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SUSTAINABILITY DISCLOSURE AND FIRM PERFORMANCE IN SUB SAHARAN AFRICA

The Moderating Role of Board Gender Diversity

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ABSTRACT

Background: Sustainability disclosure has become an important governance and accountability tool for firms operating in stakeholder sensitive markets, particularly within Sub Saharan Africa where environmental risk exposure, legitimacy pressure, and regulatory monitoring are intensifying. Despite rising adoption of ESG based sustainability reporting, evidence remains mixed on whether disclosure improves firm performance or functions mainly as symbolic compliance.

Aim: This study assessed the effect of sustainability disclosure on firm performance in Sub Saharan Africa, while examining the moderating role of board gender diversity in strengthening the disclosure performance relationship.

Methodology: The study adopted an ex post facto research design using panel data obtained from annual reports and sustainability reports of sampled listed non financial firms in Sub Saharan Africa. The population comprised 132 listed non financial firms across Nigeria, Ghana, South Africa, and Kenya, out of which 84 firms were selected based on data availability. The study covered twelve years from 2013 to 2024. Data were analysed using descriptive statistics, correlation analysis, fixed effects panel regression, and robust regression for sensitivity checks.

Findings: Sustainability disclosure exhibited a positive and statistically significant relationship with return on assets and Tobin's Q, indicating that greater transparency in environmental and social reporting is associated with improved profitability and market valuation. Board gender diversity significantly strengthened the sustainability disclosure performance relationship. Sustainability disclosure showed a negative but insignificant association with return on equity, implying that increased disclosure may not immediately translate into higher equity returns.

Contributions: The study contributes to governance and sustainability reporting literature by providing cross country evidence from Sub Saharan Africa, where sustainability reporting is expanding but constrained by weak enforcement and inconsistent assurance frameworks.

Recommendations

Regulators: Harmonise sustainability disclosure guidance, promote industry specific ESG templates, and encourage independent sustainability assurance.

Stakeholders: Improve sustainability literacy among investors, analysts, and communities to reduce misinterpretation of ESG performance.

Researchers: Extend analysis by sector, incorporate climate risk metrics, and explore the mediating role of sustainability assurance and audit committee sustainability competence.

Keywords: Sustainability disclosure, ESG reporting, Board gender diversity, Firm performance, Return on assets, Tobin's Q, Sub Saharan Africa.

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1.0 INTRODUCTION

In recent years, sustainability disclosure has moved from being a voluntary communication tool to becoming a major corporate reporting requirement shaped by regulatory reform, stakeholder activism, and capital market expectations. Across both developed and emerging economies, firms are increasingly expected to disclose environmental impact, social responsibility commitments, and governance practices in a manner that supports accountability and long term value creation. This development is particularly relevant for Sub Saharan Africa where resource dependency, climate vulnerability, and institutional pressures have intensified calls for transparent corporate conduct.

Sustainability disclosure is justified by the need to reduce information asymmetry and improve stakeholder decision making, especially when firm activities have externalities that affect communities, ecosystems, and public wellbeing. In African markets, sustainability issues such as emissions exposure, energy efficiency, water stress, labour standards, and community investment remain central to legitimacy and survival of firms operating within fragile regulatory environments.

A critical unresolved debate is whether sustainability disclosure improves firm performance through enhanced trust and access to capital, or whether it reduces performance through compliance costs and reputational risk exposure. This contradiction suggests the need for deeper analysis using governance moderators. Board gender diversity has gained importance as a governance attribute capable of strengthening corporate monitoring, ethical sensitivity, stakeholder inclusiveness, and transparency practices.

Therefore, this study examined sustainability disclosure and firm performance in Sub Saharan Africa, while testing whether board gender diversity strengthens the disclosure performance relationship.

2.0 LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Conceptual review Sustainability disclosure refers to structured reporting of environmental, social, and governance commitments and outcomes. Firm performance reflects financial efficiency and market competitiveness measured through return on assets, return on equity, and Tobin’s Q. Board gender diversity captures the proportion of female directors and is linked to monitoring quality and stakeholder sensitivity.

Theoretical review Stakeholder theory explains disclosure as a mechanism for communicating accountability and preserving relational resources. Legitimacy theory explains disclosure as an alignment strategy that maintains social acceptance and reduces reputational risk in sensitive environments.

Empirical review Evidence remains mixed. Some studies suggest sustainability disclosure enhances profitability and valuation through trust, reduced risk perception, and efficiency gains. Others find negative or insignificant effects due to compliance costs, weak enforcement, and symbolic reporting behaviours. The inconsistency supports testing governance moderators such as board gender diversity.

Hypotheses H1 Sustainability disclosure has a significant effect on return on assets. H2 Sustainability disclosure has a significant effect on return on equity. H3 Sustainability disclosure has a significant effect on Tobin’s Q. H4 Board gender diversity significantly moderates the sustainability disclosure and firm performance relationship.

3.0 METHODOLOGY

The study adopted an ex post facto research design using panel data extracted from annual reports and sustainability disclosures of sampled listed non financial firms. The population comprised 132 firms across Nigeria, Ghana, South Africa, and Kenya, while 84 firms were selected based on data availability. The period covered 2013 to 2024 to ensure robust inference across policy and market cycles.

The functional model is specified as $Performance\_it = \beta0 + \beta1SUSD\_it + \beta2BGD\_it + \beta3(SUSD\times BGD)\_it + \beta4FSIZ\_it + \beta5LEV\_it + \beta6GROW\_it + \varepsilon\_it$. Sustainability disclosure was measured using an ESG based disclosure index. Board gender diversity was measured as female directors divided by total board size. Controls included firm size, leverage, and revenue growth.

4.0 DATA ANALYSIS AND DISCUSSION OF FINDINGS

Descriptive statistics indicate wide variation in sustainability disclosure across countries and industries, reflecting differences in enforcement, capability, and stakeholder pressure. Board gender diversity also varies, suggesting uneven inclusion patterns across firms. Correlation results show positive association between sustainability disclosure and both ROA and Tobin's Q, implying that transparent reporting aligns with operational efficiency and market confidence.

Panel regression results show sustainability disclosure positively and significantly influences ROA and Tobin's Q, indicating that improved ESG transparency can strengthen profitability and valuation in stakeholder sensitive markets. Sustainability disclosure exhibits a negative but insignificant relationship with ROE, which may reflect short term transition costs and reporting investments that dilute equity returns. The interaction between sustainability disclosure and board gender diversity is positive and significant, confirming that diverse boards improve the credibility and performance relevance of sustainability disclosure.

5.0 CONCLUSION AND RECOMMENDATIONS

This study concludes that sustainability disclosure enhances operational and valuation outcomes of listed non financial firms in Sub Saharan Africa, particularly when supported by board gender diversity. The findings suggest that sustainability reporting functions as an accountability and risk management mechanism that contributes to long term value creation when governance structures reinforce transparency and monitoring.

Regulators should harmonise sustainability reporting guidance and promote independent sustainability assurance. Firms should embed sustainability reporting within enterprise strategy and risk management while strengthening board diversity. Researchers should extend the study using sector specific sustainability metrics, assurance quality, and dynamic modelling to improve causal inference.

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