

**EFFECT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE
DISCLOSURES ON FIRM VALUE: A CASE OF FIRMS LISTED AT THE
NAIROBI SECURITIES EXCHANGE**

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**A PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS
ADMINISTRATION DEGREE IN FINANCE OF
MOUNT KENYA UNIVERSITY**

MARCH 2025

DECLARATION AND APPROVAL

Declaration by the Student

This project is my original work and has not been presented for a degree in any other university or for any other award.

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I confirm that the work reported in this project was carried out by the candidate under my supervision.

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DEDICATION

I dedicate this research proposal to my beloved family, whose unwavering support and encouragement have been instrumental in my academic and professional journey.



ACKNOWLEDGEMENT

I would like to extend my sincere appreciation and acknowledgment to my research supervisor Dr. Daniel Makori at Mount Kenya University. Your guidance, support, and expertise have been invaluable throughout the research process, and I am truly grateful for your contributions to my academic and professional development.

To my parents, who have always been my pillars of strength, thank you for instilling in me the values of perseverance, hard work, and dedication. Your endless love and sacrifices have inspired me to pursue my dreams and strive for excellence in everything I do.

To my siblings, thank you for being my constant companions and for motivating me to push beyond my limits. Your belief in my abilities has given me the confidence to pursue challenging endeavors and never settle for mediocrity.

I am also thankful to Mount Kenya University for providing a conducive academic environment for my research pursuits.

ABSTRACT

Corporate sustainability reporting has gained prominence due to the growing emphasis on corporate responsibility, particularly regarding environmental, social, and governance matters. This practice enables companies to maintain transparency with their stakeholders. The purpose of this study was to evaluate the extent of ESG disclosures and their effect on the value of firms listed on the Nairobi Securities Exchange. The research objectives included analyzing how environmental, social, and governance disclosures individually influence firm value and assessing the moderating role of leverage in this relationship. The study was guided by stakeholder theory, legitimacy theory, and discretionary disclosure theory. A positivist research approach and descriptive research design was employed. The study focused on all 63 companies listed on the NSE, with managers serving as the primary units of observation. Through census sampling, one manager was selected from each firm, resulting in a total of 63 respondents. Data analysis was carried out using SPSS software, utilizing both descriptive and inferential statistical methods. Descriptive analysis involved the use of percentages and frequency distributions, while inferential analysis included Pearson correlation and multiple linear regression. The regression model helped determine the strength and nature of the relationship between the dependent and independent variables outlined in the study. Findings revealed that economic disclosure significantly and positively impacts firm value, as evidenced by a strong coefficient of +0.353 and a statistically significant p-value of 0.019. However, environmental disclosure showed a negative but statistically insignificant effect, with a coefficient of -0.03. Similarly, social disclosure demonstrated a weak positive but non-significant effect on firm value. Based on these findings, the study concluded that while governance (economic) disclosure plays a crucial role in enhancing firm performance, environmental and social disclosures currently have limited measurable impacts on firm value within NSE-listed firms. The study recommends that NSE-listed companies prioritize governance disclosures to improve transparency, investor confidence, and financial performance. It also suggests further research into other corporate governance practices that may influence firm value, as well as an expanded focus on different industries to enhance the generalizability of these findings.

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LIST OF ABBREVIATIONS AND ACRONYMS

COGS – Cost of Goods Sold

CSP – Corporate Social Performance

ESG – Environmental, Social and Governance

FV – Corporate Firm Value

GDP – Gross Domestic Product

GRI – Global Reporting Initiative

IIRC – International Integrated Reporting Council

KPIs - Performance Indicators

MNCs – Multi National Corporations

NFI - Non-Financial Information

NSE - Nairobi Securities Exchange

ROA – Return on Assets

ROI – Return on Investment

ROE – Return Equity

SDD – Sustainability Disclosure Database

SRI – Socially Responsible Investment

UNCTAD – United Nations Conference on Trade and Development

UNGC – United Nations Global Compact

UNEP – United Nations Environmental Programme

CHAPTER ONE

INTRODUCTION

This chapter will cover several essential components, including the background of the study, the statement of the problem, the study's purpose, research objectives, and research questions. Additionally, it will address the justification and significance of the study, as well as its scope, limitations, delimitations, assumptions, and the operational definitions of key terms.

1.1 Background to the Study

The societal function of business entities has undergone significant transformation in recent years (Brammer & Pavelin, 2018). Brammer and Pavelin (2018) highlight Edward Freeman's perspective, which emphasizes that businesses have long-term responsibilities toward social and environmental governance. This view has increasingly gained prominence, surpassing Milton Friedman's well-known assertion that a company's primary goal is to maximize profits. Firms are categorized as social businesses, as their legitimacy is contingent upon their ability to fulfill the needs and desires of stakeholders within the public and social domains. Chen, Olhager, and Tang (2020) argue that the reporting capabilities of a firm within its operating society are intertwined with its broad range of economic, environmental, social, and governance obligations. This power is linked to the allocation and utilization of time and resources within the purview of the business, which ultimately contributes to the generation of profits. As the organization expands, it accumulates additional resources, leading to an increase in its overall profitability (Ali *et al.*, 2004). Nevertheless, in light of the organization's constrained resources, there remains an ongoing discourse regarding the suitable extent, objective, and responsibilities of the company.

It is crucial to acknowledge that certain businesses have achieved a level of growth wherein their revenues surpass the Gross Domestic Products (GDPs) of the respective countries in which they conduct their operations. The entities referred to as corporate relations or Multi-National Corporations (MNCs) have acquired significant authority surpassing that of individual nations. Additionally, their impact extended to the emergence of global corporatism during the period spanning from 2000 to 2020. According to Kiron *et al.* (2019), the possession of such authority entails an augmented ethical responsibility for firms to disclose their comprehensive influence, encompassing both beneficial and detrimental aspects. As a result, it is crucial for findings to be based on a strategic approach that integrates both financial and non-financial elements, including environmental, social, and governance (ESG) considerations. Traditional financial reporting methods have limitations in fully capturing the concept of the triple bottom line, as noted by Prado-Lorenzo, Gallego-Alvarez, and Garcia-Sanchez (2019). This limitation is largely due to the narrow focus on financial information, often overlooking key ESG factors. Developing a standardized framework for businesses to document all aspects of voluntary disclosures can help bridge this gap. This objective can be achieved through the adoption of ESG reporting, as emphasized by Adebimpe, Ekubiat, and Bokime (2020).

1.1.1 ESG Disclosures

At present, there exists a multitude of key environmental, social, and governance (ESG) reporting frameworks, comprising more than twelve distinct approaches. Each framework is characterized by its unique assortment of metrics, methodology, and scoring system. According to Singhania and Saini (2021), these reporting frameworks play a fundamental role in establishing key performance indicators (KPIs), monitoring performance, and generating sustainability reports. The proliferation of ESG reporting

standards can be attributed to the increasing diversity of organizations engaging in reporting activities.

Given the unique characteristics of each sector, ESG components and implications vary across industries. As a result, reporting on additional metrics beyond ESG may be necessary and justifiable. Supporting this view, Bose (2020) found that various stakeholders, including investors, regulators, and customers, exhibit a strong interest in diverse forms of data. Consequently, different standards bodies have developed their own frameworks to meet these demands, often building upon existing standards. One such framework is the Carbon Disclosure Project (CDP), established in 2000, which seeks to establish a connection between environmental integrity and fiduciary duty. Today, CDP is widely used by more than 9,600 companies and 800 towns, municipalities, and regions worldwide to disclose environmental impacts, making it one of the most extensively utilized reporting frameworks.

CDP evaluates corporations annually by assessing their level of environmental transparency and engagement. This assessment is based on data collected through the organization's yearly reporting process. Investors leverage these scores, along with CDP data, to guide their decision-making processes. Companies with high CDP scores gain a competitive edge over their peers, as these scores serve as an internal tool for tracking progress and ensuring adherence to best disclosure practices (Yu & Van Luu, 2021). CDP primarily focuses on climate change-related factors such as carbon emissions, water usage, and deforestation. However, organizations seeking to disclose social and governance-related information must rely on supplementary reporting systems.

Similarly, the Climate Disclosure Standards Board (CDSB) framework, established in 2007 during the World Economic Forum (WEF) annual conference, was officially released in 2020. According to Yu and Van Luu (2021), the CDSB framework

emphasizes environmental reporting, much like the CDP framework, but distinguishes itself through several unique features. Meanwhile, the Global Reporting Initiative (GRI), founded in 1997, was developed as a response to the environmental impact of the Exxon Valdez oil spill. Created through a collaboration between the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Programme (UNEP), GRI has since evolved into the first global standard for sustainability reporting. Today, GRI remains one of the most widely adopted methods for ESG reporting, utilized by over 13,000 organizations in 90 countries (Cort & Esty, 2020). Furthermore, GRI standards have been translated into approximately twelve languages, reinforcing its global reach. Currently, more than 80% of the world's top 250 firms employ the GRI framework.

GRI provides comparable benefits to both small enterprises and large multinational corporations. In contrast, CDSB integrates climate change disclosure within conventional financial reports, such as annual reports and 10-K filings, while CDP offers a platform for data collection and reporting. By embedding sustainability within corporate strategy, CDSB seeks to bridge the gap between sustainability principles and business decision-making. Unlike some other frameworks, the CDSB Framework does not specify reporting metrics or KPIs. Instead, it relies on key performance indicators developed by organizations such as CDP, GRI, the World Resources Institute (WRI), the World Business Council for Sustainable Development (WBCSD), and the Sustainability Accounting Standards Board (SASB) (Cort & Esty, 2020).

A significant milestone in corporate reporting was marked by the introduction of the International Integrated Reporting Framework (IRF) by the International Integrated Reporting Council (IIRC) in 2022. According to Bose (2020), the IIRC aims to replace fragmented corporate reports with a cohesive model that explains how a company

creates, preserves, or erodes value over time. In essence, the Integrated Reporting Framework (IRF) seeks to provide concise sustainability information to investors, lenders, and insurers, streamlining corporate disclosure processes.

Another key framework, the Sustainability Accounting Standards Board (SASB), has developed a set of 77 industry-specific standards to help organizations identify and disclose financially material sustainability information to investors. Bose (2020) notes that these initiatives emerged in the late 2020s. A defining feature of SASB is its industry-specific approach, which identifies relevant sustainability issues and KPIs tailored to sectors such as transportation, utilities, and oil and gas. Singhanian and Saini (2021) emphasize that this approach is particularly beneficial for companies, as it helps them determine the financial significance of disclosure topics and identify appropriate KPIs for reporting.

As ESG disclosure gains prominence, five leading sustainability organizations—CDP, CDSB, GRI, IIRC, and SASB—have taken steps to enhance consistency in reporting formats. These entities have recently announced collaborative efforts to advance comprehensive corporate reporting. However, the long-term sustainability of ESG transparency remains uncertain, as its future evolution depends on various factors over time.

1.1.2 Firm Value

Firm value is essentially a measure of how much a company is worth, taking into account various factors that include not just its current earnings and assets, but also its future earning potential, its standing in the market (Singhanian & Saini, 2021). It is a comprehensive way to evaluate the financial health and long-term viability of a business. Investors, shareholders, and even the company's own leadership are keenly interested in firm value because it can indicate how well the company is likely to do in the future.

When a firm has a high value, it is generally seen as more attractive for investment, and it may have more resources to expand, innovate, and weather tough times (Bose, 2020). On the other hand, a low firm value could signal financial instability or lack of growth prospects, which could discourage investment and limit opportunities for the company. In recent years, how a firm handles environmental, social, and governance issues also become increasingly important in assessing its value. Companies that show responsibility in these areas are often seen as less risky and more sustainable in the long run, which can positively affect their overall value (Hahn & Kühnen, 2018).

Behl et al. (2021) used a four-wave cross-lagged panel structural equation modeling method to explore the reciprocal and self-predictive effects between environmental, social, and governance (ESG) disclosures and the financial performance of energy companies in India. Their findings revealed that the relationship between ESG disclosures and firm value is not bidirectional, either overall or within individual ESG components. The study noted that the autoregressive (AR) effects were stable, showing a negative correlation in the first two lags and a positive one in the final lag.

Qureshi et al. (2019) found a positive relationship between sustainability disclosure, board gender diversity, and firm value. This suggests that effective management disclosures, greater stakeholder trust, and increased female representation on corporate boards positively impact a company's value. Similarly, Wong et al. (2021) observed that the certification of ESG disclosures can reduce a company's cost of capital while significantly enhancing its Tobin's Q, indicating improved market valuation.

1.1.3 ESG Disclosures and Firm Value

The rise of sustainability disclosure practices in Kenya is linked to the increasing focus on corporate responsibility, particularly in terms of environmental, social, and governance (ESG) factors. This approach enhances transparency for stakeholders.

According to Pesci and Costa (2020), Kenya is one of the Sub-Saharan African countries implementing ESG reporting. Notably, the Nairobi Securities Exchange (NSE) is an active member of the Sustainable Stock Exchange Initiative, a partnership involving the United Nations Conference on Trade and Development (UNCTAD), the United Nations Global Compact (UNGC), and the United Nations Environment Programme (UNEP). This initiative aims to promote sustainability reporting within securities markets (SSEI, 2021).

Flower (2022) highlights that companies listed on securities markets tend to disclose more information about sustainable policies compared to non-listed firms, as also supported by Fernandez-Feijoo et al. (2020). In Kenya, leading companies such as Safaricom, SGS Kenya, and KCB have demonstrated a strong commitment to sustainability by publishing independent sustainability reports aligned with the Global Reporting Initiative (GRI) standards. Ng and Rezaee (2020) note that these reports are available on the Corporate Reporting Database.

Fatemi, Glaum, and Kaiser (2018) explored the impact of environmental, social, and governance (ESG) practices and disclosures on business value. They found that while strong ESG performance positively affects firm value, ESG weaknesses have a detrimental effect. Interestingly, the act of disclosing ESG information independently has a negative impact on valuation. However, disclosure serves a vital moderating role by reducing the negative effects of ESG weaknesses and enhancing the positive effects of ESG strengths.

