

THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE: A CASE OF HIGH MALAYSIAN SUSTAINABILITY COMPANIES AND GLOBAL SUSTAINABILITY COMPANIES

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ABSTRACT

Corporate social responsibility (CSR) disclosure can be defined as the provision of information regarding human resource aspects, product and service, involvement in community projects including philanthropic activities and environmental matters. Current globalization trend and growing demand from stakeholders toward companies in adopting corporate social responsibility practices have encourage the involvement of companies in CSR practices. CSR has becomes an important subject in company's activities. The purpose of this paper is to investigate the extent of corporate social responsibility (CSR) and to determine whether corporate governance (CG) attributes (proxies by board size, board independent, CEO duality, ownership concentration, and chairman audit committee) influence CSR disclosure among the Malaysian companies and Global companies. For Malaysian companies sample taken from participant of ACCA Malaysia Environmental and Social Reporting Awards (ACCA MESRA), and Prime Minister's CSR Awards, while for global companies sample taken from The Global Reporting Initiative (GRI). Consistent with previous studies, content analysis is adopted to achieve the objectives. This study also used firm characteristics as control variables which are firm size (proxy by total asset) and leverage (proxy by total debts) with an intention to enhance the relationship between corporate governance characteristics, corporate performance and CSR disclosure. Seven hypotheses were tested using data collected from annual report of 120 companies from Malaysian and Global companies for year 2009. Descriptive analysis and Kruskal Willis test indicated significant differences in the extent and variety of CSR disclosure among Malaysian and Global companies. While multiple regression analysis results indicated that board size, board independent and ownership concentration show significant relationship with the extent of CSR disclosures. Both of the control variables (firm size and leverage) found not significantly related to the extent of CSR disclosures.

Keyword: CSR disclosure, CG characteristics.

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INTRODUCTION

Corporate social responsibility (CSR) and sustainability reports are increasingly gaining importance globally as stakeholders' concerns have expanded beyond conventional financial considerations to matters such as safety and health as well as the impact of businesses on the environment and the community. The current globalization trend and growing demand from stakeholders toward companies in adopting corporate social responsibility (CSR) practices have encouraged the involvement of companies in CSR practices Chapple and Moon, (2005). CSR has become an important subject in company's activities Vilanova, Lozano, and Arenas, (2009). Kok, Weile, McKenna and Brown (2001) have stated that CSR could be a general statement which could indicate a company's obligation to utilize its economic resources in the business activities in order to provide and contribute to its internal and external stakeholders. Over the past decade, Malaysia has witnessed tremendous economic and social changes. As a result, the business environment has also become more complex and demanding. Corporate social responsibility has been one of the emerging issues that in continuously confronting modern day businesses in Malaysia as well as globally. Nowadays, CSR is gaining its popularity in both the Malaysian business community and internationally. The Institute of Corporate Responsibility Malaysia (ICRM) is set up with the objective to promote, initiate, and embed the CSR's best practices among Malaysian firms. The ICRM is a regulatory body that has an advisory panel comprising of the Securities Commission, the Bursa Malaysia Berhad and Khazanah Nasional to support the ICRM. With regards to the importance of the CSR, the Bursa Malaysia has made a compulsory requirement for Malaysian public listed firms whose year end is on or after 31st December 2007 to have full disclosure on all their CSR activities undertaken in their annual reports. This requirement intends to provide an additional corporate narrative from the existing one such as the Chairmen Statement and Corporate Governance (CG) Statement. Even though, Bursa Malaysia has issued the CSR framework which has four focal areas (community, environment, workplace and marketplace) as the guideline for Malaysian companies, there is no specific format provided on the type of CSR information that should be disclosed and how it should be presented in the report needs and expectations and improve the long-term performance of firms.

CSR REPORTING AND CG REPORTING IN MALAYSIA: AN OVERVIEW

Corporate social responsibility acts as a pillar to enhance the organisation's image. It is an extension of the financial reporting system which reflects the society's broader expectation of the role of business community in the economy Gray, Owen, and Maunders, (1987); Haniffa, (2002). Corporate social responsibility in Malaysia commonly relates in particular with Bursa Malaysia rulling on listed companies. All public listed companies are required to disclose information relating to their corporate

social responsibility practices in their companies according to Bursa Malaysia CSR framework. Bursa Malaysia CSR framework (Bursa Malaysia, 2006) defined corporate social responsibility as “an open and transparent business practices that are based on ethical values and respect for the community, employees, environment, shareholders and other shareholders”. In these recent years, there seems to be increasing numbers of companies that have been active in pursuing corporate social responsibility initiatives.

