

DETERMINANTS OF CSR DISCLOSURE: A STUDY
ON MALAYSIA COMPANIES IN KLSE MAIN
MARKET

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DEDICATION

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LIST OF ABBREVIATIONS

ACCA	Association Certified Chartered Accountant
CSDI	Corporate Social Disclosure Index
CSR	Corporate Social Responsibility
DOG	Dependence on Government
EPS	Earning Per Share
GLCs	Government Link Companies
IT	Industry Type
KLSE	Kuala Lumpur Stock Exchange
MaSRA	Malaysia Sustainability Reporting Award
MESDAQ	Malaysian Exchange of Securities Dealing and Automated Quotation
NGOs	Non-Governmental Organizations
PLCs	Public Listed Companies
SPSS	Statistical Package for Social Science
ROA	Return on Assets
WWF	World Wide Fund for Nature

PREFACE

In Malaysia, the practice of Corporate Social Responsibility (CSR) among public listed companies is still at infant stage. Their understanding towards CSR is still low and left behind compare to those companies in developed countries such as United States. Thus, the government, professional bodies 'and many non-government organizations tend to promote CSR to enhance the companies' awareness towards the importance of CSR disclosure.

Therefore, in this research we will be testing on the variables that can affect the disclosure of CSR among public listed companies.

At the end of this research, the relationship among size of the corporations, profitability, share return, industry types and government linked companies with the level of CSR disclosure. The result generated from this research will be able to give a better insight to the management in making decision determining the level of CSR disclosure for their companies. Besides, this research will also be able to increase the corporate participants towards the factors influencing the degree of CSR disclosure.

ABSTRACT

The purpose of this research is to study on factors affecting CSR disclosure among Malaysian companies in KLSE main market. The independent variables involved are the size of the company, profitability, share return, industry types and government link companies. This study aims to find out the relationship between the determinants and CSR disclosure. This study will be using stakeholder theory and legitimacy theory to support the model of the research.

The research will be based on secondary data (annual reports and company websites). Information will be obtained from the annual reports and their respective company's website. Index score will be used to measure the level of CSR activities or practices being done by the companies. We will be analyzing the annual reports and companies' websites to identify the CSR activities. The findings of this study will be based on regression model to study on whether there is a relationship exists between the independent variables towards CSR disclosure.

In this research, our main limitation is that we might not be able to reflect the overall influence in Malaysia companies, as we only focus on KLSE main market listed companies. Other than that, our study is based on the annual reports and company websites, there is no additional information gather using primary data collecting method. We hope that through this study, we are able to contribute to the corporate participants in enhancing their knowledge towards CSR disclosure of a company. In addition, we also hope to further contribute to the provide information regarding the extent of understanding towards CSR disclosure in Malaysia.

CHAPTER 1

RESEARCH OVERVIEW

1.0 Introduction

This chapter will be a brief introduction towards our research. We will be discussing on the purpose of conducting the research and the significance of the study.

This chapter is divided into six sections. The first part will present the background of the study. The second part consists of the problem statement the study. The third part is the research questions and objectives and the fourth part is the significant of the study. The fifth part is the outline for the research.

1.1 Background of study

In Malaysia there is no universal approach to Corporate Social Responsibility (CSR). However there are some basic concepts which should be considered in designing a company's CSR vision (Bursa Malaysia, 2008). CSR become increasingly important perhaps due to fallout from giant companies' scandals; image building appears to be a primary motivating factor for companies to involve with CSR (Buniamin, 2008). Generally, most of the public listed companies (PLCs) in Malaysia demonstrated a lack of knowledge and awareness of CSR. Thus, more CSR disclosure, improved understanding of more CSR concept and how it relates to business operations is required (CSR Status Report, 2007).

No study on CSR practices in Malaysia has been published in the 1990's. However, due to increasing levels of education and heightened awareness on issues related to social and environmental responsibilities of businesses, it may be expected that the nature and level of such disclosures by companies in Malaysia have changed. There is a gap in knowledge on current CSR disclosure practices in Malaysia (Nik Ahmad, 2003). In addition CSR study in Malaysia is still lacking (Hamid, 2003).

CSR disclosure in Malaysia is mostly driven by government and their policies. Malaysia's government outlined incentives for companies with CSR programmes and introduced the need for PLCs to disclose their CSR activities in its 2008/2009 National Budget (Malaysia Budget, 2008). In the effort in developing Malaysian Vision 2020, country has ensured its development plan conducted according to latest 9th Malaysian Development Plan (9MP). Companies are beginning to move beyond just philanthropy efforts. However, much is yet to be done as most companies especially Second Board are yet to design CSR activities in line with their corporate philosophies. Such support from the government is pushing through the CSR agenda among companies in Malaysia (Chan, Ang, Chan, Maurice, & Ng, 2009).

1.2 Problem Statement

Although CSR disclosures in developed nations are abundant, the fact is not true for developing countries, particularly Malaysia (Nik Ahmada, Sulaiman & Siswantoro, 2003). Thus, our studies aim to find out the relationship between determinants and CSR disclosure.

Previously, there is less research investigating on all these 5 determinants simultaneously with the CSR disclosure. Therefore, only five determinants are chosen, namely company size (Udayasankar, 2007), profitability (Sabadoz, 2011), government link companies (Amran & Devi, 2008), share return (Prior, Surroca, & Tribo, 2008) and industry types (Vidaver-Cohen & Altman, 2000).

Peterson (2008) mention that understanding of CSR principles in Malaysia is not even at rudimentary level, and there is total lack of appreciation of what is involved in applying CSR to business operation, and Malaysian PLCs is generally lag behind international best practices in CSR disclosure and approach (Thompson & Zakaria, 2004). From a study, it found out that 98% of UK companies and 85% of US companies has CSR disclosure in their annual reports (Amaeshi & Adi, 2006). Conversely, according to an ACCA report published in early 2002, Corporate Environmental Reporting in Malaysia is still in its infancy. Comparing disclosure in annual reports, it has shown to have lack of disclosure for Malaysian companies.

There are indeed other factors could be the determinants affecting CSR disclosure, but we limit our research to only 5 as they are most important determinants in corporate giving (Amato & Amato, 2007), and also to test how current level of disclosure had an impact and relationship on CSR disclosure, to increase companies, directors, managers and public's awareness of CSR practices in Malaysia. Since there were many different views and past studies on how these variables affecting CSR disclosure, our studies aim to find out which side seems to be accurate as well as determining the most significant factors affecting the degree of CSR disclosure.

1.3 Research Questions and Objectives

Table 1.1: General Question and General Objective

General Question	General Objective
What are the determinants of CSR in Malaysia companies in KLSE Main Market?	The objective is to study on the determinants of CSR disclosure in Malaysia companies in KLSE Main Market.

Source: Developed for the research

Table 1.2: Specific Questions and Specific Objectives

Specific Questions	Specific Objectives
1. Is there a relationship between the size of the company and CSR disclosure in Malaysia companies in KLSE Main Market?	1. The objective is to analyze the relationship between the size of the company and CSR disclosure in Malaysia companies in KLSE Main Market.
2. Is there a relationship between the profitability of the company and CSR disclosure in Malaysia companies in KLSE Main Market?	2. The objective is to analyze the relationship between the profitability of the company and CSR disclosure in Malaysia companies in KLSE Main Market.
3. Is there a relationship between the share return of the company and CSR disclosure in Malaysia companies in KLSE Main Market?	3. The objective is to analyze the relationship between the share return of the company and CSR disclosure in Malaysia companies in KLSE Main Market.
4. Is there a relationship between the industry type of the company and CSR disclosure in Malaysia companies in KLSE Main Market?	4. The objective is to analyze the relationship between the industry type of the company and CSR disclosure in Malaysia companies in KLSE Main Market.

5. Is there a relationship between the Government Link Company and CSR disclosure in Malaysia companies in KLSE Main Market?	5. The objective is to analyze the relationship between the Government Link Company and CSR disclosure in Malaysia companies in KLSE Main Market.
6. Which determinant has the most influence towards CSR disclosure?	6. The objective is to investigate the determinant that has the most influence towards CSR disclosure.

