

## Corporate Social Responsibility Disclosure in an Emerging Market: A Longitudinal Analysis Approach

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### Abstract

This study provides empirical evidence on Corporate Social Responsibility Disclosure (CSRD) practices in Malaysia. It uses longitudinal data analysis for the period 1999 to 2005, and, a sample size of 200 firms chosen from the highest market capitalisation of public listed companies on the Bursa Malaysia. The results of the analysis reveal that CSRD received modest attention from most surveyed companies in their annual reports, in terms of allocated space and subjects covered. The themes generally disclosed across the four categories were employee relations and community involvement, whereas, environmental disclosure requires much more attention from Malaysian firms. Findings were supported by previous studies that CSRD is at an emerging stage for Malaysian public companies.

**Keywords:** Corporate Social Responsibility Disclosure (CSRD), Content Analysis, Bursa Malaysia

### 1. Introduction

In the last decade Corporate Social Responsibility (CSR) is an issue that has increasingly attracted attention from the business, political, and public spheres (Brammer, and Palevin, 2004). In emerging capital markets, such as Malaysia, this issue also tends to be a strategic issue for public listed companies. Malaysian firms incorporate CSR into their corporate governance agenda to become good corporate citizens in the Malaysian capital market. They also seek to increase the pool of enhancement in the recognition and profile of corporate domestic firms who can gain better recognition from the perspective of international and local investors. Furthermore, the push towards better CSR practices is also important to be consistent with the overall national agenda, particularly in achieving Vision 2020, meeting the objective of the National Integrity Plan and as a tool for generating greater economic and capital market growth (Corporate Governance, 2004).

Currently CSR is an important factor, since the greater a firm's disclose of CSR activities, the better its performance will be. For instance, if a firm's report on its CSR activities is inadequate it will face little nuisance with the stakeholders, as both investors and customers pay increasing attention to companies involved in CSR activities. In general, CSR embraces all organizational activities relating to the organization and society. These may include; employees support (safety, job security, profit sharing, employee participation, treating employees fairly and equitably etc.), community support (activity involved in education, health and housing related supportive activities, philanthropic activities), product/services support (product/service quality, product safety, delivery, research and development etc.), and environmental support such as; sustaining the eco-friendly environment, producing environmentally friendly products, waste management, recycling etc. (Staples, 2004; and Sen and Bhattacharya, 2001).

Although some Malaysian firms have been recognized as being pro-active in this field Corporate Social Responsibility Disclosure (CSRD) appears to be in its infancy in Malaysia (Tsang, 1998, and Thompson and Zakaria, 2004). Some of these firms have voluntarily adopted the Global Reporting Initiatives (GRI) reporting framework (for example, BAT Malaysia Berhad and Shell Refining Co). Recently, corporate governance studies appear to indicate that there are ample opportunities for improvement for Malaysian firms in this area (BEIM, 2004). Hence, a proactive approach to CSR practices may help firm reach pools of capital it might not otherwise be able to tap into. By the same token, being well-known for adopting socially responsible policies may help a firm capture export business to supply firms at the top end of the global supply chain where CSR practices is taken seriously (Investor Digest, 2003).

This study reports and analyses CSRD through content analysis for Malaysian companies listed in Bursa Malaysia. This study is different from prior studies on CSRD in a Malaysian context, in two ways. First, this study has explored using longitudinal data analysis, and second, it explores the different categories of CSRD analysis among industries.

## 2. Prior Studies of Corporate Social Responsibility Disclosure (CSRD)

The literature in previous studies uses different categories to classify CSRD practices (Thompson and Zakaria, 2004; Abu-Baker and Naser, 2000; Tsang, 1998; and Gray, Owen, and Maunders, 1987). These categories were mainly divided into five major areas – environment, energy, community involvement, products and employees/human resources. Prior studies in CSRD have taken two broad approaches. While some studies examined the extent of CSR (e.g. Abdul Hamid, 2004; Thompson and Zakaria, 2004; Nik Ahmad, Sulaiman, and Siswanto, 2003; Che Zuriana, Kasumalinda, and Rapih, 2002; Kin, 1990), others have examined the identified driver or other factors (Amran and Devi, 2007; Ramasamy and Ting, 2004; Rashid and Ibrahim, 2002; and Teoh and Thong, 1984). The findings of previous CSRD studies in Malaysia (see Abdul Hamid, 2004; Thompson and Zakaria, 2004; Nik Ahmad and Abdul Rahim, 2003; Che Zuriana *et al.*, 2002) state that the level of awareness appears to be growing.

The majority of studies on CSRD, especially in the emerging capital markets, use content analysis. Following previous studies, this study will also utilize annual reports as a principle focus of the firm's disclosures (e.g. Thompson and Zakaria, 2004; Abu-Baker and Naser, 2000; Alnajjar, 2000; Abbott and Monsen, 1979). According to Gray, Kouhy and Lapers (1995) annual reports are broadly viewed as the main official and legal document, which are produced on a regular basis and act as an important place for the presentation of a firm's communication within political, social and economic systems.

