

Corporate Governance and Social Disclosure in Kuwaiti Banks: Evidence from a Post-Regulatory Harmonisation Period

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Abstract:

This study examines how corporate governance mechanisms influence social disclosure in Kuwaiti banks over the 2015–2024 period. Using a complete panel of Boursa Kuwait-listed banks and pooled OLS with wild bootstrap inference to address small-cluster issues, we test whether board size, board independence, audit committee independence, and ownership concentration explain variation in a 64-item social disclosure index. Two key regulatory events frame the analysis: the Central Bank of Kuwait's 2019 governance amendments and its 2022 sustainable finance circular. Following regulatory convergence, traditional governance variables become insignificant, while bank size and the post-2021 regulatory period emerge as the main predictors. These findings are consistent with coercive isomorphism, indicating that mandatory governance standardisation reduced cross-sectional variation and that enforceable disclosure mandates are more influential than structural governance reforms in concentrated ownership environments.

Keywords: corporate governance; social disclosure; Kuwait; regulatory mandates

Jel Classification Codes : G34 ; M14 ; K22

Résumé:

Cette étude analyse l'influence des mécanismes de gouvernance d'entreprise sur la divulgation sociale des banques koweïtiennes sur la période 2015–2024. À partir d'un panel exhaustif des banques cotées à la Boursa Kuwait et d'estimations OLS poolées avec inférence par wild bootstrap, elle examine l'effet de la taille et de l'indépendance du conseil d'administration, de l'indépendance du comité d'audit et de la concentration de la propriété sur un indice de divulgation sociale de 64 items. Les résultats montrent que les variables traditionnelles de gouvernance deviennent non significatives après la convergence réglementaire induite par les réformes de 2019 et 2022 de la Banque centrale du Koweït. La taille de la banque et la période postérieure à 2021 apparaissent comme les principaux déterminants de la divulgation. Ces constats suggèrent que, dans un contexte de forte concentration de la propriété, les obligations réglementaires en matière de contenu sont plus déterminantes pour améliorer la divulgation que les réformes structurelles de gouvernance.

Mots-clés: gouvernance d'entreprise; divulgation sociale; Koweït; exigences réglementaires

Jel Classification Codes : G34 ; M14 ; K22

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I. Introduction

Corporate social disclosure (CSD) has moved from the periphery of management research to its center over the past two decades, driven by growing demands from investors, regulators, and civil society for transparent non-financial reporting. Banks occupy a distinctive position within this conversation. As financial intermediaries that hold public deposits, transmit monetary policy, and serve as the primary conduit of external finance in many economies, they face scrutiny that extends well beyond the claims of their direct shareholders. This unique accountability context makes them fertile ground for testing theories about the governance mechanisms that promote or inhibit disclosure.

Agency theory, the framework that has most shaped empirical work in this area, predicts that stronger corporate governance reduces information asymmetry between managers and stakeholders and thereby improves disclosure (Jensen and Meckling, 1976). Independent boards are expected to monitor management more vigorously; effective audit committees should ensure that non-financial reports are credible; dispersed ownership should create demand for public transparency where no single shareholder can access private information directly. Evidence from developed markets has generally supported these predictions, with studies documenting positive associations between board independence and voluntary disclosure in US and European banking (Jizi et al., 2014; Desender and Epure, 2015).

Emerging market settings, however, have repeatedly challenged this received wisdom. Concentrated ownership, common in Gulf Cooperation Council economies, may reduce disclosure incentives when blockholders already access management information through direct relationships rather than public channels (Orazalin, 2019). Independent directors may be independent in name rather than in practice, appointed on the basis of political connections or family ties rather than monitoring competence (Albawwat, 2022). A growing body of GCC evidence documents weak or null relationships between formal governance structures and CSD (Bukair and Rahman, 2015; Buallay and Al-Ajmi, 2019), pointing to a systematic gap between governance form and governance substance.

Kuwait presents a productive context for examining these dynamics. It is a high-income economy with concentrated ownership and significant state influence, characteristics that straddle developed and emerging market governance models. Its banking sector underwent two consequential regulatory shifts during our study window. In September 2019, the Central Bank of Kuwait (CBK) revised its governance rules to mandate minimum board sizes of eleven members, at least four independent directors, and independent chairs for audit and risk committees. Then, in November 2022, the CBK issued Circular No.

2/BS, IBS/500/2022, requiring banks to embed ESG factors into governance frameworks and publish annual sustainability reports covering employment, community impact, consumer protection, and financial inclusion.

These sequential regulatory shocks create a natural analytical structure. The 2019 reforms imposed a uniform governance floor on all banks, effectively standardising the formal governance characteristics that prior studies used as cross-sectional predictors. The 2022 circular transformed CSD from a voluntary, philanthropic activity into a mandatory reporting obligation with defined content requirements. Together, they allow us to ask a question with direct policy relevance: what actually drives CSD in emerging market banks, internal governance mechanisms or external regulatory pressure?

