

e-Proceedings

2024
icob

**INTERNATIONAL
CONFERENCE
ON ACCOUNTING
& BUSINESS**

Ethics and Integrity in Accounting and Business: Building Trust in an Intricate World

ORGANISED BY:

**FACULTY OF ACCOUNTANCY, UiTM PERAK BRANCH
TAPAH CAMPUS**

In Collaboration With

PROCEEDINGS OF THE 2ND INTERNATIONAL
CONFERENCE ON ACCOUNTING AND BUSINESS

(ICAB2024)

Ethics and Integrity in Accounting and Business: Building Trust in an Intricate World

e ISBN 978-967-2776-35-2

FACULTY OF ACCOUNTANCY
UNIVERSITI TEKNOLOGI MARA, PERAK BRANCH, TAPAH CAMPUS, MALAYSIA

© Unit Penerbitan UiTM Perak, 2024

All rights reserved. No part of this publication may be reproduced, copied, stored in any retrieval system or transmitted in any form or by any means; electronic, mechanical, photocopying, recording or otherwise; without permission on writing from the director of Unit Penerbitan UiTM Perak, Universiti Teknologi MARA, Perak Branch, 32610 Seri Iskandar Perak, Malaysia.

Perpustakaan Negara Malaysia

Cataloguing in Publication Data

No e-ISBN: 978-967-2776-35-2

Cover Design: Graphic Design and Web Page Team
Typesetting : ICAB 2024 Proceeding Team

The Moderating Effect of Institutional Ownership on the Relationship Between Family Ownership and Corporate Sustainability Reporting in Malaysia

***Zainab Aman**

Faculty of Management and Muamalah, Universiti Islam Selangor, Bandar Seri Putra, 43000 Kajang, Selangor, Malaysia

*Corresponding email: zainab@uis.edu.my

Abstract

In Malaysia, about 70 percent of listed companies are considered as family-owned companies. Agency theory argues that in these companies, agency costs is minimum because the business goals between owners and managers are aligned. However, unique agency problem exists when family members dominate the management and board and this increase information asymmetry between majority and minority shareholders. This study investigates the relationship between family ownership and corporate sustainability reporting and the role of institutional ownership in the relationship. The presence of institutional ownership is predicted to improve CSR disclosure and information asymmetry. Annual reports of 750 listed companies from year of 2020 to 2022 were content analysed to determine the level of CSR disclosures. The study found that family ownership is negatively related to corporate sustainability reporting. The presence of institutional ownership in family-owned companies do not weaken this relationship. This indicates that institutional investors are unable to play effective monitoring role and motivate management in family-owned companies reduce information asymmetry via improving the corporate sustainability reporting. The results of this study are expected to provide inputs to regulatory bodies especially on issues that would improve corporate sustainability reporting specifically in family-owned companies.

Keywords

Corporate sustainability reporting, family-owned companies, institutional investors, Type 2 agency problem

1.0 Introduction

Corporate sustainability reporting (CSR) has become increasingly important today as a tool used by companies to communicate with stakeholders (Oncioiu et al.2020). CSR is one major platform for companies to stay competitive in the market and used by shareholders to scrutinize the activities of corporate management (Jensen & Meckling 1976). Therefore, a firm started to invest in CSR so that it would create long-term corporate value and improve the quality of life of society (Maqbool et al.2021). CSR can be defined as activities carried out by a company to meet the needs of stakeholders from social, environmental, and economic sustainability (Bursa Malaysia 2015). According to the GRI (2013), corporate sustainability reporting contains three focal areas such as social sustainability reporting, environmental sustainability reporting, and economic sustainability reporting. Social sustainability means the impact of a company's social activities on consumers, suppliers, society as a whole (i.e, the organization's relationships with communities, employees, and consumers). Environmental sustainability means the impact of a company's activities on the environment such as water, soil, and ecosystems of life and non -life as a whole (i.e, the organization's usage of energy and water, and discharge of emissions or loss of biodiversity). Economic sustainability reporting refers to an organization's impact on the economic conditions of its stakeholders and economic systems at local, national, and global levels (i.e, procurement practices).

In view of the importance of CSR, there are initiatives taken by various parties in Malaysia such as requiring all companies that are listed in Bursa Malaysia to disclose sustainability reporting (Ministry of Finance 2006), and the introduction of ACCA Malaysia Environmental and Social Reporting Award (MESRA) in 2002 by ACCA Malaysia. The government has undertaken various efforts such as providing tax relief and improving the corporate governance code from 2001, 2007, 2012, 2017 and 2021 to ensure that listed companies practice good corporate governance. The ownership structure is an important component of governance mechanisms. Malaysia has a highly concentrated ownership structure in which the family owner is a "dominant" shareholder in a listed company in Malaysia (Mustapha & Che Ahmad, 2011). Agency conflicts arise when controlling shareholders or their family members are directly involved in management. There is a possibility of agency issues between the principals, or conflicts of agency-level II (Regina 2022). This occurs when family owners have high equity and control over the company as well as having representation on the board. Family-owner manages and controls the company for their own benefits and expropriate the minority shareholder's interests (Wei et al. 2022). These include ways of obtaining personal benefits through managers, related party transactions, excessive salaries or perks for family members, or insiders (Fan & Yu..2022, Abu Afifa et al.2024, Ajid ur Rehman 2021, Gomez-Mejia et al. 2017, Koerniadi & Tourani 2012;). Therefore, family owners have more access to information than minority shareholders (Hashim et al.2021). Company managers seek opportunities that benefit their own family owners by avoiding high-cost social investments such as CSR (Chung & Zhu 2021). Company managers seek opportunities that benefit their own family owners by avoiding high-cost social investments such as CSR (Aman et al.2021).

