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CORPORATE SOCIAL RESPONSIBILITY AMONG MESDAQ LISTED COMPANIES: MALAYSIAN EVIDENCE

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Abstract

Corporate Social Responsibility (CSR) has become increasingly popular in Malaysia with growing expectations for organizations to report their commitment to environmental and social issues. Furthermore, in today's competitive and challenging economy, a growing number of Malaysian companies are working hard to constantly inform investors of their progress. This constant communication with investors has encouraged companies to disclose much more information than that legally required in the hope of gaining a sustained competitive advantage.

Prior studies have revealed that the trend in CSR reporting has risen significantly in the last twenty years. Though this trend in increased CSR reporting is more evident in developed countries such as, the United Kingdom (UK), the United States of America (USA) and Australia, it is also manifest to a lesser degree in developing countries such as Malaysia, Thailand and Indonesia. This paper provides an up-to-date review of Malaysia Malaysian Exchange of Securities Dealing & Automated Quotation (MESDAQ) companies' CSR disclosure record and examines potentials determinants for such disclosure. The result of this study indicates that there is no identifiable relationship between Mesdaq listed companies CSR disclosure record with profitability, extent of gearing, industry type, or dependence on government support. Somewhat surprisingly only size of the Mesdaq listed companies showed a significant relationship with CSR disclosure.

Keywords: Corporate Social Responsibility, Mesdaq, Mandatory Disclosure

1.0 Introduction

Corporate Social Responsibility (CSR) disclosure is a continuing commitment of business to behave ethically and contribute to economic development while improving the quality of life for workers and their families, as well as local communities and society as a whole (WBCSD ,1998). In recent years, professional accounting bodies and firms such as Association Chartered Certified Accountants (ACCA), KPMG, and Malaysian Institute of Accountants (MIA) have conducted numerous studies on the nature and development of CSR disclosure in annual reports. In particular they have sought to determine motivation and impact of such disclosure. In Malaysia such reviews have examined not only the standard size and scope of the enterprises but also the impact and role of the government.(Che Zuriana *et al.*, 2001, Thompson and Zakaria, 2004 A; Thompson and Zakaria, 2004 B; Haniffa and Cooke, 2002).

At its most basic CSR is the: *“process of communicating the social and environmental effects of organizations’ economic actions to particular interest groups within society and to society at large.”* (Gray, Owen and Maunders, 1987). Increasingly the motivation and core values of an enterprise are viewed as crucial which tends to see CSR more holistically defined as: *“a business organization's configuration of principles of social responsiveness, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships* (Wood, 1991). or *“the extent to which the way in which an organization consciously assumes responsibility for and justifies its actions and non-actions and assesses the impact of those actions on legitimate constituencies”* (Habisch and Jonker 2005)

Such definitions highlight how similar CSR is to Corporate Social Disclosure (CSD) defined by Guthrie and Mathews (1985) for example as:” *the provision of financial and non-financial information relating to an organization's interaction with its physical and social environment, as stated in corporate annual reports or separate social reports”*

However defined in detail in practice CSR disclosure has gone from a voluntary exercise of few firms to an almost “mandatory” requirement demanded by investors in corporate and financial stocks. This is in large measure due to the crisis of confidence in the global market economy racked by at irresponsible business practices: including unethical and illegal behavior, fraudulent account keeping, bankruptcies, and questionable executive salaries disconnected from actual performance. (Fonteneau,2003). While understanding and appreciation CSR in the financial markets is relatively well reviewed little has been done to ascertain its impact on technological focused enterprises, the engines of the new economy. To provide some insight into this somewhat neglected field this study will focus on MESDAQ (technological) listed companies in Malaysia. These companies though ranging from small start ups to major manufacturers are distinguished by a dual focus of technological and potential high (detailed listing requirements for MESDAQ are listed in Tables 1.1 and 1.2).

Table 1.1: MESDAQ listing requirement: Qualitative Criteria (Local Companies)