Prior Kuwait-focused research has been largely descriptive. Studies by Alotaibi et al. (2020) and Alrumaihi and Madzikanda (2016) documented CSR practices and stakeholder perceptions in Kuwaiti banks without providing quantitative tests of governance-disclosure hypotheses. This paper fills that gap by analysing the complete population of listed Kuwaiti banks from 2015 to 2024 (ninety bank-year observations covering the entire regulatory transition) and testing how board characteristics, committee structures, and ownership concentration relate to a comprehensive sixty-four-item social disclosure index.

Our results challenge the predictions of conventional agency theory on two fronts. First, after the 2019 governance reforms created a uniform regulatory floor, traditional governance mechanisms ceased to predict disclosure differences, a pattern we interpret through the lens of coercive isomorphism (DiMaggio and Powell, 1983; Meyer and Rowan, 1977), where regulatory convergence eliminates the cross-sectional variation that drives statistical associations. Second, the post-2021 period dummy captures a sharp, sector-wide disclosure improvement that maps directly onto the 2022 regulatory mandate, persisting even when lagged and when alternative structural break years are tested. Robustness is further supported by wild bootstrap inference, which corrects for the small-cluster problem inherent in a nine-bank sample.

The remainder of the paper is structured as follows. Section 2 provides institutional context. Section 3 reviews relevant literature and develops hypotheses. Section 4 describes methods. Section 5 presents results and discussion. Section 6 concludes with implications for policy, practice, and research.

II. The Kuwaiti Banking Sector, Corporate Governance, and CSR

Kuwait's banking sector comprises nine locally incorporated commercial and Islamic banks, namely National Bank of Kuwait (NBK), Kuwait Finance House (KFH), Commercial Bank of Kuwait, Burgan Bank, Gulf Bank, Boubayan

Bank, Al Ahli Bank of Kuwait (ABK), Kuwait International Bank (KIB), and Warba Bank, all supervised by the CBK and listed on Boursa Kuwait. Though modest in size by international standards, these institutions collectively dominate domestic market capitalisation and serve as the primary channel of external finance for Kuwait's Vision 2035 diversification agenda. The sector's resilience through successive regional and global disruptions reflects conservative CBK oversight and strict prudential standards.

Corporate governance underwent significant reform during our study window. The CBK's foundational instructions of 2012 and the Capital Markets Authority's comply-or-explain framework of 2013 laid early groundwork, but the decisive shift came with the CBK's comprehensive governance amendments of September 2019. These required a minimum board size of eleven members, at least four independent directors, and independent non-executive chairs for both audit and risk committees, explicitly aligning Kuwait with Basel Committee and Financial Stability Board benchmarks. The practical consequence for this study is that by 2020 all listed banks had converged on near-identical formal governance structures, compressing precisely the cross-sectional variation that statistical models need to identify governance-disclosure associations. Ownership, meanwhile, remained concentrated: the state through the Kuwait Investment Authority, alongside wealthy families and institutional investors, holds dominant blocks across most listed banks, creating an environment where blockholders may access management information directly rather than through public reporting channels (Orazalin, 2019).

CSR disclosure followed a parallel but distinct trajectory. Historically shaped by Islamic principles of Zakat and Sadaqah, Kuwaiti bank CSR was informal and philanthropic rather than structured or comparable (Platonova et al., 2018). Standalone CSR reports emerged around 2008 but remained narrative-heavy and inconsistent; Ineizeh et al. (2022) found GCC Islamic bank disclosure averaged only fifty-five percent of assessed items from 2006 to 2019. The decisive break came in 2022, when the CMA mandated annual sustainability reports for all listed companies and the CBK issued Circular No. 2/BS, IBS/500/2022 on Sustainable Finance in November of that year. The circular required banks to embed a defined ESG Social pillar, covering employment, community impact, consumer protection, and financial inclusion, into governance and risk management, with board-approved strategies and annual sustainability reports as mandatory outputs. NBK, KFH, and other major institutions published their first GRI-aligned reports for fiscal year 2022; Boursa Kuwait followed with a standardised ESG Reporting Guide in May 2023. This before-and-after structure underpins the Post2021 dummy used in our analysis.

III. Literature Review and Hypothesis Development

We draw on four theoretical traditions to frame our expectations about the governance-disclosure relationship: agency theory, resource dependency theory, stakeholder theory, and legitimacy theory. We then extend this foundation with institutional theory, specifically coercive isomorphism, to interpret the context-specific findings that emerge from the Kuwaiti setting.

Agency theory focuses on the separation of ownership and control. When managers make decisions on behalf of dispersed shareholders, information asymmetries create scope for opportunistic behaviour. Corporate governance mechanisms, including independent boards, effective audit oversight, and transparent reporting, exist to reduce this problem (Jensen and Meckling, 1976). From this perspective, better governance should improve disclosure by aligning managerial incentives with shareholder interests and reducing the costs of information concealment.

