THE EXTENT OF CORPORATE SOCIAL DISCLOSURE BY BANKS AND FINANCE COMPANIES IN MALAYSIA

A dissertation submitted to the School of Accountancy in partial fulfilment of the requirements for the degree Master of Business Administration (Accounting), Universiti Utara Malaysia

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TABLE OF CONTENT

	Page
PERMISSION TO USE	i
ABSTRACT (BAHASA MALAYSIA)	ii
ABSTRACT (ENGLISH)	iii
LIST OF TABLES	iv
CHAPTER ONE: INTRODUCTION	
1.1 BACKGROUND	1
1.2 OBJECTIVE OF THE STUDY	4
CHAPTER TWO: LITERATURE REVIEW	6
CHAPTER THREE: RESEARCH METHODOLOGY	
3.1 SELECTION OF SAMPLE	13
3.2 MEASUREMENT OF VARIABLE	13
3.3 DATA ANALYSIS	19
CHAPTER FOUR: ANALYSIS, RESULY AND DISCUSSION	
4.1 DISCLOSURE LEVEL	20
CHAPTER FIVE : CONCLUSION AND FURTHER RESEARCH	25
BIBLIOGRAPHY	27
APPENDIX 1	30
APPENDIX 2	31

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ABSTRAK

Objektif kajian ini dijalankan adalah untuk melihat pendedahan item sosial didalam laporan tahunan bank-bank dan syarikat kewangan di Malaysia. Item-item sosial yang digunakan dalam kajian ini adalah diambil dari kajian yang dijalankan pada tahun 1975 oleh jawatankuasa perakaunan sosial Institut Perakaunan Amerika Syarikat dan kajian yang dijalankan oleh jawatankuasa perakaunan sosial Persatuan Kebangsaan Perakaunan Amerika Syarikat pada tahun 1977. Kajian ini dijalankan secara empirikal dengan melihat hubungan diantara pendedahan item sosial syarikat dengan ciri-ciri syarikat. Hasil dari kajian ini menunjukkan pendedahan sosial oleh bank-bank dan syarikat-syarikat kewangan Malaysia adalah rendah. Manakala, saiz syarikat didapati mempunyai hubangan yang positif dengan jumlah pendedahan item sosial yang didedahkan oleh syarikat. Walau bagaimanapun ciri-ciri syarikat yang lain seperti keuntungan, bidang pemiagaan, status penyenaraian serta saiz firm audit hubungannya adalah tidak signifikan dengan pendedahan item sosial yang dibuat oleh syarikat.

ABSTRACT

The objective of this research is to investigate the extent of social disclosure practiced by banks and finance companies in Malaysia. The social disclosure items selected in this study was replicated from a study by the AAA Committee on Accounting for Social Performance in 1975 and the other by the NAA Committee on Accounting for Corporate Social Performance in 1977. This study empirically examines the relationship between firm characteristic and the level of social disclosure. The findings from this research show that social disclosure level among banks and finance companies in Malaysia is still low. In addition, firm size was found to have a positive relationship with the amount of social disclosure made by firms. However the variables profitability, scope of business, listing status and audit firm size show insignificant relationship.

LIST OF TABLES

	Page
Table 3.1 : Items in the Disclosure Scoring Sheet	14
Table 4.1 : Descriptive Statistics	20
Table 4.2 : Regression Analysis	21
Table 4.3 : Correlation Between Independent Variables	23
Table 4.4 : Multicollineraty Variable	24

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

Accounting is commonly referred as language of business (Saudagaran, 2000). Financial reporting is considered one of the areas of accounting. The purpose of financial reporting is to communicate accounting information about business financial performance, which includes earnings, expenditures, liabilities and assets. Since the product of accounting is information, it will give economic benefits to the business, its managers, shareholders and others' parties who are interested to accounting data of the firm.

