

THE DETERMINANTS OF CSR DISCLOSURE AMONG PUBLIC LISTED COMPANIES IN SELECTED INDUSTRIES IN MALAYSIA

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ABSTRACT

Corporate Social Responsibility (CSR) has become a widespread topic in business literature but for determinants of Corporate Social Responsibility among public listed company in Malaysia is the major challenges faced by the organization to ensure its sustainability. In order to investigate any possible relationship between these two important aspects of performance, this study examined CSR disclosure index in annual reports of 265 of companies listed on the Main Board of Bursa Malaysia, it shows that this study is a secondary data. It uses corporate social responsibility reporting of the company public listed in Bursa Malaysia as CSR disclosure, while woman on board and firm value represents as determinants of CSR disclosure. This study applied spearman correlation in order to find the correlation between each component of CSR disclosure among public listed company in Malaysia. Overall, it showed the result that firm value have a positive significant relationship with the extent CSR disclosure among the public listed company in Malaysia. These provide the evidence that, the good CSR disclosure is come from the company that has good reputation among shareholders and stakeholders.

Keywords: Corporate social responsibility, CSR Index, determinants of CSR

1.0 INTRODUCTION

The definition of CSR was shaped into theory, research and practice many years ago, particularly in developed and industrialized countries such as Britain, other European countries, and the USA. Based on Malaysian stakeholders, this research develops CSR definition as an essentially contested concept (ECC) and a multi-dimensional concept (MDC) (Mohd Isa, 2012). However, CSR definition has been adopted by various groups with their own specific interest and purposes. Corporate reporting are depends on the presentation and disclosure aspects of the following areas of reporting such as corporate responsibility disclosure. From previous study in Indonesia, there is an obligation for every company to disclose their social activity in financial report. There are indicating that CSR disclosure is given an impact to sustainability of the company (Rusmanto & Williams, 2015).

One of the reasons to prepared CSR disclosure is to attract more stakeholders in the company. Some of the points state that the CSR disclosure is to improve the lack of completeness and lower amount of credibility in the information reported, that capture the quality of disclosure are divided into three different complementary dimension. There are the content of information disclosed, type of information used to describe and discuss and managerial orientation (Michelon, Pilonato, & Ricceri, 2015). Furthermore, the previous finding made in the China CSR disclosure may bring the benefits for reporting firms, which is to increase the reputation on gaining trust and support from various stakeholders and is helpful to assess the congruence between the social value by corporate activities and social norms (Yao, Wang, & Song, 2011). Other support facts from Malaysia, CSR disclosure can encourage companies to gain the better support stakeholder to uplift the company's financial performance (Yusoff, Mohamad, & Darus, 2013).

Corporate social responsibility (CSR) is the responsibility of enterprises for their impacts on society and outlines what an enterprise should do to meet that responsibility. However, various definitions of CSR cover various dimensions including economic development, ethical practices, environmental protection, stakeholder's involvement, transparency, accountability, responsible behavior, moral obligation, corporate responsiveness and corporate social responsibility (Rahman, 2011). Corporate social responsibility is the evidenced of the growth company it is more important to the social issue as a public concern. CSR can help company to give commitment on their operation in an economically, socially and environmentally sustainable manner, while recognizing interest of stakeholders (Kansal, Joshi, & Batra, 2014).

When the CSR disclosure have been look as an important part in company reporting, the number of company that concern about the significant of social and environment awareness of their operation in company was increase day to day (Giannarakis, 2014). CSR disclosure refers to voluntary action of the company to disclose all about the sustainable development which are environmental and social performance that comply with legal requirements not just only financially (Gamerschlag, Moller, & Verbeeten, 2010). It also includes social and environmental information that must be disclosed by company. This is called as triple bottom-line reporting (Wan Abd Rahman, Mohamed Zain, & Yahaya Al-Haj, 2011)