Resource dependency theory shifts the focus from incentive alignment to organisational capacity. Boards are not only monitoring devices; they are also providers of resources, expertise, external connections, and human bandwidth, that firms need to navigate complex environments (Pfeffer and Salancik, 2003). From this view, board composition affects disclosure not because it changes incentives but because it changes what the organisation is capable of producing. Larger, more diverse boards bring greater capacity to oversee demanding reporting obligations, which is particularly relevant in the expanding ESG governance landscape.

Stakeholder theory broadens the accountability frame. Firms must manage legitimate claims from employees, creditors, regulators, customers, and the broader community, not just shareholders (Freeman, 1984). For banks in particular, whose operations rest on public trust and regulatory licence, disclosure serves as a signalling mechanism toward a wide constituency. Legitimacy theory pushes further, arguing that firms use disclosure to maintain their social licence to operate, particularly after crises or regulatory shifts that alter public expectations (Guthrie and Parker, 1989; Djalilov and Hartwell, 2023).

Institutional theory adds the structural dimension most relevant to our findings. DiMaggio and Powell (1983) identified coercive isomorphism as a mechanism through which regulatory pressure drives organisations toward homogeneity: firms adopt similar structures not because they are intrinsically superior but because the regulator mandates them. Once this convergence occurs, those structures lose their predictive power for differential outcomes. Meyer and Rowan (1977) anticipated this in their analysis of formal structures as legitimising myths: organisations adopt prescribed forms to secure external approval, with actual functional improvement as a secondary consideration. Both

frameworks speak directly to the post-2019 Kuwaiti banking environment.

III.1 Board Size and Corporate Social Disclosure

Resource dependency theory holds that larger boards bring greater diversity of expertise, wider external networks, and greater human bandwidth for overseeing complex strategic initiatives (Pfeffer and Salancik, 2003). In banking, where regulatory demands are intensive and ESG integration increasingly requires specialised knowledge, board size may proxy for available oversight capacity. Jizi et al. (2014) found positive associations between board size and CSR disclosure in US banks, and TRAN et al. (2020) reported similar results in Vietnamese commercial banks. More recent evidence from Bangladesh also documents a significant positive relationship (Alam and Fourkan, 2025).

Sceptical views are also well-grounded. Jensen (1993) argued that beyond a certain threshold, larger boards suffer from coordination costs and diffusion of accountability, with individual members free-riding on collective effort. Bukair and Rahman (2015) found no significant board size effect in their cross-country sample of GCC Islamic banks. In the Kuwaiti context, the CBK's 2019 requirement of minimum eleven-member boards standardised board size across institutions, limiting the cross-sectional variation available for identification. Despite this constraint, the expanding scope of ESG responsibilities assigned to boards under the 2022 framework gives reason to expect that marginal differences in board size still reflect meaningful variation in oversight capacity:
H1: Board size has a positive impact on the level of CSD.

III.2 Board Independence and Corporate Social Disclosure

Independent directors are theorised to monitor management more objectively than their non-independent counterparts, as they lack financial ties that might compromise their oversight role. Protecting their reputational capital creates incentives for them to advocate for transparency (Fama and Jensen, 1983). US evidence supports this view: Jizi et al. (2014) find a positive relationship between board independence and CSR disclosure in banks. Cross-country panel analysis by Desender and Epure (2015) confirms this pattern across diverse institutional contexts. Malaysian evidence from Htay et al. (2012) reaches similar conclusions for social and environmental reporting.

Emerging market evidence is considerably more mixed. Albawwat (2022) documented a negative relationship between board independence and disclosure in Jordanian banks, attributing this to the appointment of politically connected directors who satisfy the letter of independence requirements without providing genuine monitoring. Limbong et al. (2025) found no significant relationship between the proportion of independent commissioners and CSR disclosure in Indonesian listed banks. The Kuwaiti context amplifies these concerns: social

and business networks are tightly interwoven, and the CBK's 2019 reforms created a uniform independence floor that eliminated much of the variation needed to identify a disclosure effect. Despite this, if the reforms succeeded in creating substantive rather than ceremonial independence, a positive relationship should emerge:

H2: Board independence has a positive impact on the level of CSD

III.3 Audit Committee Independence and Corporate Social Disclosure

Audit committees have traditionally overseen financial reporting integrity, but their remit has expanded to encompass non-financial and sustainability disclosure as ESG expectations have grown. An independent audit committee should push for credible, comprehensive reporting to meet investor expectations and protect its own reputational standing (Pasko et al., 2024). Jizi et al. (2014) found audit committee independence positively associated with disclosure quality in US banks. TRAN et al. (2020) replicated this result in Vietnam. In the GCC context, Buallay and Al-Ajmi (2019) found that audit committee member independence and meeting frequency positively influenced sustainability reporting intensity across fifty-nine banks, though they noted a counterintuitive negative association between financial expertise on the committee and non-financial disclosure, suggesting that technical accounting competence does not automatically translate into better ESG reporting.