The Corporation, board of directors, investor and others interested parties were more concern on the financial performance of the business, rather than its social performance (Mohamed, 2000). Corporation has been critiqued by the public because of using earnings as a measurement for corporate performance (Hackston and Milne, 1996). These happen because those parties were concern to safeguard their economic interest rather than society interest. One of the purposes of corporate social reporting was to show to the society about the social activity of the corporation and its impacts. The word impact here means, how much the environment, employee, consumer, local communities and others were effected from the business activities (Monks and Minow, 1995). Dierkes and Antal (1985), suggest that corporate social reporting was a tool by the management to control its business social policy.

Belkaoui (1984) and Hackston and Milne (1996), stress that corporation is now under pressure from its stakeholders to report their social activities because these parties wanted to protect their interest. This pressure has force company to accept responsibility. In the middle of 1970, major professional accounting institutions (AICPA, NAA, and ICAEW) have started to discuss the issue in Corporate Social Accounting. Anshen (1980), suggest the idea of social accounting. According to Anshen, "The idea of social accounting involves evaluation, in monetary terms, of the impact of objectives, policies and procedure of a commercial organization, on different sections of the society, as compare to the benefits derived by the society." Mohamed (2000), suggest that corporate social reporting is an important tool to lessen the gap between community and firms. In this case, community is considered as important external stakeholders for the firm.

Hackston and Milne (1996), defined corporate social disclosure as the provision of financial and non-financial information, as stated in corporate annual report or separate social reports. Gray et al. (1995), has put remarks that the terminology for corporate social disclosure and environmental reporting has many virtual synonyms including corporate social and environmental disclosure, social responsibility disclosure and reporting and even social audit. Boyce (2000), quoted in Estes (1976), for the definition on social and environmental accounting. Social accounting is the communication of information concerning the impact of an entity and its entity on society. Then, environmental accounting is the communication of information concerning the impact of an entity and its activity on the environment.

Corporate social disclosure was considered as one of the area of corporate governance. Rodzi (1998), defined Corporate Governance as " the process and structure used to direct and managed the business and affairs of the corporation with the objective for enhancing long-term value for shareholders and financial viability of the business. The process and structure is defined as the division of power and accountability among shareholders, the board of directors and management and can have an impact on other stakeholders such as employee, customers, suppliers and communities. Monks and Minow (1995), defined corporate governance as the relationship between shareholders, management and board of directors in deciding the directions and performance of corporation. Tricker (1998) cited that corporate governance is concern on the good management and governance by the board of the company and its good relationship with the shareholders, regulators, auditors, top management and other legitimate stakeholders. On the basis of the three definitions above, we suggest that corporate governance is the effect of the management practice by the corporation and its management to the interested parties and society as a whole. Therefore, we argue that corporate social responsibility was on of the area of corporate governance.

1.2 OBJECTIVE OF THE STUDY

The objectives of this study are: -

1. To identify the type of information disclosure on corporate social reporting by banks and finance companies in Malaysia.
2. To identify company's characteristics that could influence the level of social disclosure. The company's characteristics refer to total assets, profitability, audit firm, listing status and scope of business.

This study will examine the types of social information disclosure practiced by banks and finance companies in Malaysia. In this study, social disclosure's items are classified into four categories namely community development, human resource, product or service contribution and physical resources and environmental contribution. Detail of social disclosure item use in this study as per appendix 2. The social disclosure item was replicate from social disclosure item suggested by American Accounting Association (AAA) Committee on accounting for corporate social performance and The NAA (Association for accountants in industrial sectors in United States) Committee on Accounting for corporate social performance. (Belkaoui and Karpik, 1989; Guthrie and Parker, 1989; Gray et al., 1995; Hackston and Milne, 1996; Imam, 2000).

There are two reasons why banking and financial institution have been chosen as a sample for this study. As mentioned above, the primary reason for this study is to investigate social disclosure practice by banks and financial companies in

Malaysia. Secondly, banks' borrowing was one of the external financing required by the businesses. Hence, bank policy favoring social information disclosure will give an impact to the company that seeks external financing from the bank. These happen because, business will try to full fill bank requirement for information during loan application. Therefore, bank internal practice on social information disclosure will have an impact to its borrowers.