For example, Abu-Baker and Naser (2000) used four (5) testable dimensions. They tested their hypothesis on empirical evidence on CSRD practices in Jordan. They found that a significant majority of the surveyed companies (90 percent) disclosed social responsibility information concerning human resources and 80 percent disclosed information relating to their involvement with the community. However, Abu-Baker and Naser (2000) found that a limited number of companies disclosed information concerning products, environment, energy, or other social items. A significant number (45 percent) of the manufacturing companies adopted a mixture of monetary and non-monetary quantification. The vast majority of companies (90 percent) placed the disclosed information on their CSR activities in audited financial statements. Lastly, banks and financial companies disclosed a weighted number of 0.67 pages, followed by manufacturing companies, which disclosed an average of 0.52 pages. In Malaysian context, Thompson and Zakaria (2004) found that 81.3 percent of the 257 companies investigated for the year 2000, included social disclosure in its annual reports. They also found that most of the firms made disclosures on employees and human resources (40 percent), products and consumers (24 percent) community involvement (22 percent) and environment only 16 percent.

The content analysis employed in this study presumes that content categories identified in the written messages of the annual reports have evidence, meaning that they can be classified. According to prior studies, Abu-Baker and Naser (2000) and Thompson and Zakaria (2004) used six categories of themes for content analysis – environment, energy, human resources, products, community involvement, and others respectively. These can be compared with the KDL's performance definitions of the six attributes of social measures used by Waddock and Graves (1997), which included: customers, employees, community, environment, minorities and non-U.S. stakeholders respectively (Venrschoor and Murphy, 2002). However, if more than one category is subject to content analysis, a more complex level of measurement may be achieved through the summing of the results for each category. Thus, according to the previous study by Abdul Hamid (2004) on content analysis of CSRD in the emerging capital markets, this study will use four types of CSRD, namely employee relations, community involvement, product dimensions, and environmental performance. Measuring attributes of CSRD scores is adopted from Al-Tuwaijri, Christensen, and Hughes (2004), who used quantitative disclosure measures, which have assigned weights to different disclosure items based on the perceived importance of each item to various user groups.

There are a variety of media or documents for CSRD (Jenkins and Yakovleva, 2005), which include: Advertisements or articles published detailing a company's activities; Annual Reports; Booklets or leaflets to address the social activities of the company; CD reports; Community reports; Environmental reports; Labelling of products to promote environmental and other concerns; Press releases; Supplements to the Annual reports produced at interim dates; and Video tapes and Websites. In this study, the main information to evaluate CSR activities is the annual report published by the companies listed on Bursa Malaysia. Annual reports are the most publicized and reported by companies (Tilt, 1994 and Jenkins and Yakovleva, 2005). The focus of analysis on the corporate annual reports is also consistent with prior social disclosure studies. This occurs when the corporate annual reports are the main media for corporate communication, and, particularly in the case of quoted firms is widely available (Adams and Harte, 1998). Furthermore, Zeghal and Ahmed (1990) explicitly recognized that annual reports are not the only medium through which firms can report their socially responsible behaviour, and for many activities, other media enables more timely communication to a larger number of stakeholders.

### 3. Research Method

The initial sample in this study consists of the 200 largest companies, selected from the 494 companies listed on the main board of Bursa Malaysia, for the period 1999 to 2005. The selection is based on their highest market capitalisation ranking. This selection criterion is consistent with previous studies on corporate social responsibility reporting (e.g. Thompson and Zakaria, 2004; Hackston and Milne, 1996; and Guthrie and Parker, 1990). Tsang (1998) found that a higher proportion of large and medium-sized companies disclosed social information compared to small companies.

Data for these companies was collected for the years 1999 through 2005. The time span was selected for two reasons: First, this period was the recovery period from the financial crisis that hit the Asian countries and particularly the Malaysian capital market. Second, CSRD is in its infancy period in the emerging capital market (Tsang, 1998 and Thompson and Zakaria, 2004). Data was collected from the companies' annual reports through the companies' websites.

The content analysis approach was used to explore the number of companies that reported their CSR activities. Abbott and Monsen (1979:504) made the statement "content analysis is a technique for gathering data that consists of codifying qualitative information in anecdotal and literary form, into categories in order to derive quantitative scales of varying levels of complexity".

Measurement of CSRD in this study adopts a similar disclosure-scoring methodology based on content analysis. Items selected for inclusion were based on their relevance to the Malaysian context, and these were classified into four indicators of CSRD namely: (1) employee relations; (2) environment; (3) community involvement; and (4) product. Each indicator has sub-item disclosures that are adjusted based on whether the items are disclosed. Furthermore, Al-Tuwaijri *et al.*, (2004) proposed that the process may be achieved using quantitative disclosure measures with denoted weights for different disclosure items. These are based on the perceived importance of each item to various user categories, which also marks the greatest weight '3' for quantitative disclosures related to the four CSR indicators or categories. Marking the next highest weight '2' for non-quantitative but specific information related to these indicators. Lastly, common qualitative disclosures receive the lowest weight '1'. Firms that do not disclose any information for the given indicators receive a zero score.

