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FOREWORD BY DEPUTY RECTOR OF RESEARCH, INDUSTRIAL LINKAGES & ALUMNI



Since 2018, the INSIGHT JOURNAL (IJ) from Universiti Teknologi MARA Cawangan Johor has come up with several biennial publications. Volume 1 and 2 debuted in 2018, followed by Volume 3 this year as well as Volume 4 with 19 published papers due to the great response from authors both in and out of UiTM. Through Insight Journal, lecturers have the ability to publish their research articles and opportunity to share their academic findings. Insight Journal is indexed in MyJurnal MCC and abstracted in Asian Digital Library (ADL). Moreover, it is also an international refereed journal with many international reviewers from prestigious universities appointed as

its editorial review board members.

This Volume 6 is the second special issue for the 6th International Accounting and Business Conference (IABC) 2019 held at Indonesia Banking School, Jakarta. The conference was jointly organized by the Universiti Teknologi MARA Cawangan Johor and the Indonesia Banking School Jakarta. Hence, this volume focuses mainly on the accounting and business research papers compiled from this conference, which was considered a huge success as over 66 full papers were presented.

Lastly, I would like to thank the Rector of UiTM Johor, Associate Professor Dr. Ahmad Naqiyuddin Bakar for his distinctive support, IJ Managing Editor for this issue Dr. Noriah Ismail, IJ Assistant Managing Editor, Fazdillah Md Kassim well as all the reviewers and editors who have contributed in the publication of this special issue.

Thank you.

ASSOCIATE PROFESSOR DR. SAUNAH ZAINON

Deputy Rector of Research, Industrial Linkages & Alumni

Editor-in-Chief for INSIGHT Journal

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The Influence of Firm-specific Attributes on Corporate Social Responsibility Disclosure

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Abstract

Corporate social responsibility aims to optimise the reciprocal benefits of the firm and the various stakeholders. It acts as a mechanism for firms to demonstrate their concern towards the society well-being. Corporate social responsibility disclosure refers to series of information pertaining to organisation to other parties in order to provide solution to improve accountability to stakeholder. In Malaysia, the disclosure for corporate social responsibility activities is still voluntary. Hence, the level of disclosure is still inconsistent. Accordingly, this paper aims examine the extent of CSR disclosure for Malaysian listed firms. In addition, it will look into the influence of firm-specific attributes towards corporate social responsibility disclosure for Malaysian listed firms namely firm size, profitability, leverage and industry type. The sample includes firms taken from the top 100 companies from the ranking produced by Minority Shareholder Watchdog Group (MSWG). Data are gathered for five consecutive years which are from 2013 to 2017 inclusive, giving a total of 150 firm-year observations. As for the items for corporate social responsibility disclosure, they are taken from the Global Reporting Initiatives (GRI) guidelines due to its comprehensiveness. Comparatively, the findings indicate that the level of corporate social responsibility disclosure is still low with a mean disclosure of 32 items out of 99 items studied. The multivariate analysis reveals that leverage, profitability and industry significantly influence the corporate social responsibility disclosure. The insights provided in this paper could be valuable especially for the purpose of generating corporate social responsibility disclosure policies and strategies.

Keywords: CSR Disclosure, Global Reporting Initiatives.

1. Introduction

Sustainability has been a major focus in businesses over the past two decades. Corporate social responsibility (CSR) is said to be one of the factors of sustainability, as a result firms are under increasing pressure to create and maintain their CSR disclosure (Bansal, 2005). CSR is an action where organisations will go into process of considering and responding to the economic, legal, ethical and discretionary expectations of various stakeholders (Carroll A. , 1979).

Corporate social responsibility disclosure refers to series of information pertaining to organisation to other parties in order to provide solution to improve accountability to stakeholder on environmental and societal issues (Dalilawati Zainal, 2013). According to research by Kent and Monen (2008), public attention and pressure to corporate social responsibility activities in mass media caused uptrend of CSR reporting.

