



THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY
ON FINANCIAL PERFORMANCE OF COMMERCIAL
BANKS IN MALAYSIA

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JUNE 2017

ACKNOWLEDGEMENTS

This research paper is made possible through the help and support from everyone, including parents, lecturers, family and my friends. First of all, I am grateful to Allah SWT for giving the good health, strength and ability to complete this project. My gratitude goes to my advisor, Miss Anastasia Harbi for her time in guiding me through this exercise. I also acknowledge Lecturers in University of Technology Mara (UITM) Sabah for the role they played towards the success of this research project. May Allah bless you abundantly. Finally, I sincerely thank to my parents, family and friends, who provide the advise, encouragement and financial support. The product of this research paper would not be possible without all of them.

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ABSTRACT

The study conducted is to determine the effect of Corporate Social Responsibility (CSR) on Financial performance which we focusing in commercial banks in Malaysia. We select return on equity as the indicator of the financial performance obtained from audited statements of comprehensive income and it will be the dependent variable in this study. While for the independent variable, we using two types of indicator which are total investment and investment in corporate social responsibility. In total investment, loan to customers, treasury bonds and government securities, shares for trading purposes and in subsidiaries are considered in the measurement while for the investment in corporate social responsibility is based on how many their spent on the social activities. This study also use Firm size which measured based on the market capitalization as the control variables. The obtaining data is from few sources such as sustainability report of commercial banks, publication, websites, annual reports and the Thompson Reuters Data Stream. Any commercial banks that did not revealed their CSR activity were excluded. Secondary data was used in the analysis which from the year of 2011 to 2015. By the descriptive research design, linear relationship of the corporate social responsibility against the financial performance were tested. Multiple regression and five years secondary data were used in this study in order to examine the effect of corporate social activity on the financial performance. From the study, it revealed that not all commercial banks report their involvement in CSR. Out of 27 commercial banks studied, only 11 banks provided the complete data. The study find that expenses of the CSR have no effect on the financial performance of commercial banks in Malaysia.