Aouadi and Marsat (2018) conducted a study using data from nearly 4,000 companies across 58 countries between 2002 and 2022. Their findings reveal a positive relationship between ESG controversies and business value improvement. Despite this, the interaction between ESG controversies and corporate social performance (CSP) scores

does not directly influence firm value. Instead, the study suggests that CSP enhances market value through other mechanisms. Split-sample analysis shows that a higher CSP score boosts market value only for firms with significant visibility. These firms typically have larger size, better performance, operate in countries with higher press freedom, attract frequent online search activity, maintain strong analyst coverage, and possess a positive corporate social reputation.

Research indicates significant variability in the level of information disclosed in corporate sustainability reports, particularly regarding the factors driving these disclosures (Jain, Jain, & Rezaee, 2020). This issue is especially prevalent in emerging economies (Cho et al., 2020; Hahn and Kühnen, 2018), where firms' priorities for sustainability reporting often differ based on their institutional contexts. The current study seeks to fill a gap in the literature by examining the impact of integrating environmental, social, and governance (ESG) disclosures into the operations of publicly traded companies on the Nairobi Securities Exchange (NSE). Specifically, it aims to analyze the relationship between these ESG disclosures and firm value.

The Capital Markets Authority (CMA), established in 1989 through parliamentary legislation, serves as the primary regulatory body for Kenya's capital markets. Its main responsibilities include licensing and supervising market intermediaries, ensuring compliance with reporting standards on ESG matters, and maintaining ethical conduct among licensed entities. Additionally, the CMA oversees the issuance of capital market products, regulates securities and derivatives exchanges, and promotes market integrity (Kimani, 2021). In its efforts to support market development, the CMA collaborates with the Kenya Bankers Association (KBA), with industry progress largely shaped by evolving market conditions.

1.1.4 Listed Firms in NSE

The NSE can be traced to the year 1920, starting as an informal marketplace for the trading of local shares and stocks. However, a formal stock exchange was created by 1954, upon recognition of the NSE by the London Stock Exchange, as the latter's overseas subsidiary. It has had a remarkable development to become amongst the most vibrant stock markets in Africa (Gitahi, 2020). In terms of market capitalization, NSE is the fourth largest in Africa. Moreover, following the initial public offer (IPO) floated in 2021, the shares of the NSE are also formally traded under the symbol "NSE" (Gitahi, 2020). As per the NSE Handbook of 2020, although most NSE-listed entities are often leaders in their respective industries, they tend to vary in terms of competitiveness. This inter-firm variability in terms of competitive advantage could be attributed to strategic leadership, tech-innovation, and corporate culture. There are currently 63 drawn from various sectors of the Kenyan economy (NSE, 2020). Despite standard regulations and policies governing listing at the NSE and governance of the listed entities, they differ in with respect to competitive advantage.

1.2 Statement of the Problem

Corporate sustainability reporting has become a crucial component of corporate responsibility, particularly in addressing environmental, social, and governance (ESG) considerations. In Kenya, this practice is increasingly recognized for its role in enhancing transparency, accountability, and stakeholder trust. The Nairobi Securities Exchange (NSE) actively promotes ESG reporting through its participation in the Sustainable Stock Exchange Initiative (SSEI), a collaboration involving organizations such as the United Nations Conference on Trade and Development (UNCTAD), the United Nations Global Compact (UNGC), and the United Nations Environment Programme (UNEP).

Companies listed on the NSE, such as Safaricom, KCB, and SGS Kenya, have made notable progress by publishing stand-alone sustainability reports following Global Reporting Initiative (GRI) guidelines. Despite this progress, sustainability reporting remains largely voluntary, leading to inconsistencies in disclosure practices.

A key challenge in Kenya's ESG landscape is the uncertainty surrounding the impact of ESG disclosures on firm value. While global literature suggests that transparent ESG reporting can enhance firm performance, investor confidence, and corporate reputation, there is limited empirical evidence on whether these benefits materialize for NSE-listed firms. Research on ESG in Kenya has primarily focused on identifying factors influencing sustainability reporting (Ng & Rezaee, 2019) rather than evaluating how ESG disclosures affect firm performance and valuation. Additionally, there are conflicting findings in the literature—while some studies indicate a positive correlation between ESG reporting and financial performance, others suggest that the impact is marginal or context-dependent, varying across industries and regulatory environments (Fernandez-Feijoo et al., 2020; Jain, Jain, & Rezaee, 2020).

Kenya's unique economic and regulatory conditions further complicate ESG adoption. Unlike developed economies where regulatory frameworks mandate ESG disclosures, Kenya's reporting landscape is characterized by voluntary compliance, which may deter firms from fully embracing sustainability transparency due to perceived costs and unclear benefits. Additionally, weaker institutional frameworks and inconsistent enforcement of corporate governance regulations pose challenges for standardizing ESG practices (Cho et al., 2020). The extent to which external pressures—such as investor expectations, market competition, and international sustainability commitments—influence ESG adoption remains unclear.

This study seeks to address these gaps by investigating the relationship between ESG disclosures and firm value among NSE-listed firms. Specifically, it aims to determine whether firms that voluntarily disclose ESG information experience improved financial performance, investor confidence, and market valuation compared to non-disclosing firms. By analyzing the strategic role of ESG transparency in firm value creation, this research will provide empirical insights to guide policymakers, investors, and corporate leaders in fostering sustainable business practices. Understanding these dynamics is crucial for strengthening ESG adoption in Kenya and other emerging markets where sustainability reporting is still evolving.

1.3 Research Objectives

1.3.1 Broad Objective

The broad research objective was to assess the level of ESG disclosures and their effect on firm value among Nairobi Securities Exchange-listed firms.

1.3.2 Specific Objectives

- i. To determine the effect of environmental disclosure on values of Nairobi Securities Exchange-listed firms.
- ii. To assess the effect of social disclosure on the firm value of Nairobi Securities Exchange-listed firms.
- iii. To identify the effect of governance disclosures on value of firms listed on the Nairobi Securities Exchange.
- iv. To determine the moderating effect of leverage on the relationship between ESG disclosures and value of firms listed on Nairobi Securities Exchange.

1.4. Research Hypotheses

- i. Disclosing environmental disclosures has no significant effect on firm value of the Nairobi Securities Exchange-listed companies
- ii. Social disclosures have no significant effect on firm value of the Nairobi Securities Exchange-listed companies.
- iii. Disclosing governance disclosures has no significant effect on firm value of the Nairobi Securities Exchange-listed companies
- iv. Leverage does not significantly moderate the relationship between ESG disclosures and firm value of the Nairobi Securities Exchange-listed companies

1.5 Justification of the Study

This study was warranted by the growing acknowledgment of ESG disclosures as key factors influencing corporate performance and shaping investor decisions. As businesses and investors increasingly prioritize sustainability, it is essential to empirically analyze the impact of ESG reporting on firm value, particularly within the context of companies listed on the Nairobi Securities Exchange (NSE). By exploring this relationship, the research aims to enhance understanding of how ESG practices influence financial performance and market perception. The findings will provide valuable insights to support companies and investors in making informed, strategic decisions that promote both sustainability and long-term value creation.

1.6 Significance of the Study

Environmental, social, and governance (ESG) disclosures play a crucial role in the performance of businesses listed on the Nairobi Securities Exchange (NSE). The primary goal of this study is to investigate whether a relationship exists between ESG disclosures and the value of these firms. The findings are expected to provide valuable insights for

policymakers in shaping regulations, investors in making strategic investment decisions, and academics in advancing research on corporate sustainability and performance.

1.6.1 Policy Makers

The findings will have strong justifications for allocating resources towards enhancing environmental, social, and governance (ESG) reporting inside the country. This study is of significant value as it offers legislators an opportunity to acquire knowledge regarding the advantages of ESG disclosure in terms of financial stability. This will facilitate the key stakeholders in formulating enhanced and innovative approaches to tackle any challenges or obstacles that might emerge during the execution of obligatory ESG reporting. Additionally, this study will offer empirical evidence regarding the influence of ESG disclosures on corporate value. This data can be utilized in both short-term and long-term initiatives, such as poverty alleviation and crisis management.

1.6.2 Investors

Investors derive advantages from ESG disclosures since they are able to evaluate both the financial standing of a firm and its compliance with ESG disclosure obligations prior to making an investment determination. Conversely, the analysis facilitates the process of comparing particular companies to established benchmarks. Correlation analysis is a valuable tool for assessing the advantages of incorporating environmental, social, and governance (ESG) disclosures into investments. However, it is important to acknowledge that the existing evidence indicates that the utilization of different metrics to define both ESG disclosures and economic value might result in divergent outcomes. The survey will provide investors with the opportunity to gain knowledge regarding the firms' adherence to regulatory requirements.

1.6.3 Researchers and Academicians

This study is highly relevant for researchers and academics, as it seeks to examine the impact of ESG disclosures on the valuation of publicly listed companies in Kenya and potentially other countries. By exploring this relationship, the findings will expand the existing body of knowledge on corporate sustainability, providing a solid foundation for future research on various ESG-related topics. The study aims to deliver a comprehensive analysis of how ESG factors influence the growth, sustainability, and long-term success of NSE-listed firms. These insights will support stakeholders, including business leaders, investors, and policymakers, in developing more effective strategies to address challenges and opportunities in corporate sustainability and governance practices.

1.7 Scope of the Study

The study aimed to evaluate the extent of ESG disclosures and their effect on the value of firms listed on the Nairobi Securities Exchange (NSE). It focused on key areas, including environmental, social, and governance disclosures, as well as the moderating role of leverage in influencing firm value. The research was carried out within the context of companies listed on the NSE, providing insights into the relationship between ESG transparency and corporate performance.

1.8 Operational Definition of Key Terms

Disclosures: According to Li et al. (2018), disclosures in a business context refer to the timely provision or reporting of significant positive or negative information about a company that can influence investors' decision-making processes.

Environmental disclosure: As described by Bernardi and Stark (2018), environmental disclosure involves informing stakeholders about the impact of the organization's activities on the environment.

Firm Value: Wang and Sarkis (2021) define firm value as an economic concept that reflects a company's worth based on market capitalization. It is influenced by various factors such as capital investment, competitive advantage, and total revenue, among other key parameters.

Governance disclosures: Bernardi and Stark (2018) explain governance disclosures as the process of sharing all pertinent information regarding a company's operations and leadership structure with stakeholders through reports and official documents.

Mandatory disclosures: Cormier and Magnan (2021) describe mandatory disclosure as the legal requirement for companies to publicly share specific information to remain compliant and continue operating within a given jurisdiction.

Social disclosures: Bernardi and Stark (2018) define social disclosures as the practice of reporting how an organization addresses its social responsibilities, particularly in areas such as recruitment, selection, and other operational activities.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a comprehensive analysis of the existing literature pertaining to the influence of ESG disclosures on business value, drawing upon prior research studies. Numerous empirical investigations have been undertaken to examine the influence of environmental, social, and governance (ESG) factors on the growth trajectory of companies. This critical review aims to examine and contrast the claims put out by different business experts regarding the impact of Environmental, Social, and Governance (ESG) disclosures on corporate growth across multiple countries. The chapter will commence by adopting a worldwide viewpoint prior to narrowing its attention to Kenya. This chapter will present a theoretical literature survey, along with a theoretical assessment and conceptual framework that offers a critical evaluation of fundamental theories in the field of ESG disclosures. Subsequently, a comprehensive examination of the variables and their impact on a company's valuation will ensue. This chapter encompasses an evaluation of the prevailing body of literature pertaining to ESG disclosures, along with an examination of the present research void. Additionally, a critical analysis of the available literature is presented.

2.2 Theoretical Review

This section delves into theoretical frameworks that pertain to the impact of ESG disclosures on corporate valuations. Theories are articulated and critically evaluated in order to demonstrate their relevance to the study and their alignment with the central argument put forth in the thesis. The present study incorporates many theoretical frameworks, namely Edwarn Freeman's stakeholder theory, legitimacy theory, and discretionary-based disclosure theory.

2.2.1 Stakeholder Theory

The stakeholder theory, introduced by Edward Freeman in 1984, posits that an organization is an integral component of the broader social system. According to this theory, the long-term viability of a corporation hinges upon its ability to effectively navigate and nurture relationships with various stakeholder groups, extending beyond the sole focus on shareholders. Oladipupo Mathias and Mohammed (2020) have posited that the theory can be employed to elucidate the rationale behind a company's voluntary decision to provide sustainability information as a means to resolve stakeholder concerns. Stakeholders exhibit diverse characteristics and dimensions, hence presenting distinct viewpoints regarding the operational aspects of the organization (Herly & Sisnuhadi, 2020).

The Stakeholder Theory serves as a framework within capitalism that highlights the interconnected relationships between a company and its diverse stakeholders, such as customers, suppliers, employees, investors, and communities. Herly and Sisnuhadi (2020) assert that businesses should strive to create value for all stakeholders, rather than exclusively prioritizing shareholders. Originally introduced by Edward Freeman in 1984, this theory integrates ethical and moral considerations into organizational management and corporate governance. The notion has been widely employed by numerous researchers in their scholarly investigations and published works, serving as a fundamental basis for subsequent exploration and advancement. Consequently, it has emerged as a crucial factor in the examination of corporate ethics (Oladipupo, Mathias & Mohammed, 2020). Since the 1980s, there has been a growing recognition of the notion, leading to extensive discussions among global experts over the fundamental purpose of corporate sustainability, namely the reliance on shareholders' funds. This

reliance is considered one of the primary factors driving the need for Environmental, Social, and Governance (ESG) disclosures.

Prominent stakeholders, such as governmental entities, have the ability to utilize accounting information obtained from a corporation to facilitate the redistribution of its resources. Various forms of regulation, such as the implementation of new taxes, the establishment of price controls, and the practice of lobbying, exemplify mechanisms that can be employed to facilitate the redistribution of wealth. The organization could potentially experience substantial financial expenses due to these measures. Organizations endeavor to effectively handle these associations through the voluntary revelation of sustainability data, with the aim of mitigating expenses like as taxes, fees, and penalties, while also securing specific benefits such as subsidies and grants (Herly & Sisnuhadi, 2022).

