. International Journal of Accounting & Information Management, 27(2), 284–300. https://doi.org/10.1108/IJAIM-10-2017-0120
55. Velte, P. (2023). Sustainable institutional investors and corporate biodiversity disclosure: Does sustainable board governance matter? Corporate Social Responsibility and Environmental Management, 30(1), 1–18. https://doi.org/10.1002/csr.2537
56. Wang, J., Song, L., & Yao, S. (2018). The determinants of corporate social responsibility disclosure: Evidence from China. Journal of Cleaner Production, 177, 324-334. https://doi.org/10.1016/j.jclepro.2017.12.221
57. Wicaksono, A., Hermawan, A., & Wijaya, C. (2024). Institutional investor origin and listing status: Impacts on environmental disclosure in Indonesian firms. Journal of Cleaner Production, 438, 140469. https://doi.org/10.1016/j.jclepro.2023.140469
58. Wilburn, K. M., & Wilburn, H. R. (2013). Demonstrating a commitment to corporate social responsibility not simply shared value. Business and Professional Ethics Journal, 32(3/4), 215–237. https://www.jstor.org/stable/44074820
59. Zadeh, F. O., & Eskandari, M. (2012). Firm size and voluntary disclosure: The case of Iran. World Applied Sciences Journal, 17(2), 159-166. https://www.idosi.org/wasj/wasj17(2)12/6.pdf