Source: Developed for the research

1.4 Significance of the Study

The value of this research is to further provide information for the industry player such as the management team, shareholder, investor, government, and public regarding the extent of understanding towards CSR disclosure in Malaysia. This research will provide variables that will affect the degree of CSR disclosure in Malaysia. This study involved five variables (size of the company, profitability, share return, industry type and dependence on government) to determine the level of CSR disclosure.

This research will further contribute to the existing theory of determinants of CSR disclosure. It will be beneficial to the corporate participants, such as investors, creditors, suppliers, management and the list goes on; in enhancing their knowledge towards CSR disclosure in the annual reports. For example, the management can use this research's variable that has the most influence to determine the degree of CSR disclosure for the company. The CSR disclosure of companies provides accountability to the shareholders, potential investors, creditors and suppliers. It also helps them in business decision making that is related to the company. Thus, this

research helps them in identifying the variables that affect the degree of the CSR disclosure.

1.5 Outline of the Study

This research will be comprises of three chapters. The first chapter is about the introduction of the research. Chapter 2, will illustrates on the review of previous researches regarding CSR disclosure that includes size, profitability, share return, industry type and dependence on government. Research hypotheses are also presented in this chapter. The next chapter, Chapter 3, explains the research methods involve in this study.

1.6 Conclusion

Generally, Malaysian public listed companies demonstrated a lack of knowledge and awareness of CSR. Therefore, improvement on understanding of CSR concept and relationship to business operations is needed.

The objective is to study on the determinants of CSR disclosure in Malaysia companies in KLSE Main Market. The contribution of this study is to provide further information for the corporate player. CSR disclosure in country is mainly driven by government policies. Thus, this research aims to find out the most significant factors affecting the CSR disclosure.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

In this chapter it is divided into four sections. The first section will present the theoretical foundation. In this part, we will be discussing two theories that will be using in this research. The second part of this chapter problem is the review of prior empirical statement whereby each variable will be review in depth. Meanwhile, the third part is the proposed conceptual framework. The last part is the hypotheses development of the research.

2.1 Theoretical/ Conceptual Foundation

2.1.1 Stakeholder Theory

Stakeholder theory is used to measure organization effectiveness by its ability to satisfy not only shareholders, but other stakeholders' interest as well. Freeman (1984) define stakeholder as 'group of people who can affect or can be affected by the achievement of the organization's objectives' and 'groups who are vital to the survival of the organization'. Stakeholders of the company include shareholders, managers, employees, bankers, creditors, suppliers, government, customers et cetera.

Objective of stakeholder theory is to change and broaden the vision of managers whom previously only maximizing shareholder value to be sustainable and profitable. Other research area using stakeholder theory includes principles of entry and exit, governance, externalities, contracting cost, agency principle, and principle of limited immortality (Fontaine, Haarman, & Schmid, 2006).

Key feature of CSR includes the involvement of shareholders, government, NGOs, public and other stakeholders. McWilliams and Seigel (2001) describe CSR as "actions that appear to further some social good, beyond the interest of the firm and that which is required by law." Various researches have been done and resulted in having long term interest, quality employees, contribution of charity leads to tax deduction, generate goodwill to earn extra economic profits (Friedman, 1970), which eventually lead to having good company reputation.

It is said strategic CSR leads to good reputation (Brammer & Pavelin, 2006). Reputation is used by many companies to justify CSR initiatives on the grounds that they will improve a company's image and strengthen its brand (Porter & Krammer, 2006). Thus, it is argued that CSR's remarks on competitive advantage are also valid for reputation, since a good reputation would be a result of active engagement in CSR (Melo & Garrido-Morgado, 2011).

The Stakeholder Theory is very popular in recent years because people are worried about the sustainability of the actual economic system. With companies going globalization, it is more significant to practice stakeholder theory, as everything did have an impact on society, people and ethics. Thus, CSR seems to be an effective mechanism for this stakeholder concept to be successfully practiced (Fontaine *et al.*, 2006).

Donaldson and Preston (1995) mentioned that other branch of stakeholder theory includes descriptive, which is to understand how managers deal with stakeholders interests; instrumental approach, to study the organizational consequences of taking into account stakeholders in management and normative, the identification of moral or philosophical guidelines linked to the activities of corporations

2.1.2 Legitimacy Theory

According to researcher legitimacy theory is define as based on premise that companies signal their legitimacy by disclosing certain information in the annual report (Watson, Shrives, & Marston, 2002). Suchman (1995) define “Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions”. The research area using legitimacy theory includes social and environmental accounting, taxation assessment, strategic posture, and auditing.

Based on researcher Taylor, Sulaiman, and Sheahan (2001), legitimacy theory provides a better perspective toward CSR in the environmental management and auditing context. Legitimacy theory gives a comprehensive view on CSR disclosure as it recognizes that firms are bounded by social contract in which they agree to perform in order to receive economic benefit in return and guarantees for their continued existence (Brown & Deegan, 1998).

Legitimacy theory explains a company's CSR activities and disclosure by the firm's norms, values, customs and attitudes (Hibbitt, 2004). Legitimacy theory is particularly useful as an explanation when the disclosure is intended to close a particular legitimacy gap (Branco & Rodrigues, 2008). Numerous researchers suggest that companies often change their strategic practices when particular incidents such as an environmental disaster (an oil spill or gas explosion) occurred that puts the companies in the spotlight (Deegan, Rankin, & Tobin, 2002). All in all, it legitimizes firm behavior by managing the perception of its stakeholder is the main objective of the enterprise. Therefore, company should provide CSR information to the public and behave according to legitimacy theory.

2.1.3 CSR in Malaysia

The awareness of CSR in Malaysia is still at the infant stage. More non-governmental organizations and professional bodies are established which actively promoting the importance of CSR. For example, Federation of Malaysia Consumer Association, World Wide Fund for Nature (WWF) Malaysia, Business Ethics Malaysia and Association Certified Chartered Accountant (ACCA) has contributed extensively to social and environmental awareness (Abdul Hamid & Atan, 2011).

A survey shows that leading Public Listed Companies (PLCs) operating in Malaysia are integrating CSR across their business. However, most PLCs received low scores and lag far behind showing their low understanding of CSR concepts that fits their operations. The main findings are 40% of Malaysia PLCs fall below average band, 27.5% fall into average band and only 32.5% fall above average band (CSR Asia, 2007).

Therefore, many attempts have been made by few organizations to increase the awareness of social reporting in Malaysia. For example the ACCA annual Malaysia Sustainability Reporting Award (MaSRA) has ranked and awarded companies that achieve certain level on corporate reporting (ACCA, 2010).

2.2 Review of the Prior Empirical Studies

2.2.1 CSR Disclosure

There has been a major growth in CSR related research over the last decades. There are many motivations that derive the management to disclose CSR information externally; issue on social and environmental reporting practices. It is perceived that with CSR disclosure, the company will increase its reputation, able to attract investing fund, and to show compliance of certain legislation and regulatory (Deegan, 2002). Saleh, Zulkifli, and Muhamad (2010) state that disclosure of CSR activities in Malaysia are increasing progressively over the years. However, the information disclosed is still limited, as they only disclose it in general statement terms.

According to Dhaliwal, Li, Tsang, and Yang (2011), a company's reputation and long term sales will be affected due to poor CSR performance. For example, Nike put a lot effort in investing financial resources to regain back their reputation after 1997 child labor scandal. They found that firms that initiate voluntary disclosure of CSR activities will enjoy in reduction of cost of equity capital. Furthermore firm with excellent CSR performance tend to attract dedicated institutional investors and analyst coverage.

2.2.2 Size of corporations

According to Haniffa and Cooke (2005), large organizations undertake more activities and have greater impact on society. In smaller enterprise the cost involved for the disclosing voluntary information may be relatively high compared with larger organizations. Thus, there is a high possibility that the smaller firm provides less CSR activities compared to those larger organizations. Besides that, larger corporation may also be more closely scrutiny by government agencies and media, thus may feel that by improving CSR reporting the pressure will be released (Udayasankar, 2008). According to previous findings there is also a relationship between size of firm and

CSR disclosure (Amran & Devi, 2008). In their research, they concluded that size has significant influence over the CSR disclosure. Therefore, there is clear relationship between size of companies and CSR disclosure (Amran *et al.*, 2008; Hassan, 2010; Thompson & Zakaria, 2004).