This hypothesis has been widely employed in numerous research studies to ascertain ESG disclosures. The study conducted by Rouf (2021) provided empirical evidence supporting the notion that stakeholder power exerts influence on the disclosure of environmental, social, and governance information. This investigation was conducted within the theoretical framework of stakeholder theory. The study conducted by Cho, Roberts, and Patten (2021) revealed that the extent to which a corporation engages with various stakeholder groups and its overall stance on sustainability reporting are the primary determinants of the level of disclosure, as viewed through a resource-based lens. Consequently, the theory holds significant importance in this study as it provides essential insights into the variable of stakeholder qualities. To cultivate a favorable reputation among influential stakeholders, the corporation is confronted with the necessity of engaging in negotiations pertaining to multiple "social contracts." According to Eccles and Krzus (2018), the social contracts in question will encompass several

stakeholder groups, as opposed to a singular "social contract" only with the general public. According to Pucci *et al.* (2018), executives of firms engage in the identification and management of different stakeholder connections, taking into consideration the extent of their influence on the company's operations. The corporation assigns greater importance to a stakeholder who possesses more influence compared to other stakeholders. According to Cho and Patten (2021), it is further contended that this would lead the corporation to allocate additional resources towards addressing the requirements of this stakeholder group. Consequently, the utilization of sustainability data emerges as a crucial instrument for effectively managing relationships with stakeholders within the organization. The objective is to achieve an optimal equilibrium between the interests and apprehensions of all stakeholders, thereby fostering value generation at both the organizational and stakeholder levels.

2.2.2 Legitimacy Theory

Suchman (1995, p. 574) defines legitimacy as the general perception or belief that an organization's actions are appropriate and acceptable within the context of socially established norms, values, beliefs, and definitions. Legitimacy theory posits that companies share information about their social responsibility activities to portray themselves as socially responsible and to secure legitimacy in the eyes of their stakeholders. This theory is founded on the concept of a social contract between businesses and the wider society. It underscores the role of cultural expectations in shaping corporate social and environmental disclosures. These disclosures are essential for organizations to gain acceptance from the communities they serve and to minimize the risk of penalties. By aligning their disclosures with societal expectations, companies can influence public perception. When an organization's activities conflict with social or moral standards, it may face significant consequences from society. Nevertheless, it is

often believed that the distinctiveness of organizational resources will remain intact for a predetermined duration prior to being altered by particular entities (Gupta & Nayar, 2021). At this juncture, the business will strategically position itself to use resource empowerment and subsequently gain the associated rewards.

According to Neely, Gregory, and Platts (2020), it is imperative for corporate organizations to attain their objectives by assessing the actions undertaken by specific entities in order to fulfill their strategic goals. Historically, corporate strategy has exhibited a preference for externally oriented strategies that aim to enhance long-term performance by generating higher sales and implementing measures to mitigate competition (Gray, 2020). The motivation for sustainability disclosure has undergone a shift due to firms' inclination towards reducing levels of information asymmetry. This assertion aligns with Krippendorff's (2020) argument that the presence of resource heterogeneity within a company enables exploration of unconventional business requirements and domains. A variety of resources, encompassing both financial and non-financial assets, are accessible. According to Higginson, Simmons, and Warsame (2020), companies can enhance their positioning as platforms for reducing information costs through the utilization of non-financial resources.

Understanding internal resources is essential for companies to successfully implement sustainable disclosure practices. This process involves assessing how well the organization recognizes the benefits that can result from the extent of its disclosure of economic, social, environmental, and governance information (Cataldo & Rowlands, 2020; Choudhury, 2020). Given the challenges associated with extensive data disclosure and accessibility, organizations must demonstrate boldness, a willingness to take risks, and a strong commitment to improving the quality of services provided to their clients.

2.2.3 Discretionary-Based Disclosure Theory

The fundamental concept that serves as the foundation for this study is Discretionary-based Disclosure, which adopts a perspective that considers disclosure as endogenous by considering the motivations of managers to disclose particular types of information. Verrecchia (2021) posits that the concept being discussed here falls under the domain of Game Theory, specifically focusing on the fundamental assumption that entities consistently evaluate the costs and benefits associated with the act of exposing information. The underlying rationale posits that the benefits associated with voluntary disclosure ought to surpass the associated expenses. In the context of managers aiming to enhance shareholder value, it seems that there is a tendency towards selective disclosure, wherein information that is advantageous to the organization is made public, while information that may be detrimental is withheld. The theory under review examines the circumstances that influence organizations to voluntarily disclose information, driven by strategic interactions with external stakeholders such as investors and competitors (Sethi et al., 2021). This framework helps identify the factors that prompt managers or companies to make such disclosures. As a result, specific organizational characteristics may provide insight into the motivations and decisions behind voluntary disclosure practices.

According to Verrecchia (2021), firms are required to document and disclose favorable performance as per the theory, with the intention of revealing a sustained pattern over time. The association between voluntary disclosure and sustainability reporting has also been established in the context of signaling theory. There is a notable correlation between sustainability disclosure and the level of information asymmetry as reported by corporations. The accessibility of informational content significantly influences the financial investments made by investors in stocks. Hyvönen (2021) posits that the

utilization of sustainability disclosure by management can serve as a mechanism to reduce the expenses associated with accessing information. According to Sethi *et al.* (2021), it is imperative for companies to provide transparency on their organizational disclosures and internal sustainability disclosure procedures. This requirement is grounded in appropriate theoretical frameworks. These activities could contribute to the development of a corporate culture that facilitates the attainment of required sustainability disclosure criteria, while also managing environmental risks and fostering a positive work environment.

Diverging perspectives within an organization can result in increased monitoring and agency costs. Lee (2021) suggests that organizational management may be motivated by the need to secure their positions, which often depend on performance outcomes. Consequently, engaging in sustainability initiatives might adversely impact performance assessments and heighten tensions among stakeholders. Jain *et al.* (2020) propose that ESG disclosures can function as a tool to assess management quality, consistent with the principles of agency theory. The extent of information disclosed in reports is influenced by management's discretion, with the potential to strategically use such disclosures to ease shareholder concerns and highlight their decision-making capabilities (Maniora, 2021).

The idea holds relevance in the context of this study since it recognizes that firms need to tailor their sustainability disclosure disclosures to meet the diverse needs of various stakeholders. Implementing this approach would result in the conservation of resources that would otherwise be allocated towards addressing external pressures. According to Hummel and Schlick (2020), it is imperative for management to employ all possible methods to effectively communicate necessary information to the many stakeholders, given their diverse nature.

2.3 Empirical Review

According to Buhr (2019), there is evidence of ESG reporting dating back to the 1940s. During that period, research efforts were focused on factors beyond the conventional calculation of profit and loss. Various elements will be considered, including wages, human relationships, health, education, and public and community relations (Minguel, 2021). These metrics will be employed to evaluate the performance of a corporation in dimensions beyond financial profitability. The primary purpose of the data will predominantly be for internal utilization, wherein managers would employ it to ensure the competitiveness of their own organizations. During the 1970s, there was a transition towards a broader kind of corporate responsibility reporting, encompassing a wider range of issues beyond social responsibility.

Nevertheless, a point of contention may arise over the intended audience for these corporate responsibility reports, namely whether they are intended for internal or external use. The aforementioned reports will be retained for internal utilization by a substantial multitude of enterprises. According to Minguel (2021), external entities exerted more pressure on corporations to reveal their responsibility reports by developing their own social auditing measures. The adoption of sustainability reporting emerged as a significant concept. Consequently, firms will be compelled to utilize such reports for external objectives (Buhr, 2019). The establishment of the practice was also influenced by governments and market regulators, who became actively involved in response to crises and emerging difficulties inside their respective markets.

It is evident that the pervasive interest in redefining corporate responsibility has emerged due to a growing demand from stakeholders for firms to enhance transparency in their operations and mitigate adverse effects (Schaltegger *et al.*, 2020). The worries associated

with the increasing problems, such as global warming, have been extensively discussed across all societal spheres. These concerns have resulted in stakeholder pressure, as highlighted by Bradford *et al.* (2021). There has been a growing interest among individuals and governing bodies in investigating the nature of the goods and services they consume, which can be attributed to a broader surge in societal consciousness over this matter. In a similar vein, there is a growing trend among communities to hold businesses accountable for the environmental and social impacts they generate (Hughen *et al.*, 2021).

Corporate sustainability reporting, often referred to as the triple bottom line approach, is designed to address the needs and concerns of multiple stakeholders. This approach reflects an organization's corporate responsibility by integrating economic, environmental, and social factors (Azlan & Roszaini, 2021). Traditional financial reporting has limited capacity to capture the full scope of the triple bottom line due to its primary focus on economic performance, often overlooking social and environmental dimensions (Raar, 2018). To fill this gap, corporate sustainability reporting has evolved, placing greater emphasis on both internal and external stakeholders and ensuring a more comprehensive representation of organizational responsibility (Hughen *et al.*, 2021).

Corporate sustainability reporting has had a surge in popularity among both academic researchers and business practitioners since its emergence in the 1990s (Sen & Das, 2018). Within the realm of academia, considerable scholarly focus has been directed towards the subject of corporate sustainability reporting. Scholars have undertaken extensive research to examine the historical progression of this practice and to ascertain the underlying objectives and advantages that drive organizations to adopt it (Herzig & Schaltegger, 2019). Concurrently, there exists a body of literature that has initiated discussions by critically evaluating the extent to which corporate sustainability reporting

genuinely embodies conscientiousness (Hummel & Schlick, 2020). The involvement of managers in conversations and decision-making processes pertaining to the long-term sustainability of their enterprises is emphasized (Schaltegger & Burritt, 2020).

In spite of the aforementioned variations, there is a growing consensus among business executives on the heightened significance of corporate sustainability reporting (Deegan & Islam, 2020). Corporate sustainability reporting allows organizations to effectively monitor, manage, and communicate the impact of their operations on both internal and external environments (Chiu & Wang, 2020). Although companies may use different methods to disclose sustainability information, these approaches are typically aligned with the concept of the triple bottom line, which encompasses three core dimensions: environment, economy, and society—also referred to as the 3 Ps: people, planet, and profits (Bradford et al., 2021; Sen & Das, 2022). Hahn and Lülfs (2018) note that corporate governance reports often include non-financial information and are typically voluntary in nature.

2.3.1 Environmental Disclosure and Firm Value

Adebimpe (2020) asserts that environmental accounting comprises comprehensive information pertaining to several dimensions of the environment, such as financial outlays, environmental advantages of products, and in-depth analysis of ongoing operations. Research has shown substantial empirical evidence indicating a positive relationship between environmental disclosures and improved corporate performance. Wang and Sarkis (2021) found a significant connection between financial metrics, such as profitability, and environmental efforts, particularly pollution control, within the pulp and paper industry. Similarly, Truant et al. (2021) highlighted that fostering this positive relationship can be achieved through strategies such as technology transfer, total quality environmental management, and other sustainability-focused practices. Molla *et al.*

(2019) claim that there exists a correlation between the progress of pro-environmental technology and the enhancement of productivity and quality within corporate operations. The result presented in the statement is supported by additional studies conducted by Zhu *et al.* (2022) and Ehnert *et al.* (2020), suggesting that the adoption of enhanced environmental and social disclosures can contribute to the attainment of a competitive edge for enterprises, thus leading to improved performance.

Siew (2020) conducted an empirical study focused on the Chinese manufacturing sector, which revealed significant relationships between the adoption of green supply chain management practices and improvements in both environmental and economic performance. These findings highlight the potential benefits of integrating sustainable strategies into supply chain operations. According to previous research conducted by Amran *et al.* (2018), Bernardi and Stark (2018), Wu and Pagell (2022), and Hofer *et al.* (2022), it has been observed that the implementation of environmental management methods has the potential to foster innovation. Consequently, the integration of innovation within organizations can effectively contribute to the expansion of their market presence and the reduction of operational expenses, thereby leading to enhanced financial profitability. Semenova and Hassel (2008) claim that the enhancement of market value is the primary outcome of environmental preparation, with reputational advantages being the driving force behind this increase. Additionally, they suggest that operational financial performance can also be positively influenced by environmental performance. In their study, Corazza and Scagnelli (2021) found a significant correlation between a company's environmental performance and its financial success. The researchers observed that improvements in environmental performance were associated with good effects on financial outcomes, and conversely, positive financial performance was linked to enhanced environmental performance. According to Guoyou *et al.* (2022),

organizations that integrate ISO 14001 standards into their day-to-day activities observe enhanced environmental and financial outcomes. The authors also show comparable results in their study.

Some studies have indicated a negative relationship between sustainability activities and firm performance, arguing that sustainable initiatives can lead to higher operational costs and increased product prices, potentially reducing financial performance and market share (Tang et al., 2022; Giannarakis, 2021). Giannarakis (2021) found that environmental regulations are negatively associated with productivity, suggesting that corporate social responsibility (CSR) efforts, particularly those related to environmental sustainability, may adversely affect both financial and operational performance. Similarly, Sethi, Martell, and Demir (2021) noted that environmental investments can conflict with the goal of maximizing shareholder profits. Their research revealed that the adoption of ISO 14001 environmental management systems has been linked to lower profitability, highlighting the challenges businesses face when balancing sustainability and profitability.

Fernando et al. (2021) found that the adoption of green environmental strategies does not lead to an increase in market valuation. Their research also suggests that there is no statistically significant difference in performance between companies that implement green strategies and those that do not pursue environmentally focused initiatives. These findings challenge the assumption that sustainability efforts automatically translate into enhanced financial performance. Inappropriate environmental management solely contributes to the devaluation of the market. According to Njoroge's (2019) study, there is evidence supporting the notion that voluntary company environmental measures have adverse impacts on shareholder wealth. According to their assertion, corporations that publicly declare their involvement in environmental initiatives experience notably

adverse anomalous market returns. A further worry arises from the possibility that corporations may outwardly adhere to environmental policies while not genuinely pursuing the associated objectives (Haque & Ntim, 2018). Based on the aforementioned prior studies, the researcher asserts that corporate efficiency is favorably correlated solely with policies that either decrease expenses or enhance revenue.