### 4. Results of Content Analysis

Table 1 shows the Malaysian companies that reported their CSRD are divided into four dimensions of CSR. The employees dimension ranges from 64 to 92.5 percent of the sample size of 200 companies providing assistance/benefit for their employees during the four year analysis. For example, firms providing assistance or guidance to employees who are in the process of retiring or who have been made redundant; providing staff accommodation or staff home ownership scheme, and providing recreational activities or facilities.

The second highest is employee share purchase schemes ranging from 30 to 54 percent. The objective Executive Share Option Scheme (ESOS) programme for executive employees is to make them more responsible in running their business because the firm is also their own. The training and education programme is also an important part for employees, ranging from 15 to 24 percent. Most of the firms disclose their companies training programme for the following – training employees through in-house programme; and giving financial assistance to employees in educational institutions or continuing education courses.

Lastly, employee profiles are also an important part of CSRD. The number of firms that disclosed this dimension was between 3.5 to 31 percent of the total sample. The companies reported their employee profiles as follows – providing the number of employees in the firm and/or at each branch/subsidiary; providing the occupations/managerial levels involved; providing statistics on the number of staff, the length of service in the company and their age groups; and providing information on the qualifications of recruited employees.

For the community involvement dimension, charity programmes were the most popular ranging from 14 to 44 percent, followed by cash donation programmes, ranging from 11.5 to 18 percent of the 200 sample size. Next, supporting national pride or government sponsored campaigns ranging between 7 to 14 percent and lastly, ranging between 5 to 14 percent were scholarship programmes that are also popular for companies as a proof of their concern for the community.

For product dimension, most companies reported their CSR in product development ranging between 12 to 27 percent of the 200 sample size. Product development includes information on development related to a firm's products, the amount/percentage figures of research and development expenditure and/or its benefits, and information on any research projects set up by the firm to improve its product in any way. Percentage of product quality disclosure ranged from 8 to 25.5 percent. These involved information on the quality of the company's products as reflected in the prizes/awards received (for example ISO 9000). Lastly, product safety disclosure ranged between 1.5 to 5.5 percent of the 200 sample size.

Pollution control was the most popular in the firms' annual report, which ranged between 3.5 to 15 percent of the 200 sample size. Pollution control in the context of the business operation was as follows; capital, operating and research and development expenditures for pollution abatement; statements indicating the firm's operations are non-polluting or that they are in compliance with pollution laws and regulations; and statements indicating that pollution from operation has been or will be reduced. Conservation of natural resources and using recycled materials are second highest with an average percentage ranging between 3 to 10.5 percent of the sample. Lastly, percentage of prevention or repair of damage to the environment resulting from processing or natural resources ranged between 3 to 9 percent of the 200 sample size. Besides, the ISO 14000 certificate that the ACCA Malaysia Environmental Reporting Awards (MERA) launched. The major aim of the award scheme is to appreciate voluntary environmental and social disclosure among Malaysian firms. Through this award the government hopes Malaysian firms will take environmental reporting more seriously (Thompson and Zakaria, 2004).

The number of companies that reported their CSR activities in at least one dimension during the period 1999 to 2005 was as follows: 128 (64 percent), 162 (81 percent); 170 (85 percent); 184 (92 percent); 185 (92.5 percent); 154 (77 percent) and 164 (82 percent) respectively. However, only 22 out of the 200 Malaysian companies reported consistently about their CSR activities in their annual reports.

Table 2 shows the results based on the number of sentences and pages of 22 Malaysian companies, which reported their CSR activities during the period 1999 to 2005. Findings obtained show Golden Hope Plantations Berhad was the first for the highest number of sentences and pages disclosed its CSR activities. The second highest was Telekom Malaysia Berhad followed by Shell Refining Company (M) Berhad, IJM Corporation Berhad, Highland and Lowland Berhad and BAT (M) Berhad. Next, the Trading and Services sector had the highest number of reports, second highest was the Consumer Products sector followed by Plantations, Construction, Finance, Industrial Products and Property sector.

For instance, Golden Hope Plantations Berhad has been reporting on its various corporate social activities in its company's annual report. This is elaborated in the following four dimensions of CSR:

#### ***Employee relation dimension***

Golden Hope has the highest number of sentences and pages of reporting for the various related social activities during the period under analysis. Until the end of 2005, based on the company's statistics, the total manpower strength, group wide, was as follows: Operations 16,798 (85%); Non-executive staff 2,108 (11%); and Executive staff 762 (4%). There were many activities related to the employee relation dimension as follows: The training centre is to provide in-house training to employees. The average number of days of training per employee achieved is 1.5 days per employee. Golden Hope also applies the job evaluation and competency assessment process based on the Hay Job Evaluation System.