At international level, there are a wide research about factors affect the CSR disclosure, and it show that these factors are likely important to corporate reporting practice in all companies. Based on prior study in India, there are a lot results about factors affect CSR disclosure but it maybe have a lacks of information (Kansal, Joshi, & Batra, 2014). Furthermore, based on previous

study in Bangladesh, the researchers maybe missed the information about the disclosure of CSR, maybe certain company does not disclose in their annual report but they disclose in any mass media (Muttakin & Khan, 2014). So that, this study or research functions to investigate any significant association between the factors and the CSR disclosure in Malaysia's current situation and also this study and research will give a best and better disclosure of corporate social responsibility of company in their annual report.

The objectives of this study are:

- a) To examine significant relationship between women on board and CSR disclosure.
- b) To examine significant relationship between firm value and CSR disclosure.
- c) To examine significant difference between industry profile and CSR disclosure.

This study also will contribute to the regulators to improve their regulations and standards regarding CSR disclosure of the company. Since this study defines that CSR disclosure are affects by several factors such as difference in industry, it is necessary for the regulators to develop a standards that focus on CSR disclosure to make sure the quality of the disclosed CSR information by the companies are not compromised. This study also gives significant benefit to the investor in evaluating the status of the company whether the company doing well or not. It is because not all company will disclose their CSR and there will be some drivers that influence some of other company to disclose their CSR. It is stated that the high firm value can do more CSR disclosure (Qiu, Shaukat, & Tharyan, 2016).

2.0 LITERATURE REVIEW

2.1 CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is closely aligned with the nation of sustainability through the concept of the triple bottom line. CSR are related to the firm responsibilities that extend beyond the purely legal and economic, which can include responsibilities to a wider shareholder (social responsibilities) and also environment (environmental responsibilities). CSR disclosure can be represented on the activities of social responsibility in the company. The disclosure and reporting practice play the important role in the process of legitimacy acquisition because it may use or not to increase the knowledge about corporate activities and results achieved (Michelon, Pilonato, & Ricceri, 2015).

There are the content of information disclosed, type of information used to describe and discuss and managerial orientation (Michelon, Pilonato, & Ricceri, 2015). Furthermore, the previous finding made in the China CSR disclosure may bring the benefits for reporting firms, which is to increase the reputation on gaining trust and support from various stakeholders and is helpful to assess the congruence between the social value by corporate activities and social norms (Yao, Wang, & Song, 2011). Other support facts from Malaysia, CSR disclosure can encourage companies to gain the better support stakeholder to uplift the company's financial performance (Yusoff, Mohamad, & Darus, 2013).

Some of the users of annual reports are more interested with the company that has disclosed their social activities in their activity. There are several studies highlight the importance to engage in CSR disclosure. First, The amount of disclosure indirectly will give impact to the reputations of the company, which is encourage the stakeholders to make a decision making for investment (Tamby Chek, Mohamad, Nordin Yunus, & Mat Norwani, 2013). Second, it also helps the companies to improve their reputation on social, management, environmental and economic. Third, the important part by disclosing social activities, it may help companies by creating the competitive advantages, employee loyalty, activity efficiency and sales volumes (Dagiliene, 2010). CSR reporting is the voluntary information that will state by the companies in their annual reports but it could be depends on initiative of the companies to improve companies reputations.