According to a research done by Esrock and Leichty (1998), 82% of companies in 100 *Fortune 500* USA corporations disclose CSR activities done by the organisations. In France, in 2010, disclosing CSR activities by large organisations are mandatory as stated in their law named *Grenelle Act*. A report by KPMG (2008), revealed that in 2008, 99 percent of 100 largest organisations in the UK disclosed their CSR information. On the other hand, in Malaysia, many researchers claimed that the numbers of CSR among organisations are still low (Othman, 2011).

In some countries, the decision to disclose the CSR information may be mandatory. Nevertheless, in Malaysia, the reporting nature of CSR activities is still voluntary. A greater variability occurred in terms of CSR disclosure provided by listed firm in Malaysia due to the lack of specific reporting requirements on the content and extent of CSR disclosure. This situation had created the opportunity for organisations to disclose their CSR information the way they want but in turn puts the stakeholders at disadvantages (Dalilawati Zainal, 2013). Due to the voluntary nature of CSR reporting and the lack of standardisation of reporting scenario in the Malaysian context, it served injustice to the stakeholders as they possessed limited information and perception in investment decision making. Thus, this might adversely affect and jeopardise the organisations' performance.

Based on the aforementioned discussion, to bridge the gap, this study intends:

- 1) To examine the extent of CSR disclosure for Malaysian listed firms.
- 2) To examine the influence of firm-specific attributes towards CSR disclosure for Malaysian listed firms.

This paper would provide contributions in a number of ways. First, it would benefit the firms. By examining the extent of CSR disclosure, firms would be able to benchmark themselves against others in the industry. Further, this paper will benefit stakeholders. This is because it provides thorough information about the extent of CSR disclosure and its typology. Thus, with the knowledge gained from this reading, it will help them in making investment decision. This research will also be the reference for regulators in this country whether to consider implementing legislation regarding CSR disclosure to organisations in Malaysia in order to offer standard CSR disclosure to be followed by organisations. Finally, this research will add to the body of knowledge and contribute as a new reference for future research especially research pertaining to local context.

This paper is organised as follows. Following this, the literature surrounding CSR is explained. Next, the research methodologies followed by the findings are discussed. Finally, the conclusions and recommendations are provided.

2. Literature Review

In this section, the importance of CSR disclosure to the firms is explained. The determinants of CSR disclosure will also be elaborated. According to Muruganantham (2010), Asia is the most covered region when considering CSR in emerging economies. There are differences between CSR in developing and developed countries (Visser, 2007). This is due to a number of reasons which are; first, social and environmental issues are most raised in the developing countries. Second, based on a study by Maignan (2011), the impact of social and environmental affects most to developing countries as compared to the developed ones. This is because CSR can be seen as a medium of marketing. In addition, there are a number of factors that influence the communication of CSR activities, among others; national business systems, economic freedoms, levels of economic development, and level of corruption (Chapple, 2005).

Recently, many organisations have higher awareness about the importance of disclosing CSR activities. Many organisations have made voluntary disclosure pertaining to their CSR activities and operations (Bowerman, 2012). For example, Australia is one of the countries that is not actively introduce mandatory CSR reporting within the annual report (Choi, Lee & Psaros, 2013). In Australia, there are no requirements, professional or legislative for organisations to disclose environmental initiatives done by the organisations (Deegan & Gordon, 1996 as cited in Choi, Lee and Psaros, 2013). According to ACCA (2014), many organisations are more vigilant about releasing and producing sustainability report with extensive standards. Sustainability report is the most basic form of organisational report which represents social, economic and environmental elements of the organisations performance (Ong, 2015).

CSR disclosure refers to the information provided by the firm to stakeholders about their accountability towards environmental and social issues (Dalilawati Zainal, Norhayah Zulkifli and Zakiah Saleh, 2013). In addition, according to Fombrun and Shanley (1990) and Lafferty et al. (2002), the communication of CSR activity to stakeholders may increase their positive perception towards the firm.