2.3.2 Social Disclosures and Firm Value

Social accounting duties can serve as a means to furnish stakeholders and the wider society with pertinent information regarding a corporation's engagement with social policy matters. According to Choudhury (2020), stakeholders have the ability to utilize the information that has been made public in order to make informed decisions regarding whether or not to engage in business transactions with a company, and if so, on what grounds. According to Ng and Rezaee (2019), social disclosure may be described as the process of compiling and disseminating a comprehensive report that encompasses a company's engagements and undertakings with various stakeholders, including social, environmental, employee, community, and customer contacts. This report also highlights the outcomes and implications of these interactions and activities, if relevant.

Minguel (2021) suggests a modest positive relationship between corporate behavior and favorable financial outcomes, which may be influenced by reverse causality—where financially successful organizations are more likely to make substantial societal contributions. In his study, Minguel (2021) examined the impact of corporate philanthropy, as part of corporate social responsibility (CSR), on sales growth. The findings revealed a significant correlation between charitable donations and future revenue, although the influence of reverse causality on future revenue was relatively weak. Schaltegger et al. (2020) noted that consumers tend to favor socially responsible

companies and are often willing to pay higher prices for products associated with philanthropic efforts.

Githinji (2020) highlights how Equity Bank strategically incorporates CSR through the Equity Group Foundation, aiming to improve profitability, enhance customer and employee retention, strengthen its reputation, and reduce costs. However, proponents of shareholder wealth maximization theory argue that CSR activities may have an inverse relationship with firm success, suggesting that prioritizing social initiatives could detract from financial performance.

It is often argued that the primary goal of corporate social responsibility (CSR) should be to enhance a company's financial performance. Friedman contends that CSR is an expensive undertaking, where the costs of implementing such initiatives may outweigh the financial benefits, thereby reducing shareholder value through diminished financial performance. Manescu (2022) points out that stock prices inadequately reflect indicators such as human rights and product safety, despite their potential significance. Similarly, Scholtens and Zhou (2008) found that stakeholder interactions and shareholder performance are interconnected in complex ways.

Bradford et al. (2021) argue that existing research has not provided conclusive evidence on the positive impact of socially responsible investments (SRI) on shareholder value. In line with this view, Cormier and Magnan (2021) suggest that CSR activities may negatively affect a firm's financial outcomes. Crifo, Forget, and Teyssier (2020) highlight that when managers divert corporate resources toward social initiatives, it imposes a direct financial burden on shareholders. Furthermore, Orlitzky (2022) notes that the absence of a clear relationship between CSR efforts and a firm's economic fundamentals, along with information asymmetry, may lead to adverse effects on stock performance.

These consequences could include increased market volatility and the formation of stock price bubbles.

The neutral perspective suggests that there is no significant relationship between corporate social responsibility (CSR) and corporate business value. Proponents of this view argue that the lack of a clear connection can be attributed to the numerous factors influencing the relationship between social and financial performance. Crifo, Forget, and Teyssier (2020) suggest that the absence of substantial findings may stem from limitations in measurement and gaps in the theoretical framework. Additionally, when applying Carroll's CSR conceptual model, no direct correlation between CSR initiatives and financial profitability is evident.

Azlan and Roszaini (2021) argue that corporate social performance, such as charitable giving, can positively impact financial performance, though this effect may only materialize in the long term. Industries that are highly dependent on reputation, branding, and extensive natural resource usage may experience greater long-term benefits from CSR practices (Eccles et al., 2021). However, similar to environmental activities, social initiatives often raise concerns about increased costs, which can affect short-term financial performance. These concerns underscore the complex and context-dependent nature of the relationship between CSR and business value.

2.3.3 Governance Disclosures and Firm Value

Corporate governance refers to the set of policies and processes that guide the direction and control of a business. Raar (2018) emphasizes that creating a governance framework is essential for defining a company's objectives, outlining the strategies to achieve those objectives, and assessing the organization's performance. This framework ensures accountability and transparency in decision-making, ultimately promoting the

sustainable growth of the firm. The existing body of literature pertaining to the association between corporate governance and company performance predominantly indicates a positive correlation, whereby enhanced corporate governance disclosures are associated with improved company performance. The aforementioned studies posit that there exists a strong interconnection between good governance and sustainability, and advocate for the integration of corporate governance within the framework of sustainability (Galbreath, 2022; Saltaji, 2022). Sen and Das (2018) posit that directors hold the belief that a correlation exists between responsibility and performance, and that the attainment of shareholder value is contingent upon the simultaneous achievement of stakeholder value. In addition, the integration of these two methodologies functions as a facilitator for achieving sustained accomplishments, while also serving as a proficient mechanism for mitigating risks and enhancing organizational standing through the prevention of corporate misconduct (Herzig & Schaltegger, 2019). Tian and Twite (2022) explore the growing body of empirical research on the relationship between corporate governance and business performance, as well as how investors interpret and respond to this relationship. Bradford et al. (2021) found that companies in the United States with stronger governance disclosures tend to have higher return on equity (ROE), return on assets (ROA), and Tobin's Q. Implementing an effective corporate governance framework can significantly improve a company's overall performance. However, organizations must carefully assess whether the costs of establishing and maintaining such a framework outweigh the potential benefits it provides.

The research conducted by Habbash *et al.* (2021) has demonstrated the established correlation between a company's corporate governance and its ability to deter management opportunistic behavior, therefore leading to enhanced financial performance. Hahn and Lülfs (2018) argued that there exists less empirical support for

the proposition that firms with superior management exhibit more profitability. Conversely, Ammann *et al.* (2022) found that sound corporate governance disclosures are associated with a significantly elevated market valuation for a company.

The majority of empirical corporate governance research employs comparable factors to assess the effectiveness of corporate governance implementation. Tian and Twite (2022) identify key factors influencing corporate governance, including executive compensation, shareholder rights, ownership structure, and board characteristics. Khlif, Guidara, and Souissi (2020) found that for U.S. investors, important board characteristics include the number of board meetings held annually, board size, and the proportion of independent directors. Similarly, Zhu *et al.* (2020) observed a positive relationship between the empowerment of independent directors and increased business value within Chinese companies. These findings underscore the significance of board structure and governance practices in enhancing corporate performance and investor confidence.

Research has demonstrated that the inclusion of women on corporate boards can positively influence corporate financial performance (CFP) (Hoobler *et al.*, 2020; Terjesen *et al.*, 2020; Wang, 2022). Additionally, effective corporate governance has been found to enhance CFP, particularly in industries such as banking (Esteban-Sanchez *et al.*, 2021). Building on this foundation, the present study integrates global sustainable governance principles into its analytical framework to explore how governance practices affect business efficiency and performance. This approach aims to provide deeper insights into the role of governance in promoting corporate sustainability and financial success.

2.3.4 Leverage and Firm Value

The relationship between leverage and firm value has been a central topic of interest in both corporate finance and financial economics. The capital structure decisions of firms,

specifically the choice between debt and equity financing, have significant implications for their overall value and financial performance. Modigliani and Miller (1958) pioneered the theoretical foundation for analyzing capital structure decisions in their groundbreaking propositions, suggesting that under certain assumptions, the value of a firm is independent of its capital structure. However, this irrelevance proposition has been subjected to extensive criticism and modification over the years, leading to the development of various theories that consider market imperfections, taxes, bankruptcy costs, and agency conflicts.

One widely studied perspective is the trade-off theory (Kraus and Litzenberger, 2018), which posits that firms balance the tax benefits of debt with the costs of financial distress. Firms may choose an optimal level of leverage that maximizes the value of the firm by considering the tax shield from interest payments while avoiding excessive risk of bankruptcy. Empirical studies have examined the trade-off between tax benefits and bankruptcy costs (Titman and Wessels, 2018), providing evidence that moderate levels of debt can enhance firm value.

Rajan and Zingales (2021) analyzed a cross-section of firms from different countries and industries and reported a positive relationship between leverage and firm value. They argued that in industries where tax benefits are more significant and financial distress costs are lower, higher levels of debt can lead to increased firm value. However, the relationship is not always straightforward. Graham and Harvey (2001) introduced the concept of "pecking order deviations," suggesting that firms might deviate from their optimal capital structures due to information asymmetry or market timing considerations. This can lead to temporary shifts in the leverage-firm value relationship.

Song, Zhou, and Dou (2019) examined the effects of leverage changes on firm value and found that increases in leverage will be associated with positive stock returns, indicating that the market generally perceived debt issuance as value-enhancing.

Furthermore, with the rise of behavioral finance and its integration into corporate finance research, scholars have started to explore the influence of behavioral biases on capital structure decisions and their subsequent effects on firm value. These studies suggest that cognitive biases among managers and investors can affect the optimal leverage choice and thereby impact firm value (Graham, Harvey, & Puri, 2022).

In addition to traditional financial measures of firm value, recent research has also considered broader indicators, such as corporate social responsibility (CSR) and environmental performance, in assessing the impact of leverage. These studies posit that firms with higher levels of debt might face increased pressure to meet financial obligations, which could impact their commitment to CSR activities (Goss, Roberts, Sahu, & Sirmans, 2021). However, findings in this area are still evolving and subject to ongoing investigation.

2.4 Summary of Literature and Gaps

Based on the literature research, it is crucial for an organization to possess the capacity to efficiently incorporate its resources into endeavors that optimize wealth generation or improve its compatibility with firm value in order to ensure its long-term viability and endurance. These entities are anticipated to assist the organization in attaining its objectives by furnishing resources or pertinent information for the purpose of decision-making. The assessment of input and output evaluation methods has demonstrated that the financial and non-financial benefits of a corporation are contingent upon its capacity to align its corporate resources with the interests of stakeholders, even in the absence of

monetary returns. Research indicates that stakeholder pressure exerts a substantial influence on the disclosure of environmental, social, and governance (ESG) information. Additionally, it was asserted that the importance of ESG disclosures exhibits substantial variation across different industries. Multinational firms possess the capacity to disseminate a culture of ESG disclosure, particularly if they have already implemented such disclosures inside their domestic jurisdiction. According to many studies, local environmental reporting demonstrates a significant dependence on key stakeholders like as the government, customers, shareholders, and environmental activists.

Table 1: Summary of Research Gaps

Author/ Date	Research Question(s)/ Hypotheses	Method	Analysis & Results	Implications for Future research	Implications For practice
Behl et al (2021).	In light of the correlation between ESG score and corporate financial performance, business unification with the internal and external world creating attention.	Four-wave cross-lagged panel structural equation modeling	The overall and individual parts of ESG to firm value do not have a bidirectional link.	Investors, fund managers, legislators, and energy industry executives will benefit from the findings.	The study advises leaders on ESG investment and disclosures, as well as the time it takes to reap the benefits of such investments through

Author/ Date	Research Question(s)/ Hypotheses	Method	Analysis & Results	implications for Future research	Implication s For practice
					increased firm value.
Aouadi \$ Marsat (2018).	What is the relationship between ESG issues and the market value of a company?	Mixed method research, sample split analysis	Larger companies perform better, are located in nations with more press freedom, are more frequently searched on the Internet, are more closely followed by analysts, and have a stronger corporate social reputation.	The study informs future study by providing information n that is useful to demonstrate e how ESG reporting enhances firm visibility.	The findings shed light on how organization might benefit from their corporate social performance e by increasing their visibility.
Fatemi et al (2018).	What is the impact of ESG tasks on corporate value, as well as their disclosure?	Mixed method research	Study discovered that ESG strengths raise business value while deficiencies lower it. In and of itself, ESG disclosure lowers valuation.	The study contributes to the future research by providing the background d of the relationship p between ESG and firm value.	The study implicates firs' decision whether to disclose or not, by presenting the positive and negative effects of ESG reporting.

Author/ Date	Research Question(s)/ Hypotheses	Method	Analysis & Results	implications for Future research	Implication s For practice
Qureshi, et al (2020).	There is a link between ESG disclosure and the market value of European companies.	Benchmark price model of Ohlson	There is a link between ESG disclosure and the market value of companies. There is a link between having a female on the board of directors and the market value. There is a link between having a female on the board of directors and companies' ESG disclosure.	The findings hold up in a variety of institutional setups and inform future study on the need for sustainable ESG disclosures	Adjusting for a number of time-varying firm-specific variables to guarantee that firm-specific factors do not dominate the findings, which hold up in a variety of European institutional setups.
Wong, et al (2021).	What effects does accreditation for ESG have on Malaysian businesses?	Mixed method research, Tobin's Q	ESG accreditation decreases a company's cost of capital while considerably increasing Tobin's Q.	Findings are consistent with previous research in rich economies, and future studies need to explore how ESG disclosures contribute to firm "Source: Empirical Literature Review (2023)".	The benefits of companies following an ESG strategy to stakeholders are confirmed in this study.

Source: Researcher (2023)

2.5 Conceptual Framework

A conceptual framework serves to explain or predict how key concepts and variables interact to address a particular problem or phenomenon. It provides direction for the study, defining its scope and parameters, while also helping to organize ideas and clarify concepts essential to the research. This framework introduces the research topic and highlights its relevance and contribution to the field.

In the conceptual framework, both dependent and independent variables are identified, reflecting their roles in the study. The dependent variable typically represents the outcome or effect being measured, while the independent variables represent the factors that influence or explain changes in the dependent variable. Below, a conceptual framework outlines these relationships, offering a visual and theoretical foundation for the study's objectives and analysis.