Aspect	Main Board & Second Board	MESDAQ Market
Core Business/Business Activity & Independence of Business	An identifiable core business which it has majority ownership and management control Core business should not be holding of investment in other listed companies	An identifiable and focused core business which it has majority ownership and management control Must be involved in:- Technology-based business activities; The business of a technology incubator; or Other high growth business activities Core business should not

		be holding of investment in other listed companies
Financial Position & Liquidity	Healthy financial position with positive cash flow from the operating activities and sufficient level of working capital	
Business Model and Prospects	The core business must be viable and have healthy growth prospects	<p>The core business must be viable and have healthy growth prospects.</p> <p>The company should demonstrate:- A clear business model; A feasible 3-year business development plan; and The necessary resources to implement and achieve the business plan</p>
Lock-up Period	Promoters' entire shareholdings for six (6) months from the date of admission	Promoters' shareholdings of 45% for 1 (one) year from the date of admission
Conflict of Interest	<p>Must resolve, eliminate or mitigate all situations of conflict of interest The company is required to:-</p> <p>assess all aspects of its business to determine whether there are conflict of interest situations; and</p> <p>declare the nature and extent of the conflicts of interest (if any) and submit a proposal to resolve, eliminate or mitigate such conflicts</p>	
Transaction with related parties	Must be based on terms and conditions which are not unfavourable to the company	
Corporate governance	<p>The company should have:-</p> <p>Independent directors</p> <p>Restrictions on directorship</p> <p>Audit Committee & System of internal control</p>	

Source: Bursa Malaysia website

Table 1.2: Quantitative Criteria (Local Companies)

Aspect	Main Board	Second Board	MESDAQ Market
Three (3) Alternative Routes for Listing			
a. Profit Track Record Test	Uninterrupted profit after tax of 3 - 5 full financial years , with aggregate of at least RM30 million; profit after tax of at least RM8 million for the most recent full financial years	Uninterrupted profit after tax of 3 - 5 full financial years, with aggregate of at least RM12 million; profit after tax of at least RM4 million for the most recent full financial year	For technology based companies, no minimum period of business operation and profit record Technology incubator companies must have commenced its business operations for at least 12 months and must have its financial statements for the said 12 months audited All other companies must have been in operations and have generated operating revenues from their core business for at least 3 full financial years
b. Market Capitalisation/Profit Test	A total market capitalization of at least RM500 million upon listing profit after tax of at least RM30 million for the most recent full financial years	-	-
c. Infrastructure Project Company test	Must have the right to build and operate an infrastructure project in or outside Malaysia:- That contributes to the overall economic growth of Malaysia or which is in accordance with national economic objectives and policies; For which a concession or licence has been awarded by a government or a state agency, in or outside Malaysia, with	-	-

	remaining concession of licence period of not less than 15 years; and With project costs of not less than RM500 million		
Issued and paid-up	Minimum RM60 million	Minimum RM40 million	For technology incubator company, minimum RM20 million For all other companies, minimum RM2 million
IPO price	Minimum RM0.50 each	Minimum RM0.50 each	Minimum RM0.50 each
Public Spread	At least 25% of the Company's share capital; and Minimum of 1,000 public shareholders holding not less than 100 shares each	At least 25% of the Company's share capital; and Minimum of 1,000 public shareholders holding not less than 100 shares each	At least 25% of the Company's share capital; and Minimum of 1,000 public shareholders holding not less than 100 shares each
Equity Restrictions: Compliance with National Development Policy (NDP) ¹	Bumiputera ² equity participation of at least 30%. Bumiputera equity participation can make up the 25% public spread		Bumiputera participation of at least 30% within 5 years of listing or 1 year following the company achieving the 2nd Board profit track record, whichever is earlier

Source: Bursa Malaysia website.

¹ Multimedia Super Corridor (MSC) companies are exempted from National Development Policy (NDP) requirements.

² The term Bumiputera (son of the soil) is used to denote the Malays and the native Muslims and non-Muslims of Sarawak and Sabah in a single category (Shamsul, 2001, p. 364).

1.1 Research Questions

In examining MESDAQ CSR performance two key questions arose:

1. What CSR disclosure practices exist in MESDAQ listed companies in Malaysia?
2. What are the determinants of CSR disclosure MESDAQ listed companies in Malaysia?

1.2 Objectives of Research

The questions identified focused the study objectives to:

1. To examine the CSR disclosure practices in MESDAQ listed companies in Malaysia.
2. To identify the determinants of CSR disclosure in MESDAQ listed companies in Malaysia.

1.3 Scope of Research

Research in this area is particularly important as it provides an opportunity to understand more fully both the extent and motivation for CSR disclosure specifically in Malaysia and more generally emerging markets. To ensure comparative value this study used previous examined variables of firm size, profitability, financial gearing, industry type, and dependence on government support. For best practice a significant benefit of the study is that it will enable the Malaysian Institute of Accountant (MIA) and Association of Chartered Accountants (ACCA) formulate Malaysian accounting standards for CSR. This model will also be useful for the Bursa Malaysia to encourage all listed companies to be more transparent and practice CSR disclosure.