Cadbury Report (London) of 1992 is the beginning of the discussion that emphasis on CG in Malaysia. This has led to the establishment of Audit Committee as a watchdog. It has also acted as the internal control mechanism for every company listed on the London Stock Exchange. Consequent to this, accountants in Malaysia began to discuss this issue at conferences and seminars while at the same time expecting such a requirement would soon be imposed by the Bursa Malaysia (then Kuala Lumpur Stock Exchange). At that time the Audit Committee was perceived to improve the internal control that has proved also to be a feature of good management practice. Further, the emphasis on corporate governance and corporate social responsibility became a much-debated topic during the Asian financial crisis in the year 1997. Scandals, mismanagement, earnings management, widespread retrenchment, and other factors have further eroded capital investors’ confidence. The severe decline in the capital market has jolted the authorities to do the necessary in order to revive the confidence of investors. One of the ways was to deal directly with corporate governance. The development of corporate governance in Malaysia during the last decade can be summarized as follows:

- ⌚ Section 334 of the KLSE listing requirement requires all listed companies to establish an audit committee with effect from August 1st 1994.
- ⌚ The establishment of Malaysian Institute of the Corporate Governance (MICG) on March 10th 1998 for public companies limited by guarantee under the Companies Act 1965.
- ⌚ On 24 March 1998, the government announced in the Parliament that a committee, known as the High Level Finance Committee, will determine the corporate governance framework to establish good practices for industries.
- ⌚ The Security Commission has been empowered to further enforce the laws and regulations to ensure compliance.

PROBLEM STATEMENT

In Malaysia, there is a lot of encouraging government incentives to promote the corporate social responsibility (CSR) among public listed companies (PLC). In his opening speech at the 2010 Prime Minister’s Corporate Social Responsibility (“CSR”) Awards, the Honorable Deputy Prime Minister YAB Tan Sri Muhyiddin Haji Mohd Yassin, has stated that “CSR is not a new thing as it has emerged as a relatively recent phenomenon through labeling and packaging. In actual fact, its history is as long as there have been commercial companies. For many years, corporate entities were responsible for the health of their employees, planned the social events of the community and contributed towards the community’s infrastructure such as roads or rail services”.

Besides that, the Former Malaysian Prime Minister, Datuk Seri Abdullah Ahmad Badawi has required companies to disclose their CSR activities in their annual reports as he has emphasized the importance of corporate social responsibility reporting. One approach for companies to publish or disclose their corporate social responsibility activities can be through corporate social reporting. On the other hand, by reporting the activities to the stakeholders or through additional disclosure it can be a way to reduce the gaps between the company and its stakeholders. However, during the opening speech for the Anugerah CSR Malaysia 2009, Prime Minister Datuk Seri Najib Abdul Razak has given a true picture and situation about the level of disclosure for CSR in Malaysia. “We have a long way to go in putting CSR strategies at the heart of our efforts to create a more sustainable and socially inclusive future. There are more than 600,000 businesses registered in Malaysia. Fewer than 200 participated in this Awards programme. It is clear that we need to move CSR up the business agenda and embed it into the DNA of every company. This presents an enormous challenge, as well as a huge opportunity to get things right from the start.” This call has indicated that many companies in Malaysia have not been serious and focused in terms of CSR disclosure. This has been so because they have not been confident that the CSR initiative could give them many advantages and benefits.

In comparison to other Asian countries, CSR in Malaysia found to be lagging far behind compared with Singapore, Thailand and South Korea. This was highlighted by Dato’ Hj Sulaiman Hj Mohd Yusof, Deputy Director 1, Commercial Crime Investigation Department, Royal Malaysian Police Force (Accountants Today, 2006).