The company continued to promote welfare interaction including hosting a Workers' Day for all employees at Carey island. In recognition of the full commitment and dedication of employees to the group, a Long Services Award for employees was presented, for example, eight employees who had served the Group for 30 years were presented with Long Service Awards at the Putrajaya Marriot hotel in conjunction with the Company's dinner in October, 2002. In order to inculcate a safety culture, the Group closely monitors the establishment and activities of the Occupational Safety and Health Committee (OSHC) for all operating units.

#### ***Community involvement dimension***

For community involvement activities, Golden Hope initiated the establishment of an agricultural and resources based museum in Carey Island that will initially showcase Golden Hope heritage. BERKESAN (Badan Kebajikan Kakitangan Islam Golden Hope) organizes talks and activities to promote well-being among Muslim employees and greater awareness of Islam to Group employees. The group sponsors lawn bowls, cricket and golf tournaments and other competitions. The company also provides financial support for employees' children and the public with the provision of a budget ranging from RM1 million to RM1.7 million. For example, during year 2002 the scheme awarded 89 scholarship and grants, of which 51 were awarded to scholars at various local institutions.

Furthermore, Golden Hope embarked on infrastructural developments within its estates, for the convenience of estate workers and those living in the surrounding neighbourhoods. Golden Hope also built proper roads at Welch Estate, Jementah, Johor for use by the general public. In Indonesia, for example Golden Hope built bridges, schools, community halls and proper roads; all to be used by the general public and workers. Aside from undertaking activity-based events, Golden Hope is also actively involved in giving donations and providing assistance to various needy bodies. For example, the company donated an ambulance to Tabung Haji. Other recipients of donations included Pusat Perubatan Universiti Malaya, Yayasan Sultanah Bahiyah and the Prime Minister's Hibiscus Award.

#### ***Product dimension***

In Golden Hope, Research and Development activities cover various aspects of research on oil palm, rubber and other crops. For example, to improve Oil Extraction Rate (OER) and kernel recovery efficiency and to extract carotene

directly from oil palm fresh fruit bunches (FFB). Since the first innovation campaign was launched in 1993, a total of 586 innovations have been received and many of these have been commercialized. Golden Hope quality certification scheme is integrated with ISO 9001, ISO 14001 and OHSAS 18001 systems.

In short, Golden Hope Total Quality and Environment Management System (TQEMS) journal during the period of analysis is as follows: Occupational Safety and Health Management Manual, Golden Hope TQEMS V.1 (2000) and GH QCS V.1 (2000); Food Safety Assurance System or HACCP Certification Programme (2001); Forest Stewardship Council (FSC) for Group Estates; OHSAS 18001 Certification, Upgrading to ISO 9001; 2000, Golden Hope Juara or Black Belt Programme and Golden Hope TQEMS V.2 (2003).

### ***Environment dimension***

Golden Hope became the fourth Palm Oil Mill to receive the prestigious MS ISO 14001 Certificate for Environment Management System. It has continued to collaborate with the Department of Environment (DOE) to organize Students Environment Awareness Camps. A number of students from the Federal Territory and Selangor have participated. Golden Hope also organized an Environment Awareness Camp for its employees and their dependents. Other activities were also actively carried out as participants such as participating in the Minggu Alam Sekitar Malaysia Exhibition.

#### ***4.1 Descriptive Statistics for CSRD***

This section shows the descriptive statistics of the CSRD score, based on their items of CSR as reported in Table 3. Findings in Table 3 show that human resources disclosure has the highest disclosed with a mean of 0.70, a median of 0.67 and a standard deviation of 0.43. These rates show that firms listed in Bursa Malaysia are more concerned with their human resources compared to the other dimensions. There were an increasing number of firms that disclosed their employee relations in their annual reports.

This was in contrast to the environment, which was less disclosed. It was reported as having a mean and median of 0.19 times and 0.00 time respectively. There is a guideline on environmental reporting for Malaysian firms (ACCA, 2003). However, there is no statutory requirement for public listed firms to disclose environmental information to the public in Malaysia. Consequently, the number of companies that made an environmental report was low. According to Perry and Sheng (1999), there are three major reasons why the firms report less on their environmental activities. First, the perception that their firms did not have an impact on the environment; second, the lack of advantage gained in terms of status or respect to consumers or within the business community, and *last*, there is little pressure from the government.

As improved economics has also raised the level of education in Malaysia, there is apparently increased public concern and awareness of the impact on the environment by business activities (Haniffa and Cooke, 2005). This may also be caused by the prominent role played by NGOs like the Association of the Protection of the Malaysian Environment and *Sahabat Alam Malaysia* (SAM), in lobbying for conservation and conservation of the environment. Further, Haniffa and Cooke found that the tight supervision of the media and greater coverage of environment issues, for example, cases of open burning, haphazard land and hill clearing, and poisonous waste were dismissed generating the public's concern for the damaging effect of the activities of the firms on the natural environment.

Incentives from the government like provision of prizes or awards such as the Malaysia Environmental and Social Reporting Awards (MESRA) and pressure from other stakeholders may change the perception of firms. ISO certification has some level of influence towards voluntary environmental reporting behaviour among Malaysian firms, specifically on 'pollution abatement' and on other issues related to environmental information (Sumiani, Haslinda, and Lehman, 2007).