2.1 Hypothesis Development

Firm size and CSR Disclosure

Cormier and Magnan (2003) stated that large organisations tend to disclose and report more extensively and thoroughly compared to small organisations. According to The International Conference on Applied Economics (ICOAE, 2011), there is a positive relationship between organisations' size and the disclosure of environmental information in the annual reports. This is because large organisations possessed more resources so that they can afford to disseminate the information compared to smaller organisation (Cormier & Magnan, 2003). Other than that, larger companies possessed higher agency cost, thus they need to reveal more information to reduce agency gap between stockholders and organisations' management (ACCA, 2014).

Mohamed Zain and Janggu (2006) examine social and environmental reporting among 37 constructions organisations listed on Bursa Malaysia (formerly known as Malaysian Stock Exchange) with duration from 1998 to 2002. According to Mohamed Zain and Janggu (2006), there are positive relationships between corporate social disclosure with organisations' size and profitability, the higher profitability and size of the firm, the higher social and environmental information will be disclose. Hence, it is hypothesized that:

H₁: There is a significant relationship between firm size and CSR disclosure.

Profitability and CSR Disclosure

The literature provides mixed result for the relationship between profit and CSR disclosure. Tagesson et al. (2009) examined the extent and the content of social disclosure information in for listed firms in Sweden. The three types of voluntary disclosure studies are environmental disclosures, ethics disclosures and human resource disclosures. The findings revealed a positive correlation between the firm profitability and the content of social disclosure information on corporate websites. Some argues that profitability firms possess enough resource to venture into CSR disclosure.

On the other hand, those that argue otherwise posit that firms with less profit tend to provide more information to present that their business operations contribute to social values and to society (Ho and Taylor 2007; Gianarakis 2014). Hence, it is hypothesized that:

H₂: There is a significant relationship between profitability and CSR disclosure.

Leverage and CSR Disclosure

Branco and Rodrigues (2008) compare the website and annual disclosure by examining the factors that influence the extent of CSR disclosure for Portugal listed firms. The results indicate that the financial leverage has a negative effect on website disclosure. Hence, it is hypothesized that:

H₃: There is a significant relationship between leverage and CSR disclosure.

Industry and CSR Disclosure

Reverte (2009) investigated the determinants of CSR disclosures for listed firms in Spain for 2005 and 2006. The findings indicate that the main determinants for CSR disclosure are firm size, media exposure and the industry type. Hence, it is hypothesized that:

H₄: There is a significant relationship between industry type and CSR disclosure.

3. Research methodology

3.1. Research Sampling

The study employs a quantitative approach. The samples were taken from the ranking produced by Minority Shareholder Watchdog Group (MSWG). The MSWG Top 100 Companies comprise of Malaysian top 100 companies with good corporate governance practice and listed in Bursa Malaysia. Data are gathered for five consecutive years which are from 2013 to 2017 inclusive. These years are chosen because these are the latest available data during the conduct of this study, making the research findings more relevant to the current situation. The Malaysia-Asean Corporate Governance Report is downloaded for each year and comparisons are made to identify companies that are being listed for at least three consecutive years. This is done in ensuring that sample companies maintain good corporate governance in their business practices. Purposive sampling method is used since only samples that satisfy the requirement are chosen (Palys,

2008). Since companies with good governance maintain optimal liquidity level, it is important for the sample to be selected from that category of companies (Lei, Lin, & Wei, 2013). After analyzing the list, 30 companies from various sectors are chosen as sample for the purpose of this study. Sample size of 150 (30 companies for five consecutive years) are collected in ensuring the data have normal distribution or satisfy the characteristic of normally distributed data. After the list for the sample companies is established, their financial statements are collected by using Osiris or DataStream Professional Thomson Reuters.