Prior studies in Malaysia provide evidence that family-owned companies are negatively associated with CSR because they have less motivation to disclose CSR.(Hashim et al.2021, Wan Hussin et al.2021,Aman et al.2021; Sundarassen et al.2016). On the other hand, prior studies in developed countries also provide evidence that family-owned companies are more likely to disclose CSR because they are more concerned with the company's reputation and have family ties that are shared with employees and the community (Alsaadi 2022)). The findings from the previous studies have revealed mixed results. Therefore, there may be other factors that influence the relationship between family ownership and CSR such as institutional ownership.The choice of Malaysia for this study is motivated by several factors. Firstly, the Malaysian capital market is unique with regard to corporate governance issues. This is due to the fact that the Malaysian capital market is dominated by government and private institutional investors and has significant family ownership influence (Ahmad et al. 2017). Therefore, this study provides an opportunity to empirically examine the role of institutional ownership in influencing corporate sustainability reporting in a market where highly concentrated family ownership predominates. Furthermore, most of the previous studies were conducted in developed countries with different business environments and cultures than Malaysia. Families in Malaysia (and Asia in general) can be characterized as concentrated and focusing on short-term profitability goals compare to the cultures in developed countries (Aman et al.2021)

As the largest shareholder in a listed company in Malaysia, institutional investors are among the largest shareholders that have the voting power and have an ability to influence the top management of family-owned companies in the decision -making process as it will enhance investment opportunities and give them a competitive edge in the market. In 2018, foreign investment in Malaysia was 614.7 billion in the third quarter of 2018, compared with 590.3 billion recorded in the second quarter of 2018 (Department of Statistics Malaysia 2018). Institutional investors need to play a role in monitoring and supervising the

management of the company due to the increasing number of foreign investors in the equity market (Lawati et al 2021). Thus, the need for effective governance structure in monitoring managerial actions is required (Lopez et al.2021).

Companies will disclose CSR reporting as a strategy to deal with competitors in the market in line with signaling theory to inform the investors that they have an accountability towards CSR. This is also due to pressure from institutional investors who will give priority to invest in companies that have good performance in CSR reporting. (Maqbool, & Zamir 2021). As the largest shareholder in the company, institutional investors represent the shareholder's interest and plays a role as corporate governance mechanism design to protect the interest of investors and monitor the behavior of corporate management. Thereby, reducing the tendency to engage in self-serving activities and bridge the information gap between managers and investors (Aman et al.2021). Furthermore, the agency problem between family owners and minority shareholders can be reduced through the supervisory role carried out by institutional investors as a corporate governance mechanism to ensure transparency in the reporting of corporate sustainability information by firms' management (Hans et al.2021). It is then expected that higher transparency in reporting will increase firms' value. As a result, this will increase stakeholder confidence in the company through the role played by institutional investors (Wan Mohammad 2023).

This study focuses on family ownership in Malaysia as the majority of companies listed on Bursa Malaysia comprises 62% of family-owned companies (Aman et al.2021) and contributes to 67% of the nominal GDP (Fan & Yu 2022). A study by Ibrahim and Samad (2010) document that 27 out of the 40 richest Malaysian for the year 2008 are family-based and account for 67.5 percent of the top 40. It shows that family ownership has large equity and control in the company, therefore, they have an ability to influence the company's decision-making process regarding CSR. The results of previous studies regarding the relationship between family ownership and CSR are mixed. Thus, the objective of this study is to examine the role of institutional ownership as a moderator that is expected to reduce agency problems and affect the relationship between family ownership and corporate sustainability reporting. The first aim of this study is to test the relationship between family ownership and corporate sustainability reporting. The presence of institutional ownership is predicted to improve CSR disclosure and information asymmetry. Thus, this study will examine the role of institutional ownership in influencing the relationship between family ownership and CSR.

This study contributes to the existing literature in several ways. The previous studies have shown mixed findings on the relationship between family ownership and CSR. Therefore, this study proposes institutional ownership as moderators in these relationships which have not been explored in previous studies. Second, this study uses a sample of public companies listed on Bursa Malaysia, therefore, the findings of this study will enrich the literature on the relationship between family ownership and CSR from the perspective of developing countries such as Malaysia. Third, Disclosure index developed by Sutantoputra (2009) and Clarkson et al. (2008) disclosed 83 items for social reporting and 51 items for environmental reporting This study is more comprehensive by extending their studies by adding 15 items for economic sustainability. Lastly, the findings of the study may provide evidence on the role of institutional ownership in the decision-making process in family-owned companies in order to provide better CSR reporting.

The remainder of the paper is organized as follows. Section two presents the relevant theories and hypothesis development, followed by a discussion on research methods. Next, this paper reports the findings and discussion, and the final section concludes the paper.