2.2 DETERMINANTS OF CSR DISCLOSURE

In explaining the determinants of the extent of CSR disclosure, Zhang, Zhu and Din (2012) in US found that gender composition has been traditionally associated with the financial performance but it also shows that there is no relationship exists regarding gender and the CSR disclosure. In US also found that women on board influence the level of CSR disclosure (Giannarakis, 2014). Women's experiences may force the board and establish more effective stakeholder management to meet a wider variety of customer's expectations. There is significant relationship between the women's representation on the board and CSR reporting by private commercial banks of Bangladesh (Muttakin & Khan, 2014). In order to find relationship between women on board and voluntary disclosure, Liao, Luo and Tang (2015) conducted a study about gender diversity, board independence, environmental committee and greenhouse gas disclosure. The study had been conducted in United Kingdom found that even the small number of women presence in the board will affect the level of disclosure. Kanadli, Torchia and Gabaldon (2017) examined whether board chairperson leadership efficacy and board openness enhance the influence of women when they are in the minority in board decision-making. In a sample of 146 Norwegian firms, they found a positive relationship between women minorities and women directors' contribution to board decision-making. Moreover, this positive impact increases when the board chairperson exercises leadership and the board operates in an atmosphere of openness. Liu, Wei and Xie (2014) examined the effect of board gender diversity on firm performance in China's listed firms from 1999 to 2011. They found that female executive directors have a stronger positive effect on firm performance than female independent directors, indicating that the executive effect outweighs the monitoring effect.

Ding, Ferreira and Wongchoti (2016) indicate that the relative CSR standing of firms may be integral to understanding CSR's impact on firm value. We find that above average to high levels of responsible behavior are associated with increased firm value, while average to low levels of responsible behavior are not significantly correlated with value, and sometimes might destroy

value. Qiu, Shaukat and Tharyan (2016) conducted a study about environmental and social disclosures and its link with corporate financial performance. The study that had been conducted in United Kingdom found that firm value has positive impact on social disclosure.

One aspect of CSR research that needs further investigation is the relationship between CSR practices and the sector of activity. Kansal, Joshi and Batra (2014) analyze the effect of type of industries and the CSR disclosure in India. It is found that type of industry has significant association with the level of disclosure. It is because companies with sound profit positions at the beginning of the year and higher social reputations such as oil drilling and exploration industries will have greater likelihood of higher level of CSR disclosure.

2.3 HYPOTHESIS DEVELOPMENT

Traditionally, board of directors in a company also has presence with women director. When there are women on board, it will advance the uniqueness and it also will be different opinions, perspectives, experiences and work style in relation to male directors (Giannarakis, 2014). Women's experiences may force the board to establish more effective stakeholder management to meet a wider variety of customer's expectations (Giannarakis, 2014). The presence of women on board also will increase the board independence and also the women give a significant contribution to a board, automatically in terms of CSR disclosure because the female directors will motivate the male directors to play different functions on a company board with regard to environmental issues (Liao, Luo, & Tang, 2015).

H1: There is a significant relationship between women on board and the extent of CSR disclosure among public listed companies in Malaysia.

Value of firm is a part that a company always looking at opportunities how to increase the value of their firm that is reflected in the market prices of its share. Normally, the firm that have higher market price of shares is actually the firm that contribute more economic activities than the firm with lower market price of share. The firm always gives more extensive disclosure about social and environment impact because it can give competitive advantages to a firm including strong reputation (Qiu, Shaukat, & Tharyan, 2016). In the ways to attract more investors, the firm should make higher CSR disclosure. This is because it will give trust to investor to invest in the company. The firms that have a higher market value are from the firms that do more CSR disclosure (Qiu, Shaukat, & Tharyan, 2016).

H2: There is a significant relationship between firm value and the extent of CSR disclosure among public listed companies in Malaysia.

The CSR disclosure depends on the level of impact of economics activities on social and environment. Currently, the industry such as petroleum, chemical and forest and paper product that have large sensitivity of the economics activities on social and environment will disclose more about their CSR because they want to create more positive and good social profile and due to the higher public pressure (Giannarakis, 2014). Furthermore, to protect the company image and reputation among the customers, the consumer oriented industries will give and provide more and good social disclosure (Muttakin & Khan, 2014). However, other industries especially for the newer the service and manufacturing industries that have less environmental impacts, they will show a lesser degree of disclosure activism due to less stakeholder pressure (Reverte, 2009). Kansal, Joshi and Batra (2014) also stated that there will be differences between CSR disclosures among industries. Therefore, the CSR disclosure by the companies depends on the impact of their economic activities on the society and environment. Based on the studies above, this study provides a hypothesis:

H3: There is a significant difference between the industry profile and the extent of CSR disclosure among public listed companies in Malaysia.