3.2 Research Instrument

The information for organisations' CSR disclosure was obtained from the organisations' annual report specifically in the CSR segment. The disclosure was measured using the Global Reporting Initiatives (GRI) G3 Guideline. This guideline has been chosen because it has pioneered sustainability reporting and can be considered as the most comprehensive guideline with regards to the disclosure of CSR. Table 1 shows the number of items studied for each category of the GRI indicators.

Table 1: The adoption of GRI Indicators used for this study

GRI Indicators	Abbreviations	Number of items studies
Disclosure on economic indicators	Eco Disclosure	9
Disclosure on environmental indicators	Envi Disclosure	36
Disclosure on social indicators	Social Disclosure	18
Disclosure on human rights indicators	HRight Disclosure	13
Disclosure on society indicators	Society Disclosure	13
Disclosure on product responsibility indicators	PResp Disclosure	10
Disclosure on total CSR indicators	CSR Disclosure	99

Regression model

The CSR disclosure for this study is examined using multiple regression model. Table 2 shows the summary of the variables used in this study.

Table 2: Explanation on the variables used for this study

Variable	Abbreviation	Explanation /Measurement
<i>Dependent variable</i> CSR Disclosure	CSR Disclosure	The CSR Disclosure consists of 6 sub-categories with a total of 99 items as shown in Table 1.
<i>Independent variables:</i> Firm size	Size	The firm size is proxied by the total assets. To minimize the skewness, the logarithmic transformation of the book value of total asset is used.
Profitability	Profit	Profit is measured by the (ROCE) return on capital employed i.e. the proportion of net profit for the year to the book value of the capital employed of the firm.
Leverage	Lev	Leverage measures the proportion of the book value of total debt to the book value of total assets.
Industry	Ind	The industry types are split based on Bursa Malaysia industry sectors. For this study, the industry were divided into 11 categories namely: a. construction b. consumer products & services

		c. energy d. financial services e. health care f. industrial products and services g. plantation h. property i. telecommunications & media j. transportation & logistics k. utilities
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4.0 Findings

The data were analysed using SPSS. Table 3a provides the descriptive statistics for the dependent variable and its components.

Table 3a: Descriptive statistics for the dependent variable and its component

	CSR Disclosure	Eco Disclosure	Envi Disclosure	Social Disclosure	HRight Disclosure	Society Disclosure	PResp Disclosure
Mean	32.49	3.77	10.26	7.33	2.65	3.80	4.55
Std. Dev.	7.452	1.610	3.270	2.497	1.488	1.506	1.891
Minimum	17	0	4	2	1	0	0
Maximum	48	8	17	12	10	7	7

Table 3a shows that the out of 99 items studied, the mean disclosure is 32.49 with a standard deviation of 7.452. The minimum number of items disclosed with regards to CSR is 17 items and the maximum number is 48 items.

Table 3b: Descriptive statistics for the independent variables (continuous variable)

	TA	Log TA	Profit	ROA	ROCE	Leverage
Mean	77,390,494,735	9.9891	1,466,517,149	11.59	17.95	0.78
Median	4482860500	9.6512	720,259,000	6.4210	7.72	0.65
Std. Deviation	161,051,534,084	.92921	1,813,990,176	15.22636	35.62674	0.47639
Minimum	280,604,000	8.45	22,043,000	-0.92	-98.01	0.07
Maximum	765,301,766,000	11.88	7,320,800,000	95.69	190.33	2.65

Legend: The total number of firms for the analysis is 150 firm year observations. TA = total assets for the firm; Log TA = Logarithm of total assets for the firm; Profit = the level of profit for the firm; ROA = Return on asset for the firms; ROCE = Return on capital employed for the firm; Leverage = The leverage of the firm.

In this study, the firm size is measured by the total asset. To minimize the skewness on the regression iteration process (Hair et al. 2006), the logarithmic transformation is used. Table 3a shows the value of total asset and its log. Profitability measured the accounting based measure of profit. Most of prior literature measures profit as either Return on Assets (ROA) or Return on Capital Employed (ROCE). Table 3b indicates that the mean value for ROA and ROCE are 11.59 and 17.95 respectively. The mean leverage is 0.78.