This study will focus on the relationship between CSR disclosure, Corporate Governance Characteristics (CG) and company performance since both CSR and CG are the most important disclosure practices that all companies in Malaysia must apply in their annual reports. In addition, CG has often influenced the level of the CSR disclosure. This study has also hopefully tried to differentiate and compare the level of disclosure for CSR and sustainability reporting among top Malaysian companies and international companies. The researcher has compared the effect of CG, company performance, CSR disclosure and the comparison level of disclosure of international companies that have done a good job in CSR and sustainability reporting. For Malaysian company samples the researcher has taken from participant of ACCA Malaysia Environmental and Social Reporting Awards (ACCA MESRA), and **Prime Minister’s CSR Awards. For global companies samples this study has taken from The Global Reporting Initiative (GRI).**

ACCA Malaysia is proud to be the pioneer of the sustainability reporting movement with the launch of the ACCA Malaysia Environmental Reporting Awards (MERA) in 2002. Following the second edition of MERA in 2003, these annual awards were rebranded as the ACCA Malaysia Environmental and Social Reporting Awards (ACCA MESRA) from 2004 – 2007. *Prime Minister's CSR Awards* was launched by the Ministry of Women, Family and Community Development in 2007 in order to recognize Malaysian companies that have made a difference to the communities in which they have been active through their CSR programmes. Today, more companies than ever before have started recognising the significance and value of integrating CSR into all aspects of their business operations and decision-making processes. *The Global Reporting Initiative (GRI)* is a network-based organization that pioneered the world's most widely used sustainability reporting framework. GRI is committed to the Framework's continuous improvement and application worldwide and its core goals include the mainstreaming of disclosure on environmental, social and governance performance.

The general objective of this study was to examine the relationship between corporate social responsibility disclosure and corporate governance. The main focus of this study has been to investigate the main relationship between the CG characteristics, and CSR disclosure and the influencing factors to each other. Besides that, the study has also hoped to compare the extent and level of the CSR disclosure between the Malaysian and Global companies. The samples needs are from the Top Companies Sustainability from Malaysia itself with the Top Global Companies Sustainability.

HYPOTHESIS DEVELOPMENT

Non-Executive/Independent Director on the Board of Directors (NED)

The empirical governance literature suggests that the degree of board independence is related to composition, and the independence will fosters board effectiveness. In her study on the differences between socially responsible firms' and non-socially responsible firms' board structure, Webb (2004) had found socially responsible firms have more outsiders/independent directors as compared to non-socially responsible firms. This is because independent directors have incentives to guard shareholders interest well. Besides, previous study showed that, in order to enhance corporate image and act as a monitoring role in ensuring that the companies is properly managed by its management, the independent director must play an important role. Forker (1992) found that a higher percentage of independent directors on board enhanced the monitoring of the financial disclosure quality and reduced the benefits of withholding information. In a corporate governance context, independent directors are expected to perform a monitoring role ensuring that shareholders' interests are taken into consideration when arriving at board decisions. However, there is unclear relationship between independent directors and the extent of CSR disclosure. Prior studies have documented significant positive association between independent directors and voluntary disclosure in general (Cheng and Courtenay, 2006; Huafang and Jianguo, 2007; and Donnelly and Mulcany, 2008), while others (Eng and Mak, 2003; and Barako *et al.*, 2006) found the opposite. The argument for a negative association between independent directors and the extent of disclosure is that independent directors are a cost-efficient substitute for information disclosure.

H1: There is a significant relationship between board independent and CSR disclosure.

Independent chairman of audit committee

A study by Carcello and Neal (2000) found that the likelihood of a company in financial distress to receive a modified auditors report is lower when the percentage of inside or "grey" directors on the audit committee is higher. The findings suggest that the independence of the audit committee may affect the objectivity and independence of the external auditor (Leng, 2004). By having the chairman of audit committee independent of the management, the committee can effectively monitor the performance of the management and result in improved corporate performance and disclosure. Prior researches have proven that audit committee plays an effective role in enhancing the corporate governance standards. Wright (1996) found that audit committee composition is strongly related to financial reporting where as McMullen and Raghunandan (1996) provides support for the association between the presence of an audit and more reliable financial reporting. The existence of an audit committee was significantly and positively related to the extent of voluntary disclosure (Ho and Wong, 2001; Bliss and Balachandran, 2003). Audit committee plays a crucial role in providing a mean for review of the company's processes in term of producing financial data and its internal control, thus its existence is in producing high quality financial reporting. According to Malaysian Code of Corporate Governance (2000), the board should establish an audit committee with at least three independent directors or more. The existence of audit committee with a higher proportion of independent directors should reduce the agency cost and improve the internal control that will lead to greater quality of disclosures (Forker, 1992). Therefore, the following hypothesis is constructed:

H2: There is a significant relationship between independent chairman of audit committee and CSR disclosure.