Larger organizations are susceptible to scrutiny by various groups in society and thus, face greater pressure to disclose their social activities in order to be legal and socially responsible (Hassan, 2010). In short, bigger organization who undertake more activities, have a greater impact on society, possess a larger number of shareholders, receive more attention from the public and therefore, are under greater pressure to conduct social responsibility .

However, Udayasankar (2008) suggests a U-shaped relationship between enterprise size and CSR initiatives. He argued that different combinations of operations scale, resource access and public visibility will result in different degree of CSR disclosure. Large and small firms will tend to participate more in CSR initiatives, while medium size will be least participate.

2.2.3 Profitability

According to Kartadjumena, Abdul Hadi, and Budiana (2011), there is positive high correlations of profit and level of CSR disclosure annual reports of companies on manufacturing industries are listed in Indonesia Capital Market. The result of his research is evidenced by the increased in average of company earnings per share followed by a growing number of CSR indicators that are disclosed.

Choi, Kwak, and Choe (2010) made a research on empirical relation between CSR and corporate financial performance in Korea. His study proves that there is a positive and significant relationship between corporate financial performance and the stakeholder weighted CSR index, but not the equal-weighted CSR index.

Furthermore, Zhu (2011) stated that the CSR for government and staff has a significant positive correlation with corporate profitability for 156 listed companies in Shanghai Stock Exchange in 2008. CSR for investors and social welfare also has positive correlation with it, while the correlation coefficient is not significant. But the CSR for environment has a negative relationship with corporate profitability.

On the other hand, Cheung and Mak (2010) stated that there is no definitive relationship exist in between CSR disclosure and financial performance in 100 publicly traded commercial banks extracted from various issues of Global Finance's Best Banks Rankings.

2.2.4 Share Return

Dhaliwal, *et al.* (2011) found that firms with higher earning per share (EPS) tend to disclose more on their CSR activities as they could reduce cost of equity capital and attract dedicated institutional investors. This study is supported by Ioannou and Serafeim (2011) who indicated that companies with higher EPS more likely to disclose their CSR activities in order to increase transparency of companies and may change internal management practices by creating incentives for companies. Besides, Ohlson's research (1995) is further elaborated by Frankel and Lee (1999) and Gebhardt and Lee (2000) who successfully identified higher EPS companies leads to better corporate social disclosure.

In Indonesia, the effect of investor reaction to CSR disclosure is weak while using Corporate Social Disclosure Index (CSDI) as a measurement to investigate relationship between investors' response and CSR performance. This means companies with higher EPS may not leads to better CSR disclosure (Tri Hesti Utaminingtyas & Ahalik, 2010). In Taiwan, Lean and Chang (2010) has found a negative relationship occurred between stock return and CSR disclosure by using stochastic dominance (SD) approach

Fiori, Donato, and Izzo (2009) showed that relationship of stock return and CSR disclosure is flexible, neither positive nor negative. Companies with higher share return are prefer to disclose CSR activities which concerning the employees, while they are unlikely to disclose CSR activities about environment and community because these elements negatively related to stock prices. Cristiana (2009) has also showed that different relationships will incur when tested on different sectors. Next, Urs von Arx and Ziegler (2009) found positive coefficients between stock performance and different corporate activities variables but at the same time, negative coefficients between stock performance and industry environmental and social performance variables.

2.2.5 Industry Type

Results from various studies show that nature of industry has an effect on CSR disclosure in the annual report. Vidaver-Cohen and Altman (2000) mentioned that regardless of the firm's industry, there is a need for corporate citizenship to meet the objectives of CSR.

Porter and Krammer (2002) found out industries with higher possibilities to public controversy will have keener attitude in their CSR. High-profile companies such as mining and petroleum, chemistry, forestry, automotive, paper agribusiness, cigarette and tobacco, food and beverage, media and communication, health, transportation and tourism (Utomo, 2000; Sembiring, 2005). It has also been found out that differences in public exposure may create different way of CSR policies for companies from various industry types. (Amato & Amato, 2007). Therefore, levels of CSR disclosure in the annual report depends on industry type with higher level of public contact and economic activities.

A study done by Brammer *et al.* (2006), argues environmental performances tend to have negative impact on companies, except industries in chemicals, consumer product,

resources and transportation sector. This is due to disclosure in annual reports is higher in these industries.

It is argued by Hull and Rothenberg (2008), industry with low innovation and low differentiation tend to have lower CSR disclosure, compared to company with high innovation and high differentiation. This is due to company with low innovation may not recognize CSR provides a competitive edge and will thus influence their company performance.

2.2.6 Government Link Companies

Government Link Companies (GLCs) are companies that some shares are owned by the government (Fang, Qian, & Tong, 2004). According to Eng and Mak (2003), they found that companies that associated with government will tend to have a higher voluntary disclosure. Government ownership and disclosure is significantly related, as government ownership will increase moral hazard and agency problem; meanwhile disclosure is a means of mitigating these problems.

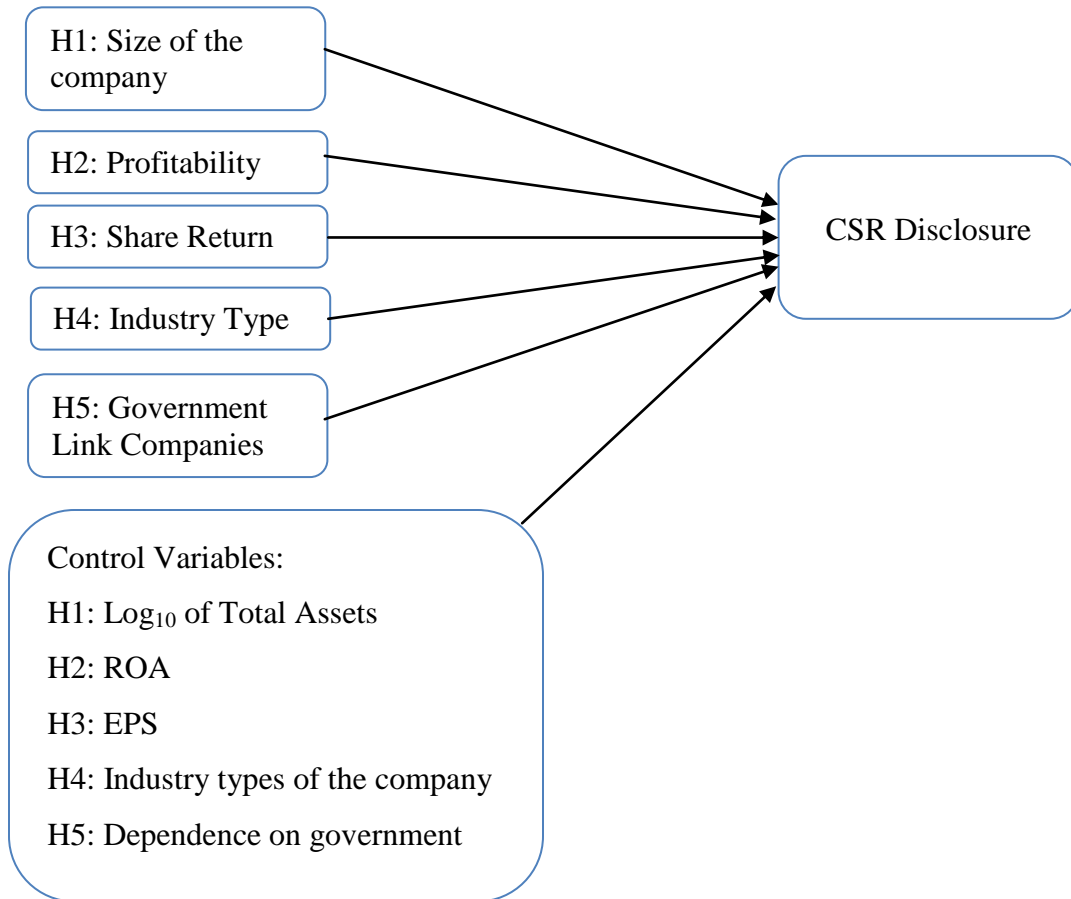
This is also supported by Amran and Devi (2008); they stated that GLCs have a comprehensive disclosure on CSR. They also further found that companies with government shareholdings are more likely to disclose on environmental, health and safety and product disclosure. In the research of Said, Zainuddin, and Haron, (2009), they also found that government ownership is positively correlated with CSR disclosure. It is said that the higher the government shareholding in the organization, the higher the degree of CSR disclosure. This is because government intervention may generate pressure for the organizations as government is perceived as an accountable body by the public.

