

**CURRENT STATE
OF
CORPORATE SOCIAL RESPONSIBILITY
AMONG INDUSTRIAL COMPANIES
IN MALAYSIA**

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ABSTRACT

The main aim of this study is to find out the level of the current state and trend of CSR of industrial companies in Malaysia. Content analysis method is used to analyse the data from the corporate annual reports of the companies from 1998 to 2003. Spearman rank coefficient is applied to investigate whether or not there is relationship between CSR and companies' characteristics. It can be concluded that the CSR level of industrial companies in Malaysia is increasing both in terms of amount of the disclosure and the number of participating companies. The most popular theme of disclosure is human resource then followed by environmental information and disclosure on product. An involvement with community ranked last. This implies that companies do appreciate their employees and concern about environmental issues. The statistical analysis, among others, indicates there is positive relationship between CSR and companies' size (as measured by turnover) but no apparent relationship is noticed with companies' capital. Positive relationship between CSR and companies' profitability as measured by net profit after tax is also found to be weak. The relationship between CSR and leverage is negative in nature. Other finding with regard to audit firm pointed out that there is no significant difference in mean disclosure by companies audited by Big Four and Non-Big Four. More disclosure by local companies as compared to their foreign counterparts is another noteworthy finding.

CHAPTER ONE

INTRODUCTION

1.1 Background

Corporate Social Responsibility (CSR) has been defined by our Deputy Prime Minister, Dato' Sri Najib Tun Abdul Razak in a CSR conference held in June 2003 at PWTC, KL as *"a concept whereby corporation integrate social and environmental concerns in their business operations and their interactions with stakeholders on a voluntary basis"*. Similarly, Gray, Owen and Maunders (1987) regard CSR as the process of providing information which does not have purely financial implications designed to discharge social accountability. This accountability issue has become the spotlight of various groups such as academia and accounting profession especially in the wake of corporate scandals. Since then, there has been call for more transparency, integrity and accountability among the corporation. Corporation should recognize their corporate responsibilities not only to their shareholders but also to the society they operate in. This sustainability concept calls for a corporation to operate in a responsible manner that takes full account of their business impact on the environment, people and the community. The growth of public awareness about CSR has put pressure on corporations, profession and governments to increase the amount of social information in corporate reports (Tilt and Symes, 1994).

The call for more transparency and accountability of the corporation to the stakeholders and society at large is the main motivational factor of this study. The corporate scandals indeed have become the 'wake up' calls for the entire corporation to be more responsible for their deeds to the society at large. The companies should recognize that society too have the powers to 'terminate' their license to operate.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Doing business today is not like doing it in the past ten or twenty years ago. With the rapid advances in information and technology, globalization and liberalization, businesses are faced with stiff challenges to survive and maintain a competitive edge. This is what some of the literature referred to as sustainability concept. Tay Kay Luan (2006) for example, explained in his article that company should operate in a more responsible manner that should take full account of their business impact on environment, people and community. Due to the rising concern over the adverse impacts of business operations on the natural environment and the call for more transparency on the corporation side to the public at large, therefore the research on this area is also increasing.

Wartick and Wood (1998) further stresses that due to the fact that business carries out the economic functions of society and therefore has some forms of responsibility to society. The 'wider public' for example the employees, trade unions, government agencies and the general public are also affected by the actions of the corporations. Regardless whether or not an individual or an entity has an economic relationship with the enterprise, it is clear that the enterprise's existence and the externalities it produces have an effect on all society (Gray et al., 1996; Hines, 1988; Mohamed Zain, 1999). Educated society therefore should be provided with the information necessary for evaluating each enterprise's net contribution to social welfare (Mohamed Zain, 1999).