2.0 Survey of Literature

A survey of the literature on CSR indicates that no consensus exists on what constitutes best practice or when it is deemed essential. Many companies have difficulty in seeing its value or importance (Koestoer, 2007) and are only motivated to consider implementing disclosure after being embarrassed by exposure of unethically and illegal “scandals” or through pressure for lobbyists highlighting questionable practice or focus (Deegan, 2002).

The overall increase in CSR disclosure has been matched by an increase in interest in overall awareness and its likely impact on the environment, social order and the economy (Teoh and Thong, 1984; Guthrie and Mathews 1985; Ahmad and Sulaiman, 2004). Initial studies by Teoh and Gregory Thong (1986) found that the primary factors contributing to CSR disclosure was top management philosophy and legislation. Though the findings showed that the majority of companies did not actively participate in CSR disclosure, manufacturing sector was 36 percent, chemicals and petroleum industry 10 percent, and electrical machinery, appliances and parts 7 percent.

The relatively low rate of participation was confirmed by Thomson and Zakaria (2004) in their study of 250 of the largest companies in Malaysia found that the level of CSR disclosure in annual reports was low due to a lack of a recognized reporting framework, the cost of reporting and fear of how stakeholders would react.

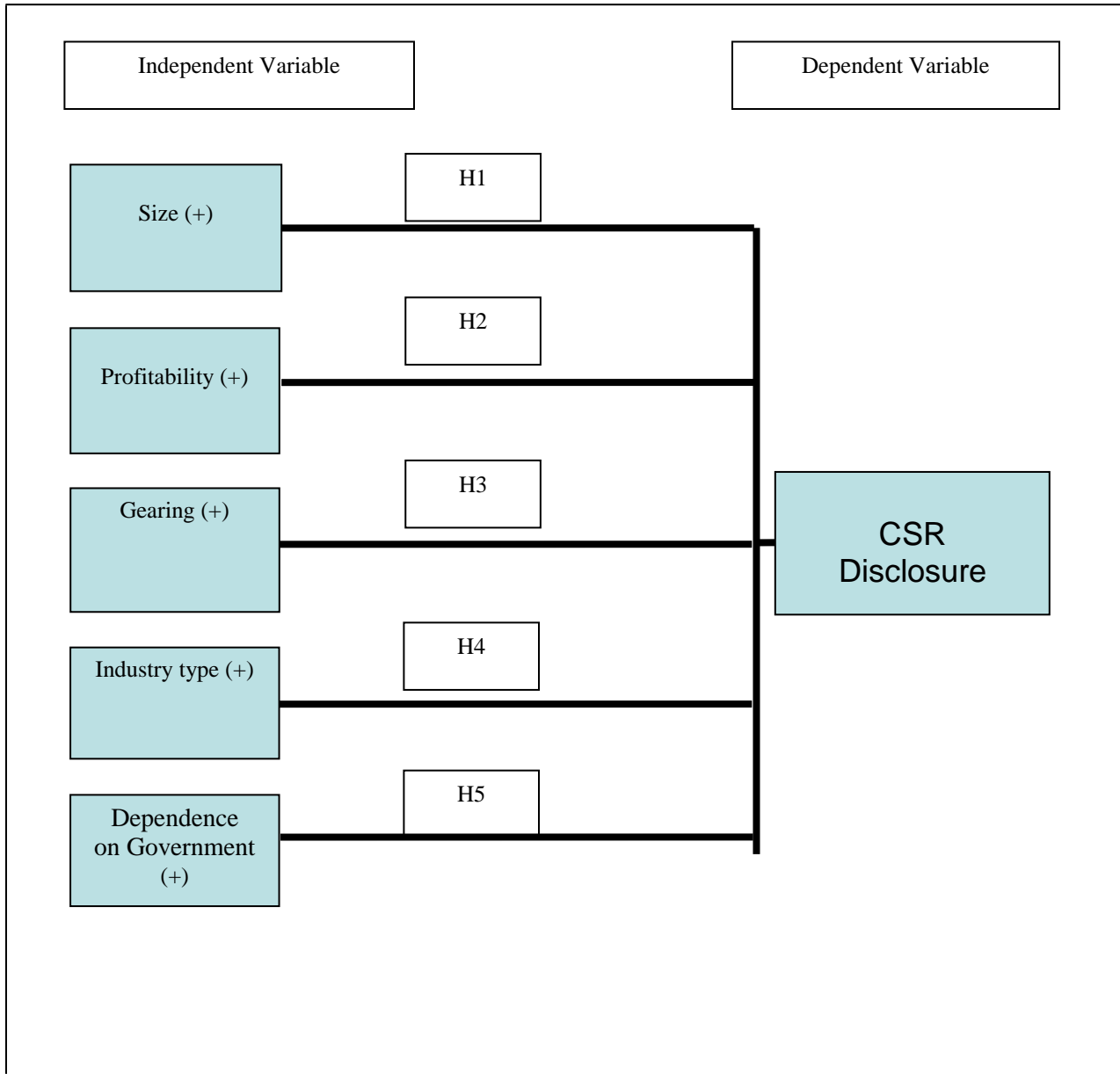
In a detailed study of specific variables for Malaysian companies, Haniffa and Cooke (2005) found that while size, profitability and industry type had a significant effect on CSR disclosure in annual reports gearing (debt to equity) did not. This study was reinforced by Ramasamy and Hung (2003) as well as Amran and Devi (2008) examinations of size, profitability, industry type, foreign shareholders, government shareholding, dependence on government, and dependence on foreign partner. Their study