2.0 Literature Review

2.1 Theory and Hypotheses Development

Issues related to corporate governance such as oversight mechanisms can be linked to agency theory. Agency theory has existed since the 1970s and has always been used in explaining the role of corporate governance mechanisms in addressing agency problems that exist in a company. (Squires & Elnahla.2020). Agency theory can be divided into two levels where the relationship between principal and agent exists in agency theory level I. While agency theory level II describes the conflict that exists between principal and principal that is between family owners and minority shareholders (Claessens et al 2002). Family owners may have an incentive to extract wealth at the expense of minority shareholders through their voting powers (Saeed et al.2023) . When there is a difference in the interests of family ownership and minority shareholders, family ownership will exploit the interests of minority shareholders for their own benefit (Masud et al. 2018). Furthermore, agency theory states that the enhancement of CSR reporting is expected to reduce the conflict between the principal and the principal. (Chen & Jaggi 2000). Therefore, agency theory suggests that institutional investors should play a role in monitoring management behavior to represent the interests of stakeholders by influencing the management of the companies to disclose CSR (Zhang & Yang 2021).

2.2 Family Ownership and Corporate Sustainability Reporting

Companies that integrate ethical values into their corporate culture and decision-making processes will be better positioned to navigate regulatory challenges and mitigate risks, resulting in improved long-term sustainability and resilience. This hypothesis proposes that ethical businesses are more adept at anticipating and addressing potential ethical and legal pitfalls, thereby reducing the likelihood of costly litigation, fines, and reputational damage. Based on the considerations discussed above and the divergent outcomes observed in previous research, this study postulates the following hypothesis:

H1: There is a significant relationship between ethical value and business sustainability

2.3 Institutional Ownership in the Relationship Between Family Ownership and Corporate Sustainability Reporting

In Malaysia, more companies disclose corporate sustainability reporting when their shares are owned by institutional investors (Ghazali 2007). Previous studies have found that investors need corporate sustainability reporting for investment decision-making (Jadoom et al.2021, Arvidsson &Dumay. 2021, Hans et al.2021). Institutional investors play an important role in putting pressure on the company to disclose CSR (Wan Mohammad 2023). Institutional investors have a large equity stake in most companies that enable them to play an important role in monitoring the behavior of the management (Saeed et al.2023, Tarighi et al.2022). As such, they have an incentive to monitor the shares they own against other investors, especially those involving high business costs. Institutional investors are also expected to provide insights and advice to the management, including issues related to social responsibility (Tarighi et al.2022). This will reduce the existing agency problems as well as strengthen the relationship between principal and principal (Salloum & Azizi 2013). Thus, it is expected that the negative relationship that exists between

family owners and minority shareholders can be weakened through the role played by institutional (Chung & Zhu 2021). Therefore, the proposed hypothesis is:

H2: Institutional ownership is expected to influence the relationship between family ownership and corporate sustainability reporting.

3.0 Methods

This study used three-year data, namely 2020, 2021, and 2022. Three-year data were used to see the corporate sustainability reporting patterns of listed companies in Malaysia (Saleh et al. 2010). 2020 to 2022 annual reports are reviewed as they are the most recent corporate sustainability reporting information conducted by the latest corporate sustainability reporting framework released by Bursa Malaysia in 2020. The simple random sampling is used on the population of listed PLCs 784 companies in 2020. The size of this sample was determined based on the Sekaran (2003) study suggesting a sufficient sample size for a population of 784 is 250 which is 32% of the population. The total sample for this study was 750 companies for three years, i.e. from 2020 to 2022 (a balanced panel of 250 companies per year). The company data obtained from Bursa Malaysia included information on 157 family firms and 93 non-family firms. This method is consistent with previous studies such as Clarkson et al. (2008) and Aman et al. (2021).

3.1 Measurement of Variables

The dependent variable in this study, corporate sustainability reporting (CSR), is measured based on Global Reporting Initiatives (GRI2) performance indicator. The GRI measurement method is used to measure the independent variable CSR because this method is more comprehensive and is a more appropriate measurement for this study. (Sutantoputra 2009). GRI performance indicator overcomes the one-dimensional problem criticized by previous studies (Waddock & Graves, 1997). This study uses the disclosure index developed by Sutantoputra (2009) and Clarkson et al. (2008) where the total items are 83 for social sustainability reporting, 51 for environmental sustainability reporting, and 15 for economic sustainability. The rating system in this study is divided into hard reporting and soft reporting and adapted based on the reporting index developed by Sutantoputra (2009) and Clarkson et al. (2008). This category classifies disclosures into “hard” disclosures if the information is “objectively observable”, i.e. verifiable and reliable. Soft disclosures pertain to information that represents general environmental information that is mere “claims” and cannot be substantiated. The study uses content analysis methods. Each indicator that discloses sustainability information will be coded 1 and instead of code 0 is given if the information is not reported (Nazli & Haraf, 2013).

The independent variables are measured using a dummy variable that is one (1) if the firm is a family firm and zero (0) otherwise. The second measure is a family member who is on the board of directors. The first measure which is applied in this has been widely used in prior research (Jaafar et al. 2012; Marques & Simon 2014). Furthermore, this study includes an interaction variable (FF*IO) to capture the moderating effect of institutional ownership in the relationship between family ownership and CSR. According to Jaafar et al. (2012), the family-owned company is determined by looking at the direct voting power of more than 20% owned by the director who has a blood relationship with the ultimate shareholder. The information in the shareholder statistics section of the 30 largest shareholders mentioned in the annual report is used to identify direct and indirect shareholders. The information is a stack from the largest shareholding to the less

including firms or individuals. The family members of those who are holding more than 5 percent categorize as a family firm. (Jaafar et al. 2012).

