

**UNIVERSITI TEKNOLOGI MARA**

**DETERMINANTS OF  
CORPORATE PHILANTHROPY  
DISCLOSURE  
BY MALAYSIAN PUBLIC-LISTED  
COMPANIES:  
A RESOURCE-BASED VIEW  
PERSPECTIVE**

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Thesis submitted in fulfilment  
of the requirements for the degree of  
**Master of Science**

**Faculty of Accountancy**

**February 2024**

## ABSTRACT

The occurrences of corporate governance breakdowns, which have affected well-known multinational corporations such as WorldCom, Enron, and Satyam Computer Services, as well as local companies in Malaysia like Megan Media Holdings Berhad, 1 Malaysia Development Berhad, and Transmile Group Bhd, have significantly undermined the confidence of stakeholders in corporate reporting. As a result, companies in Malaysia were obligated to evaluate and adjust their business plans by including the disclosure of corporate philanthropy in their annual reports, with the aim of establishing a sustainable competitive edge. This study examines the extent of corporate philanthropy disclosure by Malaysian public companies from 2018 to 2020. Specifically, the objective of this study is to identify the factors that influence the extent of corporate philanthropy disclosures in the annual reports of Malaysian publicly listed companies by employing the resource based-view theory. The final sample comprises of 80 public companies listed on Bursa Malaysia for three consecutive years (2018-2020). This study developed the Modified Corporate Philanthropy Disclosure Index to measure the extent of corporate philanthropy disclosures in the annual reports of Malaysian publicly listed companies. In this study, hierarchical regression is used to examine the relationship between internal company factors from the resource based-view theory perspective, such as cash holding (tangible resources), managerial ownership (intangible resources), firm reputation (intangible resources), corporate-elite network (intangible resources), and board independence (organisational capabilities) with the corporate philanthropy disclosure. The obtained results indicate a significant rise in the extent of corporate philanthropy disclosure within the specified period. In addition, the extent of corporate philanthropy disclosure was influenced by different factors over the three years. The extent of corporate philanthropy disclosures in 2018 is influenced by the cash holding, corporate elite network and board independence. In 2019, the extent of corporate philanthropy disclosures was explained by cash holding, managerial ownership, corporate elite network as well as board independence. In 2020, business industry, profitability, cash holding, managerial ownership and board independence have a significant relationship with the extent of corporate philanthropy disclosures. This study contributes to the existing body of knowledge by demonstrating that the two characteristics of resource based-view theory known as valuable and rare are essential in the process of developing a competitive advantage for businesses that use corporate philanthropy disclosure as a business strategy. The findings of this study have beneficial implications for the Malaysian government and policymakers, providing them with an opportunity to produce standards or guidelines regarding corporate philanthropy disclosure by companies in Malaysia. This study indicates that Malaysian companies may increase their advantages by increasing the extent of corporate philanthropy information they provide to various stakeholders.

**Keywords:** Annual reports, Content Analysis, Corporate reporting, Corporate Philanthropy, Disclosure, Malaysia

## ACKNOWLEDGEMENT

In the name of Allah, The Most Gracious, The Most Merciful

“Thanks to ALLAH the Greatest for the continuous guidance and for giving me the courage and determination to complete this thesis”.

I would like to thank the numerous individuals who have served as a source of motivation for me in various ways throughout this academic endeavour.

I would like to thank my main and only supervisor, Professor Dr. Corina Joseph, for her enthusiasm and motivation throughout her supervision as well as for her insightful and constructive comments that helped me complete my thesis. I am very appreciative of everything you have done for me. I am extremely appreciative that you shared your bounty of knowledge with me and taught me the true meaning of studying and thesis writing. Thank you so much, Prof, for your unending support and for showing me how to become an excellent researcher by guiding me along the path to becoming one.

I would like to express my gratitude to the staff members of the Institute of Postgraduate Studies at the Universiti Teknologi MARA, who have aided me in a variety of different ways.

To my husband, who is also my very best friend, I want to say thank you for being there for me anytime I needed someone to talk to or just someone to weep on. In addition, I appreciate your support and precious words of encouragement, which came at just the right time. Throughout the late nights and early mornings I spent working on my thesis, you were patient, supportive, loving, and understanding. Sayang, your selflessness is incomparable and ir retrievable, but know that it will never be forgotten.

Not to forget, I want to express my gratitude to Nafisa and Hanna for enriching this beautiful journey with your presence. In addition, both of you have helped break up my long days of work and make the late nights a little less lonely. Both of you mean the world to me.

Finally, my family, my parents and my siblings, in particular, have given me unwavering support and encouragement throughout my years of study as well as the process of conducting research for and writing the thesis, I would like to end by expressing my deepest gratitude to them. Without their inspiration and prayers, this achievement would not have been possible. Thank you!

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# CHAPTER 1

## INTRODUCTION

### 1.1 Background of the Study

There has been a recent uptick in interest in corporate governance and corporate reputation as a direct result of high-profile company crises. Corporate governance issues are a contributing factor in the failure of many companies as well as their negative image (Okhmatovskiy & Shin, 2019). Transparency is the glue that ties any group or organisation together while also linking it to a coalition of critical stakeholders. This is because transparency allows for open communication (Esa et al., 2022).

Following post-Enron reactions, it is crucial to improve transparency and restore public trust (Camfferman & Wielhouwer, 2019). After the mega-corporate collapsed in the early 2000s, and in particular the Enron accounting scandal as well as those that came after at Tyco, BMY, WorldCom, Xerox, and Merck, it seems that insiders are increasingly intent on misleading outsiders through their financial reporting (Chih et al., 2008). These incidents have resulted in the imposition of legislation requiring businesses to behave responsibly, as well as increased public awareness of responsible corporate behaviour (Chih et al., 2008). Other than that, the development of regulations that require companies to provide additional information to relevant stakeholders is also being emphasised (Rashid, 2018). For example, the Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines, ISO 14001, the Accountability Assurance Standards 1000 and 1000S, Social Accountability (SA) 8000 and the International Standard on Assurance Engagements (ISAE) 3000 require companies to prepare sustainability reports.

In 2007, the global financial crisis became one of the starting points for companies to revise their business strategies (Khatib et al., 2022). Malaysia was one of the Asian countries impacted by it. Ghazali (2007) indicated an increase in CSR transparency and disclosure in the annual reports of Malaysian companies compared to the previous research. Corporate social responsibility was formally instituted by various firms in Malaysia in the 1970s (Mamun et al., 2017). Given the significance of financial transparency and accountability in CSR, an increasing number of businesses are declaring their CSR principles and practices in advance (Kilian & Hennigs, 2014).