CEO duality

In the Malaysian context, Haniffa and Cooke (2002) states the role of duality is not particularly common among listed companies but the potential impact on disclosure should worthy of testing -Forker (1992) indicates that the separate roles between of-chair and chief executive will enhance the monitoring quality and decrease the advantages gained by withholding information, thereby improving the quality off reporting. Focusing on the disclosure of share option in examining the relationship between corporate governance and corporate disclosure for UK companies, Forker (1992) found that CEO dominance (defined as combined roles of CEO and the board chair) has a negative impact on the level of disclosure. CEO Duality exists when the same person holds both

the CEO and board chairman positions in corporation (Rechner and Dalton, 1989). The combination of CEO and chairman positions reflects the leadership and governance issues. However, a strong power base of a person in vesting the power of the CEO and chairman of the board could erode the board's ability to exercise effective control (Tsui and Gul, 2000). Therefore, companies with the CEO duality offer greater power to a person, that better decision making that do not maximize the shareholders wealth and will help improved monitoring quality and reduce benefits from withholding information that may consequently result in enhancing quality of reporting. Therefore, the hypothesis is stated as below:

H3: There is a significant relationship between CEO's duality and CSR disclosure.

Ownership Concentration

Hossain et al., (1994) found ownership concentration is statistically significant and negatively associated with the extent of voluntary disclosure in annual reports a broadly held company is defined as shares of the company are not concentrated in the hands of a few large shareholders. In contrast, a large number of shareholders may be holding a small portion of the company's shares. Consequently, the issue of public accountability may become more important because there is a greater chance that these companies are being held by the public at large when a company is widely held because there is a greater chance that these companies are being held by the public at large. A higher level of public accountability may necessitate additional involvement in social or community activities and hence disclosure of these activities ownership concentration is negatively associated with the extent of social activities. This study uses the proportion of shares held by the ten largest shareholders as a measure of ownership concentration, consistent with Hossain et al. (1994) and Haniffa and Cooke (2002). Samaha et al. (2011) find that blockholder ownership affects level of corporate governance voluntary disclosure; at the same time, both blockholder and managerial ownership affect the overall level of Egyptian listed companies' voluntary disclosure (Samaha and Dahawy 2010; 2011) while Ezat and El-Masry (2008) find that ownership structure measured by percentage of free float positively affect levels of Internet reporting by Egyptian listed companies. Elsayed and Hoque (2010) find that only governmental ownership negatively affects levels of voluntary disclosures, while the institutional and blockholder ownership does not affect levels of voluntary disclosures. Therefore, the hypothesis is stated as below:

H4: There is a significant relationship between the proportion of concentrated ownership and CSR disclosure.

Board size

Many studies have examined the relationship between board size and corporate performance Conyon and Peck, (1998); Eisenberg *et al.*, (1998); Dehaene *et al.* (2001); Chin *et al.*, (2004); Mak and Kusnadi, (2005), however, there is less research examining the relationship between board size and CSR disclosure. There is no finding stated that board size influenced the voluntary disclosure Cheng and Courtenay (2006) whereas Said, Zainuddin, and Haron, (2009) found weak relationship between board size and the extent of CSR disclosure. Prior studies anticipated on the effect of the board size that will increased communication and coordination problems, decreased ability of the board to control management and the spread among a larger group of the cost of poor decision making. According to Lipton and Lorsh, (1992); Eisenberg *et al.*, (1998); and Raheja, (2003), small boards will ease agency conflict between managers and shareholders. Jensen (1993) found that large boards are more likely to be controlled by the CEO resulting in less effective coordination, communication and decision making. Therefore, it is predicted that ineffective coordination in communication and decision making will lead to low quality of financial disclosure since the board of directors are unable carry out their roles efficiently.