The measurement of institutional investors as a moderating variable is calculated based on the percentage of more than five percent (AlSaadi 2022). The control variables are board size, chief executive officer duality, company size, profitability, and female directors. These variables have been used in previous studies as factors that can influence family ownership and CSR. The size of the board of directors is based on the number of directors on the board of directors of the company. There is a view that the large size of the board of directors leads to inefficiencies as it results in poor control over management and increases agency costs. However, this view is addressed by pointing out that the large size of directors is likely to be less influenced by management. On the other hand, a small board size may be influenced by management (Hamrouni et al.2022). Therefore, board size is expected to influence CSR. The CEO duality is measured based on a dummy variable, 1 if CEO and chairman are the same people, 0 otherwise., Zhang (2012) states that when there is a CEO duality, this indicates that there is no separation between the chairman and the chief executive officer reduce the quality of oversight by the chairman of the board of directors on the management of the company. This limits the power of decision-making, limits the freedom of directors, and reduces the ability to perform supervisory and administrative roles, including issues related to CSR (Khan et al.2022). The attitude of the company chairman and his perception towards CSR determines their decision to disclose the CSR (Jamil et al.2021). Thus, the existence of the dominant personality of the chief executive officer plays a role in affecting the corporate sustainability reporting of the company.

Company size is measured based on the logarithm of total assets, large companies create more corporate sustainability reporting to portray the company as a good citizen and legitimacy to society. Besides, large companies are more likely to make additional reporting because they have more financial resources (Fan & Yu 2022; Hans et al.2021). Jamil et al. (2021) argue that company size is a crucial factor in determining a company's corporate sustainability reporting because large companies have the expertise to enable them to engage in corporate sustainability reporting activities. Profitability is measured based on profit after tax divided by total assets. Profitability is associated with performance in which a well-performing company enhances corporate sustainability reporting to reduce the information gap between management and stakeholders. As such, profitable companies increase corporate sustainability reporting compared to less profitable companies (Jamil et al.2021; Khuong et al.2021). Female directors are measured based on the actual number of female directors on board. Increasing numbers of women on board are said to be more likely to lead to better social behaviors such as donation, environmental engagement, and, labor relations (Tibiletti et al. 2021).

3.2 Research Model

In order to examine the interaction effect of institutional investors in family ownership and CSR, the following regression model is suggested based on Darmadi & Sodikin (2013). The dependent variable in this study is corporate sustainability reporting (CSR). The independent variable is family ownership, board size (BSIZE), CEO duality (DUAL), company size (CSIZE), profitability (PRFT), and female director (FD). The model used in this study is as follows (Darmadi & Sodikin 2013).

Model 1

$$CSR_{it} = \beta_0 + \beta_1 FF_{it} + \beta_3 BODSIZE_{it} + \beta_4 DUAL_{it} + \beta_5 CSIZE_{it} + \beta_6 PRFT_{it} + \beta_7 FD_{it} + \epsilon \dots \dots \dots (1)$$

Model 2

$$CSR_{it} = \beta_0 + \beta_1 FF_{it} + \beta_2 IO_{it} + \beta_3 FF_{it} * IO_{it} + \beta_4 BODSIZE_{it} + \beta_5 DUAL_{it} + \beta_6 CSIZE_{it} + \beta_7 PRFT_{it} + \beta_8 FD_{it} + \epsilon \dots \dots \dots (2)$$

Where:

- CSR = Corporate Sustainability Reporting
- FF = Family Ownership
- IO = Institutional ownership
- BODSIZE = Board of Director Size
- DUAL = CEO Duality
- CSIZE = Company Size
- PRFT = Profitability
- FD = Female Director
- $\beta_1 - \beta_{10}$ = Regression Coefficient
- ϵ = Model Error

4.0 Results and Discussion

Table 1 reports the descriptive information of the sample companies. The average CSR of the sample companies from 2020 to 2022 is about 6.60%. The average CSR was lower than Mutalib et al. (2014) found the average CSR was 14%. The board size is about 7.54 members with a maximum number of 13. The average IO is 17% and the max IO is 76%. The findings of this study are higher than those of Jong & Ho (2018) who found that the average is 4.5% with a mean of 41%.

Table 1 Descriptive Analysis (N=750)

Variables	Min	Max	Mean	Median	Standard deviation
CSR	1.00	73.00	6.60	5.00	3.65
IO	0.17	0.76	0.46	0.43	0.12
BSIZE	2.00	13.00	7.54	0.03	1.98
CSIZE	7.00	10.00	8.70	9.00	0.71
PRFT	-0.21	0.34	0.07	0.04	0.16
FD	0.00	0.40	0.10	0.11	0.12

Notes:

Corporate sustainability reporting is measured using social sustainability reporting guidelines based on the Global Reporting Initiative. IO = Institutional ownership (shareholding owned by institutional investors in a company), BSIZE = Board size (ratio of directors), DUAL = CEO Duality (1 = chief executive officer, 0 = vice versa), CSIZE = Company size (log of total assets), PRFT = Profitability (total profit after tax / total assets), FD = Female director (1 = female director, 0 = and vice versa).