Results in Table 3 support prior studies by Abu-Baker and Naser (2000) and Thompson and Zakaria (2004). For example Abu-Baker and Naser (2000) found that the majority of companies disclosed social responsibility information concerning human resources and community involvement, followed by product, environment and energy. Whereas, Thompson and Zakaria (2004) reported that most companies made disclosures on human resources followed by product, consumer, community involvement and the environment.

#### ***4.2 Descriptive Statistics for CSRD Based on Industry Sector***

Table 4 reports that there are six sectors namely Consumer Products, Finance, Trading and Services, Plantations, Construction, and Infrastructure that have a mean above the overall sample and that four sectors, comprising of Industrial Product, Properties, Technology, and Hotels have a mean less than the overall sample (1.4661). The mean or average value is the most commonly used measure for central tendency. It is used to estimate the mean value when the data has been collected using an interval or ratio scale (Malhotra, 2004).

Table 4 also shows that the Plantation sector has the highest proportion of companies disclosing CSR activities during the years 1999 to 2005 and the Property sector has the lowest proportion. All industries have a minimum value of CSRD score which is 0.17 and the Plantation industry has the highest maximum value CSRD score of 11.58. These findings are contrary if compared with a previous study by Andrew, Gul, Guthrie, and Teoh (1989), which studied

annual reports of publicly-listed companies in Malaysia and Singapore for the year December, 1983. They found that the banking and finance industry had the highest proportion of CSR disclosing companies. This is reasonable, because the number of plantation companies listed in Bursa Malaysia has increased and they are also more concerned about disclosure of CSR activities in their annual reports.

Skewness is the tendency of the deviations from the mean to be larger in one direction than the other. Although all of the industries have a positive skew the Property sector is not normally distributed as it has the highest deviation with its skewness value of 4.3056. Kurtosis is the measure of relative peakedness or flatness of the curve defined by the frequency distribution (Malhotra, 2004). All of the industries have a positive value of kurtosis that indicates the distribution of the mean shows more peakedness rather than a normal distribution. Comparing the distributions of CSRD score among the seven industries, the Consumer Products sector tends to be normal.

The property industry has an extremely high positive kurtosis value (29.0521) as one of companies in the property industry, (Island & Peninsular Berhad), only reported its CSR activities completely for the year 2002, but did not for the other years. As the conclusion of CSRD score indicates that the Plantation (PL) industry has the highest mean value (2.0872) and maximum value (11.58) compared to the other industries, this indicates that the plantation industry is disclosing more information about their CSR activities for the period 1999 to 2005. These plantation companies are heavily monitored by stakeholders, especially NGOs, government and overseas customers, but detailed reasons need to be investigated for the companies in future research.

## 5. Discussion and Conclusion

Testing of data covered a sample of 200 companies, extracted from 494 companies listed on the main-board of the Bursa Malaysia, for the period 1999 to 2005. These companies constitute more than 90 percent of the total market capitalisation. CSR findings obtained support that the situation in Malaysia is at a nascent stage with respect to the disclose CSR activities. Results of content analysis revealed that CSRD involved four categories for Malaysian companies. Providing assistance and/or benefit for employees showed the highest percentage of disclosure in the employee relations dimension. Meanwhile, charity programmes were most popular for the community involvement dimension followed by cash donation programmes. Product development is the largest part engaged in the product dimension of CSRD. Lastly, pollution control was broadly reported in environmental dimensions. Referring to descriptive statistics, the employee dimension has the highest disclosure. The product dimension is the second highest, followed by community involvement and the environmental dimension.

Employee relations are the highest disclosed, followed by product, community involvement and environmental dimensions. These findings reveal that Malaysian public companies are more concerned with their human resources than for the other dimensions. Comparing the industry analysis the Plantation sector has the highest disclosed with the Infrastructure sector second, followed by Consumer Product, Construction, Trading and Services, Finance, Industrial Product, Properties, Technology and Hotels, respectively. There are four industries (Finance, Trading and Services, Construction, and Technologies), which have a higher risk than market risk. According to portfolio theory this indicates that investors have a chance to invest in these industries with a high return and volatility.

The numbers of companies that reported their CSR activities on at least one dimension during the period 1999 to 2005 fluctuated but tended to decrease. These conditions occurred because most of the activities in their employee relation dimension, such as share option programme for employees, were finished in the year 2003. Therefore, only 22 out of 200 Malaysian companies reported consistently about their CSR activities in their annual reports.

This finding signifies that companies should care about CSRD in their annual reports because even though certain companies have been involved in social activities they still do not expose such activities in their annual reporting (Amran and Devi, 2007). Hence, based on these results, companies have to pay attention to their social activities and reporting. According to arguments of slack resource theorists, increased CSR activities are followed by better financial performance (Waddock and Graves, 1997). Furthermore, they stated that when companies have slack resources, the better is their social responsibility as these resources have the chance to be distributed into the social domains.