found that size, government share, dependence on government, and industry type were significant variables with respect to CSR disclosure.

Key findings from the reviews of previous studies provide clear guidance for research into MESDAQ company CSR disclosure with respect to the independent variables of size, profitability, gearing, industry type, and dependence on government.

2.1 Theoretical Framework

Figure 1: Conceptual framework



3.0 Research Methodology

The main objective of this study is to find the importance and impact on CSR disclosure of profitability, size, gearing, industry type as well as dependence on government on list of companies that listed in MESDAQ. The dependent variable was identified from the existing literature reviews and being observed in relation to independent variables. Thus this study can be classified into causal-effect research.

3.1 Data Collection

For this study, the source of secondary data is the annual reports presented Bursa Malaysia by MESDAQ listed companies. Bursa Malaysia has classified the companies in five different sectors, consumer product, finance, industry product, technology, and trading or services (Zakaria, 2002). By segregating the companies using the Bursa Malaysia sectors all industries types are included. In this study companies were chosen with readily available data for analysis with a focus on small and medium companies in contrast to the top companies as done in previous studies (Hackston and Milne,1996).

The initial population for this study comprised all MESDAQ listed companies for year 2006. In order to measure the type, amount and nature of CSR disclosures on a companies' annual report, all annual report files were downloaded from Bursa Malaysia. After that, cleaning data process was done to remove the companies which their annual report not available in softcopy. Finally, 86 companies from MESDAQ listed companies were used in this study. The purpose of this present study is to examine the effects of CSR disclosure among MESDAQ listed companies. The population for this study was all MESDAQ companies listed in Bursa Malaysia in 2006.

3.2 Measurement of dependent variable

The dependent variable of this study is CSR disclosure. To measure CSR disclosure, a commonly used index score was employed (Haniffa and Cooke, 2005; Cooke, 1996, 1992; Hackston and Milne, 1996; Gray *et al.*, 1995a; Zakaria, 2002). This instrument provides a reliable set of procedures to measure the disclosure of CSR and also to allow comparability with other research studies. An index scores instrument categorized CSR disclosure into five major themes: (1) community involvement; (2) environmental; (3) employee information; (4) product or service information; and (5) value-added information (See in appendix A).

3.3 The Measurement of Independent Variables

All five independent variables namely size, profit and gearing were measured by information taken from companies' annual report. Then, industry type measured by data that gathering from company profile, while dependence on government was measured by both data that appear in company profile, and annual report.

Table 3.1: Measurement of Independent variables

Variables	Operationalization	Source Of information
Size	Total Assets	Annual Report

Profit	Return On Equity	Annual Report
Gearing	Debt to Equity	Annual Report
Industry Type	Industry type IT1=Consumer, IT2=Finance, IT3=Industrial product, IT4=Technology, and IT5=Trading or service	Company Profile
Dependence on Government	If company receives major government project ,tender, privatization project or concession, If yes =1, if no = 0	Company Profile, annual report

3.4 Research Model

To measure the relationship between CSR disclosure and independent variables, this study used a linear regression model to identify relationship between dependent variable and independent variable. The research model can be drawn as follow:

$$CSR = \beta_0 + \beta_1 S + \beta_2 roe + \beta_3 dte + \beta_4 IT + \beta_5 DOG + e$$

Where:

CSR = Corporate Social Responsibility

S = Size of total assets

roe = Return on equity (profit)

dte = Debt to equity (gearing)

IT = Industry Type

DOG = Dependence on Government

e = error term

β_0 = constant term

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = Parameters

4.0 Discussion, Analysis and Findings

This chapter is divided into four main sections. The first section starts with the list of companies that listed in MESDAQ as a separate market mostly for technology based companies listing. The second section presents the descriptive analysis. The third section discusses the correlations between the variables and the last section discussed about the results of the hypothesis test by using the multiple linear regression analysis.