Table 2 reports the correlation analysis for the study. The actual number of family members, the interaction between the family firm and the institution are negatively correlated. Board size, duality, and company size are positively associated with CSR disclosure. The positive association shows the ability of these variables

to help improve the quality of CSR disclosure. The correlation coefficients among other independent variables show a value of less than 0.4. It shows that the multicollinearity issue is still under control as the correlations are below 0.80.

Table 2: Correlation Test (N=750)

	<i>CSR</i>	<i>FF</i>	<i>IO</i>	<i>FFXIO</i>	<i>BSIZE</i>	<i>DUAL</i>	<i>CSIZE</i>
<i>FF</i>	-0.095**						
<i>IO</i>	0.043	0.253**					
<i>FFXIO</i>	-0.150**	0.560**					
<i>BODSIZ</i> <i>E</i>	0.195**	0.054	0.281**				
<i>DUAL</i>	0.048	0.253**	0.058	0.035			
<i>CSIZE</i>	0.211**	0.022	0.120**	0.282**	0.032		
<i>PRFT</i>	0.060	0.362**	0.061	0.027	0.147**	0.124**	
<i>FD</i>	-0.020	0.060	0.028	0.051	0.053	0.027	0.046

**Correlation is significant at 0.01 level

* Correlation is significant at 0.05 level

Notes

Corporate sustainability reporting is measured using social sustainability reporting guidelines based on the Global Reporting Initiative. IO = Institutional ownership (shareholding owned by institutional investors in a company), BSIZE = Board size (ratio of directors), DUAL = CEO Duality (1 = chief executive officer, 0 = vice versa), CSIZE = Company size (log of total assets), PRFT = Profit (total profit after tax / total assets), FD = Female director (1 = female director, 0 = and vice versa).

Table 3: Result Regression Analysis Model

	Expected sign	Model 1	Model 2
Constant		-3.058	-3.224
<i>Independent variable</i>			
<i>FF</i>	-	-0.115 (-2.927)***	-0.060 (-1.310)
<i>Moderating variables</i>			
<i>IO</i>	+	-0.010 (-0.260)	-0.009 (-0.253)
<i>FFXIO</i>	+		-0.097 (-2.320)***
<i>Control variables</i>			
<i>BODSIZE</i>	+	0.151 (4.028)***	0.151 (4.044)***
<i>DUAL</i>	+	0.066 (1.825)*	0.093 (1.822)*
<i>CSIZE</i>	+	1.163 (4.460)***	0.169 (4.628)***
<i>PRFT</i>	+	0.005 (0.121)	0.158 (0.874)
<i>FD</i>	+	-0.028 (-0.801)	-0.027 (-0.766)
Adjusted-R ²		0.071	0.076
F Value		9.370	8.919
P Value		0.000	0.000

*** significant at 0.01, ** significant at 0.05, significant at 0.10

Notes: CSR = Corporate sustainability reporting (measured based on 'Global Reporting Initiatives' indicators), FF = family ownership (1 if family members, 0 otherwise), IO = institutional ownership (shareholding owned by institutional investors in the company), CSIZE = Size of board members (ratio of number of directors), CEO Duality (1 if CEO is also a chairman of the board, 0 otherwise), CSIZE = Company size (log of total assets), PRFT = Profitability (total profit after tax / total assets), FD = Female director (1 = female director, 0 otherwise, FF * IO = family ownership multiply by institutional ownership).

4.1 Discussion of Findings

Table 3 shows that the model explains only 7% of the relationship. The findings from regression analysis (Table 3) shows a negative and significant relationship (model 1) and no relationship in (model 2) between family ownership and corporate sustainability reporting. The findings from the analysis of model 1 (Table 3) found that family ownership (FF) had a negative relationship ($\beta = -0.115$; $t = -2.927$) and was significant at a $P < 0.05$ value with corporate sustainability reporting. The findings show that the first hypothesis is accepted. Table 3 also shows that model 1 is significant at $p = 0.000$ with an F value of 9.370. The adjusted R^2 value was 7% (0.076) explaining that only 7% of the relationships were explained by the variables tested in this study. The results of the study in Table 3 found a negative relationship between family ownership and CSR. The findings of the study are in line with agency theory which states that there is agency conflict between owners and minority shareholders. The low CSR level is influenced by the presence of family owners in the company. However, the findings of the study contradict the socio-economic wealth theory which found that CSR practices by family-owned companies are higher due to the family ties that exist between the company and employees as well as society. This shows that the family characteristics in the west are different from what is practiced in Malaysia (Campopiano de Massiss 2015).

The findings of this study are consistent with previous studies such as Mahmood et al. (2018), Aman et al. (2021), Hamrouni et al. (20212). This indicates that family-owned companies are less likely to report corporate sustainability in Malaysia. This may be due to the weakness of the legal system in the country which was found to be inadequate to protect the interests of minority shareholders, resulting in their lack of corporate sustainability reporting, including in Malaysia (Hassan 2009). However, Table 3 (model 2) results show that the monitoring role of institutional ownership (FF X IO) has a significant effect on corporate sustainability reporting. The result of the study showed a positive relationship ($\beta = 0.097$; $t = 2.320$) and significant at the $p < 0.01$ level with corporate sustainability reporting. The interaction variable (FF * IO) was found to increase the level of corporate sustainability reporting. This indicates that institutional ownership influences the relationship between family ownership and corporate sustainability reporting when the presence of institutional ownership strengthens the relationship between family ownership and corporate sustainability reporting. This indicates that the presence of institutional ownership influences corporate sustainability reporting in family-owned companies. Therefore, the second hypothesis is accepted.