However, Mohd Ghazali and Weetman (2006) found that government shareholding is not significantly related to CSR disclosure. These companies get funding from the

government and are likely to have easier access to other sources of finance compared to non GLCs, thus, they may not need to attract potential investors

2.3 Proposed Conceptual Framework/ Research Model

Figure 2.1: Determinants of CSR Disclosure



Adapted from: Jaafar, M. A. (2008). Corporate social responsibility disclosure among MESDAQ listed companies. Universiti Utara Malaysia, Kedah, Malaysia.

2.4 Hypotheses Development

H1: *There is a positive relationship between size and CSR disclosure.*

H2: *There is a positive relationship between profit and CSR disclosure.*

H3: *There is a positive relationship between share return and CSR disclosure.*

H4: *There is a positive relationship between industry types and CSR disclosure.*

H5: *There is a positive relationship between company dependency on government and CSR disclosure.*

2.5 Conclusion

We are reviewing the theoretical foundation of CSR disclosure which includes stakeholder theory, legitimacy theory, and CSR disclosure in Malaysia. We have realized that the awareness of CSR in Malaysia is still at the infant stage and thus, government and many non-governmental organizations are actively promoting CSR disclosure in Malaysia nowadays. When reviewing the past empirical studies regarding our five main independent variables of our study, we found most of the past studies show positive relationship between those variables and CSR disclosure which is align with our hypotheses. Thus, the proposed conceptual framework developed all positive relationship for the five independent variables with dependent variable. Next chapter, we will be discussing on the methods involved to test on the variables.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

In this chapter, it is divided into five parts. The first part is research design of the research. Second part of this chapter is the population, sample, and sampling procedures of the study and the third part will discussed on the data collection method. The fourth part will present the variable measurements. The last part is the data analysis techniques.

3.1 Research Design

Our research design based on cross-sectional design type as the study is carried out in at one time point, year 2010. Our study also provides a snapshot of the relationship between CSR disclosure with size, profitability, share return, industry type and government dependency and those characteristics associated with it.

Observation and analysis of annual reports will be the main methods of collection in our study. 210 annual reports will be studied and analyzed in order to achieve our research objective. This study is a quantitative research as we adopting to an interpretive approach to data by observing and analyzing the annual reports of those targeted companies from different industry which includes construction, consumer, industrial, properties, technology, plantation and trading.

3.2 Population, Sample and Sampling Procedures

The population in our research is focus on the public listed companies (PLCs) in Kuala Lumpur Stock Exchange (KLSE). According to former Prime Minister Tun Abdullah bin Haji Ahamd Badawi, public listed companies are required to disclose their CSR activities (Bursa Malaysia, 2006). PLCs tend to have more complete financial reports as compare to other companies that are not listed. Information can be obtained easily. Thus, PLCs are the best choice to be our research target, since the purpose of this research is to determine the factors affecting CSR disclosure among Malaysia companies.

The sample size is selected based on subject-to-variable ratio; 20:1 factor is applied in our research (Hair, Anderson, Tatham, & Black, 1995). In the research, there are 5 variables, thus the minimum sample size required will be 100 PLCs.

PLCs in the KLSE market will be the sampling frame for our research. The sample of the research is comprised of 210 annual reports from the PLCs that are obtained from KLSE website. Besides, we will also use the respective companies' websites to gain more information. According to Mohd Ghazali and Weetman, 2006; this approach has been followed by other accounting disclosures studies as well. Thus, we have excluded finance industry due to their different types of disclosure requirements.

The table below shows that there are 996 listed companies in KLSE as at 28 July 2011. However, we have excluded 42 finance related companies from the population. We have decided to select a quarter from the total population. Thus, we decided to randomly select 210 PLCs from the KLSE. However, there is one selected sample that didn't fulfill our requirement thus we have replaced it with another listed company.

Table 3.1: Sample Selection Process

Total public listed companies	996
(-) Finance Industry	42
Total companies	954
Selected sample	210
(-) Non disclosure of information	1
(+) Replacement	1
Total sample	210

Source: Developed for the research

The sample of the research will be selected using simple random method as the companies are selected from the total list of the companies in KLSE by Research Randomizer.

3.3 Data Collection Method

In our research, annual report (year 2010) of the 210 public listed companies listed under Bursa Malaysia main market are taken from Bursa Malaysia official website (Bursa Malaysia, 2011). The rationale of using annual report year 2010 is because it provides the most up to date corporate CSR information for the industry player as some of the corporate may have yet to release 2011 CSR report. In our study a total of 7 sectors are being used namely: industrial, trading, technology, plantation, construction, consumer and properties.

Companies were selected at random on a proportional allocation basis to ensure representative sample from all sectors. This study focus on company annual report, it is because the high degree of credibility attached to information disclosed and more accessible for research purpose in this way (Haniffa & Cooke, 2005).

In our research, we are using secondary data as the main source for conduct our empirical research. Secondary data means that the data is collected by someone else for some other purpose rather than for the specific purpose under consideration (Smith, 2008). Most of the secondary data for this study is gathered from companies' annual reports, books, news articles and journals. The internet database such as Google scholar, Yahoo, Wiley, Scopus and Science Direct also provide useful data for this study.

3.4 Variables Measurement

This study uses content analysis as a technique to identify and describe patterns in websites, annuals reports, and specified social responsibility reports for the selected companies. According to Neuman (2003), "content analysis is a technique for gathering and analyzing the context of text. The content refers to words, meanings, pictures, symbols, ideas, themes, or any message that can be communicated".

Through the content analysis process, themes were identified as being applicable to data analyzed.

Table 3.2: Variables and Measurements

Variables	Items	Description	Reference	Measurement	
Corporate Social Responsibility (CSR)	5	Index Score – <ul style="list-style-type: none"> • Community Involvement • Environmental • Employee Information • Product or Services Information • Value-added Information 	Haniffa & Cooke (2005)	Ratio	
Company Size	1	Log ₁₀ of Total Assets	Griffin & Lont (2007)	Ratio	
Profitability	1	ROA = $\frac{\text{NetIncome}}{\text{TotalAssets}}$	Moyer, McGuigan & Rao (2007)	Ratio	
Share Return	1	EPS = $\frac{\text{NetIncome} - \text{PreferredDividend}}{\text{No.ofCommonShares}}$	Moyer et al. (2007)	Ratio	
Industry Types	7	Construction Property Plantation Consumer	Trading Industrial Technology	KLSE website http://www.bursamalaysia.com/website/bm/	Ordinal
Government Link Companies	3	Company Profile Annual Report Putrajaya Committee on GLC high performance (PCG)- www.pcg.gov.my	Wan Abdul Rahman, Mohamed Zain & Yaakop Yahaya (2011)	Nominal	

Source: Haniffa, R. M. & Cooke, T. E. (2005). The Impact of Culture and Governance on Corporate Social Responsibility. *Journal of Accounting and Public Policy*, 24, 391-430.

3.5 Data Analysis Technique

In our research, parametric analysis techniques are being used. Descriptive statistics are used to analyze the data by using Statistical Package for Social Science (SPSS) version 16.0. SPSS is a computer application that provides statistical analysis of data. Wide range of capabilities for the entire analytical process is being offered by it (Jaafar, 2008).

Pearson Correlation analysis technique is used to investigate the relationship between the five independent variables and dependent variable. Pearson Correlation matrix will indicate the direction of the bivariate relationship among the variables in the study to support our hypothesis. Besides, independent variable has the greatest relationship with CSR disclosure can be identified through its coefficient.