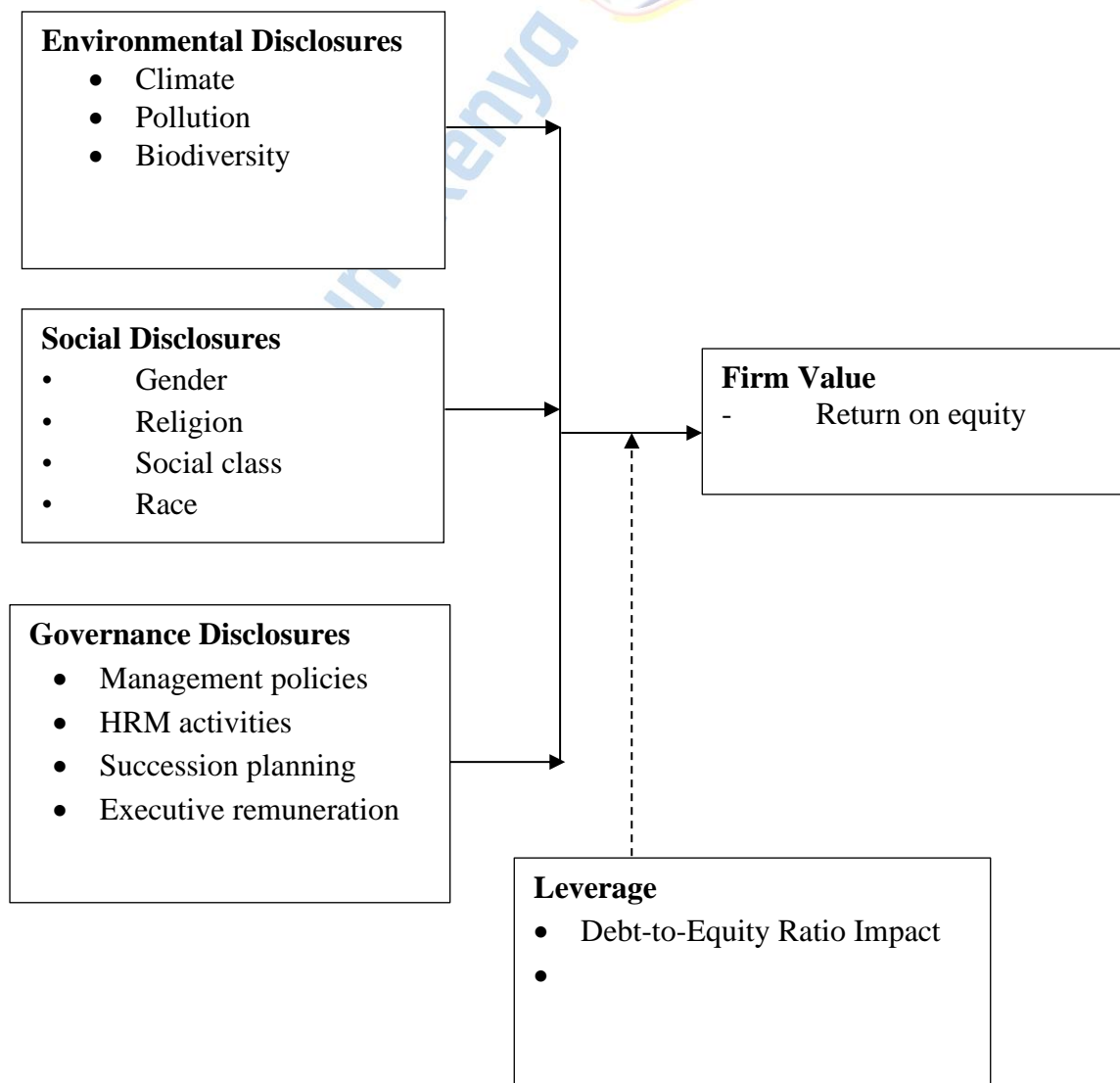


Figure 1: Conceptual Framework

Source: Researcher (2023)

In this study, the independent variables are the environmental, social, and governance (ESG) disclosures, while the dependent variable is the firm value of companies listed on the Nairobi Securities Exchange (NSE). The research aims to examine how these ESG factors influence corporate performance and valuation. Environmental disclosure focuses on the company's impact on the environment, including initiatives aimed at managing resources, reducing pollution, and promoting sustainability. This variable provides insights into how environmentally responsible practices contribute to a firm's reputation and compliance with regulatory standards.

The social disclosure variable assesses the extent to which the company engages with various stakeholders and addresses their interests. This includes initiatives related to employee welfare, community development, customer relations, and overall corporate social responsibility. By fostering trust and confidence among stakeholders, social disclosure plays a key role in enhancing a company's reputation and stakeholder support. Governance disclosure evaluates the company's transparency and adherence to policies that promote accountability and good corporate governance. It measures how governance structures, leadership practices, and regulatory reporting influence the interests of stakeholders. Strong governance disclosures demonstrate the organization's commitment to ethical operations and long-term sustainability.

The moderating variable in this study is financial leverage, which refers to the use of debt in a company's capital structure. A leverage ratio below 1 is generally considered favorable by industry standards, indicating manageable debt levels. Leverage can influence how ESG practices affect firm value by impacting financial stability and risk management. Additionally, key performance metrics such as return on equity (ROE) and return on assets (ROA) are critical in determining the financial worth of the firm, offering insights into the relationship between ESG disclosures and business performance.

2.6 Operationalization of Variables

The Operationalization of Variables is presented in Table 2.

Table 2: Operationalization of Variables

Variable	Type of variables	Operationalization/measurement of variables
Environmental disclosures	Independent variable	<ul style="list-style-type: none"> • Climate • Pollution • Biodiversity
Social disclosures	Independent variable	<ul style="list-style-type: none"> • Gender • Religion • Social class • Race
Governance disclosures	Independent variable	<ul style="list-style-type: none"> • Management policies HRM activities

Leverage	Moderating variable	• Total Debt / Shareholder's Equity
Firm Value	Dependent variable	• Return on equity

Source: Researcher (2023)



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on analyzing the various methods and procedures used to collect data for the study. It delves into key topics such as the research design, target population, sampling methods, sample size, tools and instruments utilized, ethical guidelines, data collection strategies, and techniques for processing the gathered data. Each of these areas is explored in detail.

3.2 Research Philosophy

This study adopted a positivist research philosophy, which is grounded in the belief that reality is objective, measurable, and independent of individual perceptions. Positivism emphasizes the use of established theories to develop testable hypotheses, allowing researchers to derive generalizable conclusions through systematic observation and statistical analysis. This philosophy aligns with the study's objective of examining the impact of environmental, social, and governance (ESG) disclosures on firm value among NSE-listed companies, as it relies on quantifiable data and empirical testing rather than subjective interpretations.

The choice of positivism over other research paradigms—such as interpretivism or pragmatism—is justified by the nature of the research questions and data being collected. Interpretivism, which focuses on subjective meanings and social constructs, would be less suitable for this study because it emphasizes qualitative insights rather than measurable financial and ESG performance indicators. Similarly, while pragmatism integrates both qualitative and quantitative approaches, the current research is primarily concerned with testing specific hypotheses about ESG disclosures and firm value, making a purely quantitative, positivist approach more appropriate.

By employing a positivist stance, the study ensures that findings are based on objective, replicable, and statistically tested data rather than personal interpretations. The research followed a logical framework guided by theory development, hypothesis formulation, and hypothesis testing to assess the relationship between ESG disclosures and firm value. While the study involved interaction with corporate representatives through structured questionnaires and financial data collection, efforts were made to minimize bias and subjectivity by designing standardized, closed-ended questions and relying on publicly available financial disclosures. This methodological rigor enhances the reliability and validity of the study's findings, allowing for meaningful comparisons and practical recommendations for policymakers, investors, and corporate leaders in Kenya's evolving ESG landscape.

3.3 Research Design

A research design serves as a structured plan for gathering, reducing, and interpreting data. Its purpose is to achieve optimal results by balancing efficiency and cost-effectiveness, providing a foundation for the data collection process. Creswell and Creswell (2021) describe research as a process that involves gathering data from a population to evaluate its condition based on specific variables. They also emphasize that survey studies aim to collect data by asking participants to share their perspectives, attitudes, and behaviors. Over time, survey methods can evolve into descriptive research. This study employed a mixed-methods research (MMR) approach, integrating both qualitative and quantitative methods to guide data collection and analysis. The design focused on investigating the impact of environmental, social, and governance (ESG) disclosures on the value of companies listed on the Nairobi Securities Exchange (NSE). A descriptive research design was used to provide a detailed understanding of the

phenomenon and the relationships between various factors. According to Creswell and Creswell (2021), descriptive research is particularly suitable for examining the influence and impact of phenomena, utilizing statistical techniques to process and interpret data effectively.

3.4 Target Population and Sampling Technique

The target population for this study comprised enterprises listed on the Nairobi Securities Exchange (NSE). These firms were chosen due to the extensive environmental, social, and governance (ESG) factors inherent in their operations. According to the Public Procurement Oversight Authority (2018), the NSE had 63 listed companies. The growing prominence of these firms on the NSE in recent years made them an appropriate focus for research. Given the manageable number of listed companies, the study included all 63 firms to ensure data credibility and reliability.

The study's unit of observation was the managers of these companies. To facilitate a comprehensive understanding while maintaining efficiency and feasibility, a census sampling method was employed. One manager from each firm was selected, resulting in a total of 63 managers. Table 3 presents the distribution of the selected managers.

Table 3: NSE Distribution by Sector

No	Sector	Number
1	Agricultural	7
2	Automobiles & Accessories	1
3	Banking	11
4	Commercial And Services	12
5	Construction & Allied	5
6	Energy & Petroleum	4
7	Insurance	6
8	Investment	5
9	Investment Services	9

10	Telecommunication	1
11	Real Estate Investment Trust	1
12	Exchange Traded Funds	1
	Total	63

Source: NSE (2023)

3.5 Data Collection Method

The data collection process entails obtaining raw information from a population or relevant sources to address the research problem. This process is crucial in assessing the study's outcomes and helps researchers draw conclusions by answering the research questions. Data collection methods are commonly used to form assumptions about future trends and probabilities (Brannen, 2021). Once data is gathered, it must be systematically organized for further analysis. In this study, the data collection process was guided by a set of ESG indicator examples outlined in the ESG Disclosure Framework for Private Equity (UNPRI, 2021). These indicators served as a reference to ensure that data collection was comprehensive and aligned with established ESG reporting practices.

3.5.1 Primary Data

The primary method for data collection in this study was a questionnaire. Orodho (2022) notes that questionnaires are commonly employed in social science research due to their efficiency and ease of use in gathering data. Similarly, Brannen (2021) highlights their ability to collect information with minimal effort. For this study, environmental, social, and governance (ESG) disclosure factors were selected and adapted from existing research and current indexes.

The questionnaires were distributed to 63 managers from NSE-listed companies. The instrument consisted of four sections, each utilizing a five-point Likert scale, where 1 represented "Strongly Disagree" and 5 indicated "Strongly Agree." The first three

sections gathered data on factors influencing sustainability disclosures, while the final section assessed the extent of ESG disclosures. Section A included company details, Section B focused on ESG disclosures and firm value, Section C addressed the level of ESG disclosure, and Section D contained concluding remarks and follow-up information. The questionnaires were delivered and collected at agreed-upon times with the participants.

Ethical approval for the research was obtained from Mount Kenya University (MKU) following the study's approval process. This enabled the researcher to acquire a permit from the local authorities, allowing the study to be conducted among NSE-listed companies in Kenya. The Nairobi Securities Exchange (NSE) list was used to identify the target organizations (Creswell, 2018). Collecting data from multiple sources enhances the objectivity and reliability of information on company performance. In addition to the questionnaire, checklist questions were also included. All questions were specifically designed to align with the research objectives.

The questionnaire was to be completed by two managers from each company, following the recommendation of Servaes and Tamayo (2022). Ultimately, 40 managers participated in the primary data collection process. The questionnaire included both structured and open-ended questions. Structured questions were used to facilitate response measurement, while content analysis was employed to evaluate the level of ESG disclosures, following the approach of Ismail and Ibrahim (2019). Since no comprehensive database exists for disclosure information of NSE-listed companies, content analysis, as described by Krippendorff, was determined to be the most suitable method for this purpose.

3.5.2 Secondary Data

Secondary data refers to information that has been collected by a source other than the researcher. This type of data, which can either be published or unpublished, is typically analyzed to support or complement new research. Examples of secondary data sources include magazines, newspapers, books, and academic journals (Brannen, 2021). In this study, ESG disclosure data will be obtained from various sources such as annual reports, sustainability reports, public records available on company websites, and documents containing historical and statistical information on corporate governance. Additionally, workplace documents and journals with technical or professional relevance will be reviewed. The purpose of collecting secondary data is to allow for comparison with the primary data gathered in the study. It will also be used to validate and strengthen the study's findings by corroborating the results from the primary data analysis.

3.6 Data Analysis

Once raw data is collected, it must undergo cleaning, coding, and entry into a computer system for analysis. This process helps reduce errors and enhances the study's reliability and validity. Data analysis can be carried out using both descriptive and inferential statistical methods. In this study, T-tests were conducted to determine whether there were statistically significant differences in ESG disclosure levels. The Pearson correlation coefficient (R) was used to examine the relationship between ESG disclosures and company performance. To understand the impact of independent variables on the dependent variable, a multiple regression model was applied. This statistical technique predicts the dependent variable by analyzing two or more independent variables. Multiple regression helps determine whether a combination of factors can collectively predict an outcome (Zikmund et al., 2022).

The data was organized, summarized, analyzed, and presented to enhance its usefulness. The type of analysis performed depends on the nature of the data collected. Since the study data is quantitative, statistical techniques were applied. Descriptive data analysis, which provides straightforward evaluations of quantitative data, was the primary approach used. This method highlights the data's meaning and implications for the target population. To determine the relationship between ESG disclosures and firm value, linear regression coefficients were utilized (Bickel & Lehmann, 2022). The statistical analysis was conducted using SPSS software, version 22. The findings were presented with the aid of tables and graphs to provide a clear and effective visualization of the data. The following multiple regression model will be used to evaluate the data:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon \dots \dots \dots \quad (i)$$

Whereby:

Y = Firm value of selected companies listed in NSE

X1 = Environmental disclosures

X2 = Social disclosures

X3 = Governance disclosures

ϵ = Error.