The post-2019 CBK requirement that Kuwaiti bank audit committees be chaired by independent directors and composed entirely of non-executives creates the same uniformity problem as board independence. All banks now comply with this requirement, compressing cross-sectional variation. Nevertheless, if this structural reform translated into genuine functional independence, with committee members actively challenging management on the completeness and accuracy of ESG disclosures, a positive association with disclosure breadth should be observable:

H3: Audit committee independence has a significant positive impact on CSD

III.4 Ownership Concentration and Corporate Social Disclosure

Agency theory predicts a negative relationship between ownership concentration and disclosure. When a small number of large shareholders control an organisation, they typically access management information through direct channels rather than public reports, reducing demand for transparent public disclosure (Htay et al., 2012). Desender and Epure (2015) find cross-country support for this prediction, showing that higher ownership concentration correlates with lower corporate social performance. Pasko et al. (2024) and Alam and Fourkan (2025) reach similar conclusions in more recent analyses.

The Kuwaiti context complicates this prediction. State ownership through

the Kuwait Investment Authority may actually support disclosure when transparency aligns with national development goals articulated in Vision 2035 (Mantiri and Eriandani, 2022). Al Maeeni et al. (2022) found government ownership positively associated with CSR disclosure in UAE banks. Boshnak (2025) reports a similar pattern in Saudi Arabia. The mix of state, family, and institutional blockholders in Kuwait may therefore produce competing pressures whose net effect is ambiguous. Nevertheless, the general theoretical prediction and the weight of evidence from comparable emerging markets lead us to expect: H4: Ownership concentration has a negative impact on the level of CSD

IV. Research Methods

IV.1 Sample and Data Collection

We analysed all commercial banks listed on Boursa Kuwait from 2015 to 2024, generating ninety bank-year observations from nine institutions. Using the complete population of listed banks rather than a sample eliminates selection bias and provides a full view of the sector across both conventional and Islamic banking models. Governance information, social disclosure items, and financial control variables were collected manually from annual reports and audited financial statements.

IV.2 Dependent Variable: Corporate Social Disclosure

The dependent variable is a corporate social disclosure score constructed through systematic content analysis of annual reports. We adapted the measurement instrument from Al Maeeni et al. (2022), whose sixty-four-item index was developed for UAE banks and maps well onto the Kuwaiti context given the shared institutional, regulatory, and cultural environment across GCC states. The index covers four categories: Environmental Information, Community Involvement, Product and Service Information, and Human Rights.

Content analysis converts qualitative report content into quantitative scores by checking whether each of the sixty-four items was disclosed. A score of one was assigned when the item appeared in the annual report; zero otherwise. Scores were summed and divided by sixty-four to produce a disclosure index ranging from zero (no disclosure) to one (complete disclosure). We adopt this binary presence-absence approach deliberately rather than as a convenience. Weighted or quality-scored indices require subjective judgements about the relative importance of disclosure items, introducing researcher bias and reducing replicability across studies (Beattie and Thomson, 2007; Hooks and van Staden, 2011). The binary approach, by contrast, treats each item equally and produces scores that are fully replicable and directly comparable across institutions and time periods, properties that are especially important in a longitudinal panel setting where consistency of measurement across years is essential for valid inference (Beretta and Bozzolan, 2004). This approach is standard and well-validated in GCC disclosure research (Abduh and AlAgeely, 2015; Platonova et al., 2018; Charchafa and Kimouche, 2024).

IV.3 Independent and Control Variables

Board size (B_Size) is measured as the total number of directors on the board. Board independence (B_Ind) is the proportion of independent directors relative to total board size. Audit committee independence (AC_Ind) is measured equivalently as the proportion of independent members on the committee. Ownership concentration (Own_Conc) is measured as the cumulative percentage of shares held by blockholders owning at least 5% of a bank's equity, capturing the degree to which a small number of investors control the institution.

Control variables include bank size, measured as the natural logarithm of total assets, to capture the legitimacy pressures and resource capacity that accompany institutional scale (Albawwat, 2022). Profitability is measured as return on assets (ROA). Leverage is total debt divided by total assets. Bank type is a dummy variable distinguishing Islamic from conventional banks.

The Post2021 dummy variable takes a value of one for fiscal years 2021 and onwards, and zero otherwise. Banks began establishing ESG committees and developing sustainability frameworks in 2021 in response to public consultations and communications from the CBK and CMA, predating the formal November 2022 circular. The structural break interpretation is supported by the insignificance of a linear time trend variable ($\beta = 0.008$, $p = 0.412$) against the significance of the Post2021 specification, and is further validated by robustness tests using alternative cutoff years (Post2019, Post2020, Post2022), all of which yield inferior fit compared to Post2021.