Apart from addressing various pressures to be socially responsible, some reasons companies disclose their CSR activities in the companies' annual reporting are as a decoupling strategy for Malaysian companies to follow their business associates from the overseas which are already applying CSRD (Thompson and Zakaria, 2005) and try to be good corporate citizen to get contracts from the government (Amran and Devi, 2007). Another reason why Malaysian firms should be concerned with better CSR performance is to make the company attractive to foreign funds by showing that generally the cost of capital in foreign markets are cheaper than the local market. Thereby, helping firms grow their business faster and profitably. CSR provides a good start of differentiation for the firm's image; making it easier to recruit and retain key employees who are essential to sustain the business success (Investor Digest, 2003). Nevertheless, recent surveyed by Bursa Malaysia revealed that Malaysian public listed companies were far behind international standards since a lack of knowledge and awareness in incorporating CSR policies and disclosures in their

business activities (Jason NG, 2008). Based on these facts there is a need to find different ways to support companies in enhancing the awareness level as well as helping companies to actively become involved in CSR activities and disclosure thereof. The trend in developed markets such as North America and Europe shows there have been widespread empirical tests of the relationship between CSRD and companies' financial performance.

Some limitations of the study and recommendations on how to overcome them are elaborated as follows. First, this study uses content analysis in which methods deployed are subject to human error and this should be taken into consideration concerning what has been judged as representing CSRD (Thompson and Zakaria, 2004). This study only focuses on disclosures in the annual reports of firms although it is known that firms utilise other mass communication mechanisms. Hence, future research may consider other media for disclosure such as the firms' stand-alone reporting, in-house magazines, newspapers, and web-sites. Second, another source of limitation is the sample size for this study, which was taken from the 200 highest market capitalisations of companies listed on the main-board of Bursa Malaysia. The inclusion of medium-sized firms in the future may possibly improve results. Third, these findings should be interpreted with wariness, given that this study has only considered the evaluation for seven years. For any longitudinal study for future research in this area, it would be necessary to extend the number of periods studied under the evaluation of recent legal requirements. Last, it is highly recommended that future studies should also collect primary data through interviews. Thus, using a survey would be useful to determine more precisely the motives and perceptions of managers towards the disclosing of CSR activities.

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Table 1. Corporate Social Responsibility Disclosure (CSRD) in the Malaysian Companies' Annual Reports

| CSR dimensions                         | 1999 |      | 2000 |      | 2001 |     | 2002 |      | 2003 |      | 2004 |      | 2005 |      |
|--|------|------|------|------|------|-----|------|------|------|------|------|------|------|------|
|  | n    | %    | n    | %    | n    | %   | n    | %    | n    | %    | n    | %    | n    | %    |
| Employee:                              |      |      |      |      |      |     |      |      |      |      |      |      |      |      |
| 1. Health and Safety                   | 10   | 5    | 15   | 7.5  | 24   | 12  | 29   | 14.5 | 32   | 16   | 17   | 8.5  | 26   | 13   |
| 2. Training and Education              | 30   | 15   | 39   | 19.5 | 46   | 23  | 46   | 23   | 48   | 24   | 45   | 22.5 | 46   | 23   |
| 3. Employees benefits                  | 128  | 64   | 162  | 81   | 170  | 85  | 184  | 92   | 185  | 92.5 | 154  | 77   | 164  | 82   |
| 4. Profiles of employees               | 36   | 18   | 50   | 25   | 62   | 31  | 62   | 31   | 23   | 11.5 | 13   | 6.5  | 7    | 3.5  |
| 5. Share option for employees          | 60   | 30   | 94   | 47   | 107  | 54  | 107  | 53.5 | 101  | 50.5 | 67   | 33.5 | 80   | 40   |
| 6. Award for H&S programme             | 1    | .05  | 4    | 2    | 5    | 2.5 | 3    | 1.5  | 8    | 4    | 2    | 1    | 3    | 1.5  |
| 7. Others                              | 5    | 2.5  | 24   | 12   | 16   | 8   | 30   | 15   | 38   | 19   | 30   | 15   | 35   | 17.5 |
| Community involvement                  |      |      |      |      |      |     |      |      |      |      |      |      |      |      |
| 1. Cash donation programme             | 27   | 13.5 | 23   | 11.5 | 24   | 12  | 34   | 17   | 36   | 18   | 40   | 20   | 52   | 26   |
| 2. Charity programme                   | 31   | 15.5 | 30   | 15   | 34   | 17  | 29   | 14.5 | 28   | 14   | 56   | 28   | 55   | 27.5 |
| 3. Scholarship programme               | 13   | 6.5  | 10   | 5    | 20   | 10  | 28   | 14   | 26   | 13   | 17   | 8.5  | 29   | 14.5 |
| 4. Sponsor for sport activities        | 16   | 8    | 8    | 4    | 13   | 6.5 | 14   | 7    | 17   | 8.5  | 19   | 9.5  | 13   | 6.5  |
| 5. Supporting national pride           | 14   | 7    | 14   | 7    | 14   | 7   | 14   | 7    | 19   | 9.5  | 20   | 10   | 24   | 12   |
| 6. Public health project               | 5    | 2.5  | 10   | 5    | 12   | 6   | 18   | 9    | 24   | 12   | 10   | 5    | 5    | 2.5  |
| Product                                |      |      |      |      |      |     |      |      |      |      |      |      |      |      |
| 1. Product development                 | 24   | 12   | 34   | 17   | 44   | 22  | 54   | 27   | 44   | 22   | 41   | 22   | 54   | 27   |
| 2. Product safety                      | 5    | 2.5  | 3    | 1.5  | 6    | 3   | 11   | 5.5  | 5    | 2.5  | 4    | 2    | 14   | 7    |
| 3. Product quality                     | 16   | 8    | 30   | 15   | 31   | 16  | 51   | 25.5 | 48   | 24   | 28   | 14   | 34   | 17   |
| Environment                            |      |      |      |      |      |     |      |      |      |      |      |      |      |      |
| 1. Pollution control                   | 7    | 3.5  | 17   | 8.5  | 28   | 14  | 24   | 12   | 30   | 15   | 7    | 3.5  | 18   | 9    |
| 2. Prevention/repairation programme    | 8    | 4    | 6    | 3    | 12   | 6   | 14   | 7    | 17   | 8.5  | 19   | 9.5  | 21   | 10.5 |
| 3. Conservation and recycled materials | 6    | 3    | 15   | 7.5  | 13   | 6.5 | 17   | 8.5  | 18   | 9    | 4    | 2    | 13   | 6.5  |
| 4. Award in environment programme      | 4    | 2    | 3    | 1.5  | 7    | 3.5 | 4    | 2    | 9    | 4.5  | 7    | 3.5  | 9    | 4.5  |