4.1 Descriptive Analysis

Table 4.1: Summary of Demographic Analysis

Demographic	Constructs	Frequency	Percentage
-------------	------------	-----------	------------

Items			
INDUSTRY TYPE	Consumer	2	2.3
	Finance	2	2.3
	Industrial product	19	22.1
	Technology	53	61.6
	Trading or service	10	11.7

Based on Table 4.1, it shows that 61.6% of the companies are from technology which is the highest percentage and the smallest percentage are from consumer, and finance sectors which is 2.3%. 22.1% represent the companies from industrial product. 11.7% from trading or service sectors.

Table 4.2: Descriptive Statistics for CSR

	THEMES	ITEMS	SCORE (%)
CORPORATE SOCIAL RESPONSIBILITY	I. COMMUNITY INVOLVEMENT	1. General philanthropy	74@86.05%
		2. Participation in government social campaigns	1@1.16%
		3. Community programs (health & education)	25@29.07%
	II. ENVIRONMENTAL	1. Environmental policies	5@5.81%
		2. Raw materials conservation & recycling	4@4.65%
		3. Environmental protection programme	4@4.65%
		4. Awards for environmental protection	3@3.49%
		5. Support for public/private action designed to protect the environment	1@1.16%
	III. EMPLOYEE INFORMATION	1. Employees appreciation	63@73.26%
		2. Recruitment problems	0@0%
		3. Discussion of ways to overcome recruitment problems	0@0%
		4. Picture of employees welfare	0@0%
		5. Discussion of employees' welfare	81@94.19%
	IV. PRODUCT OR SERVICE INFORMATION	1. Discussion of major types of products	84@97.67%
		2. Pictures of major types of products	59@68.60%
		3. Improvement in product quality	83@96.51%
		4. Improvement in customer services	13@15.12%
		5. Customer awards/ratings received	24@27.91%
	V. VALUE-ADDED	1. Value-added statement	56@65.12%

INFORMATION	2. Qualitative value-added statement	55@63.95%
	3. Value-added data/ratios	53@61.63%

Table 4.2 indicates CSR disclosure is divided into five themes namely; community involvement, environmental, employee information, product or service information, and value-added information³. Under community involvement 74 companies or 86.05% disclose about general philanthropy information, 1 company or 1.16% participation in government social campaigns, 25 companies or 29.07% community programs such as health & education. The factor participation in government social campaigns has chosen for measure CSR disclosure in this study. For environmental disclosure, 5.81% companies disclose about environmental policies information, 4.65% for both raw materials conservation & recycling, and environmental protection programme, 3.49% awards for environmental protection, 1.16% of companies disclose information related to support for public or private action designed to protect the environment.

Under employee information, 73.26% companies disclose information about employees appreciation, 0% recruitment problems, discussion of ways to overcome recruitment problems, and picture of employees welfare. However, 94.19% of companies disclose about discussion of employees' welfare. For product or service information, 97.67% disclose about discussion of major types of products, 68.60% pictures of major types of products, 96.51% improvement in product quality, 15.12% improvement in customer services, and 27.91% disclose information about customer awards or ratings received. Lastly, value-added information, 65.12% of companies disclose information about value-added statement, 63.95% qualitative value-added statement, and 61.63% disclose value-added data or ratios.

Overall, majority of MESDAQ listed companies willing to disclose information related to product or service information which is discussion about major types of products (84%). However, the lowest information disclosure is employee information such as recruitment problems, discussion of ways to overcome recruitment problems, and picture of employees' welfare (0%) disclosure in annual report.

Table 4.3: Descriptive Statistics

Variables	N	Minimu m	Maximum	Mean	Std. Deviation
size	86	4245390	591446770	51468214.2 3	94970192.3 3
profit	86	-359.48	43.54	-3.01	42.80
debt to equity	86	0.00	128.66	11.09	30.33
Valid N (listwise)	86				

Notes: size = size of total assets; profit = return on equity (proxy for profit); and debt to equity = debt to equity ratio (proxy for gearing).