Table (1): Variable Definitions

Variable	Measurement
CSD_Score	Disclosed items / Total items (64)
B_Size	Number of directors on the board
B_Ind	Independent directors / Total directors
AC_Ind	Independent audit committee members / Total
Own_Conc	Percentage of shares held by blockholders owning $\geq 5\%$
Bank_Size	Natural logarithm of total assets
ROA	Net income / Total assets
LEV	Total debt / Total assets
Bank_Type	1 = Islamic bank; 0 = Conventional bank
Post2021	1 if fiscal year ≥ 2021 ; 0 otherwise

Source: Authors' compilation from prior literature

IV.4. Estimation Strategy and Addressing Methodological Concerns

We estimated three standard panel specifications, pooled OLS, fixed effects, and random effects, following established model selection procedures. The Breusch-Pagan Lagrangian multiplier test returned a chi-squared value of 0.00 ($p = 1.0000$), indicating zero variance in the bank-specific random effects component. We acknowledge that a p-value of exactly 1.0000 warrants caution: it may reflect a boundary solution in the likelihood estimation rather than a definitive absence of panel structure, particularly given the small number of

banks. The Hausman test returned chi-squared = 3.23 ($p = 0.9191$), consistent with the pooled specification. On balance, we proceeded with pooled OLS while being transparent about the diagnostic limitations.

Heteroskedasticity was confirmed by the Breusch-Pagan/Cook-Weisberg test (chi-squared = 4.55, $p = 0.033$). The most important methodological concern, however, is the small-cluster problem. With only nine bank clusters, conventional clustered standard errors are known to be unreliable, typically producing downward-biased standard errors and inflated test statistics (Cameron et al., 2008; Cameron and Miller, 2015). To address this directly, we supplemented our clustered standard error results with wild cluster bootstrap inference using Webb weights and 9,999 replications (Webb, 2014). Wild bootstrap is specifically designed to provide reliable inference with few clusters by resampling residuals at the cluster level with sign perturbations. Results are reported for both approaches; where conclusions differ, we privilege the wild bootstrap p-values.

Multicollinearity was assessed using variance inflation factors. All VIF values fell below the conventional threshold of 10 (mean VIF = 2.27), with the highest individual values for board size (3.74), Post2021 (3.45), and audit committee independence (3.20), indicating that multicollinearity is not a concern in our model.

Endogeneity is a further concern, particularly for the Post2021 variable. While a lagged specification is our primary robustness check, consistent with prior literature (TRAN et al., 2020; Miniaoui et al., 2022), we acknowledge that lagging does not constitute a full identification strategy and cannot isolate the CBK's 2022 circular from concurrent forces such as global ESG momentum, post-pandemic investor attention to sustainability, and GCC peer pressure. Our causal language is calibrated accordingly: we characterise the regulatory period as the dominant observable correlate of disclosure improvement rather than as an identified causal effect.

V. Results and Discussion

V.1 Descriptive Statistics

Table 2 summarises descriptive statistics across ninety bank-year observations. The mean social disclosure score is 0.6806, with a standard deviation of 0.1478. Scores range from 0.3906 to a maximum of 1.0000, indicating that at least one bank achieved full disclosure on all sixty-four items in the most recent part of the sample period. Within the GCC regional context, Kuwait's mean of 68.06 percent exceeds the 32.4 percent reported for UAE listed banks by Al Maeeni et al. (2022) and the 55 percent average documented across GCC Islamic banks by Ineizeh et al. (2022).

Average board size is approximately ten members, consistent with the

CBK's minimum eleven-member requirement phased in after 2019. Board independence averages 27.45 percent, which is typical for GCC institutions but notably lower than developed market benchmarks. Audit committee independence averages 34.20 percent, reflecting the post-2019 requirement for independent chairs and non-executive composition. Ownership concentration averages 27.40 percent, indicating moderate but non-trivial blockholder concentration relative to the full 0 to 60 percent range observed in the sample.

Table (2): Descriptive Statistics (N = 90)

Variable	Obs	Mean	SD	Min	Max
CSD_Score	90	0.6806	0.1478	0.3906	1.0000
B_Size	90	10.056	1.165	7	14
B_Ind	90	0.2745	0.2500	0.0000	0.9000
AC_Ind	90	0.3420	0.2957	0.0000	1.0000
Own_Conc	90	0.2740	0.1556	0.0553	0.6037
Bank_Size	90	8.8111	0.8624	6.6500	10.605
ROA	90	0.0089	0.0057	-0.016	0.0337
LEV	90	0.7211	0.1412	0.0110	0.8811
Bank_Type	90	0.4444	0.4997	0	1
Post2021	90	0.4000	0.4899	0	1

Source: Authors' calculations using STATA.

V.2 Correlation Analysis

The Pearson correlation matrix (Table 3) reveals several patterns relevant to our hypotheses. Disclosure correlates positively and significantly with board size ($r = 0.594$), bank size ($r = 0.423$), and Post2021 ($r = 0.633$), consistent with resource dependency and regulatory pressure arguments. Board independence shows a weak negative correlation with disclosure ($r = -0.069$), foreshadowing the regression results.

The correlation matrix also shows that board independence and audit committee independence move together ($r = 0.582$), which is expected since the CBK's 2019 reforms mandated both simultaneously as part of the same governance package. No other inter-predictor correlations raise multicollinearity concerns, consistent with the VIF diagnostics.

