Social and Environmental Disclosures
in the Annual Reports of Malaysian Companies

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UNIVERSITI UTARA MALAYSIA 2003
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SOCIAL AND ENVIRONMENTAL DISCLOSURES IN THE ANNUAL REPORT

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Tariikh : 17/11/03
(Date)
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in the Annual Reports of Malaysian Companies

Research Project submitted to the Graduate School in partial fulfillment of the requirements for the degree Master of Science (International Accounting)

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Abstract

Since the early 1970s, a number of studies have investigated the nature and frequency of corporate social and environmental disclosures, their patterns and trends, and their general relationship to the corporate size, profitability and environmental performance. The purpose of this study is to evaluate the amount of social and environmental disclosures made in annual reports of companies listed on the main board, Kuala Lumpur Stock Exchange (KLSE). In particular, this study empirically examines the impact of five firm-specific characteristics on the general level of voluntary disclosures in the annual reports of the main board KLSE-listed companies. The five variables are firm size, ownership structure, industry type, raising capital and size of audit firm. In so doing, an indexing procedure is used to measure the contents of disclosures, and the relationship between the disclosure index and the firm characteristics is tested. The results indicate that corporate social and environmental disclosures are incomplete and very low. The results also show that firm size and ownership are weakly related with the level of social and environmental disclosure, whereas industry type, raising capital, and audit firm size are not related with the level of social and environmental disclosure.
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1. Introduction

Organizations of every type and size, public and private, profit and non-profit, now have to be able to satisfy customers, investors, creditors, suppliers, regulators and the public at large that they are operating responsibly toward the environment and, if they are not, what they are doing to improve their performance in the future. Rankin (1996) found that Australian users demand more environmental information than they are getting. A study by De Villiers (1998) indicated that corporate environmental disclosure was a popular concept among users of financial statements as well as among directors of companies and auditors.

The upsurge in corporate social and environmental disclosures, also known as triple bottom line reporting, over the past two decades has been attributed to a variety of factors. Abbott and Monsen (1979), for instance, have seen the pressure to disclose coming from two related sources, the general public and government regulatory agencies. It is doubtful that environmental groups need information from corporations in order to make financial decisions. They need it to make decisions, such as whether to launch a campaign against “ungreen” corporations (De Villiers, 1998).

During the early 1990s, public concerns about the environment were at an all time high. Public opinion poll results indicated that the public views business and industry as the major contributors to the environmental problems and that business and industry will not voluntarily protect the environment. The shareholders increasingly recognize that they have a vital role to play in ensuring that environmental reporting improves, as performance in these areas underpins business reputation and commercial success in the long term. Guthrie and Parker (1989) suggested that
The contents of the thesis is for internal user only
References