On the other hand, multiple linear regression analysis technique is being used to measure the relationship between CSR and independent variables (Haniffa et al., 2005). The research model is as follows:

$$CSR = \beta_0 + \beta_1 S + \beta_2 ROA + \beta_3 EPS + \beta_4 IT + \beta_5 GLC + e$$

Where:

CSR= Corporate Social Responsibility

S= Size of total assets

ROA= Return on asset (profit)

EPS= Earnings per share (share return)

IT= Industry type

GLC= Government Link Company

e = error term

β_0 = constant term

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = parameters

Multiple Regression Analysis Model is used because it can accommodate many explanatory variables that may be correlated. Furthermore, it also allows more flexibility as we are able to explicitly control the variables that are affecting the dependent variable.

3.6 Conclusion

In this chapter, we presented the research design, population, sample and sampling procedures, data collection method, variables measurement as well as data analysis technique. In the upcoming chapter, we will be discussing on the results gathered from the samples.

CHAPTER 4

DATA ANALYSIS

4.0 Introduction

This chapter discusses the outcome of the research. The discussion of the research outcome will be based on the research questions and objectives from Chapter One and hypothesis development from Chapter Two.

This chapter is subdivided into five parts. The first part discusses the descriptive analysis. The second part will be discussion on the correlation between the variables, while the third part will be discussion on the results of the regression analysis. The fourth part is the inferential analysis. The last section will be a summary on this chapter.

4.1 Descriptive Analysis

The table below shows the descriptive analysis of type of companies that are listed for the research as shown in Table 4.1.

Table 4.1: Summary of Demographic Analysis

Demographic Items	Constructs	Frequency	Percentage (%)
INDUSTRY TYPE	Construction	30	14.3
	Consumer	30	14.3
	Industrial	31	14.7
	Plantation	30	14.3
	Properties	30	14.3
	Technology	29	13.8
	Trading	30	14.3
TOTAL		210	100

Source: Developed for the research

Based on the Table 4.1, it shows that there are 14.3% of the companies are from Construction, Consumer, Plantation, Properties and Trading sectors. Meanwhile the Industrial sector is 14.7%. The smallest percentage is from the Technology sector which is 13.8%.

Table 4.2: Descriptive Statistics for CSR

Themes	Items	Score (%)
Community Involvement	General philanthropy	158 (75.24%)
	Participation in government social campaigns	37 (17.62%)
	Community programs (health & education)	76 (36.19%)
Environmental	Environmental policies	71 (33.81%)
	Raw material	57 (27.14%)
	Environmental protection programme	105 (50.00%)
	Award from environmental protection	9 (4.29%)
	Support for public/private action design to protect the environment	59 (28.10%)
Employee Information	Employee appreciation	180 (85.71%)
	Discussion on employee welfare	101 (48.10%)
	General redundancy	56 (26.67%)
	Information in accidents	37 (17.62%)
	H & S standards	106 (50.48%)
	Policy on training	105 (50.00%)
Product or Services Information	Discussion of major types of products	146 (69.52%)
	Pictures of major types of products	138 (65.71%)
	Improvement on product quality	109 (51.90%)
	Improvement in customer services	43 (20.48%)
	Customer awards/ratings received	40 (19.05%)
Value-Added Information	Value-added statement	8 (3.81%)
	Qualitative value-added statement	8 (3.81%)
	Value-added data/ratios	18 (8.57%)

Source: Developed for the research

Table 4.2 shows CSR is divided into five themes which is community involvement, environmental, employee information, product and service information, and value-added information. Under community involvement 158 companies or 75.24% disclose about general philanthropy information, 37 companies or 17.62% participation in government social campaigns, 76 companies or 36.19% community programs such as health & education.

For environmental disclosure, 33.81% companies disclose about environmental policies information, 27.14% for raw material conservation, 50% companies disclose about environmental protection programmes, 4.29% award for environmental protection, and 28.10% of companies disclose information related to support for public or private action designed to protect the environment.

Under employee disclosure, 85.71% companies disclose information about employee appreciation, 48.10% for employee welfare, and 26.67% for general redundancy. 50.48% of the companies disclose for H&S standards and 50.00% for policy on training.

For product and service information, 69.52% disclose about discussion of major types of products, 65.71% pictures of major types of products, 51.90% improvement in product quality, 20.48% improvement in customer services, and 19.05% of companies disclose information about customer awards or ratings received.

Lastly, value-added information, 3.81% of companies disclose information about value-added statement, 3.81% qualitative value-added statement, and 8.57% of companies disclose value-added data or ratios.

Table 4.3: Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Total assets	210	6.97	10.57	8.5936	.63212
ROA	210	-11.12	.44	-.0368	.79129
EPS	210	-.71	1.38	.1407	.24685
Valid N (listwise)	210				

Source: Developed for the research

Based on Table 4.3, the total assets represent the size of the company in log10 of the total asset. The maximum amount is 10.57 and the minimum is 6.97 with a mean of 8.5936 and standard deviation of 0.63212. In order to provide a better view of result, all the amount have been covert to 'log10' due to huge amount of total assets held under listed companies. Next, the return on assets (ROA) which indicates the profitability of the companies has the maximum ratio of 0.44% and minimum ratio of -11.12% with mean of -0.0368% and 0.79129% standard deviation. The maximum ratio for earning per share (EPS) which indicates the share return of listed companies is 0.44% and the minimum ratio are -11.12% with mean of 0.1407% and 0.24685% standard deviation.

On the other hand, dependence on government is represent by "1" for dependence on government companies and "0" for non dependency on government companies. The index score result is 92 or 43.80% companies out of 210 companies is dependence on Malaysia government. Lastly, the industry type is measured by 1 for 'Construction', 2 for 'Consumer', 3 for 'Industrial', 4 for 'Plantation', 5 for 'Properties', 6 for 'Technologies', and 7 for 'Trading'.

4.2 Pearson Correlatives Analysis

Table 4.4: Correlatives

Correlations

		CSR	Total assets	ROA	EPS	Industry type	DOG
CSR	Pearson Correlation	1	.390**	.100	.189**	.086	.353**
	Sig. (2-tailed)		.000	.151	.006	.212	.000
	N	210	210	210	210	210	210
Total assets	Pearson Correlation		1	.146*	.349**	.076	.430**
	Sig. (2-tailed)			.034	.000	.273	.000
	N		210	210	210	210	210
ROA	Pearson Correlation			1	.145*	.059	.083
	Sig. (2-tailed)				.035	.395	.228
	N			210	210	210	210
EPS	Pearson Correlation				1	.028	.278**
	Sig. (2-tailed)					.688	.000
	N				210	210	210
Industry type	Pearson Correlation					1	.078
	Sig. (2-tailed)						.258
	N					210	210
DOG	Pearson Correlation						1
	Sig. (2-tailed)						
	N						210

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

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Developed for the research

Pearson Correlation represents the correlation matrix of the variables used in this research. It is also a measurement of the strength of the association and significant of bivariate relationships among the variables (Siegle, 2007).

A perfect correlation between two variables is represented by 1.0 while perfect negative correlation is represented by -1.0. Thus, the correlation is range between -1.0 and + 1.0. The correlation result among the variables will varies among each other, as the raw data inserted is different, and the results are not expected to be the same (Rummel, 1976). This indicates the higher the correlation figure, the higher the strength of association between the variables. However, if the correlation figure among the independent variables is more than 0.9, it could cause multicollinearity problem, as the variables are too highly correlated (Saunders, Lewis, and Thornhill, 2009).

A common alpha level for educational research is 0.05 ($p \leq 0.05$), as an assumption there is 5% of chances might have no correlation between variables. Another way of looking at is where 95% of chances will have correlation between the variables (Siegle, 2007).

The result in Table 4.4 shows there among correlation among the variables, size (\log_{10} total assets), profitability (return on assets), share return (earnings per share), industry types, dependence on government and CSR disclosure in annual reports (year 2010) for the 210 companies in KLSE Main Market. The table indicates there is correlation among all the variables, and multicollinearity problem does not exist for this research.

The correlation between CSR and size is 0.39, CSR and profitability is 0.1, CSR and share return is 0.189, CSR and dependence on government is 0.353, CSR and industry type is 0.086. On the other hand, the correlation between size and profitability is 0.146, size and share return is 0.349, size and dependence on government is 0.43, size and industry type is 0.076. While correlation between

profitability and share return is 0.145, profitability and dependence on government is 0.083, profitability and industry type is 0.059. Correlation between share return and dependence on government is 0.278, share return and industry type is 0.028, while correlation between dependence on government and industry type is 0.078.