Table (3): Pearson Correlation Matrix

Variable	CSD	B_Size	B_Ind	AC_Ind	Own_C	Bank_S	ROA	LEV	B_Type	Post21
CSD_Score	1.000									
B_Size	0.594*	1.000								
B_Ind	-0.069	0.059	1.000							
AC_Ind	0.054	0.118	0.582*	1.000						
Own_Conc	-0.064	-0.056	-0.028	-0.006	1.000					
Bank_Size	0.423*	0.379*	-0.278*	-0.132	-0.349*	1.000				
ROA	0.131	0.212*	-0.052	0.023	-0.033	0.369*	1.000			

LEV	-0.119	-0.144	0.059	-0.065	0.045	-0.170	-0.079	1.000		
Bank_Type	-0.028	0.150	0.137	0.085	0.404*	-0.218*	-0.134	0.143	1.000	
Post2021	0.633*	0.382*	0.140	0.310*	-0.020	0.222*	0.137	-0.106	0.000	1.000

* Significant at 5% level. **Source:** Authors' calculations using STATA.

V.3 Regression Results and Hypothesis Testing

Table 4 presents pooled OLS results with both conventional clustered robust standard errors and wild bootstrap p-values. The model explains approximately 50.2 percent of the variation in social disclosure ($R^2 = 0.5020$). Among the four governance variables, none achieves conventional significance in the main specification, leading us to reject H1 through H4. The two significant predictors are bank size ($\beta = 0.052$, $p = 0.009$ under clustering; confirmed at $p = 0.012$ under wild bootstrap) and the Post2021 dummy ($\beta = 0.158$, $p = 0.009$ under clustering; $p = 0.022$ under wild bootstrap). The convergence of clustered and bootstrap results for these two variables provides confidence that the small-cluster problem does not invalidate our main substantive conclusions, even though it appropriately inflates uncertainty around the governance coefficients.

Table (4): Main Pooled OLS Results with Clustered and Wild Bootstrap Inference

Variable	Coeff.	Clustered SE	Cluster p	Bootstrap p	95% CI
B_Size	0.0116	0.0116	0.344	0.381	[-0.015, 0.038]
B_Ind	-0.0070	0.0679	0.921	0.934	[-0.164, 0.150]
AC_Ind	-0.0351	0.0578	0.561	0.579	[-0.168, 0.098]
Own_Conc	0.0510	0.0797	0.540	0.554	[-0.133, 0.235]
Bank_Size	0.0518***	0.0152	0.009	0.012	[0.017, 0.087]
ROA	-1.8162	2.2227	0.438	0.451	[-6.942, 3.309]
LEV	-0.0110	0.0693	0.878	0.889	[-0.171, 0.149]
Bank_Type	0.0007	0.0186	0.970	0.977	[-0.042, 0.044]
Post2021	0.1582***	0.0461	0.009	0.022	[0.052, 0.264]
Constant	0.0677	0.1187	0.584	,	[-0.206, 0.341]

$N = 90$; $R^2 = 0.5020$; Standard errors clustered at bank level (9 clusters). Wild bootstrap p-values computed with Webb weights, 9,999 replications. *** $p < 0.01$. **Source:** Authors' calculations using STATA.

Board size (H1) shows a positive but insignificant coefficient ($\beta = 0.012$, $p = 0.344$). We therefore reject H1 in the main specification, though the lagged results discussed below provide partial support. The direction is consistent with resource dependency theory, but the CBK's minimum board size requirement limits the variation available for identification.

Board independence (H2) has no significant effect on disclosure ($\beta = -0.007$, $p = 0.921$), leading us to reject H2. This null result aligns with evidence from Jordan (Albawwat, 2022), Indonesia (Limbong et al., 2025), and other GCC

settings (Bukair and Rahman, 2015). The coercive isomorphism interpretation is straightforward: once the 2019 CBK reforms mandated minimum independence levels across all banks, independence ceased to discriminate between institutions on disclosure outcomes.

Audit committee independence (H3) shows a negative but insignificant effect ($\beta = -0.035$, $p = 0.561$). We reject H3. This runs counter to evidence from US and Vietnamese banking (Jizi et al., 2014; TRAN et al., 2020) but is consistent with the broader pattern in the GCC, where committee structures are mandated rather than chosen. Buallay and Al-Ajmi's (2019) finding that financial expertise on audit committees was negatively associated with sustainability reporting in GCC banks points to a similar substantive-formal disconnect.

Ownership concentration (H4) shows a positive but insignificant coefficient ($\beta = 0.051$, $p = 0.540$), leading us to reject H4. The direction is opposite to our prediction, though the effect is far from significant. The unexpected positive sign may reflect the partial role of state ownership, acting through the Kuwait Investment Authority and aligned with Vision 2035 development objectives, in supporting rather than suppressing transparency. Al Maeeni et al. (2022) and Boshnak (2025) document similar government ownership effects in UAE and Saudi banks respectively. Alternatively, the competing pressures of state, family, and institutional blockholders in Kuwait may simply cancel out in the aggregate, producing a null effect with an indeterminate sign.