Table 4.3 shows the size of company assets, the maximum was RM 591,446,770 and the minimum amount RM 4,245,390 with mean RM51468214.23 and RM94970192.33 standard deviation. On the other hand, maximum ratio for profit is 43.54% and the minimum profit ratio is -359.48% with mean -3.01% and 42.80% standard deviation. Maximum ratio for gearing (debt to equity) is 128.66% and minimum ratio is 0% with mean 11.09% and 30.33% standard deviation. Lastly, for industry type is measure by 1=Consumer, 2=Finance, 3=Industrial product, 4=Technology, and 5=Trading or service. Meanwhile, dependence on government is measure by 1 for dependence on government and 0 for not

³ Index score adopted and modified from Haniffa, and Cooke, 2005.

dependence on government. The result from analysis score index is 30 or 34.88% companies out of 86 companies is dependence on government. Return on equity is a measure of return on investment of the common stockholders or net worth. Higher return is better as it indicates higher return for the owners of the firms (Block and Hirst, 2005). It is appear the return in table 4.4 in the average will be better than minimum and maximum which give the medium company size the opportunity to enlarge and extend will improve Malaysian economy as a whole.

On the other hand, debt to equity ratio measures the relative funds provided by creditors as compared to owners or net worth in the firm's capital structure. Net worth is defined as total assets minus total debt minus preferred stock (Block and Hirst, 2005). A ratio of more than one indicates that creditor provided more funds compared to owners. Moreover, a less one ratio indicates more funds provided by owners.

4.2 Pearson Correlation Analysis

Pearson correlation matrix will indicate the direction, strength and significant of the bivariate relationships among the variables in the study. A perfect correlation between two variables is represented by 1.0, or on the other hand, there could be a perfect negative correlation represented by -1.0. The correlation is derived by assessing the variations in one variable as another variable also varies. However, neither of these will be found in reality when assessing the correlation between two variables that are expected to be different from each other (Pallant, 2001). Thus, the correlation could range between -1.0 and +1.0, the correlations of the variables should be tested either it is significant or not. A significant level represented by ($p \leq 0.05$) is the generally accepted level in social science research (Coakes and Steed, 2003). It indicates that 95 times out of 100 we can be sure that there is a true or significant correlation between two variables, and there is only 5% chance that the correlation does not exist. Table 4.4 below shows the correlation result between size, profit, gearing (debt to equity), dependence on government, and CSR disclosure in annual report for MESDAQ listed companies.

Table 4.4: Correlations

		CSR	LSIZE	ROE	DTE	IT1	IT2	IT3	IT4	IT5	DOG
CSR	Pearson Correlation	1	0.308(**)	0.103	0.212(*)	-0.069	0.157	0.091	-0.143	0.087	-0.092
	Significance(2-tailed)	.	0.004	0.347	0.050	0.525	0.148	0.404	0.189	0.424	0.397
	N	86	86	86	86	86	86	86	86	86	86
LSIZE	Pearson Correlation		1	0.269(*)	0.300(**)	0.025	0.164	0.056	-0.103	-0.038	-0.043
	Significance(2-tailed)		.	0.012	0.005	0.817	0.131	0.607	0.345	0.726	0.697
	N		86	86	86	86	86	86	86	86	86
ROE	Pearson Correlation			1	0.113	-0.165	0.016	0.080	-0.105	0.084	-0.124
	Significance(2-tailed)			.	0.302	0.128	0.885	0.465	0.338	0.443	0.254
	N			86	86	86	86	86	86	86	86
DTE	Pearson Correlation				1	-0.039	-0.069	0.097	-0.004	-0.081	-0.235(*)
	Significance(2-tailed)				.	0.720	0.529	0.372	0.972	0.459	0.029
	N				86	86	86	86	86	86	86
IT1	Pearson Correlation					1	-0.021	-0.058	-0.141	-0.039	0.148
	Significance(2-tailed)					.	0.851	0.597	0.196	0.719	0.173
	N					86	86	86	86	86	86
IT2	Pearson Correlation						1	-0.101	-0.247(*)	-0.069	0.127
	Significance(2-tailed)						.	0.354	0.022	0.528	0.245
	N						86	86	86	86	86
IT3	Pearson Correlation							1	-0.634(**)	-0.193	-0.096
	Significance(2-tailed)							.	0.000	0.075	0.381
	N							86	86	86	86
IT4	Pearson Correlation								1	-0.471(**)	0.059
	Significance(2-tailed)								.	0.000	0.591
	N								86	86	86
IT5	Pearson Correlation									1	-0.037
	Significance(2-tailed)									.	0.734
	N									86	86
DOG	Pearson Correlation										1
	Significance(2-tailed)										.
	N										86

** Correlation at 0.01(2-tailed), and * Correlation at 0.05(2-tailed)

4.3 Multiple Regression Analysis

Since the correlation coefficient (r) indicates the strength of relationship between two variables, it gives no idea of how much of the variance in the dependent variable will be explained when several independent variables are theorized to simultaneously influence it. Thus, multiple regression analysis would indicate on how much of the variance in the dependent variable is explained by a set of predictors (independent variable). The result of the analysis is shown in the Table 4.5 and 4.6 below:

