

**CORPORATE SOCIAL DISCLOSURE  
OF  
CONSTRUCTION COMPANIES IN MALAYSIA**

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## **ABSTRACT**

This study examines the social and environmental disclosures of 37 construction companies listed on Malaysian Stock Exchange from 1998 to 2002. The main objective is to investigate the extent to which Malaysian construction companies disclose social and environmental information and to find out whether the amount of disclosure have relationship with the company's characteristics; size, profitability, leverage, audit firm and ownership.

The result provides strong evidence that total CSD is positively related to companies' size and profitability. This implies that larger and more profitable corporations disclose more social and environmental information signaling that they are responsible corporate citizen. Trend analysis of data further confirms that construction companies especially company majority own by 'corporate owner' in Malaysia are aware of their social responsibility but still at low level. However, the result of the current study rejects the assumption that total CSD is related to audit firm. The test also reveals that there exists no strong evidence to support the relationship between total CSD and leverage.

**CORPORATE SOCIAL DISCLOSURE (CSD)  
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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background

Corporate Social Disclosure (CSD) can be said as comprising information relating to a corporation's activities, whereby corporations have to acknowledge the effects of their business operations have not just upon organization but also, upon its wider environment. Gray, Owen and Maunders (1987) regard CSD as one way for a corporation to discharge social accountability and the responsibility to account for actions for which one has social responsibility. The need for companies to undertake activity that might be regarded as socially responsible has been discussed in the literature and has been a hot topic of academic study for decades (Ullmann,1985). In order to discharge social accountability, the corporate objectives have to be extended from just to maximize the shareholders' wealth to include the social goals as well. Therefore, financial reporting should consider the impact of corporate decisions on community as a whole and not just profits (Alhabshi, Alhaddad and Mohamed, 2003).

The growth of public awareness about corporate social responsibility has put pressure on corporations, profession and governments to increase the amount of social information in corporate reports (Tilt and Symes,1994). This is due to the fact that corporations have an impact on the social, environmental and political environments they operate in. This can be seen from especially corporations operating in the developed countries which expand their annual reports to include

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

Over the past few decades there has been an increasing concern over the relationship between business and society. Companies' involvement in socially responsible activity has been discussed in the literature and has been a topic of academic study for decades (Ullmann, 1985). This is due to the fact that business carries out the economic functions of society (Wartick and Wood, 1998) and 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). Society therefore should be provided with the information necessary for evaluating each enterprise's net contribution to social welfare (Mohamed Zain, 1999). Annual report is seemed to be the most practical method to communicate companies social commitment (Romlah et al.,2003), about measurement of economic income but also about discharging accountability (Mohamed Zain, 1999).

The need of report users is considered as one of the major reasons for the increased disclosure in the annual report. Their need for information had pressured the