4.3 Multiple Regression Analysis

Multiple Linear Regressions is used to assess the variability in the extension of CSR and this method is being used widely in the previous research (Amran et al., 2008). Therefore, multiple linear regression analysis will be able to indicate on how much the variance in the dependent variable is explained by the independent variables. The result of the analysis is shown in the Table 4.5 and 4.6 as shown below.

Table 4.5: Result of Multiple Regression Analysis

ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1.579	5	.316	10.071	.000 ^a
Residual	6.397	204	.031		
Total	7.976	209			

a. Predictors: (Constant), DOG, Industry type, ROA, EPS, Total assets

b. Dependent Variable: CSR

Source: Developed for the research

The model as a whole is significant to the data as shown in Table 4.5. the F-value is significant at 0.000 level.

Table 4.6: Model Summary of Multiple Regression Analysis

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.445 ^a	.198	.178	.17709

a. Predictors: (Constant), DOG, Industry type, ROA, EPS, Total assets

b. Dependent Variable: CSR

Source: Developed for the research

As shown in Table 4.6, the adjusted R^2 for the data is 0.198. This implies that 19.8% of the variance for CSR disclosure is accounted for by the five independent variables in the model. The independent variables include size of the company, profitability, share return, industry type and dependence on government.

Table 4.7: The Coefficient of Multiple Linear Regressions Analysis

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.427	.187		-2.280	.024
	Total assets	.086	.022	.278	3.843	.000
	ROA	.008	.016	.034	.537	.592
	EPS	.019	.054	.024	.357	.722
	Industry type	.004	.006	.045	.719	.473
	DOG	.086	.028	.220	3.125	.002

a. Dependent Variable: CSR

Source: Developed for the research

Based on the results tabulated in Table 4.7 above, the multiple regressions for KLSE main market listed company can be expressed as follows:

$$CSR = -0.427 + 0.086S + 0.008ROA + 0.019EPS + 0.004IT + 0.086DOG$$

From the regression equation above, it can be concluded that CSR are positively related to S (size of total assets), ROA (return on asset), EPS (earnings per share), DOG (dependence on government) and IT (industry type). However, variables ROA (return on asset), EPS (earnings per share) and IT (industry type) have no significant positive relationship with CSR due to significant value is more than 0.05.

In addition, variables S (size of total assets) and DOG (dependence on government) have significant positive relationship with CSR due to significant value is less than

0.05 which are 0.000 and 0.002 respectively. On the other words, CSR disclosure increases with the size of the company and dependency on government.

In conclusion, the size and dependence on government have positive influence on CSR disclosure for KLSE main market listed companies.

4.4 Inferential Analysis

4.4.1 Hypothesis 1

H1: There is a positive relationship between size and CSR disclosure.

Based on our research analysis, firm size has the positive and significant relationship toward KLSE listed company's CSR disclosure. The significant equal to 0.0001623 which is less than threshold standard that indicates p value should not more than 0.05 to be significant. Thus H1 is accepted, it is because the result is significant and positive related. This result supported by the findings (Thompson *et al.*, 2004; Haniffa *et al.*, 2005; Udayasankar, 2008; Amran *et al.*, 2008; Hassan *et al.*, 2010).

4.4.2 Hypothesis 2

H2: There is a positive relationship between profit and CSR disclosure.

Based on the result of multiple regression analysis, there is positive relationship between profit and CSR disclosure as the Beta value is in positive coefficient. However, profit does not have significant influence on CSR disclosure due to the significant value equal to 0.592 which is above standard p value of 0.05. Therefore, H2 is not accepted. This result contradicts with the findings of (Choi *et al.*, 2010; Kartadjumena *et al.*, 2011; Zhu *et al.*, 2011). Our finding is supported by the result

(Cheung et al., 2010) that profit does not have significant positive relationship with CSR disclosure.

4.4.3 Hypothesis 3

H3: There is a positive relationship between share return and CSR disclosure.

Based on the regression analysis, share return has positive relationship but no significant value that influence on KLSE listed companies of CSR in a positive relationship. The significant value equal to 0.722 which is more than threshold standard that indicates p value should be less than 0.05 to be significant. Thus, H3 is not accepted.

This result do not support the findings (Dhaliwal, *et. al.*, 2010; Loannou *et. al.*, 2010; Frankel *et. al.*, 1999; Gebhardt *et. al.*, 2000) that companies with high share return tend to disclose more CSR information in annual report. Our result is being supported by the findings (Tri Hesti Utamingtyas *et. al.*, 2010; Lean *et. al.*, 2010) which states that companies with high share return may not result in more disclosure of information in annual report.

4.4.4 Hypothesis 4

H4: There is a positive relationship between industry types and CSR disclosure.

Based on the results, though industry types tend to have positive relationship but not significant to CSR disclosure. The significant value of 0.473 is shown to be higher than the standard that indicates p-value should be equal or lesser than 0.05, in order to be significant. Thus, H4 is rejected.

Research that does not support the findings (Brammer *et al.*, 2006; Hull *et al.*, 2008) indicates industry differentiation and environmental performance of companies has

negative impact on CSR disclosure. The analysis result is supported by the findings (Porter *et al.*, 2002; Utomo, 2000; Sembiring, 2005; Amato *et al.*, 2007) mentioned differences in public exposure may create different way of CSR policies for companies from various industry types.

4.4.5 Hypothesis 5

H5: There is a positive relationship between company dependency on government and CSR disclosure.

Based on the regression analysis, the significant value is 0.002 which is lesser than the p value which is 0.05. The result shows a positive significant relationship, thus the H5 is accepted.

This result is supported by the findings (Amran *et al.*, 2008; Eng *et al.*, 2003; Said *et al.*, 2009) stating that companies that are associated with government will have better CSR disclosure. It is because companies' dependence on government will have more pressure as compare to the non dependence on government companies. They have more pressure as public perceives that government is an accountable body.

4.5 Conclusion

In this research, we perceived that they are five independent variables that have influenced on CSR disclosure for KLSE Main Market listed companies. The five independent variables are size, profitability, share return, industry types and dependence on government. However, there are only two variables are accepted, which is size and dependence on government. The hypothesis for profitability, share return and industry types are rejected due to the non significant generated from the regression analysis result. Further discussion will be discussed in the following chapter.

CHAPTER 5

DISCUSSIONS, CONCLUSION AND IMPLICATIONS

5.0 Introduction

This chapter is divided into four sections. The first part will presents the overall discussion of the study. The second part consists of the limitations encounter during the study. The third part is the recommendations for future research. The last part is the conclusion for the research.

5.1 Discussion

Based on the results generated from the previous chapter, the acceptability of the hypotheses developed is as shown in Table 5.1:

Table 5.1: Summary of the Results

Hypothesis	Results
H1: There is a positive relationship between size and CSR disclosure.	Supported
H2: There is a positive relationship between profit and CSR disclosure.	Not Supported
H3: There is a positive relationship between share return and CSR disclosure.	Not Supported
H4: There is a positive relationship between industry types and CSR disclosure.	Not Supported
H5: There is a positive relationship between dependency on government and CSR disclosure.	Supported

Source: Developed for the research

Based on Table 5.1 above, it is shown that only Hypothesis 1 (H1) and Hypothesis 5 (H5) are supported. Hypothesis 2 (H2), Hypothesis 3 (H3), and Hypothesis 4 (H4) are not supported because there is no significant obtained from the regression analysis result done from the SPSS as presented in Chapter 4.

5.1.1 The relationship between size and CSR

Since the result for size of corporation is significant at 0.0001623. This hypothesis is accepted, it is because the significant level is less than 0.05. It is consistent with the previous findings (Thompson *et al.*, 2004; Udayasankar 2008; Amran *et al.*, 2008; Hassan *et al.*, 2010) that state large organization or huge businesses were found to have significant positive relationship with Company's CSR disclosure in KLSE Main Market Company. The larger the corporation size the higher the CSR disclosure.