The findings of this study are consistent with Hashim et al (2021), Hamrouni et al.(2021), Aman et al.(2021), who found that institutional ownership and corporate sustainability reporting in Malaysia were positively related. Findings of the study show that the relationship between family owners and CSR is strengthened by the presence of institutional owners who are seen to influence CSR reporting in family-owned companies in Malaysia. Companies need to be more transparent and have accountability when making CSR reporting. This will encourage institutional investors to retain in the company as institutional investors are more interested in investing in companies that have good CSR practices. Wan Hussin et al. (2021). At the same time, this can improve the image and reputation of the company while reducing the information asymmetries between the principal and the principal and reducing the agency problems that exist in the company (Squires & Elnahla 2020; Sumantri et al. 2021). This indicates that institutional

investors influence CSR in family-owned companies and reduces the negative impact of family ownership on corporate sustainability reporting.

The results of this study show that the board size, duality, and company size have significant relationships with sustainability reporting. Board size has a significant value at $p < 0.01$ with a coefficient of 0.151 (4.028). This shows that the more directors in the company, the higher the percentage of corporate sustainability reporting. Larger board members reduce existing agency problems due to a variety of communication skills and knowledge (Hashim et al. 2021), which in turn increases the company's transparency in reporting on corporate sustainability. CEO duality also had a positive relationship ($\beta = 0.066$; $t = 1.825$) and was significant at the $p < 0.10$ level. This study is consistent with the study of Hamrouni et al. (2021) who found that separation of leadership will lead to a higher level of CSR and disclosure of information. The size (SIZE) of the company was positively related ($\beta = 0.163$; $t = 4.460$) and significant at the $p < 0.01$ level. Company size is positively and significantly related to corporate sustainability reporting. This indicates that the size of the company is one of the important factors that influence corporate sustainability reporting. Studies have found that large companies are reporting more information in annual reports to meet the demands of stakeholders (Abu Afifa et al.2024). Board size and company size are important factors in determining the sustainability reporting level. Similar to prior studies (Hashim et al.2021; Aman 2020), more board of directors in a company is related to a higher level of reporting of the company's sustainability. The finding also supports Aman et al. (2021) who found that the size of the company is a factor affecting sustainability reporting.

5. Conclusion

This study was conducted to examine the relationship between family ownership and CSR and investigates how institutional ownership plays a role in influencing the relationship. The findings show that family ownership contributes negatively to the practice of CSR in Malaysia. This supports the agency theory which states that there is a conflict of interest between family owners and other interested parties. Family-owned companies in Malaysia disclosed less CSR information and still kept information confidential. Family owners are seen to prioritize the goal of maximizing company wealth and pay less attention to the impact of company activities in terms of social, environmental, and economic sustainability (Lopez et al.2021). This is contrary to the socio-emotional theory that states the family-owned companies are more likely to disclose CSR because they are more focused on the company's good name, image, and reputation by maintaining family ties to build long-term good relationships with stakeholders (Khuong et al.2021). However, the result of this study shows that institutional ownership plays a role as an effective control and monitoring mechanism to positively influence family-owned companies in terms of CSR decision-making. The control variables tested in model 1 such as board size, duality, and company size have significant relationships with sustainability reporting. Besides, the presence of institutional ownership affects the interests of family owners and minority shareholders. Institutional investors are found to influence CSR in family-owned companies in Malaysia. This is consistent with the signaling theory that indicates companies will increase CSR as a signal to stakeholders that the company has a good reputation and image (Alsaadi 2022). They are willing to consider the risks and returns they will derive from their investments and disclose more information on CSR as they believe that low reporting will increase investment risk (Pannarai 2020).

The findings of this study are expected to provide opportunities for future research on corporate sustainability reporting, especially in other developing countries. Besides, to raise awareness of the

company's top management that the company's goal is not only to maximize profits but the company also has the responsibility to disclose corporate sustainability reporting to fulfill the needs of the stakeholders. Our findings are also beneficial to Bursa Malaysia who are seriously monitoring the activities of listed companies to ensure the benefits of minority shareholders in the family-owned company are not jeopardized. This study solely examines corporate sustainability reporting within annual reports. Consequently, there is a possibility that companies may only report information they wish to disclose, rather than providing an accurate reflection of their actual activities, as corporate sustainability reporting remains voluntary. Future studies could expand the sample to include other countries with similar economic, political, and social backgrounds as Malaysia, in order to test the general applicability of these findings.