CHAPTER TWO

LITERATURE REVIEW

Many studies have been conducted on social responsibility disclosure. Most of the empirical research focuses on annual report of the company to investigate social data disclosure by companies (Belkaoui, 1984).

Belkaoui (1984) cited a study conducted by Ernst and Ernst in 1971 to evaluate the nature of social responsibility disclosure in annual report of the fortune 500 industries, 50 life insurance companies and 50 commercial banks. The objective of the study is to list the possible dimension of corporate social responsibility disclosure. Results from the study had testified that there are seven dimensions of corporate social responsibility disclosure. The seven dimensions are environment, energy, fair business practice, human resource, community involvement, products and other social responsibility disclosure

However, Belkaoui (1984) has urged researcher not to limit the list of social factors as suggested by by Ernst and Ernst (1978). Davis and Blomstrom (1975), have proposed a more detailed list of social responsibility disclosure. The list includes ecology and environmental quality, consumerism, community needs, governmental relations, business giving, minorities and disadvantage person, labor relations, stockholder relations and economic activities (Belkaoui, 1984). Belkaoui also reviewed the list proposed by Research and Policy

Committee of the Committee for Economic Development (1971). The ten main ideas proposed by the committee were economic growth and efficiency, education, employment and training, civil right and equal opportunity, urban renewal and development, pollution abatement, conservation and recreation, culture and the arts, medical care and government.

Imam (2000) and Belkaoui (1984), has reviewed an empirical research performed by America Accounting and Association (AAA) committee on Accounting for social performance in 1975 and National Association of Accountants (NAA) committee on accounting for corporate social performance in 1977. The committee has identified four major areas of corporate social reporting namely committee development, human resource, product or service contribution and physical resource and environment contribution.

Guthrie and Paker (1989) quoted in Hogner (1982), studies of US Steels report for the years 1901 to 1980 i.e. over eight decades was consider long and rich history in corporate social reporting. In this study, Hogner has identified that the report on corporate social activity has changed over time. Most of the subject disclosed was concerned in the area of human resource and community service.

Kin (1990) conducted a study of corporate social responsibility disclosure in Malaysia. Annual report of 100 public listed company (divided by five categories) in Malaysia has been selected for the sample in the study. The result from the study reveals that only 66 percent of the companies in the sample made social disclosure. For the area of social disclosure, 64 companies disclosed information on product/ service improvement/ contribution, 31 on human resource, 22 companies on community involvement and only 1 on environmental disclosure.

Epstein and Fredman (1994), study on the usefulness of corporate social reporting to the individual investors. The sample represents ten percent of individual investors who invested in New York Stock Exchange. The sample was randomly selected from a master list of individual investors. The survey was conducted using mail questionnaire. They found that 68 per cent of the respondents want the social report to be prepared by the management and verified by the auditor. For the social disclosure item 85 per cent respondent wanted product quality information to be included in corporate social report. The second most wanted item is corporate environmental activities that represent 82 per cent of the respondent. This result indicates that the individual shareholders want company to produce report on product quality and safety for the reason of protecting the consumers.

Tilt (1994), conducted a study on the influence of external pressure group in Australia on the corporate social disclosure made by the companies. In his studies, besides using annual report as a media for reporting on corporate social disclosure, other media also used in the study were:

* "narratives or quantified reports included in the annual report;

* supplements to annual report or produced at interim dates;

* booklets or leaflets produced to address the social activities of the company;

* advertisements or articles published detailing companies activities;

* labeling of products to promote environmental and/or other concerns."

The respondent consists of 146 environmental organizations and non-government organizations located around Australia. Results from the study show that annual report was rank highest compared with other media. This external pressure group also wanted the annual reports to be audited to show the credibility of the report. In addition, the accounting standard setters in Australia should set the standard for presentation of corporate social reporting.