The Moderation analysis is a statistical technique used to examine the interaction between two or more variables in influencing an outcome variable model after interaction is as below;

$$Y = \beta_0 + \beta_1 X_1 * M + \beta_2 X_2 * M + \beta_3 X_3 * M + \epsilon \dots \dots \dots \quad (ii)$$

Whereby:

Y = Firm value of selected companies listed in NSE

M = Moderation (Financial leverage)

The coefficient of regression is presented by $\beta_0, \beta_1, \beta_2 \dots \beta_5$ and the independent variables is presented by $x_1, x_2 \dots x_3$, the moderation variable is M (Financial leverage) while random variation in y and X are indicated by ϵ .

The moderation effect will be confirmed if the interaction term a P-value of below 0.05 and an increase in the Rsquare value when compared with the model. Author: Andrew F. Hayes.

3.7 Diagnostics Tests

The diagnostics tests included linearity test, normality test and multicollinearity test

3.7.1 Normality Test

Parametric tests, such as correlation and multiple regression analysis, require data to follow a normal distribution (Zikmund et al., 2022). When data deviates significantly from normality, it can lead to skewed results and limit the accuracy of further regression analysis. Therefore, it is crucial to conduct preliminary tests to evaluate whether the data conforms to a normal distribution. The Kolmogorov–Smirnov test will be used to check for normality when the sample size exceeds 50, while the Shapiro–Wilk test is appropriate for sample sizes of 50 or fewer. In both tests, if the p-value is below 0.05, the null hypothesis of normality is rejected at the 5% significance level, indicating that the data is not normally distributed.

3.7.2 Multicollinearity Test

Tests for multicollinearity are essential in regression analysis because highly correlated predictor variables can prevent the calculation of a unique least-squares solution (Field, 2019). Multicollinearity can distort the results by inflating standard errors and confidence intervals, leading to unstable and unreliable estimates of individual regression coefficients. In this study, multicollinearity will be assessed using the Variance Inflation

Factor (VIF). A VIF value greater than 10 suggests significant multicollinearity among the independent variables, indicating the need for corrective measures to ensure the reliability of the regression model.

3.7.3 Linearity Test

Linear regression assumes a linear relationship between the independent and dependent variables. To verify this assumption, a linearity test will be performed by analyzing scatter plots. Each scatter plot will display the relationship between the independent and dependent variables. If the points form a pattern that resembles a straight line, it indicates that the linearity assumption is satisfied. If no clear linear pattern is observed, adjustments may be required before proceeding with regression analysis.

3.8 Ethical Considerations

Before administering the research instruments, the researcher obtained authorization through an official letter from NACOSTI and the university to conduct the study. Additionally, participants were asked to voluntarily provide informed consent, indicating their willingness to participate in the research. The researcher assured them that all information collected would be used strictly for academic purposes. To protect confidentiality, respondents were instructed not to provide or write their names on the research instruments. Furthermore, the researcher guaranteed that the raw data collected would be used exclusively for this study. Access to the data was restricted to the research team, including the research assistants who were authorized to participate in the data collection process.



CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the results and justification of the study, focusing on the effect of environmental, social, and governance (ESG) disclosures on firm value among companies listed on the Nairobi Securities Exchange (NSE). The study aimed to assess how different aspects of ESG disclosures—environmental, social, and governance reporting—influence the financial performance and valuation of NSE-listed firms. The findings provide empirical insights into the relationship between sustainability transparency and firm value, contributing to ongoing discussions about the strategic importance of ESG reporting in Kenya’s corporate sector.

4.2 Response Rate

The study was interested in finding out the response rate before proceeding with analysis. The study results are as depicted in Table 4.

Table 4: Rate of Response

Category	Frequency	%
Response Rate	61	96.8
Non-Response	02	3.2
Total Targeted Sample Size	63	100

Source: Field Data (2024)

As shown in Table 4 an 96.8% response rate was achieved when 61 out of 63 questionnaires given to managers of NSE in Kenya with headquarters were filled out and returned for examination. According to Winner and Dominick (2006), a self-

administered questionnaire with a response rate of 21–70% is considered sufficient for further study since it ensures accuracy and reduces bias.

4.3 Demographic Characteristics of the Respondent

The results of the study and an analysis of how those results relate to the individuals' private data are presented in this section. Tables and figures were used to display the findings.

4.3.1 Gender Composition

The study sought to establish the gender composition of the respondents. The information on gender amongst the respondents was summarized in Figure 2.

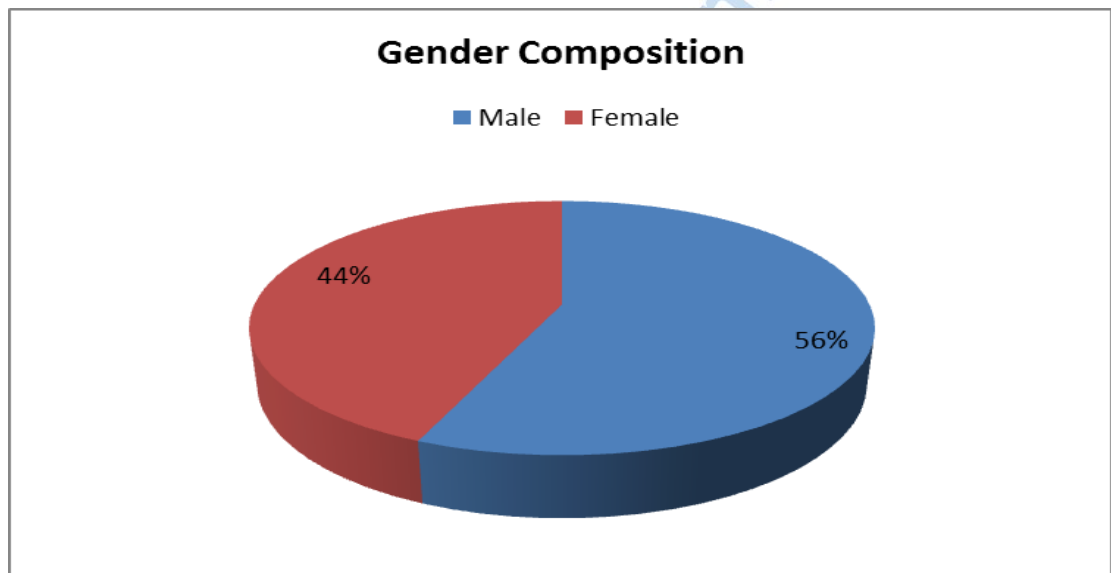


Figure 2: Gender Composition

Source: Field Data (2024)

As shown in Figure 2, the analysis showed that out of the 61 respondents, 129 were male, accounting for 56%, and 100 were female, representing 44%. The results show that there was a good representation of both sexes in the research population. In Kenya, the majority of NSE executives were males.

4.3.2 Highest Level of Educational Qualifications

Respondents' greatest degree of education was one of the research questions aimed at answering. Table 5 displays the study's outcomes.

Table 5: Highest Level of Educational Qualifications

Highest Level	Frequency	Percentage
Diploma	2	3.3
Degree	50	81.9
Master	08	13.1
Others	01	1.7
Total	61	100

Source: Field Data (2024)

Based on the data shown in Table 5, the majority of respondents (81.9%) said that they had a bachelor's degree or higher as their greatest level of education, while a smaller percentage (13.1%) indicated that they had a master's degree or above. A total of 1.7% of the participants had advanced degrees such as a PhD or postgraduate diploma, while 3.3% held just a diploma, according to the data. Due to competitive market dynamics, all of the NSE examined in this research recruited highly qualified individuals with the necessary expertise for managerial roles, according to the study's findings. Since managers tend to have greater experience and education in the NSE sector, this is vital to the study's credibility.

4.3.3 Work Experience

The researcher wanted to know how long people had been with their present NSE therefore they asked this question. You may find a summary of the job experience in Table 6.

Table 6: Years Worked

Years Worked	Frequency	Percent
1-4 years	04	11.4
5 -9 years	32	54.1
10-14 years	23	27.1
Above 15 years	02	7.4
TOTAL	61	100

Source: Field Data (2024)

As indicated in Table 6, about half of the people who took the survey had worked in the industry for five to nine years, while a quarter had been there for ten to fourteen, and a small percentage had been there for one to four years. Most of the people who took part in the survey had been working for NSE for over five years, so it's safe to assume that they knew their way around the business. Their background in corporate governance norms and the effect they may have on the bottom lines of NSE lend credence to the results.

4.4 Descriptive Analysis

4.4.1 Environmental disclosure and Firm value

Finding out how environmental disclosure affects NSE firms' bottom lines in Kenya was the driving force for this study. Participants were asked to rate their level of agreement or disagreement with the statement that firm value is impacted by environmental disclosure components in order to get this information. Table 7 provides a synopsis of the responses.

Table 7: Environmental disclosure Aspects

Aspect	N	Mean	Std. Deviation
The disclosure of a firm's impact on climate change positively affects my perception of the firm's value	61	4.6167	0.52373
We are likely to invest in a firm that openly discloses its efforts to reduce pollution	61	4.1667	0.76284
The firm's commitment to preserving biodiversity adds value to its overall worth.	61	3.8833	0.76117
Firms that actively disclose their environmental policies are more trustworthy.	61	3.5333	0.85304
Transparency about a firm's environmental impact is essential for evaluating its long-term financial sustainability.	61	4.0124	0.75131
Aggregate score		4.0425	0.73042
Valid N (listwise)	61		

Source: Field Data (2024)

Table 7 shows that out of all the possible scores, the average was 4.0425 and the standard deviation was 0.7304. This suggests that respondents usually think environmental disclosure does have an effect on financial success. With an average score of 4.6167 and a standard deviation of 0.52373, the findings demonstrate that organizations have recognized and classified the many hazards they encounter. Some examples of these risks include those pertaining to finances, operations, and reputation. The research suggests that the majority of NSE have put risk internal controls in place. There were a mean of 4.1667 hazards and a standard deviation of 0.76284 across all risk categories. With an average score of 3.8833 and a standard deviation of 0.76117, respondents were in agreement that their businesses are pushing their boards of directors to take into account

the risk assessments made by management teams on the degree of risk that their companies can afford. This was the general consensus among respondents, as seen in the poll.

The data shows that, on average (with a standard deviation of 0.85304), respondents thought their companies had processes in place to find, evaluate, and lessen the impact of risks that may hurt the business and its constituents. With an average score of 4.0124 and a standard deviation of 0.75131, the respondents were in agreement that their organization had solid strategic planning and competent environmental disclosure. This implication of this is that NSE in Kenya need to take into consideration the influence of environmental disclosure since this has an influence on their firm value. This is in tandem with the results by Ewa and Udoayang (2012) who investigated the influence that the internal control architecture has on the effectiveness of Nigerian banks in investigating staff fraud and lifestyle-related fraud. One hundred and thirteen different banks in Nigeria provided the information that was gathered for this research. The information was gathered using questions based on Likert ruler that offered four different responses. Percentages and ratios were used in the process of doing further analysis on the data that was gathered. According to the research, the design of internal controls influences employees' views on fraud. More specifically, a poor internal control system might raise the likelihood of fraud whereas a good one can deter staff from engaging in fraudulent behavior

4.4.2 Social disclosure and Firm value

This research aimed to find out how much of an impact social disclosure has on the bottom lines of NSE by having participants assess how much they agree or disagree that social disclosure factors affect bottom lines. The study results are as presented in Table 8.

Table 8: Social disclosure Aspects

Aspect	N	Mean	Std. Deviation
The company adequately discloses its efforts to promote gender equality in the workplace	61	4.5167	0.72467
The company's disclosures clearly outline its stance and initiatives regarding religious inclusivity	61	4.3167	0.74769
The company transparently discusses how it addresses social class disparities within its organizational structure	61	4.0667	0.73338
The company openly discloses its initiatives to improve racial diversity	61	3.9011	0.68147
Company's social disclosures impact my perception of its value	61	4.6731	0.76947
Aggregate score		4.2948	0.73133
Valid N (listwise)	61		

Source: Field Data (2024)

Table 8 displays the study's findings; an overall mean score of 4.2948 with a standard deviation of 0.73133 indicates that, on average, respondents agreed that openness affects financial success. Almost all respondents (4.5167 on the mean and 0.72467 standard deviation) believe that the company provides valuable information to its stakeholders. With a mean score of 4.3167 and a standard deviation of 0.74769, the majority of respondents felt that their firms consider the dependability of the data provided. The majority of respondents also agreed that stakeholders are quickly notified when choices damage the organization's material health, with a mean score of 4.0667 and a standard deviation of 0.73338, according to the poll.

Table 8 reveals that most respondents think their company keeps stakeholders informed about its performance in a timely way. The mean score was 3.9011 and the standard deviation was 0.68147. In addition, although the standard deviation was 0.76947 and the

mean was 4.6731, all respondents agreed that their company's employees work together in harmony under management's direction to achieve a common goal. These results show that the element of social disclosure as a rule and law that regulate corporate governance is an important aspect for firms. Thus, NSE need to ensure that they operate in a transparent way if they seek to improve on their firm value a fact collaborated by Cunha and Mendes (2017) who sought to find out how often voluntary disclosures are correlated with financial success. There were 263 observations included in the research, which covered the years 2005–2011. From 2005 to 2011, they combed through company annual reports to collect secondary data. In order to look at how money affects voluntary disclosures, the researchers utilized an ordinal logistic model. The results show that voluntary disclosures on company governance have a negative correlation with monetary performance.

4.4.3 Economic disclosure and Firm value

This research aimed to determine whether or not NSE in Kenya were impacted financially by the makeup of their boards of directors by having participants evaluate how much they agreed or disagreed with the statement. Table 9 shows how the respondents ranked the factors of economic disclosure that affect the firm value of NSE.