Haniffa *et al.* (2005) found there is significant relationship between size of corporation and CSR disclosure. This result also consistent with the findings of Amran *et al.* (2008) found that higher total assets of the companies are tends to provide more information in their annual report.

5.1.2 The relationship between profit and CSR

The result shows variable of profit is not significant at 0.592. Thus, this hypothesis is rejected due to its significant value is more than 0.05. It is found that the profit does not have significant positive relationship with CSR disclosure in the context of Malaysia KLSE main listed companies. This result does not support the findings (Tsoutsoura, 2004; Choi *et al.*, 2010) who indicate that the sign of the relationship of profitability and CSR disclosure is positive and statistically significant.

In addition, the result shows positive relationship between profit and CSR disclosure indicates that the larger the companies' profitability, the higher the level of CSR disclosure. Balabanis, Phillips and Lyall (1998) stated that economic performance is related to both CSR performance and disclosure. However, the relationships were weak and lacked an overall consistency. Besides, Saleh, Zulkifli & Muhamad (2008) also stated that there is limited evidence of a significant effect of CSR on financial performance in a long-term relationship.

On the other hand, findings of Brine, Brown and Hackett (2006), Cheung *et al.* (2010) and Masruki, Ibrahim and Azizan (2009) support the result where the regression analysis did not reveal any statistically significant relationship between the corporate social responsibility and financial performance.

5.1.3 The relationship between share return and CSR

Share return (EPS) was found to have no significant value but positive relationship with KLSE listed companies, since the significant value is 0.722 which is higher than 0.05. This means that share return does not have significant relationship with CSR disclosure of information. This result do not support findings (Dhaliwal *et al.*, 2011; Ioannou *et al.*, 2011; Frankel *et al.*, 1999; Gebhardt *et al.*, 2000) stating that companies with high share return tend to disclose more CSR information in annual report.

However, this result supported the findings (Tri Hesti Utaminingsyas *et al.*, 2010; Lean *et al.*, 2010) that companies with higher share return may not lead to more disclosure of CSR information in annual report.

5.1.4 The relationship between industry types and CSR

The result of industry types of companies tend to be not significant to CSR disclosure at 0.473. The hypothesis is therefore rejected, since the value is larger than 0.05.

The positive relationship shows differences in public exposure created different way of CSR policies for companies. Therefore, the higher profile and higher level of public contact; company will be more concern to CSR disclosure as there is more pressure to it. (Porter *et al.*, 2002; Utomo, 2000; Sembiring, 2005; Amato *et al.*, 2007))

In short, the result of this research is supported by the findings of Brammer *et al.* (2006) and Hull *et al.* (2008), where industry types does not have significant influence on CSR disclosure in company's annual report.

5.1.5 The relationship between government link companies and CSR

Dependence on government companies is found to have positive relationship with CSR disclosure. The regression result shows that dependence of government has a value of 0.002, which is lower than the significant value 0.05. Thus, the hypothesis is accepted.

The result supports the findings by Amran *et al.* (2008), who state that there is a positive relationship between government link companies and CSR disclosure. GLCs have a comprehensive CSR disclosure especially on areas related to environmental, health and safety and product disclosure.

Other than that, it is also supported by the study by Eng *et al.* (2003), they found that it is significantly related between the government link companies and voluntary disclosure of CSR. Lastly, Said *et al.* (2009) further found that government link companies are positively correlated with CSR disclosure. This is because public perceives that government is an accountable body. Thus, government link companies will tend to disclose more to the public due to the pressure from the public.

5.2 Implications

At the end of this research, we are able to provide information regarding the extent of understanding towards CSR disclosure in Malaysia, which may be helpful to the corporate players in their business decision making. Other than that, we also provide more information on variables that will affect the degree of CSR disclosure in Malaysia. As discussed in Chapter 4, our result provides positive relationships for all the independent variables with CSR disclosure for the main market listed companies. Therefore, the listed companies in Malaysia may need to consider in improving their level of CSR disclosure as it is beneficial to their company.

In our result, it is clearly shown that the size of the company and government link companies provide significant value to the research. Those listed companies may wish to improve relationship with government by engaging more business activities with government or seek for capital funds from the government in certain projects. In addition, those companies are encouraged to increase their size of the company in order to improve their level of CSR disclosure

5.3 Limitations

Only KLSE main market listed companies were being used in conducting this research as the availability and accessibility of the companies' annual reports were higher. However, other market such as ACE listed companies was not included. Therefore, the results might not reflect the overall influence in Malaysia companies.

There were only 7 industries used in this research. Other types of industry was being neglected which might not generate a strong significant result on hypothesis being tested. In present study, only 5 variables were being investigated to find out the influence on CSR disclosure. Most of the variables were financially related. Thus, there is possibility of absence of other influential non-financial variables such as corporate governance and culture.

The other limitation for this research is that there is only one year annual report being used where the comparison with prior years is restricted. This causes the result is insufficient to reflect the whole changes and development in CSR disclosure over time. In addition, CSR practices are still in infant stage in Malaysia leading difficulties to inspect CSR disclosure over a long period.

During analyzing the reporting of CSR activities for CSR index score, only 5 components were being used. Therefore, the CSR index score result might not that significant to show the whole picture of companies' CSR practices. Furthermore,

there was no standard measurement for CSR components in terms of qualitative and quantitative.

In this study, only corporate annual reports were being used to collect the information for data analysis. There is possibility that some of CSR practices were not fully disclosed due to existence of other medium is being used to deliver the info such as through the media, separate environmental and social reporting and interim financial report.

5.4 Recommendations for Future Research

For future research, researcher may consider to include other market such as ACE market listed companies into the research sample. Other than that, they may also conduct a research on for small and medium enterprises on their CSR disclosure. Besides, they may also conduct the research in other countries rather than focusing in Malaysia only.

We also recommend that future research should include all the industries or may focus on one particular sector for deeper research on the level of CSR disclosure for specific industry. Further, they may also add more non-financial factors such as innovation, management capability, employee relations, quality, brand value and others to be tested.

In addition, they may also increase the number of CSR components to be tested for more significant result such as the cost of training, total number of employees, et cetera. We also suggest conducting a longitudinal research which includes at least two years period of annual reports being used to reflect the changes in CSR disclosure. This may generate a more reliable and significant result.

Lastly, future research is strongly recommended to widen the source of secondary data such as the companies' environmental and social report and announcement made

by the company through media such as Bursa Saham Malaysia website. This enable future research to have more information gathers for analysis, thus, producing higher reliability of result.

5.5 Conclusion

This research has achieved its objective to provide information regarding the extent of understanding towards CSR disclosure in Malaysia. This study involved five variables which is size of the company, profitability, share return, industry type and dependence on government in order to determine the level of CSR disclosure among KLSE listed Companies.

Our result shows all the five variables have positive relationship with CSR disclosure in the context of KLSE listed companies. However, profitability, share return and industry type have non-significant positive relationship with CSR disclosure. We have achieved our research question in determining which variable has the most influence towards CSR disclosure. Our result shows size of the company and dependence on government has significant positive relationship with CSR disclosure.

Besides that, our aim is to further contribute to the existing theory of determinants of CSR disclosure. In which corporate participants such as the managers, investors and public will be benefited by enhancing their knowledge towards CSR disclosure in the annual reports.

In our opinion, KLSE listed companies are still lack of intention in conducting CSR, thus, level of Malaysian Company's CSR disclose still behind developed country. This phenomenon has to be improved in order for long term social development. There is still a long way for Malaysian to achieve Wawasan 2020 which emphasize on substantial development in which social and environmental development are included.

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Appendix A

Summary of Past Empirical Studies on CSR Disclosure

<i>Study</i>	<i>Country</i>	<i>Data</i>	<i>Major Findings</i>
Dhaliwal, Li, Tsang, & Yang, 2011	USA	Standalone CSR reports issued by 213 US firms from various sources.	Firm initiated standalone CSR report will attract dedicated institutional shareholder and reduce cost of equity capital.
Saleh, Zulkifli, & Muhamad, 2010	Malaysia	Secondary data of 200 highest market capitalization companies from 2000-2005.	The longitudinal study suggests that the disclosure of CSR activities in Malaysia is increasing progressively over the years.