Bank size is a highly significant positive predictor ($\beta = 0.052$, $p = 0.009$), consistent with both legitimacy theory and stakeholder theory. Larger, more visible institutions face scrutiny from a broader set of stakeholders, regulators, depositors, investors, and the public, and use comprehensive disclosure to signal accountability across this wider constituency (Freeman, 1984; Guthrie and Parker, 1989). This reputational pressure is reinforced by organisational capacity: larger banks have dedicated ESG units, established external assurance relationships, and the internal infrastructure to respond rapidly to regulatory demands. NBK and KFH exemplified this in Kuwait, publishing the first GRI-aligned sustainability reports in the year the CBK circular came into force.

The Post2021 coefficient is positive, large, and highly significant ($\beta = 0.158$, $p = 0.009$ clustered; $p = 0.022$ wild bootstrap), representing an increase of roughly ten percentage points in mean disclosure relative to the pre-2021 period. This finding can be read through both legitimacy theory and coercive isomorphism. From a legitimacy perspective, the 2022 mandates fundamentally shifted societal expectations around bank transparency, and institutions responded with expanded disclosure to maintain their social licence to operate (Guthrie and Parker, 1989). From an isomorphic perspective, regulatory coercion

left banks no choice but to comply regardless of their internal governance configurations (DiMaggio and Powell, 1983). Both mechanisms point in the same direction and are empirically inseparable here, which is itself an informative finding about how regulatory and legitimacy pressures reinforce each other in highly regulated industries. Profitability, leverage, and bank type are all statistically insignificant across specifications.

V.4 Robustness: Lagged Model and Alternative Break Years

To probe endogeneity concerns regarding the Post2021 variable, we estimated a lagged specification in which the dummy is lagged by one year, reducing the sample to eighty-one observations. Results are presented in Table 5. The lagged Post2021 coefficient remains positive and significant ($\beta = 0.118$, $p = 0.020$), confirming that the disclosure increase follows rather than precedes or coincides with the regulatory shock. Board size achieves marginal significance in this specification ($\beta = 0.031$, $p = 0.039$), providing partial support for H1 and resource dependency theory. Bank size remains highly significant ($\beta = 0.051$, $p = 0.005$). Other governance variables remain insignificant.

Table (5): Lagged Model Results (Robustness Check)

Variable	Coeff.	Robust SE	t-stat	p-value	95% CI
L.Post2021	0.1187**	0.0410	2.89	0.020	[0.024, 0.213]
B_Size	0.0312**	0.0127	2.46	0.039	[0.002, 0.060]
B_Ind	-0.0098	0.0657	-0.15	0.885	[-0.161, 0.142]
AC_Ind	0.0057	0.0725	0.08	0.940	[-0.162, 0.173]
Own_Conc	0.1116	0.0745	1.50	0.172	[-0.060, 0.283]
Bank_Size	0.0515***	0.0134	3.83	0.005	[0.021, 0.083]
ROA	-2.7046	2.2708	-1.19	0.268	[-7.941, 2.532]
LEV	0.0211	0.0725	0.29	0.779	[-0.146, 0.188]
Bank_Type	-0.0259	0.0176	-1.47	0.179	[-0.067, 0.015]
Constant	-0.1233	0.1926	-0.64	0.540	[-0.568, 0.321]

N = 81; $R^2 = 0.4745$; Standard errors clustered at bank level (9 clusters). ** $p < 0.05$; *** $p < 0.01$.

Source: Authors' calculations using STATA.

We also tested alternative cutoff years for the structural break. A Post2019 specification yielded a positive but weaker coefficient ($\beta = 0.091$, $p = 0.071$), suggesting that the 2019 governance reforms alone did not drive the same magnitude of disclosure response as the 2022 sustainability mandates. A Post2020 specification produced results similar to Post2019. A Post2022 specification showed a significant coefficient ($\beta = 0.171$, $p = 0.007$) but lower overall model fit. The Post2021 specification consistently produces the best fit, confirming that banks began responding to the forthcoming 2022 mandates

during 2021 itself. A linear time variable remains insignificant across all alternative specifications ($p > 0.35$), ruling out a simple secular trend explanation.

V.5 Discussion

Our results present a coherent pattern that can be read across multiple theoretical lenses. The null results for governance variables are best explained through coercive isomorphism (DiMaggio and Powell, 1983; Meyer and Rowan, 1977). When the CBK's 2019 amendments mandated identical board structures across all Kuwaiti banks, they produced institutional convergence that collapsed the cross-sectional variation statistical models require. Within this harmonised environment, formal governance characteristics no longer discriminate between institutions on disclosure outcomes, not because governance is irrelevant to disclosure in principle, but because every bank looks the same on the measured dimensions. The pattern has been documented in GCC Islamic banks (Bukair and Rahman, 2015), Indonesian banks under mandatory independence requirements (Limbong et al., 2025), and Jordanian banks with politically-appointed independent directors (Albawwat, 2022), suggesting the mechanism is general rather than geographically specific.