Table 9: Economic disclosure Aspects

Aspects	N	Mean	Std. Deviation
The firm clearly discloses its management policies to shareholders and the public	61	4.2167	0.71525

The firm is transparent about its Human Resource Management (HRM) activities	61	4.1833	0.70089
The firm has a well-documented succession planning strategy and communicates it openly	61	4.1833	0.87317
The firm openly discloses information about executive remuneration	61	3.6000	0.6938
The governance disclosures of the firm are comprehensive and provide a clear picture of its governance	61	4.3318	0.81773
Aggregate score		4.1030	0.76017
Valid N (listwise)	61		

Source: Field Data (2024)

The study's results are shown in Table 9. The average score was 4.1030 with a standard deviation of 0.76017, suggesting that, on the whole, respondents believed that variables pertaining to the makeup of the board affect the firm value of NSE in Kenya. The results demonstrate that the respondents think their company has a balanced ratio of outside directors to insiders, with a mean score of 4.2167 and a standard deviation of 0.71525. With an average score of 4.1833 and a standard deviation of 0.70089, the data show that most respondents think their company includes stakeholders when deciding on board size. The majority of respondents believed that their organizations had a guideline on the ratio of executive to non-executive directors, as shown by a mean score of 4.1833 and a standard deviation of 0.87317.

The poll also finds that most respondents believe their firm values gender and age diversity on the board, with a mean score of 3.6000 and a standard deviation of 0.6938. The results show that most respondents thought the responsibilities and tasks of board members were well defined in their organizations (mean = 4.3318, standard deviation = 0.81773). The implication of this findings are that economic disclosure has an influence

on firm value of NSE in Kenya. Therefore, management of NSE need to privy to the fact having the right economic disclosure is a benefit to the organization. This collaborates the findings by García Martín and Herrero who examined the impact of directors' economic disclosure on corporation's success in their 2018 research. Findings reveal that the effectiveness of advising and monitoring roles impacts economic disclosure, and that the Good Governance Code's recommendations are mostly implemented. Results demonstrated a statistically substantial connection which was negative amongst board independence and organization success.

4.4.4 Firm value

The study sought to determine the extent to which respondents agreed/disagreed with firm value measures. These results are as elaborated in Table 10.

Table 10: Firm value Measures

Measures	N	Mean	Std. Deviation
The organization is has continuously improved on its in profitability	61	3.850	0.73569
The organization seen increases in net income	61	4.2833	0.76117
The organization has witnessed total assets growth over the years	61	4.3667	0.7089

The organization has improved shareholder equity over the years	61	3.3167	0.79173
The organization is has continuously improved on its in profitability	61	3.590	0.7098
Aggregate score		3.881	0.7415
Valid N (listwise)	61		

Source: Field Data (2024)

The majority of respondents, on average, had negative opinions of the firm value measures that were evaluated in this study. Table 10 shows that the whole aggregate mean score was 3.881, with a standard deviation of 0.7415. There seems to be widespread disagreement among respondents (3.751 with a standard deviation of 0.73569) about the assertion that their company's profitability has been steadily rising. And with a standard deviation of 0.76117 and a mean score of 4.2833, all respondents agreed that their companies' net income had increased. The majority of respondents believe that their company's total assets have improved over time, as shown by a mean score of 4.3667 and a standard deviation of 0.7089.

Approximately three-quarters of respondents (Mean score=3.3167; SD=0.79173) and a third of respondents (Mean score=3.590; SD=0.7098) did not think that their company had increased shareholder equity or increased profitability over the years.

4.5 Inferential Analysis

Several diagnostic procedures were used. However, diagnostic tests were performed to explore the basic predictions of the multiple linear regressions before the analysis was conducted. Here are the findings from the diagnostic tests:

4.5.1 Test of Normality

According to Ghesami and Zahediasi (2012), a lot of statistical methods that are used to analyze data assume that the data is normally distributed. The amount of deviation from

the standard was determined using the Shapiro-Wilk normalcy test, which is the most often used test. Table 11 contains the results.

Table 11: Tests of Normality

	Tests of Normality					
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Environmental disclosure	.169	61	.000	.941	61	.006
Social disclosure	.217	61	.000	.720	61	.000
Economic disclosure	.196	61	.000	.870	61	.000
Firm value	.167	61	.000	.938	61	.004

a. Lilliefors Significance Correction

Source: Field Data (2024)

The results will support accepting the null hypothesis if the p-value is less than 0.05. The data was deemed to have a normal distribution since, across the board, $p > 0.05$.

4.5.2 Test of Linearity

Table 12: Test of Linearity

ANOVA Table							
			Sum of	df	Mean	F	Sig.
			Squares		Square		
	Between	(Combined)	7.470	10	.747	4.300	.000
Firm value *	Groups	Linearity	2.826	1	2.826	16.263	.000

Environmental disclosure	Deviation from Linearity	4.645	9	.516	2.970	0.7
	Within Groups	8.513	218	.174		
	Total	15.983	228			

Source: Field Data (2024)

Table 12 shows that there is a linear connection between environmental disclosure and NSE value, with a value of deviation from linearity of 0.7, which is more than 0.05.

Table 13: Tests of Normality on Social disclosure

ANOVA Table						
			Sum of Squares	df	Mean Square	F Sig.
	(Combined)		8.213	8	1.027	6.739 .000
Firm value * Social disclosure	Between Groups	Linearity	4.097	1	4.097	26.893 .000
		Deviation from Linearity	4.116	7	.588	3.859 0.2
	Within Groups		7.770	218	.152	
	Total		15.983	228		

Source: Field Data (2024)

No correlation between NSE' financial success and their level of social disclosure was found, as shown in Table 13, where the value of the sig deviation of linearity is $0.2 > 0.05$.

Table 14: Tests of Normality on Economic disclosure

ANOVA Table						
			Sum of Squares	df	Mean Square	F Sig.
	(Combined)		7.500	9	.833	4.912 .000
Firm value *	Between Groups	Linearity	3.530	1	3.530	20.809 .000
Economic disclosure		Deviation from	3.970	8	.496	2.925 0.9

Linearity

Within Groups	8.483	218	.170
Total	15.983	228	

Source: Field Data (2024)

Table 14 shows that there is a linear link between the makeup of NSE boards and their firm value, with a significant departure from linearity value of $0.9 > 0.05$.

4.5.3 Multi - Collinearity Test

When regression model variables are strongly linked with one another, we say that the model is multi-collinear. The ability to ascertain the impact of independent variables on dependent ones is compromised when multi-collinearity introduces bias into the data (Kleinbaum et al., 2007). Calculating Variance Inflation Factors (VIF) allowed us to assess multi-collinearity. According to Neter et al. (1985), multi-collinearity is indicated by a VIF score larger than 10. There was no indication of multi-collinearity in the data used for this investigation, since the VIF values ranged from 2.9 to 1.478, which falls within the acceptable limit. In Table 15, you can see the results.

Table 15: Multi – Collinearity Test

		Coefficients ^a						
Model		Unstandardized		Standardized	t	Sig.	Collinearity	
		Coefficients		Coefficients			Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.078	.606		.129	.898		
	Environmental disclosure	-.025	.146	-.025	-.174	.863	.484	2.068
	Social disclosure	.075	.151	.084	.494	.623	.345	2.900
	Economic disclosure	.353	.145	.331	2.425	.019	.535	1.868

a. Dependent Variable: Firm value

Source: Field Data (2024)

4.6 Multiple Regression Analysis

In relation to multiple regression analysis Table 16 and Table 17 presented the regression model.

Table 16: Model Summary

Model Summary ^b										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin - Watson
					R Square Change	F Change	df 1	df 2	Sig. F Change	
1	.673	0.453	0.413	0.39884	0.453	11.369	4	224	0.000	2.036

a. Predictors: (Constant), Environmental disclosure, Social disclosure, Economic disclosure

b. Dependent Variable: Firm value

Source: Field Data (2024)

Table 16 displays the R-squared value and the significance level of the model. Because the P-Value is 0.00, which is more than 0.05, the model is statistically significant at the 95% confidence level. The R-Squared value indicates that 45.3% of the variation in the dependent variable can be explained by the model. Corporate governance policies are one example of an independent variable that may account for the remaining 54.7% of the variance in firm value.

Table 17: Coefficient of the Model

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B

	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	0.078	0.606	0.129	0.898	-1.136	1.292	
Environmental disclosure	-0.03	0.146	-0.025	-0.17	0.863	-0.318	0.267
Social disclosure	0.075	0.151	0.084	0.494	0.623	-0.61	0.378
Economic disclosure	0.353	0.145	0.331	2.425	0.019	0.061	0.644

a. Dependent Variable: Firm value

Source: Field Data (2024)

The model coefficients and their relevance are shown in Table 4.14 together with the research findings. The following regression model was used to summarize the study's results:

$$Y = 0.078 - 0.03X_1 + 0.075X_2 + 0.353X_3 + \epsilon_i$$

Where

Y = Firm value

β_0 = Constant Term

$\beta_1, \beta_2, \beta_3$ and β_4 = Beta coefficients

B₀ = Intercept

X₁ = Environmental disclosure

X₂ = Social disclosure

X₃ = Economic disclosure

ϵ_i = Error term - refers to any changes in the dependent variable that are not considered in the model utilized.

According to the approach, NSE in Kenya may improve their firm value by increasing social disclosure and improving the makeup of their boards. But there was a negative correlation between effective environmental disclosure and bottom-line results.

4.6.1 Analysis of Variance

Analysis of variance on the three predictor variables was undertaken and the outcomes are presented in Table 18.

Table 18: ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.234	4	1.809	11.37	.000 ^b
	Residual	8.749	224	0.159		
	Total	15.983	228			

a. Dependent Variable: Firm value

b. Predictors: (Constant), Environmental disclosure, Social disclosure, Economic disclosure

Source: Field Data (2024)

You can see the results of the analysis of variance and the model's significance in Table 18. The results are in line with a 95% confidence level since the P-Value is greater than 0.05, which is 0.000b.

According to the findings in Table 17, the predictor variable for environmental disclosure does not have a statistically significant relationship ($P = 0.863$) at the 95% confidence level. A coefficient of -0.03 was found for environmental disclosure. Since this proves that environmental disclosure lowers firm value, it follows that NSE in Kenya would see a drop in their bottom line as a result of heightened environmental disclosure. This contradicts the findings of Ndung'u (2013), whose research aimed to determine the impact of financial environmental disclosure on the profitability of Kenyan oil businesses. Profitability was shown to be strongly correlated with financial environmental disclosure strategies used by oil corporations in Kenya, according to the study. Aebi, Sabato, and Schmid's 2012 research on the effectiveness of financial

institutions' environmental disclosure and corporate governance in the wake of the 2007–2008 financial crisis found similar outcomes. A total of 372 separate US-based financial institutions were included for the analysis. In contrast to environmental disclosure's robust correlation with financial success, corporate governance's effects on bank performance were either insignificant or negative.

In Table 17, we can see that the P-value of 0.623 for the social disclosure predictor variable is not statistically significant. It was determined that the social disclosure coefficient was +0.075. More openness would not substantially boost NSE bottom lines, indicating a small but favorable association between firm value and social disclosure. This research found no correlation between voluntary disclosures and financial benefit, which contradicts the findings of Cunha and Mendes (2017). From 2005 to 2011, a total of 263 observations were included in the research. From 2005–2011, they derived secondary data from annual reports. The researchers analyzed the effect of monetary incentives on voluntary disclosures using an ordinal logistic model. Firm value and voluntary disclosures about corporate governance are inversely related, according to the results.

With a 95% confidence level and a P-value of 0.019, the economic disclosure variable is clearly noticeable in Table 17 findings. It was determined that the economic disclosure coefficient is +0.353. This provides further evidence that economic disclosure matters, and it follows that changing the makeup of NSE boards would boost their bottom lines. Consistent with earlier research, this study found that commercial banks in Kenya, namely those listed on the Nairobi Securities Exchange (NSE), have a positive correlation between their ownership structures and firm value (2013). There was a robust correlation between profitability and foreign ownership of shares, the research found. It became clear that foreign shares were a major factor in understanding the outcomes; even

small changes in foreign shares had a noticeable impact on profitability. Stanley (2015) examined the impact of various ownership structures on the firm value of publicly listed Chinese banks using data from 2005 to 2013. His findings go counter to such conclusions. Neither the state-owned nor the joint venture ownership models were substantially different from one another in terms of performance, according to the results of the correlation study.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter covers the summary of findings, conclusions and recommendations for management, policy and practice. The areas requiring further research were also captured in this chapter.

5.2 Summary of the Findings

This study's primary objective was to examine the impact of Kenya's corporate governance standards on the firm value of NSE with operations in the nation. The study set out to answer three main questions: (1) what effect does economic disclosure have on the firm value of Kenyan NSE? (2) what effect does social disclosure have on those companies' firm value? (3) what effect does environmental disclosure have on those same companies in Kenya. An 96.8% response rate was achieved when 61 out of 63 questionnaires given to managers of NSE in Kenya with headquarters were filled out and

returned for examination. To summarize the data, descriptive statistics were used. We used inferential statistics to determine the kind and strength of the a priori predicted correlations between the variables.

The purpose of this research was to assess the effect of environmental disclosure on the profitability of NSE by having participants rate the degree to which they agreed or disagreed that environmental disclosure elements influence firm value. According to the total ratings, most respondents think that environmental disclosure may affect a company's bottom line. According to the results, environmental disclosure is not a statistically significant predictor variable at the 95% confidence level ($P = 0.863$). Environmental disclosure had a coefficient of -0.03 . This indicates that environmental disclosure has a negative effect on NSE value; hence, NSE in Kenya will see a decline in their firm value when environmental disclosure is increased.

By asking participants to rate their level of agreement or disagreement with the statement that social disclosure issues influence bottom lines, this study hoped to determine the extent to which social disclosure affects the bottom lines of NSE in Kenya. Taken together, the scores show that, on the overall, respondents think that social disclosure impacts bottom-line results. The research found no statistical significance ($P = 0.623$) for a predictor variable related to social disclosure. It was determined that the social disclosure coefficient was $+0.075$. More openness would not substantially boost NSE bottom lines, indicating a small but favorable association between firm value and social disclosure.