Gray et al. (1995), performed time series studies for social and environmental disclosure in Britain for 13 years (from 1979 to 1992). The data was taken from UK company's annual report. The purpose of the study is to survey the UK company's social disclosure practice. Result from the study shows that social disclosure item on employee and community (especially charitable donation) was widely practiced. For mandatory social disclosure (pension data) most of the company disclosed such information in their annual reports. Finally, besides employee disclosure, there was an increasing trend in community and environmental disclosure. However, customer related disclosure was still at low level.

Hackston and Milne (1996), conducted a research on social and environmental disclosure practiced by New Zealand companies. The objective of the study is to compare social disclosure practice by New Zealand companies relative to overseas practice. The dependent variable used was type of social disclosure such as environment, energy, human resource, product and community involvement. The, independent variables were company size, corporate profitability and industry type. The three measurements used for determining sizes were market capitalization, sale and total assets. The samples chosen consists of 47 companies listed in New Zealand Stock Exchange (representing 92 percent of total market capitalization). The results from the survey reveal that human resource disclosure was the most popular item in corporate social disclosure by New Zealand companies. Environmental and product disclosure was ranked second and third respectively. The finding was the same for listed companies in USA, UK and Australia. Furthermore, the result shows that there was significant relationship between the content of social disclosure made by the companies and the variable size and industry. While for the variable profitability, no sign relationship was found.

Walden and Schwartz (1997), conducted a study on 53 firms in United States for three years that is 1988, 1989 and 1990. The purpose of the study was to assess on the environmental reporting before and after the Exxon Valdez Oil Spill in Alaska. Results from the study indicated that there was significant difference in environmental disclosure by Oil Companies before and after the environmental tragedy.

Adams et al. (1998) conducted a study on corporate social reporting practiced in Western Europe. The sample consists of 150 companies in France, Germany, Netherlands, Sweden, Switzerland and UK. The objective of the study was to investigate the variable size, industry and country that would have influence over corporate social reporting practice of companies. The result from the study shows that the variable industry has a significant influence on environmental disclosure compared to employee and others social disclosure. For the size of companies, larger company (turnover more than 3 billion-pound) made more social disclosure in contrast to small company. Finally the results indicate that there was significant difference in the amount of social information disclosed in relative to countries. They suggest that further study should be done to investigate the reason for differences in social disclosure between European countries.

Williams and Pei (1999), conduct a study on corporate social disclosure by 174 listed companies in Australia, Singapore, Hong Kong and Malaysia. The objective of the study was to identify the differences between social information contain in company's web site and annual report. The result of the study shows that Australia and Singapore companies furnish more information in their web site than in annual report. Malaysia and Hong Kong company relatively disclose small amounts of information contain in their web site compared with in annual report. For the social disclosure items all companies disclose more on human resource and management and community issue.

Imam (2000), conducted a survey on type of social reporting disclosed by listed companies in Bangladesh. The survey was based on the information contained in companies annual report. The sample was randomly selected from 40 companies representing 20 percent of companies listed in Dhaka Stock Exchange The result shows that all Bangladeshi companies disclose information on human resource. In addition, only 25 percent of the companies disclose on community development, 22.5 percent on environmental and 10 percent on product. Community developments refer to activities that will benefits the public, eg. financing of health service and construction of school and mosques by company. Further analysis showed that the information disclosed was qualitative in nature except for human resource disclosure. Moreover, for the page amount, most of social information was disclosed made less than half page of the annual report.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 SELECTION OF SAMPLE

The sample for this study is composed of 30 banks and financial institution in Malaysia. As at 31^{st}. December 1999, there were 70 banks and finance companies operating in Malaysia with total assets of RM638.3 billion (Bank Negara Malaysia, 2000). The main reason for using Malaysia financial institutions is because the researcher wants to look at the overall practice of corporate social disclosure by local banking institutions. Analysis for corporate social disclosures was restricted to the 1999 financial reports only.