Notes: n = number of firms making at least one disclosure at the given category

% = number of firms making at least one disclosure as percentage of total number of firms in the sample (200).

Table 2. Corporate Social Responsibility Disclosure of Selected Companies

| No | Company name              | Sector | 1999 |     | 2000 |    | 2001 |    | 2002 |    | 2003 |    | 2004 |     | 2005 |     |
|----|---------------------------|--------|------|-----|------|----|------|----|------|----|------|----|------|-----|------|-----|
|    |                           |        | 1    | 2   | 1    | 2  | 1    | 2  | 1    | 2  | 1    | 2  | 1    | 2   | 1    | 2   |
| 1  | BAT(M) Berhad             | CP     | 27   | 2   | 29   | 2  | 39   | 3  | 104  | 5  | 144  | 7  | 154  | 7   | 152  | 7   |
| 2  | Proton Berhad             | CP     | 13   | 1.5 | 15   | 2  | 20   | 2  | 16   | 2  | 43   | 3  | -    | -   | -    | -   |
| 3  | Nestle Malaysia Berhad    | CP     | 24   | 3   | 3    | 1  | 15   | 1  | 55   | 11 | 61   | 9  | 110  | 7   | 201  | 14  |
| 4  | UMW Holdings Berhad       | CP     | 3    | 1/2 | 57   | 4  | 64   | 7  | 74   | 6  | 68   | 4  | 83   | 6.5 | 9    | 6   |
| 5  | F&N Holdings Berhad       | CP     | 5    | 1/2 | 28   | 4  | 28   | 3  | 28   | 4  | 35   | 4  | 20   | 3   | 7    | 1/2 |
| 6  | Public Bank Berhad        | F      | 31   | 5   | 24   | 3  | 36   | 4  | 55   | 5  | 12   | 2  | 185  | 22  | 203  | 24  |
| 7  | Southern Bank Berhad      | F      | -    | -   | -    | -  | -    | -  | 10   | 2  | 15   | 2  | 17   | 2   | 21   | 2.5 |
| 8  | Tenaga Nasional Berhad    | TS     | 29   | 3   | 33   | 3  | 35   | 4  | 52   | 5  | 83   | 6  | 134  | 15  | 94   | 7   |
| 9  | Telekom Malaysia Berhad   | TS     | 32   | 2   | 54   | 3  | 155  | 11 | 156  | 15 | 162  | 10 | 234  | 19  | 198  | 17  |
| 10 | EON Berhad                | TS     | 10   | 2   | 12   | 2  | 37   | 2  | 34   | 3  | 30   | 3  | 67   | 6   | 157  | 12  |
| 11 | Star Publications Berhad  | TS     | 56   | 9   | 73   | 10 | 95   | 12 | 68   | 8  | 83   | 7  | 126  | 12  | 148  | 19  |
| 12 | KFC Holdings Berhad       | TS     | 27   | 3   | 35   | 4  | 30   | 4  | 19   | 2  | 43   | 4  | 113  | 4.5 | 13   | 1.5 |
| 13 | Dialog Group Berhad       | TS     | 24   | 4   | 26   | 5  | 22   | 5  | 8    | 2  | 10   | 2  | 10   | 2   | 10   | 2   |
| 14 | Shell Refining Co Bhd     | IP     | 21   | 2.5 | 111  | 7  | 10   | 2  | 130  | 11 | 130  | 8  | 134  | 10  | 142  | 12  |
| 15 | Gold Hope Plantation Bhd  | PL     | 89   | 10  | 194  | 20 | 180  | 16 | 288  | 23 | 264  | 20 | 276  | 21  | 281  | 21  |
| 16 | Highland & Lowland Bhd    | PL     | 32   | 3   | 51   | 5  | 67   | 5  | 128  | 8  | 128  | 9  | 131  | 11  | 142  | 13  |
| 17 | United Plantations Berhad | PL     | 20   | 2   | 26   | 3  | 28   | 5  | 40   | 7  | 49   | 6  | 52   | 6   | 61   | 7   |
| 18 | Kulim (Malaysia) Berhad   | PL     | -    | -   | -    | -  | -    | -  | 27   | 2  | 57   | 5  | 45   | 4   | 43   | 4   |
| 19 | SP Setia Berhad           | PR     | 14   | 1   | 15   | 1  | 12   | 1  | 14   | 2  | 38   | 3  | 32   | 3   | 35   | 3   |
| 20 | Gamuda Berhad             | CN     | 19   | 2   | 21   | 2  | 17   | 1  | 14   | 2  | 11   | 1  | 15   | 2   | 21   | 3   |
| 21 | IJM Corporation Berhad    | CN     | 8    | 1.5 | 10   | 2  | 122  | 11 | 167  | 11 | 150  | 11 | 144  | 11  | 154  | 12  |
| 22 | Road Builder (M) Berhad   | CN     | 9    | 1   | 10   | 2  | 27   | 3  | 46   | 8  | 83   | 14 | 86   | 14  | 98   | 15  |