References

- Abdul Rahman A.N, A. R., Meqbel, R., Kayed, S., & Zaidan, H. (2022). The role of sustainability reporting in reducing information asymmetry: The case of family- and non-family-controlled firms. *Sustainability*, 14..
- Abu Afifa, M., Saleh, I., Al-Shoura, A., & Vo Van, H. (2024). Nexus among board characteristics, earnings management and dividend payout: Evidence from an emerging market. *International Journal of Emerging Markets*, 19(1), 106-133.
- Ahmad Masum, H., Hajah Hanan Haji Awang Abdul Aziz, Muhammad Hassan, & Ahmad. (2020). Corporate social responsibility and its effect on community development: An overview. *IOSR Journal of Business and Management (IOSR-JBM)*, 22(1), 35-40.
- Ajid ur Rehmana, A. U., ALIA, T., Hussain, S., & Waheed, A. (2021). Executive remuneration, corporate governance and corporate performance: Evidence from China. *Economic Research*, 34(1), 3092-3118.
- Alsaadi, A. (2020). Family ownership and corporate social responsibility disclosure. *Spanish Journal of Finance and Accounting*, 51(2).
- Alsaadi, A. (2022). Signalling through accountability reporting for family firms: Does the institutional environment matter? *Journal of Finance and Accounting*, 53(1), 75-98.
- Aman, Z., Saleh, N., Abdul Shukor, Z., & Jaafar, R. (2021). The moderating effect of board independence on the relationship between family ownership and corporate sustainability reporting in Malaysia. *Accounting Financial Review*, 5(4), 31-43.
- Arvidsson, S., & Dumay, J. (2021). Corporate ESG reporting quantity, quality and performance: Where to now for environmental policy and practice? *Business Strategy and the Environment*, 3, 685-1247.
- Basheer, M. F., Gupta, S., Raof, R., & Waemustafa, W. (2021). Revisiting the agency conflicts in family-owned pyramidal business structures: A case of an emerging market. *Cogent Economics & Finance*, 9(1).
- Bursa Malaysia 2007. Corporate social responsibility in Malaysian PLCs: 2007 status report: *An executive summary*.
- Bursa Malaysia Listing Requirements 2001, Bursa Malaysia Securities Berhad, Bursa Malaysia Listing Requirements, Kuala Lumpur.
- Bursa Malaysia. 2006. Bursa Malaysia's CSR Frameworks for Malaysian PLCs. http://www.bursaMalaysia.com/website/bm/about_us/the_organisations/csr/downloads/csr_Framework_slides.pdf.
- Bursa Malaysia. 2015. Bursa Malaysia's CSR Frameworks for Malaysian PLCs. http://www.bursaMalaysia.com/website/bm/about_us/the_organisations/csr/downloads/csr_Framework_slides.pdf.
- Chung, C.H., & Zhu, H. (2021). Corporate governance dynamics of political tie formation in emerging economies: Business group affiliation, family ownership, and institutional transition. *Corporate Governance and International Review*, 29(4), 381-401.
- Eng, L. L. Mak, Y. T. 2003. Corporate governance and voluntary disclosure, *Journal of Accounting and Public Policy*, 22: 325-345.
- Fan, J. P. H., & Yu, X. (2022). Do founding families downgrade corporate governance: The roles of intra-family enforcement. *Journal of Corporate Finance*, 73.
- Hamrouni, A., Bouattour, M., Ben Farhat Toumi, N., & Boussaada, R. (2022). Corporate social responsibility disclosure and information asymmetry: Does boardroom attributes matter? *Journal of Applied Accounting Research*, 23(5), 897-920.
- Hans B. Christensen, H. B., Hai, L., & Leuz, C. (2021). Mandatory CSR and sustainability reporting: Economic analysis and literature review. *Review of Accounting Studies*, 26, 1176-1248.
- Hashim, F., Embong, Z., & Phoey, W. B. (2021). The role of family ownership in the relationship between board characteristics and corporate social environmental reporting: Evidence from Malaysia. *Asian Journal of Accounting & Governance*, 16(37).
- Hashim, F., Embong, Z. & Phoey, W.B (2021). The Role of Family Ownership in the Relationship between Board Characteristics and Corporate Social Environmental Reporting: Evidence from Malaysia. *Asian Journal of Accounting and Governance* 16: 37-51.
- Hörmanseder, S. M., Hummel, K., & Rammerstorfer, M. (2021). The information content of corporate social responsibility disclosure in Europe: An institutional perspective. *European Accounting Review*, 30(2), 309-348.
- Jadoom, I. A., Ali, A., Ayub, U., Tahir, M., & Mumtaz, R. (2021). The impact of sustainability reporting quality on the value relevance of corporate sustainability performance. *Sustainable Development*, 29(1), 1-284.

