

UNIVERSITI TEKNOLOGI MARA

**COMPANY CHARACTERISTICS AND
THE EXTENT OF CORPORATE
SOCIAL RESPONSIBILITY
DISCLOSURES AMONG PUBLIC
LISTED COMPANIES IN MALAYSIA**

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AUTHOR'S DECLARATION

I declare that the work in this dissertation was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This dissertation has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

Corporate social responsibility (CSR) disclosure can be defined as the provision of information regarding human resource aspects, product and service, involvement in community projects including philanthropic activities and environmental matters. Current globalization trend and growing demand from stakeholders toward companies in adopting (CSR) practices have encouraged the involvement of companies in CSR practices. Corporate governance is about managing the company's performance of business corporations to get more rate of return. The specific objectives of this dissertation are: (1) to examine the extent of CSR disclosures among top-public listed companies in Malaysia after the changing in codes of corporate governance announced by the Malaysian Code on Corporate Governance 2012 (MCCG 2012), and (2) to examine the effect of company characteristics such as board size, type of industry, profitability, leverage, and CEO duality on the extent of CSR disclosures among the top 100 Malaysian public listed corporations, using legitimacy theory. This research employed a quantitative research design and the population studied consisted of the public listed companies in Malaysia. Content analysis and a CSR disclosure checklist were used to measure the extent of CSR disclosure in annual reports for the year ending 2013 and multiple regression analysis was applied to examine the significant relationship between companies' characteristics and the extent of CSR disclosure in annual reports. It was found that even among different industries in Malaysia, there was considerable variability in the amount of social activities disclosed in corporate annual reports. Results from the multiple regression analysis showed that, consistent with expectations, companies that had higher profitability disclosed significantly more CSR information, while companies that had a large board size, higher leverage, and CEO duality disclosed insignificantly less CSR information. In general, results also found that the extent of CSR disclosure was significantly positively related to the companies' financial performance, which signifies that companies may strategically use investment in CSR activities to improve their profitability and remain consistent with the changes in the MCCG 2012. It is recommended that there should be more vibrant strategies by the Malaysian government to ensure all public listed companies comply with CSR disclosure regulations. For example, there should be mechanisms of enforcement. The significance of this dissertation is that Malaysian regulatory authorities can draw on its results to revise existing codes on corporate governance in order to enhance the governance and accountability practices of Malaysian listed companies.

Keywords: Corporate Social Responsibility, Annual Reports, Corporate governance, legitimacy theory, Malaysia.

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CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND OF STUDY

Corporate social responsibility (CSR) is essential to organizations because it affects company reputation. It is primarily focused on improving the well-being, health, and safety of stakeholders and the community as a whole. The involvements of firms in the adoption of CSR have increased due to the growing trend of demand by stakeholders for CSR activities. Current corporate environment is surrounded by intense public scrutiny from various stakeholder groups that requires businesses to accept accountability for the social and environmental implications of their operations (Deegan et al., 2000; Chen & Wang, 2011). This changing business environment, coupled with growing demand from various stakeholder groups, has encouraged companies to undertake socially desirable activities in order to establish congruence between corporate operations and social values (Chapple & Moon, 2005; Aerts & Cormier, 2009).

Although such stakeholder scrutiny formerly existed in economically developed nations, recent empirical studies indicate an increasing trend of CSR practices and related disclosures in the annual reports of companies in developing countries. In particular, Malaysia is one of the fastest growing economies where CSR initiatives have received much attention in recent times (Thompson & Zakaria, 2004; Haniffa & Cooke, 2005; Mohd Ghazali, 2007; Amran & Devi, 2008; Saleh et al., 2010; Esa & Mohd Ghazali, 2012). Empirical studies have demonstrated that even though CSR disclosures in Malaysia can still be considered low, they have increased significantly over the years (Haniffa & Cooke, 2005; Esa & Mohd Ghazali, 2012). This increase in CSR disclosures showcases the importance of CSR activities as perceived by Malaysian stakeholders (Dusuki & Yusof, 2008). Corporate social responsibility is fully linked with stakeholders, and by adopting CSR activities, a firm provides benefits to its employees, customers and shareholders. Therefore, while considering corporate social responsibility, the stakeholders should not be ignored (Deegan et al., 2000).

Recent corporate scandals, such as those of Enron, WorldCom, and Lehman Brothers, appear to have drawn more attention to CSR disclosure. The concept of CSR