

**AN INVESTIGATION OF ENVIRONMENTAL DISCLOSURE BY  
LOCAL LISTED COMPANIES AND MULTINATIONAL  
COMPANIES (MNCs) IN MALAYSIA FOR THE PERIOD ENDED  
1999: AN EMPIRICAL EVIDENCE**

**By**

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## **ABSTRACT**

The purpose of this study is to investigate the nature of environmental information disclosure practices by Malaysian listed companies in order to find out the quality and the quantity or volume of the environmental disclosures in annual reports. It also attempts to investigate some potential relationships between corporate characteristics in terms of size, financial performance and company's operational status and the amount of environmental disclosure. The sample chosen consisted of 74 Malaysian companies drawn from seven industries and was examined using content analysis with sentences as a unit of measurement. The Spearman's rank Correlation, Crosstabulation Chi-Square Test and Kruskal-Wallis Test were performed to test the hypotheses. The result shows that there is no significant difference between the quality and the quantity of environmental information disclosure between MNCs and local listed companies in Malaysia. The present study also indicates that there is no significant relationship between company size, financial performance and operational status with the amount of the environmental information disclosure.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

There is growing evidence of companies taking greater responsibilities not only for accounting for the environmental liabilities but also for environmental disclosure as a whole. Recent studies such as Gray et al (1995), Hackston and Milne (1996) and Donovan and Gibson (2000) documented increases in the number of firms providing environmental disclosures in annual reports.

There have been various reasons put forward as to why companies make voluntary environmental disclosures. These range from economic based theories, such as positive accounting theory to social based theory, such as legitimacy theory (Lemon and Cahan, 1997). According to Epstein and Freedman (1994), the disclosure is being made because management believes this is right in some moral sense or because they believe that additional disclosure has some long term benefits to shareholders.

On the other hand, the mounting pressures on limited natural resources have led society to demand that businesses assume greater responsibility and accountability for their use of these resources (Gray et al, 1988). For instance, there is demand for the companies to invest in cleaner technologies and change the process and product so as to cause less environmental damage. In the operational context, companies are urged to recycle materials and reduce energy consumption.

Related to this, many societies have placed regulations on firms that interact with the environment in order to guide proper behaviour and have the power to impose sanctions on those firms that do not comply with such regulations. In Malaysia, the enforcement of "Akta Kualiti Alam Sekeliling 1974", with amendment in 1985 and the emphasis on the