Hence, the hypothesis is indicated as below:

H5: There is a significant relationship between board size and CSR disclosure.

RESEARCH METHODOLOGY

The sample data consists of 64 companies from Sustainability Reporting from ACCA Malaysia Environmental and Social Reporting Awards (ACCA MESRA), and *Prime Minister's CSR Awards* for Malaysian companies and 64 companies from The Global Reporting Initiative (GRI) for global companies. This is because only 64 companies that involved in these two awards in Malaysian public listed companies. Therefore, this study also takes 64 global companies from the The Global Reporting Initiative (GRI).

The secondary data is used for this study which was collected through the annual report year 2009. These studies take only for report 2009 because every year they will have different winner for each awards. Because of that problem, this study chooses to take data only for one year. The researcher choose 2009 because that year the most recent data available at the time when the research commenced. The final samples consist of 120 companies (60 Malaysian Companies and 60 Global companies) as the rest were excluded for two reasons namely the availability of data and finance sector. First, there are two companies that do not have the data for the selected period. Second, there are two companies which are in finance sector. These companies in finance sector are excluded due to the differences in the components of their financial statements relative to the non-finance sectors. This is important to ensure more consistency in this study with the only non-finance sector companies. These companies consist of few major sectors or industries such as consumer products, industrial products, trading and services, finance, technology, properties and hotels. All of these companies were examined in order to see the ability to fulfill required criteria of the data availability. The data of this study is extracted directly from the annual report gathered from the Bursa Malaysia for Malaysia companies and Foreign Exchange Website for Global companies, and also from the companies' own websites. The data were extracted from the

CSR disclosure, balance sheet, income statements, board of director’s profile and corporate governance statement of each individual annual report of these companies from the stated period (2009).

MEASUREMENT OF VARIABLE

Scoring of the Disclosure Index (dependent variable)

The corporate social responsibility information collected from the reading and analysis of annual reports is then coded onto the coding sheets. The corporate social responsibility disclosure index was developed by using the unweighted dichotomous scores as below:

- (a) the score of “1”, if the organization disclosed the item;
- (b) the score of “0” is given for nondisclosure of the item.

The entire annual report is read before any decision is made in order to ensure that judgement of relevance is not biased which is in line with suggestion and practice by Haniffa and Cooke (2005). In this study, the maximum corporate social responsibility disclosure score is equal to 45 attributes. The detailed of attributes are including the environmental, community involvement, human resources; and product and services themes that are used to measure the extent of corporate social responsibility disclosure. Haniffa and Cooke designed an index consist of 41 corporate disclosure items covering on five themes (environmental, employee, community, product and value added). Therefore, the corporate social responsibility disclosure index for this study adapted from Haniffa and Cooke, with some modification to suit the context of this study and the additional attributes comes from Othman et al. (2009) and Saleh et al. (2010).

Table 1: Summary of the variables and their measurement

Variables	Measurement
CSR disclosure (CSRD)	Scoring of CSR disclosure index
Board size (BSIZE)	numbers of director sit on the board
Board Independent (NED)	proportion of non-executive directors divided by total number of directors on the board of the company
Chairman of audit committee (CHAIREC)	1 if the chairman of the audit committee is non-executive director and zero if otherwise
DUALITY	dichotomous variable with 1 if the chairman is also the chief executive officer (CEO) of the company and 0 if otherwise
Ownership Concentration (CONCEN)	Percentage of shares owned by the ten largest shareholders to total number of shares issued.
Firm Size (SIZE) control variable	Natural logarithm of total asset
Leverage (LEV) control variable	Total debt divided by total assets

Table 2: Descriptive Statistics for Malaysian Companies

	N	Minimum	Maximum	Mean	Std. Deviation
Disclosure Index	60	28	41	33.15	3.384
Board Size	60	4	15	9.05	2.375
Board Independent	60	30.00	80.00	45.4733	12.06223
Role Duality	60	0	1	.02	.129
Audit Committee	60	0	1	.98	.129
Ownership concentration	60	20.74	97.26	63.8853	16.32719
Total Assets	60	57.54	310739.12	19742.2742	50229.66760
Leverage	60	.20	.95	.5717	.21719
Valid N (listwise)	60				