Summary of Past Empirical Studies on Size of Corporations and CSR Disclosure

Amran & Devi, 2008	Malaysia	117 companies in “three sensitive industries” for the year 2007 were selected. CSR reputation is analyzed based on a self-constructed index.	Regulatory effort is significant mechanisms in promoting CSR reputation.
Haniffa & Cooke, 2005	United Kingdom	Secondary data of 160 non-financial companies listed from all industrial sectors on main board of KLSE in 1996.	There is a significant relationship between corporate social disclosure and board’s domination. The four control variable (size, profitability, multiple listing and type of industry) were significantly related to corporate social disclosure.
Hassan, 2010	United Kingdom	Secondary data collection method of 58 selected countries’ 640 companies. Data collected for a sample of countries from 2004 - 2006.	There is a correlation between size of corporation and SR activities. Larger organizations are closely scrutiny by various groups in society, thus face greater pressure to disclose their social activities in order to be legal and socially responsible.
Thompson & Zakaria, 2004	Malaysia	Secondary data, annual report of 250 largest companies listed on KLSE year 2000.	There is a relationship of disclosures of CSR toward Malaysian companies. This is due to varies reasons, mainly government and public pressure.
Udayasankar, 2008	Singapore	Survey of literature.	There is a U-shaped relationship between firm size and CSR initiatives.

Summary of Past Empirical Studies on Profitability of Corporations and CSR Disclosure

Cheung & Mak, 2010	Canada	Secondary data collection from Bloomberg ESG (environmental, social and governance) database for 100 publicly traded commercial banks which extracted from various issues of Global Finance’s Best Banks Rankings from 2006 to	No relationship between CSR disclosure and financial performance. ROA, ROE, and stock return have no relation to CSR disclosure in each period tested.
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		2009.	
Choi, Kwak & Choe, 2010	Korea	Secondary data collection from 1222 sample of financial statements and annual reports of companies listed on KRX (Korea Exchange) for which KEJI index is available in 2002-2008.	Positive and significant relationship between corporate financial performance and the stakeholder weighted CSR index, but not the equal-weighted CSR index. The estimated coefficients for stakeholder-weighted CSR are positive and statistically significant.
Kartadjuma, Abdul Hadi & Budiana, 2011	Indonesia	Secondary data collection from 45 sample of financial statements and annual reports of companies on manufacturing industries listed in Indonesia Capital Market in 2007 – 2009 period.	Positive high correlations of profit and level of CSR disclosure. Increased in average of company earnings per share followed by a growing number of CSR indicators that are disclosure.
Zhu, 2011	China	Secondary data collection from annual reports and financial statements for 156 listed companies on the Shanghai Stock Exchange in 2008.	CSR for government, staff, investors and social welfare has a significant positive correlation with corporate profitability. CSR for environment has a negative relationship with corporate profitability.

Summary of Past Empirical Studies on Share Return of Corporations and CSR Disclosure

Brammer, Brooks, & Pavelin, 2005	United Kingdom	A cross-sectional study on all firms that were constituents of the FTSE All Share Index as of July 2002.	Firms with higher social performance tend to achieve lower return.
Cheng, Ioannou, & Serafeim, 2011	United Kingdom	2,439 publicly listed firms during the period 2002 to 2009.	CSR disclosure increases transparency and may change internal management practices of companies.
Dhaliwal, Li, Tsang, & Yang, 2011	USA	Standalone CSR reports issued by 213 US firms from various sources.	CSR activities can reduce cost of equity capital and attract dedicated institutional investors.
Fiori, di Donato, & Izzo, 2009	Italy	Sample of 33 listed firms operating in different industries for a six years time period (2002-2007, 198 firms-observations overall).	CSR activities concerning the employees is positively related to the increase of stock prices, while a good CSR disclosure about environment and community is negatively related to stock prices.
Gross & Roberts, 2008	Canada	The effect of CSR on loan spreads extended in private debt by using data compiled by KLD Research & Analytics.	CSR investments are value enhancing measured by using regression of log-spread and simultaneous equations of yield spread and maturity.

Hall & Rieck, 1998	USA	348 firms which have a Wall Street Journal (WSJ) event date announcing	CSR practices and disclosure is positively related to share return by using single index market model (SIMM).
Hooi & Yuan, 2010	Taiwan	Examine relative performance between CSR versus non-CSR firms on TWSE-listed companies and private companies.	Investors do not concern about CSR disclosure when making investment. Thus negative relationship.
Samy, Odemilin, & Bampton, 2009	United Kingdom	A quantitative approach of study CSR practices of 20 UK companies in examining the trend of Earning per share (EPS).	The companies tended to disclose the positive impacts they made on public especially environmental issue as they believe that this will help to predict future share price.
Tri Hesti Utamingtyas & Ahalik, 2010	Indonesia	41 firms listed in Indonesian Stock Exchange.	The effect of social responsibility disclosure to investor reaction is weak.
Urs von Arx & Ziegler, 2009	Switzerland	Effect of CSR on average monthly stock returns between 2003 and 2006 by examining USA and Europe firms.	Positive and negative coefficients between the average stock returns and CSR disclosure with different variables used.

Summary of Past Empirical Studies on Industry Type of Corporations and CSR Disclosure

Amato & Amato, 2007	USA	719 companies were extracted from IRS <i>Corporation Sourcebook for the Statistic of Income for the year 1999.</i>	Differences in public exposure may create different way of CSR policies for companies from various industry types. Levels of CSR disclosure in the annual report depends on industry type with higher level of public contact and economic activities.
Brammer & Pavelin, 2006	United Kingdom	447 companies obtained from FTSE All-Share Index in year 1999-2000.	Environmental performances tend to have negative impact on companies, except industries in chemicals, consumer product, resources and transportation sector.
Utomo, 2000; Sembiring, 2005	Indonesia	78 companies were chosen from Indonesian Capital Market Directory 2002.	Research mostly support high-profile industry discloses information about CSR more than low-profile industry.

Summary of Past Empirical Studies on Government Link Companies and CSR Disclosure

Amran & Devi, 2008	Malaysia	117 companies in “three sensitive industries” for the year 2007 were selected. CSR reputation is analyzed based on a	The higher the government shareholdings the better the CSR disclosure of the company.
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		self-constructed index.	
Eng & Mak, 2003	Singapore	Secondary data of 158 companies from 9 industry sectors	Companies that associated with government will tend to have a higher voluntary disclosure. Government ownership will increase moral hazard and agency problem meanwhile disclosure is a means of mitigating these problems.
Mohd Ghazali & Weetman, 2006	Malaysia	Annual reports of 87 listed companies in year 2001	Government shareholding is not significantly related to CSR disclosure.
Said, Zainuddin, & Haron, 2009	Malaysia	Secondary data – annual reports and company's websites of 150 companies that selected using stratified sampling method	Government ownership is positively correlated with CSR disclosure as government intervention may generate pressure for the organizations as government is perceived as an accountable body by the public.

Appendix B

Summary of Variables and Measurements

<i>Variables</i>	<i>Items</i>	<i>Description</i>	<i>Reference</i>	<i>Measurement</i>
Corporate Social Responsibility (CSR)	5	Index Score – <ul style="list-style-type: none"> • Environmental • Community • Employee • Product • Value-added 	Haniffa & Cooke (2005)	Ratio
Company Size	1	$\text{Log}^{10}\text{Total Assets}$	Griffing & Lont (2007)	Ratio
Profitability	1	$\text{ROA} = \frac{\text{NetIncome}}{\text{TotalAssets}}$	Moyer, McGuigan & Rao (2007)	Ratio
Share Return	1	$\text{EPS} = \frac{\text{NetIncome} - \text{PreferredDividend}}{\text{No.ofCommonShares}}$	Moyer et al. (2007)	Ratio
Industry Types	7	<ul style="list-style-type: none"> • Construction • Property • Plantation • Consumer • Trading • Industrial • Technology 	KLSE website http://www.bursamalaysia.com/website/bm/	Ordinal
Government Link Companies	3	<ul style="list-style-type: none"> • Company Profile • Annual Report • Putrajaya Committee on GLC high performance (PCG)- www.pcg.gov.my 	Wan Abdul Rahman, Mohamed Zain & Yaakop Yahaya (2011)	Nominal