3.2 MEASUREMENT OF VARIABLE

3.2.1 DEPENDENT VARIABLE

To measure the type of corporate social disclosure made by the financial institutions, a scoring sheet according to appendix 2 was prepared. The purpose of this scoring sheet is to record social disclosure items that may be disclose in banks and finance companies annual reports. Table 3.1 shows the breakdown of the items in the scoring sheet.

TABLE 3.1 : ITEMS IN THE DISCLOSURE SCORING SHEET

	Number of Variable	**Percent**
Community Development	5	27.8
Human resource	4	22.2
Product or Service Contribution	6	33.3
Physical resources and environmental contribution	3	16.7
Total	18	100

To measure the disclosure level for every company, a disclosure index was developed. The effective use of this index greatly depends on the selection of the items to be included in the index. A dichotomous procedure developed by Cerf (1961) is used to measure the disclosure score. According to Azhar (2000), the purpose of this index is " to measure the extent, content and relevance of items of information in corporate reports". This method is easy because a score of one will be given if the item is disclosed and zero if it is not disclosed. The computation for the total disclosure (TD) score for every company is calculated as follows:

$$m$$

$$TD = \Sigma d_i$$
$$i = 1$$

Where d = 1, if the item d is disclosed
d = 0 if the item d is not disclosed
m = the number of items actually disclosed
n = the number of items that company is expected to disclose (discussed below) and
m ≤ n

In this study, all social disclosure items digest from the annual report (as per appendix 2) consider equally important. The selection for the items used in this research was replicated from the research conducted by American Association Accounting Committee for social performance (1975) and National Association of Accounting Committee (1977) for corporate social performance (Belkaoui and Karpik, 1989; Guthrie and Parker, 1989; Gray et al,. 1995; Hackston and Milne 1996; Imam, 2000). The committee has identified four major area of corporate social performance as been discussed in section one of this research. Guthrie and Parker (1989) and Gray et. al (1995) suggested that it was important to distinguish between mandatory and voluntarily disclosure item in corporate social disclosure research. In Malaysia, all corporate social disclosure items are treated as a voluntary disclosure.

According to Ku Nor Izah and Shamsul (1985) and Azhar (2000), to measure the relative level of disclosure, an index ratio (the actual score disclose by individual company) has to be developed. The computation for an index ratio is as follows:

n

$$M = \sum_{i=1} d_i$$

Where d = expected item of disclosure
n = the number of items which company is expected to disclose

The maximum score (M) that companies earn may vary. Finally, to measure the disclosure level for every company, a Total Disclose Index (TDI) was computed by TD/M. The score for every company will be between zero to one. If the company disclose all the social disclosure item as per appendix 2, a score one will be given. However if a company did not disclose any of the social disclose items the score will be zero. In this research, the TDI for every company is treated as the dependent variable.

3.2.2 INDEPENDENT VARIABLES

The variables company size, profitability, external auditor, listing status and scope of business was chosen as an independent variables in this study.

Firm size. Hacton and Milne (1996), used market capitalization, sales and total assets as a measurement for size. The result from their study shows that all of these variables i.e for size was positively associated with the amount of social and environmental disclosure. Prior studies by Belkaoui and Karpik (1989), Tong et al. (1990) and Adams et al. (1997) show a positive relationship between company size and the amount of voluntarily disclosure. In this study, a total asset of the firm is chosen as a measurement for the firm size. Due to non-normality of total asset, the measurement for total assets has to be transform to natural logarithm.

Firm Profitability. Return on equity or return on assets can be used as a independent variable to measure profitability (Cowen et al. 1987). Previous study by Hackston and Milne (1996) and Patten (1991), show that profitability was not significantly associated with the disclosure amount. This study will use return on assets as a measurement for profitability. Even though, the result from the studies conducted by Hackston and Milne and Patten indicated that, companies profitability was not significantly associated with the level of company corporate social disclosure, this study tend to look the influence of this variable in the Malaysian environment.

