

Corporate Social Responsibility Reporting of Firms Listed on the KLSE: Empirical Evidence

Zarina binti Zakaria

**Bachelor of Science in Accounting
University of Wales College of Cardiff
United Kingdom
1996**

**Submitted to the Faculty of Business and Accountancy,
University of Malaya, in partial fulfillment of the
requirement for the Degree of Masters of Business
Administration (Accountancy)**

May 2002



Acknowledgement

To those supportive parties that have contributed to the preparation of this paper, my utmost appreciation goes to my project supervisor, Dr. Shaari Isa for his guidance and valuable comments throughout. Also to my beloved parents and family for their undying support. I would like to extend my greatest gratitude to my loving husband, Zamri for his tolerance and encouragement. Not forgetting, to my two children, Nabil Ikram and Nabilah Dina for their understanding during my busy period. I promise to spend more time with them, now that it is finally over. Also, thank you to all my friends for their help in the data collection. Last but not least, thank you to UM, KLSE and MIA librarians for their assistance.

Abstract

This study reports on the results of a study on social responsibility reporting practices of 257 listed companies on the Kuala Lumpur Stock Exchange. In addition to providing an up-to-date description of such practices, this study also examines some new potential determinants of corporate social responsibility reporting practices, namely the type of audit firm and financial leverage. It replicates a recent New Zealand study (Hackston and Milne, 1996). Makes improvement on other studies in Malaysia by measuring the amount of disclosures as a continuous variables using number of sentences, page measurement and derived page measurement. Consistent with Hackston and Milne (1996), the results indicated that both number of sentences and page measurement are highly correlated. This study provides empirical evidence that both company size and type of industry are significantly associated with social disclosures, whilst profitability, the type of audit firm employed and financial leverage are not. This study has also proved that companies commended for good reporting by NACRA disclose significantly more social information in their annual reports than those non-commended companies.

CORPORATE SOCIAL RESPONSIBILITY REPORTING OF FIRMS LISTED ON THE KLSE: EMPIRICAL EVIDENCE

CHAPTER 1- INTRODUCTION

- 1.1 Overview
 - 1.1.1 The Role of Business in the Society
 - 1.1.2 The Role of the Accounting Profession in the Society
 - 1.1.3 The Importance of Social Information
- 1.2 Corporate Social Responsibility Reporting (CSRR)
 - 1.2.1 Definition of CSRR
 - 1.2.2 Types of CSRR
 - 1.2.2.1 Ethical
 - 1.2.2.2 Altruistic
 - 1.2.2.3 Strategic
- 1.3 Objective and Significance of Research
- 1.4 Research Questions
- 1.5 Scopes and Limitation of Research
- 1.6 Organization of Study

CHAPTER 2 – LITERATURE REVIEW

- 2.1 Introduction
- 2.2 Early Studies on Corporate Social Responsibility Reporting
- 2.3 Corporate Social Responsibility Reporting Studies in Malaysia
- 2.4 Studies That Tried To Establish Potential Determinants of CSRR Disclosure
 - 2.4.1 Firm Size
 - 2.4.2 Industry
 - 2.4.3 Type of Audit Firm
 - 2.4.4 Financial Leverage
 - 2.4.5 NACRA
 - 2.4.6 Profitability

- 2.5 Studies on the Attitude and Perceptions Towards CSRR
- 2.6 Conclusion

CHAPTER 3 – RESEARCH METHOD

- 3.1 Introduction
- 3.2 Sample Design and Data Collection
 - 3.2.1 Current Reporting Practices of Listed Companies In Malaysia
 - 3.2.2 Attitude and Perceptions of the Accounting Practitioners Towards CSRR
- 3.3 Measurement of the Variables
 - 3.3.1 Dependent Variable
 - 3.3.1.1 Corporate Social Disclosure
 - 3.3.2 Independent Variables
- 3.4 Hypothesis Development
 - 3.4.1 Size
 - 3.4.2 Industry
 - 3.4.3 Financial Leverage
 - 3.4.4 Type of Audit Firm
 - 3.4.5 NACRA
 - 3.4.6 Profitability
- 3.5 Statistical Methods
- 3.6 Conclusion

CHAPTER 4 – RESEARCH RESULTS

- 4.1 Introduction
- 4.2 Quantity of Social Disclosure
- 4.3 Corporate Characteristics and Social Disclosure
 - 4.3.1 Univariate Analysis
 - 4.3.2 Multivariate Analysis
- 4.4 Views and Perceptions of the Accounting Practitioners Towards CSRR
 - 4.4.1 Number of Respondents of the Survey

- 4.4.2 Understanding of the Concept of CSRR
- 4.4.3 Perceptions of the Accounting Practitioners Towards CSRR
- 4.4.4 Views on the Social Audit, Standard and Government Intervention
- 4.5 Conclusion

CHAPTER 5 - CONCLUSION

- 5.1 Introduction
- 5.2 Summary and Conclusions
 - 5.2.1 Corporate Social Responsibility Reporting Practices
 - 5.2.2 Perceptions and Attitudes of the Accounting Practitioners
- 5.3 Summary of Findings
- 5.4 Implications of Study
- 5.5 Limitations and Recommendations for Future Research
- 5.6 Conclusion

LIST OF TABLES

| | <u>Page</u> |
|--|--------------------|
| Table I Stakeholder and Their Perceptions | 3 |
| Table II Summary of Social Information Disclosure | 35 |
| Table III Descriptive for Social Disclosure Measures | 37 |
| Table IV Disclosure by Independent Variables | 38 |
| Table V Descriptive Statistics for Independent Variables | 40 |
| Table VI Univariate Results | 41 |
| Table VII Spearman Correlation for Independent Variables | 41 |
| Table VIII Regression Results | 43 |
| Table IX One-Way ANOVA To Test Differences Between Industries | 44 |