The purpose of this study was to find out whether the composition of NSE boards in Kenya had any effect on the bottom lines of those businesses by asking participants to rate their level of agreement with the following statement. The majority of Kenyans believe that NSE firms' bottom lines are affected by the composition of their boards,

according to the data. At the 95% confidence level, the data demonstrated that the economic disclosure significantly affected the outcome ($P = 0.019$). It was determined that the economic disclosure coefficient is $+0.353$. This provides further evidence that economic disclosure matters, and it follows that changing the makeup of NSE would boost their bottom lines

5.3 Conclusions

Based on the findings of this study, several conclusions can be drawn regarding the effect of environmental, social, and governance (ESG) disclosures on the firm value of companies listed on the Nairobi Securities Exchange (NSE). The study examined the relationship between environmental disclosure, social disclosure, and governance (economic) disclosure and firm value, using empirical analysis to determine the significance of these variables.

The primary objective was to assess the impact of environmental disclosure on the firm value of NSE-listed companies. The analysis did not find a statistically significant correlation between environmental disclosure and firm value when tested at the 95% confidence level. A coefficient of -0.03 was found for environmental disclosure, indicating that increased environmental disclosure is associated with a marginal decline in firm value. This suggests that firms listed on the NSE might experience short-term financial drawbacks from heightened environmental reporting, possibly due to increased compliance costs or market skepticism regarding the financial benefits of environmental initiatives.

Furthermore, the study investigated the relationship between social disclosure and firm value. The findings indicate that social disclosure is not a significant predictive variable for firm performance. The social disclosure coefficient of $+0.075$ suggests a slight

positive relationship, implying that while transparency in social responsibility practices may contribute to corporate reputation and stakeholder trust, it does not have a substantial impact on firm value for NSE-listed companies.

The third objective was to examine the effect of governance (economic) disclosure on firm value. The results show that, at a 95% confidence level, governance disclosure is a significant predictive variable. The governance disclosure coefficient was +0.353, indicating a strong positive relationship between governance transparency and firm value. This suggests that firms that disclose governance-related information—such as board structure, executive compensation, shareholder rights, and financial integrity—are more likely to experience higher market valuation and improved financial performance. Overall, the findings suggest that while governance disclosure has a clear positive impact on firm value, environmental and social disclosures do not significantly enhance financial performance for NSE-listed companies. These insights highlight the need for policymakers, investors, and corporate leaders to consider contextual factors affecting ESG reporting in Kenya, ensuring that sustainability disclosures are aligned with both regulatory expectations and market realities.

5.4 Recommendations for Management, Policy and Practice

Regression analysis revealed that among environmental, social, and governance (economic) disclosures, governance (economic) disclosure had the most significant impact on firm value for companies listed on the Nairobi Securities Exchange (NSE). The highest regression beta coefficient was observed for governance disclosure, suggesting that NSE-listed firms should prioritize governance-related factors when making corporate strategy and policy decisions. This includes transparency in board

structure, executive compensation, shareholder rights, and financial disclosures, as these factors contribute positively to firm valuation and investor confidence.

The second-largest, positive, but statistically insignificant regression beta coefficient was recorded for social disclosure. While social responsibility initiatives—such as employee welfare, community engagement, and corporate philanthropy—can enhance corporate reputation, the results indicate that they do not significantly impact firm value. Therefore, NSE-listed companies may need to reassess the emphasis placed on social disclosure and explore other ESG practices that could yield greater financial and strategic benefits.

Environmental disclosure ranked third, with a negative and statistically negligible beta coefficient. This finding suggests that while environmental transparency remains a crucial aspect of corporate governance, excessive focus on environmental disclosures may not necessarily enhance firm value. NSE-listed companies should ensure that environmental reporting aligns with business strategy and market expectations rather than imposing financial burdens without clear economic benefits.

Based on these findings, the study recommends that corporate policymakers, investors, and strategists in NSE-listed firms focus primarily on governance disclosures, as they have the most positive impact on firm value. At the same time, companies should take a balanced approach to social and environmental disclosures, ensuring that sustainability efforts contribute to both corporate reputation and financial performance without placing excessive strain on business operations.

5.5 Suggestions for Further Research

This research focused on companies listed on the Nairobi Securities Exchange (NSE), specifically examining how environmental, social, and governance (ESG) disclosures impact their firm value and financial performance. The study analyzed corporate

governance practices related to ESG transparency, but several other factors influencing firm value were not within its scope.

Future research could explore additional corporate governance norms and practices beyond ESG disclosures to assess their impact on financial success. For instance, studies could investigate how factors such as executive compensation structures, risk management policies, shareholder activism, and regulatory compliance contribute to firm performance among NSE-listed firms.

Additionally, researchers could examine the challenges companies face when implementing ESG disclosures, particularly in Kenya's evolving regulatory and economic landscape. Understanding the barriers to effective sustainability reporting, such as cost implications, regulatory uncertainty, and investor perception, would provide valuable insights into how companies can improve their ESG strategies.

Furthermore, future research should expand beyond NSE-listed firms as a whole and investigate how ESG disclosures impact different industries within the exchange, such as banking, manufacturing, energy, telecommunications, and agriculture. Each industry may have unique ESG priorities and disclosure requirements that influence their financial performance in different ways. Comparative studies across sectors could offer a more comprehensive understanding of ESG's role in corporate success in Kenya and other emerging markets.



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APPENDICES

Appendix I: Introduction Letter

Dear Respondent,

RE: ACADEMIC RESEARCH PROJECT

I am a Master's student at Mount Kenya University, currently conducting a research study titled “The Effect of Environmental, Social, and Governance (ESG) Disclosures on Firm Value: A Case Study of Companies Listed on the Nairobi Securities Exchange.” To achieve the objectives of this study, I have developed a questionnaire to collect relevant data.

I kindly invite you to participate by providing information that will contribute to the success of this research. Please be assured that all information you provide will remain confidential and will only be used for academic purposes.

Your cooperation and participation in this study are greatly appreciated. Thank you for your support.

Yours faithfully,

ABDULLAHI GUHAD OMAR



Appendix II: Questionnaire

This questionnaire is designed to collect information from managers on the impact of Environmental, Social, and Governance (ESG) disclosures on firm value, focusing on companies listed on the Nairobi Securities Exchange.

CONFIDENTIALITY CLAUSE:

The responses you provide will be used for academic purposes and will be strictly confidential. Kindly tick where appropriate.

SECTION A: DEMOGRAPHIC DATA

- i. Gender
 - a) Male ()
 - b) Female ()
- ii. Age
 - a) Below 30 Years ()
 - b) 31-40 years ()
 - c) 41-50 years ()
 - d) 51 years & above ()
- iii. Highest level of education
 - a) Secondary level ()
 - b) Tertiary College level ()
 - c) Under graduate level ()
 - d) Post graduate level ()
- iv. How long have you been working at the organization?
 - a) Less than 1 Year ()
 - b) Between 1 and 5 Years ()
 - c) Between 5 and 10 Years ()
 - d) Over 10 Years. ()

Section B: Environmental disclosure

This section attempts to establish the effect of environmental disclosure on values of Nairobi Securities Exchange-listed firms.

Statement	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
The disclosure of a firm's impact on climate change positively affects my perception of the firm's value.					
We are likely to invest in a firm that openly discloses its efforts to reduce pollution.					
The firm's commitment to preserving biodiversity adds value to its overall worth.					

Firms that actively disclose their environmental policies are more trustworthy.					
Transparency about a firm's environmental impact is essential for evaluating its long-term financial sustainability.					

Section C: Social disclosure.

This section attempts to establish the effect of social disclosure on values of Nairobi Securities Exchange-listed firms.

Statement	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
The company adequately discloses its efforts to promote gender equality in the workplace.					
The company's disclosures clearly outline its stance and initiatives regarding religious inclusivity.					
The company transparently discusses how it addresses social class disparities within its organizational structure.					
The company openly discloses its initiatives to improve racial diversity.					
Company's social disclosures impact my perception of its value					

Section C: Economic disclosure

This section attempts to establish the effect of economic disclosure on values of Nairobi Securities Exchange-listed firms.

Statement	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
The firm clearly discloses its management policies to shareholders and the public.					
The firm is transparent about its Human Resource Management (HRM) activities.					
The firm has a well-documented succession planning strategy and communicates it openly.					
The firm openly discloses information about executive remuneration.					
The governance disclosures of the firm are comprehensive and provide a clear picture of its governance.					

Appendix III: Secondary Data Template

Firm	Year	Firm Value	Leverage
------	------	------------	----------

Firm A

Firm A

Firm A

Firm A

Firm A

Firm A

Firm A

Firm A

Firm A

Firm A

Firm A

Firm A



Appendix IV: List of Firms Listed at Nairobi Securities Exchange

AGRICULTURAL

1. Eaagads Ltd
2. Kakuzi Plc
3. Kapchorua Tea Kenya Plc
4. The Limuru Tea Co. Plc
5. Sasini Plc
6. Williamson Tea Kenya Plc.

AUTOMOBILES & ACCESSORIES

7. Car & General (K) Ltd

BANKING

8. ABSA Bank Kenya Plc
9. BK Group Plc
10. Diamond Trust Bank Kenya Ltd
11. Equity Group Holdings Plc
12. HF Group Plc
13. I&M Group Plc
14. KCB Group Plc
15. NCBA Group Plc
16. Stanbic Holdings Plc
17. Standard Chartered Bank Kenya Ltd
18. The Co-operative Bank of Kenya Ltd

COMMERCIAL AND SERVICES

19. Deacons (East Africa) Plc
20. Eveready East Africa Ltd
21. Express Kenya Plc
22. Homeboyz Entertainment Plc
23. Kenya Airways Ltd
24. Longhorn Publishers Plc
25. Nairobi Business Ventures Ltd
26. Nation Media Group Plc
27. Sameer Africa Plc
28. Standard Group Plc
29. TPS Eastern Africa Ltd
30. Uchurni Supermarket Plc
31. WPP Scangroup Plc

CONSTRUCTION & ALLIED

32. ARM Cement Plc
33. Bamburi Cement Ltd
34. Crown Paints Kenya Plc
35. E.A. Cables Ltd
36. E.A. Portland Cement Co. Ltd

ENERGY & PETROLEUM

37. KenGen Co. Plc
38. Kenya Power & Lighting Co Plc
39. Total Energies Marketing Kenya Plc
40. Umeme Ltd

INSURANCE

41. Britain Holdings Plc
42. CIC Insurance Group Ltd
43. Jubilee Holdings Ltd
44. Kenya Re Insurance Corporation Ltd
45. Liberty Kenya Holdings Ltd
46. Sanlam Kenya Plc

INVESTMENT

47. Centum Investment Co Plc
48. Home Afrika Ltd
49. Kurwitu Ventures Ltd,
50. Olympia Capital Holdings Ltd
51. Trans-Century Plc Ord

INVESTMENT SERVICES

52. Nairobi Securities Exchange Plc
53. B.O.C Kenya Plc
54. British American Tobacco Kenya Plc
55. Carbacid Investments Plc
56. East African Breweries Plc
57. Flame Tree Group Holdings Ltd
58. Kenya Orchards Ltd
59. Mumias Sugar Co. Ltd
60. Unga Group Ltd

TELECOMMUNICATION

61. Safaricom Plc

REAL ESTATE INVESTMENT TRUST


62. ILAM FAHARI I-REIT

EXCHANGE TRADED FUNDS

63. ABSA New Gold ETF

Source: Author (2023)

Appendix V: Ethics Review Certificate


Mount Kenya University

REF: MKU/ISERC/4495
TO: ABDULLAHI GUHAD OMAR
REG: MBA/ 2020/68829

Date: 18 October 2024

Dear Sir/Madam,

RE: EFFECT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE DISCLOSURES ON FIRM VALUE: A CASE OF FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE


This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **3217**. The approval period is **18/10/2024 - 17/10/2025**.


This approval is subject to compliance with the following requirements:

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,


Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC


MOUNT KENYA UNIVERSITY
ETHICS REVIEW COMMITTEE
P. O. Box 342 - 01000,
THIKA

Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Cell: +254 709 153 000 / +254 709 153 200
Email: info@mku.ac.ke. Web: www.mku.ac.ke

Appendix VII: Introduction Letter



DIRECTORATE OF GRADUATE STUDIES

MBA/2020/68829

22nd October, 2024

*National Commission for Science Technology & Innovation (NACOSTI)
Off Waiyaki Way, Upper Kabete,
P.O Box 30623- 00100
NAIROBI, KENYA*

Dear Sir/Madam,


RE: ABDULLAHI GUHAD OMAR - REGISTRATION NO. MBA/2020/68829

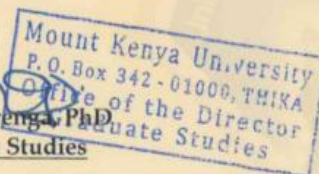
The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**.

The title of the research is **"Effect of Environmental Social and Governance Disclosures on Firm Value. A Case of Firms Listed at the Nairobi Securities Exchange."** It has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **October, 2024 and December, 2024**.

Any assistance accorded to the student will be highly appreciated.

Thank you.


Dr. Samuel M. Karenga, PhD
Director, Graduate Studies
Enc.



Appendix VIII: Research License


REPUBLIC OF KENYA


**NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION**

Ref No: 346700 **Date of Issue: 04/November/2024**

RESEARCH LICENSE



This is to Certify that Mr.. Abdullahi Guhad Omar of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: EFFECT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE DISCLOSURES ON FIRM VALUE: A CASE OF FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE for the period ending : 04/November/2025.

License No: NACOSTI/P/24/41688

346700
Applicant Identification Number


Director General
**NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY &
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See overleaf for conditions

Appendix IX: Similarity Index Report

ABDULLAHI GUHAD OMAR

EFFECT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE DISCLOSURES ON FIRM VALUE: A CASE OF FIRMS LISTED AT...

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Mount Kenya