Table 3: Descriptive Statistics for Global Companies

	N	Minimum	Maximum	Mean	Std. Deviation
Disclosure Index	60	37	43	40.07	1.401

Board Size	60	7	25	12.15	3.030
Board Independent	60	12.00	92.86	64.4360	14.43852
Role Duality	60	0	1	.45	.502
Audit Committee	60	0	1	.98	.129
Ownership concentration	60	2.05	87.58	26.7378	17.72670
Total Assets	60	622.00	3730294.00	132247.7178	4.85067E5
Leverage	60	.13	3.43	.5990	.40809
Valid N (listwise)	60				

Table 4: Descriptive Statistics for Corporate Social Responsibility Disclosure by each theme and items.

Theme	N	Mean		Std. Deviation		Minimum		Maximum	
		MC	GC	LC	GC	LC	GC	LC	GC
Environment	9	66.9	78.5	40.5	41.2	6.7	5.0	100.0	100.0
Community involvement	12	88.2	93.3	17.7	14.2	46.7	50.0	100.0	100.0
Human resources	15	66.1	91.0	39.2	17.8	11.7	30.0	100.0	100.0
Product and services	9	74.4	91.9	36.8	22.6	6.7	31.7	100.0	100.0
Total	45	73.2	88.7	10.7	12.0	6.7	5.0	100.0	100.0

MC= Malaysian Companies

GC= Global Companies

A scrutinizing process of the content analysis on a total 120 annual reports for the Malaysian and global companies has found that all the companies had proper corporate social responsibility disclosure for the year 2009. Table 4 have shown that the Community Involvement theme was the highest theme disclosed by the Malaysia companies with 88.2 per cent, followed by Products and Services theme with 74.4 per cent ; Environment theme, 66.9 per cent, and Human Resources theme, 66.1 per cent. For the global companies, the highest theme was the Community Involvement theme (93.3 per cent), followed by Product and Services theme (91.9 per cent); Human Resources themes (91.0 per cent) and the Environment theme (78.5 per cent).

Table 5: Spearman Correlation Matrix

	CSR_Index	B_Size	NED	DUALITY	CHAIREC	CONCEN	ROA	ROE	T_Asset	Lev
CSR_Index	1.000	.499**	.351**	.340**	.000	-.508**	.110	.093**	.447**	-.041
B_Size	.499**	1.000	.021	.273**	-.104	-.409**	.028	-.028	.548**	-.070
NED	.351**	.021	1.000	.325**	.175	-.420**	.112	.139	.257**	.085
DUALITY	.340**	.273**	.325**	1.000	-.082	-.388**	.107	.127	.278**	-.001
CHAIREC	.000	-.104	.175	-.082	1.000	.125	.088	.120	-.119	.097
CONCEN	-.508**	-.409**	-.420**	-.388**	.125	1.000	-.060	-.005	-.427**	.071
T_Asset	.477**	.548**	.257**	.278**	-.119	-.427**	-.040	.038	1.000	.132
Lev	-.041	-.070	.085	-.001	.097	.071	-.248**	.155	.132	1.000

** Correlation is significant at the 0.01 level (2-tailed)

The strength and direction of the linear relationship between two variables can be tested using correlation analysis. Table 4.6 report the correlation between the variables used in the regressions for Malaysian and global companies respectively. Based on the Table, few variables were found to be highly inter-correlated which were above 0.5. However, the result has shown that there was no multicollinearity problem. The board size and total assets (0.548) at the 1 percent level and the percentage of the CSR disclosure index and board size (0.499) significant at the 1 percent level were the variables that were found to be highly significant and correlated positively between the two variables. This result has indicated that the board size was associated with the total assets and the CSR disclosure index. Besides that, there were two variables that were found to be highly significant but with negative correlation namely the ownership concentration and the CSR disclosure index (-.508) significant at the 1 percent level. Therefore, this finding has indicated that there was negative association between the ownership concentration and the CSR disclosure index. Meanwhile, the Table has shown that the CSR disclosure index has indicated that there was a fairly positive correlation with board independent (0.351), role of duality (0.340), and total asset (0.447) which were found to be significant at the 1 percent level. Thus, this finding has indicated that the level of the CSR disclosure index was associated with the level of the board independent, role of duality, total asset and earnings per share. On the other hand, a few variable were found to be fairly correlated between the board independent and role of duality (0.325), board size and role of duality (0.273), board independent and total asset (0.257). However, the role of duality and total assets (0.278) were found to be significant at the 1 percent level.