Table 4: Pearson and Spearman correlation matrix for CSR Disclosure

	CSR Disclosure	Firm Size	Profitability	Leverage	Industry
CSR Disclosure		0.119	0.013	0.431**	0.195*
Firm Size	0.186*		-0.307**	0.195*	0.077
Profitability	-0.086	-0.555**		0.368**	-0.142
Leverage	0.402**	0.155	0.097		0.053
Industry	0.202*	0.133	-0.130	-0.011	

Legend: The upper half reporting Pearson Product Moment correlation coefficient (r_p) and the lower half Spearman correlation coefficient (r_s). **Correlation is significant at the 0.01 level (2-tailed). *Correlation is significant at the 0.05 level (2-tailed).

Table 4 depicts the Pearson and Spearman correlation matrix for CSR Disclosure. The upper half reporting Pearson Product Moment correlation coefficient (r_p) and the lower half Spearman correlation coefficient (r_s). Table 4 shows that there is a positive significant correlation between CSR Disclosure and leverage ($r_p = 0.431$). This provides some evidence of a univariate association between CSR Disclosure and leverage. Table 4 also reveals that multicollinearity is not an issue for this study because none of the coefficient value exceeds the 0.9 cut off limit (Tabachnick and Fidell, 2005; Hair et al., 2006). The highest value is 0.431.

Table 5: Multiple Regression results for CSR disclosure

Full regression				
N	150			
F value	11.042			
Significant	0.000			
Adjusted R ²	0.212			
Variable	Coefficient	Beta	t-value	Significant
Constant	28.043		4.335	0.000
Firm size	-0.291	-0.036	-0.445	0.657
Profitability	-0.033	-0.156	-1.795	0.075*
Leverage	7.634	.488	5.815	0.000***
Industry	0.358	0.150	2.027	0.045**

Legend: Dependent variable = CSR Disclosure. Independent variables = Size (log TA), Profitability (ROCE), Leverage (Total liabilities / Total assets), Industry (the 11 categories of industry as per Table 2). * significant at 0.1, ** significant at 0.05 and *** significant at 0.01.

Table 5 shows the multiple regression results for CSR disclosure. The F-value is 11.042 ($p < 0.01$) indicating that the model is highly significant. The adjusted R-squared suggests the model explained 21.2 percent of the variation in CSR disclosure. The results support H_2 , H_3 and H_4 .

H_2 posits an association between profitability and CSR disclosure. It is significant at 0.1 significant level and the direction is negative. This suggests that the less profitable firms tend to disclose more about their CSR activities. H_3 proposes a significant relationship between leverage and CSR disclosure. The findings support H_3 whereby it shows a strong significant positive association ($p < 0.01$). This implies that the higher the leverage, the greater will be the disclosure about CSR activities. The industry type is also a significant predictor of the CSR disclosure.

5.0 Conclusion

CSR has gained significant prominence in the corporate world due to the positive benefits that could accrue not only to the wider stakeholder but also the firm. Studies have shown that the socially responsible corporate actions could increase brand awareness and customer loyalty,

increase employee's morale and productivity, place the firm at the competitive edge and provide significant impact on the market shares. Accordingly, a growing number of firms embark upon disclosing their socially responsible actions to the public. This study describes the extent of CSR disclosure for the top Malaysian listed firms. The findings indicate that the mean CSR disclosure is 32 items out of a total of 99 items studied. More actions and strategy could be developed to encourage more social disclosure. With regard to the firm-specific attributes, the regression results suggest that profitability, leverage and industry type as significant determinants of CSR disclosure. This study has provided new insights into the CSR disclosure for Malaysian listed firms and adds to the collective understanding of the voluntary communication of corporate social responsibility. However, caution is required when generalize the findings of this study due to the limited sample size.

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