The bank size finding connects legitimacy theory and stakeholder theory. Larger institutions face a broader and more demanding set of stakeholder relationships, regulators, institutional investors, depositors, rating agencies, and civil society, and disclosure serves as the primary mechanism through which they signal accountability to each (Freeman, 1984). At the same time, legitimacy theory explains why this accountability pressure is particularly acute following regulatory disruption: when the 2022 mandates shifted societal expectations around ESG transparency, larger banks with more reputational capital at stake were the first and most comprehensive responders (Guthrie and Parker, 1989). The Post2021 result itself reflects both logics simultaneously, legitimacy pressure and coercive isomorphism reinforcing each other in a way that is empirically inseparable but theoretically coherent.

The positive but insignificant coefficient on ownership concentration deserves reflection. Our hypothesis predicted a negative effect because blockholders can access private information directly and need not rely on public disclosure. The unexpected positive direction may reflect the particular composition of Kuwait's block ownership structure. State actors controlling institutions through the Kuwait Investment Authority may support transparency as part of the national development agenda even when minority shareholder demand for disclosure is weak. Al Maeni et al. (2022) found government ownership positively associated with CSR disclosure in UAE banks, and Boshnak (2025) documents similar government-driven disclosure incentives in

Saudi Arabia. These findings challenge the blanket application of agency-theory ownership predictions to GCC ownership structures and call for more granular decomposition of ownership types in future work.

The dominance of external regulatory pressure over internal governance structures carries the study's most policy-relevant finding, and it is robust to lagging, to alternative cutoff specifications, and to the more conservative wild bootstrap inference. What the 2022 CBK circular did that the 2019 governance reforms did not was move from structural mandates to content mandates, specifying what banks must report, requiring board-level strategy approval, and embedding disclosure in risk management frameworks. This shift from prescribing who sits on the board to prescribing what must be disclosed produced measurable, sector-wide transparency improvements. A growing body of evidence from Saudi Arabia (Boshnak, 2025), Indonesia (Limbong et al., 2025), Jordan (Albawwat, 2022), and Bangladesh (Rashid and Hossain, 2021) converges on the same conclusion: in concentrated ownership markets with active regulatory intervention, enforceable reporting mandates are more powerful drivers of observable disclosure than structural governance requirements alone.

VI. Conclusion

This study examined the relationship between corporate governance and social disclosure in all listed Kuwaiti banks over 2015–2024, a period bracketed by two consequential CBK regulatory transformations. Using pooled OLS with wild bootstrap inference to address small-cluster concerns, we find that traditional governance mechanisms, board independence, audit committee independence, and ownership concentration, are statistically insignificant predictors of social disclosure within the post-2019 harmonised regulatory environment. Board size shows marginal significance only in lagged specifications. The dominant predictors are bank size, capturing organisational capacity and legitimacy pressure, and the post-2021 regulatory period, capturing the sector-wide response to the November 2022 CBK sustainability circular.

These results are consistent with coercive isomorphism: the CBK's 2019 governance reforms standardised formal structures across all banks, eliminating the cross-bank variation that would otherwise drive governance-disclosure associations. The 2022 circular, by specifying content requirements, mandating board-approved ESG strategies, and embedding sustainability in risk management, produced measurably larger disclosure improvements than structural governance reforms alone. For policymakers, the implication is that relying on governance structure mandates without accompanying enforceable content requirements is unlikely to produce meaningful transparency gains in concentrated ownership markets. Building internal organisational capacity,

particularly in smaller institutions, may be at least as consequential as board composition reforms.

For bank managers, the bank size finding underlines the practical importance of dedicated ESG infrastructure. Larger institutions, NBK and KFH in the Kuwaiti context, were first movers in structured ESG reporting, establishing sustainability units and engaging external assurance providers in the year the CBK circular came into force. Smaller banks face resource constraints that slow and thin their disclosure responses. Industry-level knowledge sharing, regulatory technical assistance, or phased implementation timelines for smaller institutions may therefore be warranted.

Several limitations bound these findings. The population comprises nine banks, constraining both statistical power and cross-country generalisability. The disclosure index captures breadth rather than quality, two banks with identical scores may differ substantially in the specificity and comparability of their disclosures. The Post2021 variable cannot be cleanly separated from concurrent forces, global ESG momentum and post-pandemic investor attention, that may have independently contributed to the disclosure surge. Future research should explore GRI-quality-adjusted disclosure measures, extend the sample to GCC peers for cross-country comparison, and employ qualitative methods to examine whether formally independent directors exercise genuine monitoring influence in Kuwait's concentrated ownership environment. These extensions would help distinguish the specific mechanisms through which the 2022 regulatory mandates operated from the broader institutional forces that accompanied them.

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