Size of audit firm. The research conducted by Tong et al. (1990) discovers that the audit firm size has no significant relationship with the amount of voluntary disclosure. A study by Ku Nor Izah and Shamsul (1998) found that size of the auditing firm (refer to big six audit firm relative to medium and small audit firm) has no significant influence on the level of disclosure. The possible explanation may be the item used in their study was mandatory items. Since, Corporate Social Disclosure is considered voluntarily disclosure, therefore it predicted that audit firm size might insignificantly influence the level of social disclosure.

Listing status. The purpose of a company listing their firm in a stock exchange is to get external financing. In countries whereby capital market is the main source of financing, the disclosure level is high compared to countries that rely on debt financing (Saudagaran, 2000). The study conducted by Cerf (1961) found that there was positive relationship between quality of corporate disclosure to the listing status. Another studies conducted by Graves and Waddock (1994), found that there was positive relationship between Corporate Social Performance and the number of institutional shareholders. One of the reason citied by Graves and Waddock was the institutional shareholders tend to exhibit the image as responsible corporate citizens. However, result from the research conducted by Buzby (1974), indicated that the quality of disclosure was negatively associated with the listing status. The using of this variable on this study is to compare researcher result with the result from previous studies.

*Scope of firm busin*ess. In this study scope of firm refer to whether the firm involve in banking and other related financing activities or only involve in banking or finance business. Other related financing activities here refer to finance business, merchant bank, venture capital, factoring business, asset management, unit trust management and insurance. Therefore, the bank that has many business activities is more complex. In view of these diversity and complexity of business activities, firm disclosure level may be high relative to firm that engaged only one area of business (Ku Nor Izah and Shamsul, 1998).

3.3. DATA ANALYSIS

To examine the effect of the independent variables (firm characteristics) on the dependent variable the following multiple regression equation was conducted (Wallace and Naser, 1995; Hackston and Milne, 1996; Ku Nor Izah and Shamsul, 1998)

$$`TDI = \alpha + \beta_1 \text{ Ln Assets} + \beta_2 ROA + \beta_3 AUDIT + \beta_4 LIST + \beta_5 SCOPE + \epsilon$$

Where;

TDI	= Total disclosure index;
Ln Assets	= natural log of book value of total assets;
ROA	= return on assets (EBIT/Total assets)
Audit	= one if audit by big six firm or zero if oppositely;
List	= one if listed at KLSE or zero if oppositely
Scope	= one if firm business in banking and other related financial business or zero if business in banking or finance only.
ϵ	= disturbance term
α, βi	= Constant or parameters to be estimated, i = 1,.....5.

CHAPTER FOUR

ANALYSIS, RESULT AND DISCUSSION

4.1 DISCLOSURE LEVEL

Table 4.1 :DESCRIPTIVE STATISTICS FOR THE DEPENDENT AND INDIPENDENT VARIABLE

Descriptive Statistics

	N	Mini	Maxi	Mean	Std.	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
TDI	30	.06	.44	.1760	.0988	1.353	.427	1.691	.833
LNASSETS	30	5.44	11.39	8.681	1.539	-.300	.427	-.513	.833
ROA	30	-.160	.780	.0728	.1401	4.572	.427	24.49	.833
AUDIT	30	0	1	.80	.41	-1.580	.427	.527	.833
LIST	30	0	1	.67	.48	-.745	.427	-1.554	.833
SCOPE	30	0	1	.23	.43	1.328	.427	-.257	.833
Valid N (listwise)	30								

The result from the table 4.1 exhibit that, the score for corporate social disclosure by banks and finance companies in Malaysia ranging between 0.06 to 0.44. With reference to a mean score of 0.1760, it is clear that corporate social disclosure by bank and finance companies in Malaysia is low. This finding was similar to Wiliams and Pei (1999), that corporate social in Malaysia is low compare to Singapore and Australia. For the number of companies making social disclosure items, the top five items rank are as follows; Product safety (30), employee assistance/ remuneration / benefits (21), Product quality (16), product development and research (14) and donation to community groups and charitable bodies (2). There is no social disclosure for the items in physical resources and environmental contribution.