Notes: 1 = Number of sentences, 2 = Number of pages, CP=Consumer Product, F=Finance, TS=Trading and Services, IP=Industrial Product, PL=Plantations, PR=Properties, CN=Construction.

Table 3. Descriptive Statistics of Corporate Social Responsibility Disclosure (CSR)

| Items              | CSR dimensions |           |         |             | CSR     |
|--------------------|----------------|-----------|---------|-------------|---------|
|                    | Employee       | Community | Product | Environment | Overall |
| Mean               | 0.7034         | 0.2448    | 0.3288  | 0.1894      | 1.4663  |
| Std. Error of Mean | 0.0154         | 0.0186    | 0.0226  | 0.0202      | 0.0586  |
| Median             | 0.6667         | 0.0000    | 0.0000  | 0.0000      | 0.8300  |
| Std. Deviation     | 0.4352         | 0.5266    | 0.6391  | 0.5715      | 1.6564  |
| Variance           | 0.1894         | 0.2773    | 0.4084  | 0.3266      | 2.7438  |
| Skewness           | 1.2425         | 2.2643    | 3.2117  | 3.8219      | 2.2552  |
| Kurtosis           | 2.4361         | 4.4652    | 22.4010 | 15.8633     | 5.7336  |
| Range              | 2.5000         | 2.8333    | 7.6667  | 4.0000      | 11.4133 |
| Minimum            | 0.1667         | 0.0000    | 0.0000  | 0.0000      | 0.1667  |
| Maximum            | 2.6667         | 2.8333    | 7.6667  | 4.0000      | 11.5800 |

Table 4. Descriptive Statistics of Corporate Social Responsibility Disclosure (CSR)

Based on Industry group

| Industry groups    | Minimum | Maximum | Mean   | Variance | Skewness | Kurtosis | N    |
|--------------------|---------|---------|--------|----------|----------|----------|------|
| Consumer Product   | 0.17    | 7.17    | 1.8739 | 3.6992   | 1.3171   | 0.5072   | 182  |
| Finance            | 0.17    | 7.83    | 1.5462 | 2.5265   | 2.1188   | 4.2436   | 175  |
| Trading & Services | 0.17    | 9.25    | 1.5785 | 2.5462   | 1.8065   | 3.7793   | 294  |
| Industrial Product | 0.17    | 7.75    | 1.2001 | 1.5664   | 2.2810   | 6.8229   | 259  |
| Plantation         | 0.17    | 11.58   | 2.0872 | 6.9794   | 1.7152   | 2.2013   | 133  |
| Properties         | 0.17    | 9       | 0.9605 | 1.0398   | 4.3057   | 29.0521  | 224  |
| Construction       | 0.17    | 7.33    | 1.8385 | 3.0631   | 1.5174   | 1.9110   | 77   |
| Technology         | 0.17    | 2.5     | 0.8415 | 0.4044   | 1.6223   | 2.3361   | 35   |
| Hotel              | 0.17    | 0.33    | 0.2900 | 0.0052   | -1.3266  | -0.3259  | 21   |
| Overall sample     | 0.17    | 11.58   | 1.4662 | 2.7441   | 2.2552   | 5.7329   | 1400 |