- Jamil, A., Mohd Ghazali, N. A., & Puat Nelson, S. (2021). The influence of corporate governance structure on sustainability reporting in Malaysia. *Social Responsibility Journal*, 17(8), 1251-1278.
- Khan, F. U., Trifan, V. A., Pantea, M. F., Zhang, J., & Nouman, M. (2022). Internal governance and corporate social responsibility: Evidence from Chinese companies. *Sustainability*, 14(2261).
- Khuong, M. N., Truong, N. K., & Thanh Hang, T. T. (2021). Stakeholders and corporate social responsibility (CSR) programme as key sustainable development strategies to promote corporate reputation: Evidence from Vietnam. *Cogent Business & Management*, 8(1).
- Lawati, H. A., Hussainey, K., & Sagitova, R. (2021). Disclosure quality vs disclosure quantity: Does audit committee matter in Omani financial institutions? *Review of Quantitative Finance and Accounting*, 57, 557-594.
- Lopez, E. R., Villar, M. V., Alvarez, M. M., & Santias, F. R. (2021). Corporate social responsibility and family business in the time of COVID-19: Changing strategy? *Sustainability*, 13(4).
- Maqbool, S., & Zamir, N. (2021). Corporate social responsibility and institutional investors: The intervening effect of financial performance. *Journal of Economic and Administrative Sciences*, 37(2), 238-252.
- Menshawy, I. M., Basiruddin, R., Mohd-Zamil, N. A., & Hussainey, K. (2023). Strive towards investment efficiency among Egyptian companies: Do board characteristics and information asymmetry matter? *International Journal of Finance & Economics*, 28(3), 2382-2403.
- Oncioiu, A.-G., Petrescu, A. G., Bîlcan, F. R., Petrescu, M., Popescu, D. M., & Anghel, E. (2020). Corporate sustainability reporting and financial performance. *Sustainability*, 4297.
- Orazalin, N., & Mahmood, M. (2020). Determinants of GRI-based sustainability reporting: Evidence from an emerging economy. *Journal of Accounting in Emerging Economies*, 10(1), 140-164.
- Panagiotis Couzoff, P., Banerjee, S., & Pawlina, G. (2022). Effectiveness of monitoring, managerial entrenchment, and corporate cash holdings. *Journal of Corporate Finance*, 77.
- Pannarai, L. (2020). The influences of participatory management and corporate governance on the reduction of financial information asymmetry: Evidence from Thailand. *Journal of Asian Finance, Economics and Business*, 7(11), 853-866.
- Regina, M. L. (2022). Ownership concentration and board structure: Alignment and entrenchment effects in an emerging market. *Managerial and Decision Economics*, 43(6), 2557-2569.
- Saeed, A., Riaz, H., Liedong, T. A., & Rajwani, T. (2023). Does family matter? Ownership, motives and firms' environmental strategy. *Long Range Planning*, 56(1).
- Shi, W., Connelly, B. L., & Li, J. (2022). Excess control rights in family firms: A socioemotional wealth perspective. *Corporate Governance An International Review*, 30(6), 806-828.
- Squires, B., & Elnahla, N. (2020). The roles played by boards of directors: An integration of the agency and stakeholder theories. *Transnational Corporations Review*, 2.
- Sumantri, F. A., Kusnawan, A., & Anggraeni, A. (2021). The effect of information asymmetry, company size and managerial ownership on income management. *Jurnal Ekonomi dan Bisnis*, 19(1).
- Tarighi, H., Appolloni, A., Shirzad, A., & Azad, A. (2022). Corporate social responsibility disclosure (CSR) and financial distressed risk (FDR): Does institutional ownership matter? *Sustainability*, 14(742).
- Tibiletti, V., Marchini, P. L., Furlotti, K., & Medioli, A. (2021). Does corporate governance matter in corporate social responsibility disclosure? Evidence from Italy in the "era of sustainability." *Corporate Social Responsibility and Environmental Management*, 28(2), 896-907.
- Wan Mohammad, W. M. (2023). Ethnic Malays, family ownership and institutional ownership and its effect on firms' risks in Malaysian family manufacturing firms. *Global Business and Management Research: An International Journal*, 15(2).
- Wan-Hussin, W. N., Qasem, A., Aripin, N., & Ariffin, M. S. M. (2021). Corporate responsibility disclosure, information environment and analysts' recommendations: Evidence from Malaysia. *Sustainability*, 13(6), 3568.
- Zhang, Y., & Yang, F. (2021). Corporate social responsibility disclosure: Responding to investors' criticism on social media. *International Journal of Environmental Research and Public Health*, 18(7396).

Surat kami : 700-KPK (PRP.UP.1/20/1)

Tarikh : 20 Januari 2023

Prof. Madya Dr. Nur Hisham Ibrahim
Rektor
Universiti Teknologi MARA
Cawangan Perak



Tuan,

PERMOHONAN KELULUSAN MEMUAT NAIK PENERBITAN UiTM CAWANGAN PERAK MELALUI REPOSITORI INSTITUSI UiTM (IR)

Perkara di atas adalah dirujuk.

2. Adalah dimaklumkan bahawa pihak kami ingin memohon kelulusan tuan untuk mengimbas (*digitize*) dan memuat naik semua jenis penerbitan di bawah UiTM Cawangan Perak melalui Repositori Institusi UiTM, PTAR.

3. Tujuan permohonan ini adalah bagi membolehkan akses yang lebih meluas oleh pengguna perpustakaan terhadap semua maklumat yang terkandung di dalam penerbitan melalui laman Web PTAR UiTM Cawangan Perak.

Kelulusan daripada pihak tuan dalam perkara ini amat dihargai.

Sekian, terima kasih.

“BERKHIDMAT UNTUK NEGARA”

Saya yang menjalankan amanah,

Setuju.

27.1.2023

SITI BASRIYAH SHAIK BAHARUDIN
Timbalan Ketua Pustakawan

PROF. MADYA DR. NUR HISHAM IBRAHIM
REKTOR
UNIVERSITI TEKNOLOGI MARA
CAWANGAN PERAK
KAMPUS SERI ISKANDAR

nar