Table 4.2 : REGRESSION ANALYSIS

Coefficients[a]

Model	Standardized Coefficient **Beta**	t	Sig.
(Constant)		-1.325	0.198
LNASSETS	0.614	2.824	0.009
ROA	-0.009	-0.050	0.961
AUDIT	0.002	0.014	0.989
LIST	-0.001	-0.005	0.996
SCOPE	-0.052	-0.288	0.776

[a] Dependent Variable : TDI

Result from the regression analysis in table 4.2, shows that the independent variable Ln asset is significantly positive (significant at 0.01) with TDI (dependent variable). This result is in line with previous research (Hackston and Milne 1996 and Imam 2000). Then for the other independent variables, the relationships with the dependent variable are not significant.

In term of the relationship between TDI and profitability, the finding is consistent with Patten (1991) and Hackston and Milne (1996). The result shows that the profitability of Malaysian banks and finance companies is unrelated to the amount of social disclosure. In addition, the relationship between listing status and disclosure level is not significant. This finding is similar to that found in a study by Tong et al. (1990). These findings may suggest that, banks and finance companies in Malaysia given more emphasis on mandatory disclosure than on voluntary disclosure. The relationship between scope of business and disclosure score is also not significant. The result possibly indicates that, there is no difference in disclosure levels between firm operating in multiple business activities and those companies operating in single activity. Finally, for the audit firm size, the relationship between this variable and the disclosure score is positive but not significant. It might suggest that, the auditor type has no influence on the level of social disclosure made by companies. Epstein and Freedman (1994), suggested that, this situation happens because "the auditing profession has not taken an active role in encouraging social disclosure".

Table 4.3 :CORRELATION BETWEEN INDEPENDENT VARIABLES

Correlations

		LNASSETS	ROA	AUDIT	LIST	SCOPE
LNASSETS	Pearson Correlation	1.000	-.290	-.242	.526**	.426**
	Sig. (1-tailed)	.	.060	.099	.001	.009
	N	30	30	30	30	30
ROA	Pearson Correlation	-.290	1.000	.093	-.318*	-.099
	Sig. (1-tailed)	.060	.	.313	.043	.302
	N	30	30	30	30	30
AUDIT	Pearson Correlation	-.242	.093	1.000	.000	-.118
	Sig. (1-tailed)	.099	.313	.	.500	.267
	N	30	30	30	30	30
LIST	Pearson Correlation	.526**	-.318*	.000	1.000	.223
	Sig. (1-tailed)	.001	.043	.500	.	.118
	N	30	30	30	30	30
SCOPE	Pearson Correlation	.426**	-.099	-.118	.223	1.000
	Sig. (1-tailed)	.009	.302	.267	.118	.
	N	30	30	30	30	30

**. Correlation is significant at the 0.01 level (1-tailed).

*. Correlation is significant at the 0.05 level (1-tailed).

In table 4.3 above it shows that, listing status and scope of business are highly correlated to Ln Assets (0.526 and 0.426 respectively). This result suggests that multicollinearity problem may exist between those variables. However, the result from table 4.4 show that the multicollinearity problem does not exist. According to Judge et al. (1988) and Kleinbaun et al. (1988) multicollinearity problem doesn't exist if V.I.F. is below two.

