



**CORPORATE ATTENTION TO SOCIAL
RESPONSIBILITY DISCLOSURES:
A STUDY OF MALAYSIAN COMPANIES**

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Abstract

This paper presents a study of corporate social disclosures by public companies listed on the main board of the Kuala Lumpur Stock Exchange (KLSE). In a sample of 92 companies ranked by market capitalization as at June 2001, the companies were classified into five major sectors namely trading and services, finance, consumer products, industrial products and others. There were 55 items of information listed for the purpose of this study and the items are categorised into items of information related to employees, customers, community and corporate governance. The results of the analysis revealed that about 45% of the companies disclosed below the mean score and only 13 companies disclosed more than 70% of the items of information listed in the study. Additional insights are given into the relationship between the company characteristics and the extent of corporate social responsibility disclosure. The results indicate there was significant relationship between the company size, company performance and the extent of disclosures.

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CHAPTER ONE

INTRODUCTION

Conceptual framework of accounting is drafted by taking into consideration that the financial statements are prepared not solely for the shareholders, but also for the use of other stakeholders. Though they do not have a fiduciary relationship with the other stakeholders, many business organisations feel that they have moral obligations towards these parties such as the employees, the local community, political bodies, and society at large. This is simply because any business entity operates within a society and any action or economic event that transpire within the business will eventually affect all others in that society. Godfrey, Hodgson and Holmes (2000) argue that because society, through its government representatives, permits business to operate and receive special status, such as limited liability, it therefore, has the right to ask for an accounting of the activities of business as they relate to the general welfare of society.

The type of information desired by society goes beyond that provided to the shareholders and creditors. However, it is extremely difficult to identify, to measure and to account for social benefits or costs in monetary terms. As an alternative, a description in words or other non-quantitative terms is more manageable than in dollar amounts. But what information needs to be disclosed to reflect business entity's commitment towards its society? Interested parties in society are increasingly concerned about social and environmental issues. They expect business entities to behave ethically in producing