3.0 RESEARCH METHODOLOGY

3.1 POPULATION AND SAMPLE

Currently, there are total of number of 810 main market stated in Bursa Malaysia .The sample is all listed companies in the years 2016 from Main Market Board in Bursa Malaysia. The size of sampling is 265 companies are picked based on the table Krejcie and Morgan (1970). There are 14 main industries in the Bursa Malaysia but only 7 industries are selected as sample for this study. Another 7 industries which are not selected as sample because they are governed by different act. For example, banking and finance industry is governed by Banking and Financial Institutions Act 1989. Besides, hotel and hospitality industry is governed by Innkeepers Act 1952 (revised). The sampling is based on several criteria of the company: (1) report the activities related to CSR in the company's annual reports, (2) has a positive value of net income and (3) do not have a negative equity value (Lucyanda and Siagan, 2012). The final total of sample are finalized after take in account all of these criteria. The final sample size is 265 public listed companies in Malaysia.

3.2 DATA COLLECTION PROCEDURE

3.2.1 CSR DISCLOSURE INDEX

In order to assess the quality of corporate social responsibility disclosure, a checklist containing 16 items of CSR was developed and divided by four themes which are human resources, community, marketplace and environment. Each item will be measured according whether the companies disclose or not in their statements. The original form is constructed by Wan Abd Rahman, Mohamed Zain, & Yahaya Al-Haj (2011).

Table 1: CSR Disclosure Index

A	HUMAN RESOURCES
1	Health and safety
2	Training and development
3	Employees' welfare
4	Sports and wellness
B	COMMUNITY
5	Education
6	Disaster Relief
7	Poor
8	Charity
9	Sports and culture
C	MARKETPLACE
10	Product quality and safety
11	Research and design
12	Shareholder communication channel
13	Customer service
D	ENVIRONMENT
14	Pollution
15	Waste
16	General Environment

3.2.2 WOMEN IN BOARD

The presence of women on board directors will lead to a wider variety of customer's expectation and establish more effective stakeholder management. Liao, Luo and Tang, (2015) determine this variable by percentage of women directors to total numbers of directors on board of company.

3.2.3 FIRM VALUE

The firm value is measured actually based on the firm's EPS. The firm value is show how sustain the firm itself for future operation. Qiu, Shaukat and Tharyan (2016) determine EPS by percentage of total net income to the number of shares outstanding.

3.2.4 INDUSTRY PROFILE

Industry profile is more focused on their company's activities sensitivity on environment and social effects. Different industry type, different activities that run by industry. So, the effect it will be different also (Kansal, Joshi, & Batra, 2014).

1. Trading
2. Industrial
3. Plantation
4. Construction
5. Properties
6. Technology
7. Consumer

3.3 STATISTICAL ANALYSIS

3.3.1 CORRELATION ANALYSIS

Correlation can be used to measure the association between two variables. The association should not be mistaken for causal relationship as two variables may be related to one another but it does not make sense to say that one causes the other. The technique to measure these two variables involve in measuring the strength of the relationship between both variables.

3.3.2 ANOVA ANALYSIS

Analysis of Variance (ANOVA) is a hypothesis-testing treatment used to test the equality of two or more population means by examining the variances of samples that are taken. ANOVA allows one to determine whether the differences between the samples are simply due to random error or whether there are systematic treatment effects that cause the mean in one group to

differ from the mean in another. The one-way ANOVA is used to determine whether there are any statistically significant differences between the means of two or more independent groups.

4.0 RESEARCH FINDINGS

4.1 CORRELATION ANALYSIS

Hypothesis 1: There is a significant relationship between women on board and the extent of CSR disclosure among public listed companies in Malaysia.