Table 4.4: MULTICOLLINERATY VARIABLE

Coefficients[a]

Model		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		Beta			Tolerance	VIF
1	(Constant)		-1.325	.198		
	LNASSETS	.614	2.824	.009	.570	1.753
	ROA	-.009	-.050	.961	.874	1.144
	LIST	-.001	-.005	.996	.675	1.482
	SCOPE	-.052	-.288	.776	.818	1.223
	AUDIT	.002	.014	.989	.916	1.092

a. Dependent Variable: TDI

CHAPTER FIVE

CONCLUSION AND FURTHER RESEARCH

This paper presents an empirical investigation on corporate social disclosure by banks and finance companies in Malaysia. In Malaysia, corporate social disclosure was a voluntarily disclosure. Therefore, result shows that the disclosure level among Malaysian banks and finance companies is low. Most Malaysian financial institutions placed greater emphasis on disclosure of product or service contribution. The results may suggest that players from these industries try to introduce more competitive banking product to attract depositors and public to use their service. Another reason was, during the Asia financial crisis, the greater impact fall on banking and financial institution. Hence, possibly by making such disclosure it will create confidence among investor and public to place their money with them.

The study also examines some possible relationship between social disclosure practice and firm characteristics. The result indicates that the variable size is significantly associated to the amount of social disclosure by banks and finance companies in Malaysia. While for others independent variable i.e. profitability, audit firm, scope of business and listing status, the relationship is insignificant.

As like most research, this study has its own limitation. First, the sample of firms only represents one sector. Secondly, the number of independent variables representing firm characteristics can be considered small. It can be increased, for example by using leverage, profit margin, liquidity and ownership structure. Further research would be useful to overcome the limitation of this study. It is suggested that further research would include content analysis on measuring the amount of social disclosure and time series studies.

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APPENDIX 1

LIST OF SAMPLE OF BANKS AND FINANCE COMPANIES AND DISCLOSURE SCORE

	Names of Companies	**Disclosure Score (%)**
1	Malayan Banking Berhad	44
2	Utama Banking Group	22
3	Perdana Merchant Bankers Berhad	6
4	RHB Bank	17
5	Eon Bank Bhd	22
6	Delta Finance Berhad	11
7	Bumiputra Commerce Finance Berhad	11
8	ABN Amro	11
9	United Merchant Group Bhd	6
10	MBF Capital	11
11	Hock Hua Bank	17
12	Ban Hin Lee Bank	22
13	Arab Malaysian Finance Berhad	17
14	ACF Holding	11
15	Pacific Bank Berhad	17
16	Public Bank Berhad	28
17	Multi Purpose Holding Berhad	11
18	Commerce Assets Holding Berhad	22
19	Arab Malaysian Merchant Bank Berhad	17
20	Phileo Allied Bank Berhad	44
21	BSN Finance Berhad	11
22	Affin Holdings Berhad	33

23	Southern Bank Berhad	11
24	Public Finance Berhad	22
25	Perdana Finance Berhad	11
26	Oriental Bank Berhad	11
27	Standard Charted Bank Berhad	28
28	Credit Corporation Malaysia	6
29	Amanah Merchant Bank Berhad	17
30	International Bank Malaysia Berhad	11

APPENDIX 2

CORPORATE SOCIAL DISCLOSURE INDEX

A. COMMUNITY DEVELOPMENT

1. Donations to community groups and charitable bodies
2. Sponsoring public health, sporting and recreational projects
3. Funding scholarship programs or activities
4. Sponsoring national pride government sponsored project campaigns
5. Sponsoring communities programs and activities

B. HUMAN RESOURCE

1. Health and safety
2. Industrial relation
3. Employee training and conditions
4. Employee assistance, remuneration and benefits.

C. PRODUCT or SERVICE CONTRIBUTION

1. Product development and research
2. Product safety
3. Product Quality

4. Consumer satisfaction and feedback

5. Consumer awards

6. Action in response to consumer response

D. PHYSICAL RESOURCES and ENVIRONMENTAL CONTRIBUTION

1. General environmental considerations and statements

2. Environmental policy statement

3. Environmental education programs, awards and studies

Source (Belkaoui and Karpik, 1989: Guthrie and Parker, 1989: Gray et al., 1995: Hackston and Milne, 1996: Imam, 2000)