Table 6 Multiple Regression Analysis

Year 2009 (Constant)	Beta	t	Sig.
		-0.076	0.939
CG Characteristics			
Board Size (B_Size)	.327	3.464	0.001**
Board Independent (NED)	.187	2.112	0.037**
Role of Duality (DUALITY)	.065	0.794	0.429
Chairman of audit committee (CHAIREC)	.045	0.592	0.555
Ownership concentration (CONCEN)	-.225	-2.402	0.018**
Control Variables			
Total Asset (T_Asset)	.114	1.191	0.236
Leverage (LEV)	-.066	-0.618	0.538
Model			
Model Summary			
R-Squared	0.424		
Adjusted R-Squared	0.377		
F-Statistics	8.998		
p-value	0.00		

*Significant at 0.01 level; **Significant at 0.05 level; ***Significant at 0.10 level

This section has analyzed the relationship of the corporate governance characteristic, corporate performance and the CSR disclosure. There were three types of variables involved in this study. The independent variables consisted of the corporate governance characteristic such as board size, board independent, role of duality, chairman of audit committee, and ownership concentration and corporate performance was measured by Return on Asset (ROA) and Return on equity (ROE). The variables used as control variables were total asset and companies leverage. The dependent variable was represented by the CSR disclosure. Coakes et al. (2009) and Hair et al. (1998) have stated that there are three common order when interpreting the multiple regression results. First, check the R-squared. Second, testing the entire model by checking the F-test and lastly, by looking at each individual coefficient using the t-test. The coefficient of multiple determination (R^2) represents the portion of the variance in the dependent variable accounted by the model where as the F-test is used to determine the statistical significant of the overall model. In addition, the t-test used to determine the statistical significant of the individual variables.

The results of the regressing seven independent variables on the CSR disclosure index are presented in Table 4.8. The result has found that the regression model was statistically significant with F-value of 8.998 (p-value >.05). When all the inter-correlations among the seven independent variables were taken into account, the R square was 0.424 meaning that 42.4 percent of the variance is explained on the CSR disclosure index. The remaining 57.6 percent of the impact to CSR disclosure was explained by other factors.

The findings have indicated that the CSR disclosure level of the Malaysian and global companies was significantly influenced by three factors examined in this study, namely, board size (p-value=0.001), board independent (p-value=0.037), and ownership

concentration (p-value=0.016). The sign of coefficients has shown that board size and board independent was found to be positively significant and indicates that the higher the board size and board independent, the higher was the CSR disclosure level. The ownership concentration was found to have a negative significant which has indicated the higher ownership concentration, the lower was the CSR disclosure and vice versa.

Table 7: Summary of hypothesis results.

H1	There is a significant relationship between board independent and CSR disclosure.	Accepted
H2	There is a significant relationship between independent chairman of audit committee and CSR disclosure.	Not Accepted
H3	There is a significant relationship between CEO's duality and CSR disclosure.	Not Accepted
H4	There is a significant relationship between the proportion of concentrated ownership and CSR disclosure.	Accepted
H5	There is a significant relationship between board size and CSR disclosure.	Accepted