Table 4.5: Result of Multiple Regression Analysis

Variables	Sum of Square	df	Mean Square	F	Significance
Regression	3.403	9	0.378	2.005	0.050(a)
Residual	14.329	76	0.189		
Total	17.733	85			

a Predictors: (constant) DOG, IT5, LSIZE, IT1, IT2, IT3, ROE, DTE, IT4...

b Dependent Variable: CSR

Table 4.5 shows that the F value is significant at the 0.05 level. This result represents that the overall model have a quite good fit. In addition, adjusted R square = 0.096 shown in the Table 4.6 below explains that the variation in independent variables such as, LG_SIZE, profit, debt to equity, industry type, and dependence on government, accounted for only 9.6 percent of the variance in the dependent variable.

Table 4.6: Model Summary of Multiple Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.438(a)	0.192	0.096	0.43

a Predictors: (constant) DOG, IT5, LSIZE, IT1, IT2, IT3, ROE, DTE, IT4...

b Dependent Variable: CSR

Table 4.7: The Coefficients of Multiple Regression Analysis

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Significance
	B	Std. Error	Beta		
(Constant)	-2.725	1.073		-2.540	0.013
LSIZE	0.285	0.129	0.253	2.214	0.030
ROE	-0.00007598	0.001	-0.007	-0.065	0.949
DTE	0.002	0.002	0.140	1.245	0.217
consumer	0.642	0.648	0.152	0.991	0.325
finance	1.216	0.529	0.491	2.300	0.024
industrial	0.895	0.444	0.818	2.018	0.047

technology	0.835	0.454	0.889	1.839	0.070	a
Product or service	1.024	0.477	0.723	2.145	0.035	
DOG	-0.078	0.105	-0.081	-0.740	0.462	

Dependent Variable: CSR

Based on the results represented in Table 4.7 above, the multiple regressions for MESDAQ listed company can be expressed as follows:

$$Y \text{ (CSR)} = -2.725 + 0.285_{X1} - 0.00007598_{X2} + 0.002_{X3} + 0.642_{X41} + 1.216_{X42} + 0.895_{X43} + 0.835_{X44} + 1.024_{X45} - 0.078_{X5}$$

From the regression equation above, it can be concluded that CSR disclosures are positively related to X1 (LG_SIZE), X42 (industry type 2), X43 (industry type 3), X45 (industry type). However, CSR disclosures are negatively related with X2 (profit), and dependence on government. In addition, variables X3 (gearing), X41 (industry type 1), X44 (industry type 4), and X5 (dependence on government) failed to be accepted due to the significant value is more than 0.05. This means that the CSR disclosure increases with the increase of size of companies, finance companies, consumer product companies, trading or service companies. From the result, it could be concluded that size, industry type such as finance, consumer, and trading and service have positive influence on CSR disclosure for MESDAQ listed companies.

4.4 Hypotheses Testing

4.4.1 Hypothesis 1

H1: Ceteris paribus, there is a positive relationship between size and CSR disclosure. Based on the regression analysis, size has a significant positive relationship with CSR disclosure listed companies. The significant value equal to 0.030 which is less than threshold standard that indicates *p* value should be ≤ 0.05 to be significant. Thus, H1 is significant and it is accepted. This result supported the findings (Amran and Devi, 2008; Belkaoui, 1999; Cowen *et al.*, 1987; Patten, 1991; Hackston and Milne, 1996 and, Gray *et al.*, 1995a).

4.4.2 Hypothesis 2

H2: Ceteris paribus, there is a positive relationship between previous year profit and CSR disclosure. Based on the regression analysis, profit has no significant influence on MESDAQ listed companies level of CSR disclosure but in positive relationship. The significant value equal to 0.949 which is more than threshold standard that indicates *p* value should be ≤ 0.05 to be significant. Thus, H2 is not accepted. This result not supported the findings of (Roberts, 1992; Oliver, 1991; Amran, 2006; Bowman and Haire, 1976). But, it is consistent with findings of (Hackston and Milne, 1996; Zakaria, 2002).

4.4.3 Hypothesis 3

H3: *Ceteris paribus*, there is a positive relationship between highly geared companies and CSR disclosure.

Based on the regression analysis, gearing companies has no significant influence on MESDAQ listed companies of CSR disclosure in a negative relationship. The significant value equal to 0.217 which is more than threshold standard that indicates p value should be ≤ 0.05 to be significant. Thus, H3 is not accepted. This result did not supported the findings (Wallace *et al.*, 1994; Cooke, 1996; Schipper, 1981) that high geared companies tend to disclose more CSR information in annual reports.