According to the Table 2, the correlation shows p-value between women on board and CSR disclosure is 0.921. The relation is not significant due to the p-value is more than 0.05. It means that existence of women on board does not influence the companies to disclose more on CSR. Hypothesis 1 is rejected because there is no significant relationship between women on board and CSR disclosure. Previous study by Liao, Luo and Tang (2015) noted that the increased presence of women in the board will give favorable effect and significant to the extent of CSR disclosure. So, the result of this study is contradict with previous result made by Liao, Luo and Tang (2015).

Hypothesis 2: There is a significant relationship between firm value and the extent of CSR disclosure among public listed companies in Malaysia.

According to the Table 2, the result shows p-value represented by firm value and CSR disclosure of 0.003. It shows that it is significant since the p-value is less than 0.05. It can conclude that the higher value on firm it seen to the better address of their social responsibilities. From previous study, it's noted that there is positive and significant association between overall ES disclosure and the firm stock price (Qiu, Shaukat, & Tharyan, 2016) which is consistent with result achieved from this study. Hypothesis 2 is accepted because there is significant relationship between firm value and CSR disclosure in Malaysia.

Table 2: Correlation Analysis

	Women on Board	Firm Value
Correlation Coefficient	0.006	0.183**
Sig. (2-tailed)	0.921	0.003
N	265	265

4.2 ANOVA ANALYSIS

Hypothesis 3: There is a significant difference between the industry profile and the extent of CSR disclosure among public listed companies in Malaysia.

Based on Table 3, there was insignificant effect of CSR disclosure in different sectors as the p value is 0.238 which is more than 0.05. Hypothesis 3 is rejected because there is no significant relationship between the percentage of CSR disclosure and different sector in Malaysia. So, the result of this study is contradict with previous study by Kansal, Joshi and Batra (2014) as they stated that there are differences on corporate social responsibility disclosure between industries.

Table 3: ANOVA Analysis

	Sum of Squares	df	Mean Square	F	Sig
Between Groups	113.365	6	18.894	1.343	0.238
Within Groups	3630.084	258	14.070		
Total	3743.449	264			

5.0 CONCLUSION

This study investigates some determinants of CSR Disclosure. This study accomplishes all of its objectives. First objective was to examine significant relationship between women on board and CSR disclosure. This study found that there is no significant relationship between women on board and CSR disclosure. This finding is contradict with previous study by Liao, Luo and Tang (2015). Second objective was to examine significant relationship between firm value and CSR disclosure. This study found that there is significant relationship between firm value and CSR disclosure in Malaysia. Qiu, Shaukat and Tharyan (2016) also reported consistent result with result achieved from this study. Lastly, third objective was to examine significant difference between industry profile and CSR disclosure. This study found that there is no significant relationship between the percentage of CSR disclosure and different sector in Malaysia. So, the result of this study is also contradict with previous study by Kansal, Joshi and Batra (2014)

There are several limitation for this study. Firstly, this study was using the secondary data which is the annual report that was published by the company every year and solely depends on the annual report itself. Then, the accuracy of the data is totally depends on the quality of information given in the annual report. Therefore, if there are misleading or error information in annual report made by the management of the company, so it be affect the accuracy of the data for this study. The second limitation is finding for a complete data for the CSR disclosure in the annual report and fulfills this study criterions. Although each sector have many companies listed in Main Market of Bursa Malaysia, some of the companies which are considered to be rejected

during data collection process due to the lack of information in the annual report. Then there were other markets such as ACE listed companies are not included in data sampling, so the results might not demonstrate and shows the overall environment of companies in Malaysia.

For future research, researchers should consider to include other market such as ACE market rather than only Main Market in the sample. It also can be included the small and medium company in future research because it can help the researcher to expand in details the CSR disclosure among SME company. Furthermore, future research can make a comparison CSR disclosure practice between companies in different countries not only in Malaysia.

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