DISCUSSION AND CONCLUSION

This study has found that the gap between the level of corporate social responsibility disclosures among the companies in Malaysia and globally was not too big. The results have found that the difference of the total disclosure was only 15.5%, the Malaysian companies disclosed only 73.2% from the overall items in their disclosure rather than the global companies which disclosed around 88.7%. The difference for the environment theme was around 11.6%, community involvement 5.1%, human resources 27.5%, and products and services 17.5%. It was also found that The Malaysian companies have still shown their best disclosure for each year and all the companies had disclosed their corporate social responsibility disclosure. Among the best Malaysian company in terms of disclosure was the Media Prima Bhd with a score of 41 out of 45. This was a good and an interesting finding since Jing (2002) has also found that 90 per cent of 40 Malaysian companies had corporate social disclosures in their annual reports. Apart from the fact that the corporate social responsibility disclosure has been the voluntary disclosure in nature, Malaysian companies tended to show a greater transparency in their annual reporting. This study has found that the highest theme disclosed by the Malaysia companies was the community involvement theme (88.2 per cent), followed by the products and services theme (74.4 per cent); the environment theme (66.9 per cent), and the human resources theme (66.1 per cent). For global companies, the highest theme was the community involvement theme (93.3 per cent), followed by the products and services theme (91.9 per cent); the human resources themes (91.0 per cent) and environment theme (78.5 per cent).

There were five hypotheses to discover the relationship between the corporate governance characteristics and the CSR disclosure as stated in H1 to H5. Results from the multiple regression analysis have indicated that three hypotheses were accepted since there were significant relationships between the board size, board independent, and ownership concentration with the CSR disclosure. Other than that, there was no significant relationship between the role of duality and the chairman of the audit committee. The current study has indicated that the number of directors in the board (B_Sizes) did have a significant effect on the CSR disclosure. This finding has been consistent with the studies done by Akhtaruddin et al., (2009), Zehra et al. (2000). However, Laksmana (2008) has found that a specified board with fewer directors was associated with less disclosure practices in their annual reports. As the global companies larger board of directors' size would make it easier to control the CEO and the monitoring process would be more effective. In contrast, a very large board could edge the communication and coordination among board members and consequently would obstruct the monitoring process. In addition, the determination of the number of board size was one of important parts in the corporate governance as it would resolve the efficiency of the board of directors' management. Boards with more than seven or eight members were found to be likely to be effective especially for the global companies compared with the Malaysian companies.

The result of this study has also found that board independent has significant effect on the CSR disclosure. Consistent with the previous studies mentioned, board independent (NED) was found to be a good predictor of the CSR disclosure. However, Cheng and Courtenay (2006), Barako, et al., (2006) as well as Cheng and Jaggi (2002) have found that there was a relationship between the independent director and the voluntary disclosure. Based on the descriptive statistics, the proportions of NED in the Malaysian and global companies were found to be quite good as most of the companies have at least a proportion of directors. When the proportion of independent non-executive directors in the Malaysian and global companies were higher, the companies supposed to have better result in the CSR disclosure since they were more concerned with the shareholder's interest. This was because the independent director could play an important role in enhancing the corporate image. Besides, the independent directors could also act as a monitoring role in ensuring that the company was properly managed by its management.

In addition, ownership concentration (CONCEN) was found to have a significant relationship with the CSR disclosure. This result is consistent with the studies by Gelb (2000) and Barako et al. (2006) who have found a significant relationship between the concentrated ownership and the disclosure level. The finding for the Malaysian companies has shown a high mean percentage for ownership concentration which was 63.8% compared to the global companies which was only 26.7%. Both the Malaysian and global companies should have more focus on ownership concentration because the concentrated ownership could provide a mechanism to control the agency problem through the alignment of the management and shareholders' interests, which in turn has resulted in a better corporate performance, thus benefiting minority shareholders.

Results from the study have also indicated that they have a significant difference in the extent of the CSR disclosure among Malaysian and global companies. This was because of the lack of focus and concentration among the companies in Malaysia regarding the importance of their corporate social responsibility and corporate governance. This has been shown by the lack of participation of companies in Malaysia in Prime Minister's CSR Awards was launched by the Ministry of Women, Family and Community Development and Malaysia Sustainability Reporting Awards (ACCA MaSRA). The result from this study has provided the evidence and motivation to all companies in Malaysia as well as the global ones to take a serious view in the implementation of good governance and thus contribute more to the corporate social responsibility. There can be a lot of advantages and benefits for companies especially with good corporate social responsibility disclosure either in or outside Malaysia. This study has proven the importance of the corporate governance characteristics which have included the board size, board independent and ownership concentration in influencing the level of the CSR disclosure for the Malaysian and global companies.

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