4.4.4 Hypothesis 4

H4: *Ceteris paribus*, the extent of CSR disclosure is associated with the industry type.

Based on the regression analysis, industry type 2 (finance), industry type 3 (industrial product), and industry type 5 (trading or service) are significant to CSR disclosure at values of 0.024, 0.047, and 0.035 respectively. Meanwhile, industry type 1 (consumer), and industry type 4 (technology) has no significant relationship to CSR disclosure at significant value 0.325, and 0.070 each. The significant value for industry types is less than threshold standard that indicates p value should be ≤ 0.05 to be significant. Since the result shows is significant relationship in the positive direction, therefore, H4 is accepted for finance, industrial product, and trading or service. This result supported the findings (Adams, Hill and Roberts, 1998; Dye and Sridhar, 1995; Thompson and Zakaria, 2004; Cowen *et al.*, 1987) that the willingness of companies to provide CSR information depends on how sensitive their industries are to employee and stakeholder concerns.

4.4.5 Hypothesis 5

H5: *Ceteris paribus*, there is a positive relationship between a company that is dependence on government contracts and CSR disclosure. Based on the regression analysis, government contracts has a no significant relationship on the MESDAQ listed companies CSR disclosure. The significant value equal to 0.462 which is greater than threshold standard that indicates p value should be ≤ 0.05 to be significant. Since the result shows non significant relationship in the negative direction, therefore, H5 is not accepted. This result does not support the findings (Amran and Devi, 2008; Dimaggio and Powell, 1983; and Keating, 1993) that companies that received contracts from government tend to disclose CSR information due to government policy requirements.

5.0 Limitation

There are some limitations and assumptions inherent in this study. The limitations and the assumptions are as follows:

- 5.1 This study has been conducted only among MESDAQ listed companies. These companies were selected due to the availability and accessibility of the data to be analyzed.
- 5.2 There were only 86 companies involved in this study. Hence, because of the small population of MESDAQ listed companies, the result of the study might not generate a strong significant result on the hypotheses being tested.
- 5.3 There were only five factors used in this study to test the level of CSR disclosure amongst MESDAQ listed companies. There is some possibilities that others potential variables were not included.

- 5.4 The other limitation for this study is the research design which only make used of one year annual report, the present study does not reflect the changes in CSR disclosure over time. Moreover, yearly follow-up surveys conducted over a long period, such as a decade, would be able to capture whether or not these companies moved to more proactive positions.
- 5.6 This study making assumes that the 86 companies' annual report was enough for measures the CSR disclosure for the companies and all scores questions are adequate to measure the CSR disclosure in the annual report for MESDAQ listed companies. In addition, score of index of the reporting of CSR activities in various companies and especially in the annual report is measured such as pictures and graphics. This can consist of simply noting whether or not a particular item such as community involvement is discussed either qualitatively or numerically, or it can mean actually score of index (Haniffa and Cooke, 2005). Then, the results are independent of the particular research.
- 5.7 The secondary data of this study were the annual report of the MESDAQ listed companies. Amran and Devi, (2008) indicate that multinational company (MNC) might use different media for reporting CSR such as British American Tobacco (M), Ajinomoto (M) and Shell (M). These MNC usually have separate supplemental information. However, this study has not considered this possibility, as it focused solely on annual reports.
- 5.8 This study only compared and contrasted those companies which register in MESDAQ listed companies thus limiting the type and form of organization to which these results can be inferred. It may be suggested that as further limitation of this study is considered companies in this study which not register MESDAQ listed companies.

6.0 Conclusion

As this study has highlighted CSR by companies is affected by a complex interrelationship of size, profit, gearing, industry type, and dependence on government policy. Though, somewhat surprisingly, the study highlighted that for MESDAQ listed companies CSR only size was significant. Profitability, financial gearing, industry type, and role of government had no real impact. Of concern is the fact that MESDAQ listed companies, generally, have no intention to disclose corporate social information or activities in their annual reports, nor do they intend to contribute to national development.

These findings, though tentative given the limitations of the study, are nonetheless worrying for the Malaysian Government's New Economic Model (NEM) and the associated transformational plans. Central to those plans is a commitment to "Sustainability" as evidence by the adoption of Agenda 21, the recently introduced Prime Minister's "Hibiscus Award" for environmental protection together with the launching of two ethically based "Social Responsibility Investment Funds" and the general encouragement given for CSR reporting (Amran and Devi, 2008).

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