

**THE EFFECTS OF BOARD CHARACTERISTICS ON CORPORATE
SOCIAL RESPONSIBILITY DISCLOSURE**

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**THE EFFECTS OF BOARD CHARACTERISTICS ON
CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE**

By

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**Project Paper Submitted to the
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Master of Science (Finance)**

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DECLARATION

I certify that the substance of this thesis has never been submitted for any degree and is not currently being submitted for any other qualifications.

I certify that any assistance received in preparing this thesis and all sources used have been acknowledged and referenced in this thesis.

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ABSTRACT

This paper examines the effect of corporate governance characteristics (board composition and ownership structure) on the extent of disclosure in their annual report on corporate social responsibility activities concerning community, environment, employees and products among non-financial listed companies in Malaysia based on top 100 market capitalization. Nowadays, there is a tremendous demands by stakeholders to the companies in demonstrate greater transparency on their activities. Many studies have been conducted in Malaysia on the area of voluntary disclosure on corporate social responsibility. The current study aimed to evaluate the current level of corporate social responsibility disclosure (CSRSD) and investigate the effects of the corporate governance variables, board composition (board size, board independence and board qualification) and ownership structure (CEO ownership and non-executive ownership) and control variable (firm size) in relationship to the level of CSRSD in 2010 in 74 top 100 based on market capitalization companies listed on the Bursa Malaysia. The results indicates that the corporate governance variables are influencing the level of information disclosed, thus confirming the hypotheses. The results showed that the level of corporate social responsibility disclosure (CSRSD) level was acceptable compared to other studies. With regard to the quality of disclosure, the results on the corporate governance characteristics (board composition and ownership structure) showed that there are positive and negative relationship between CSRSD and corporate governance variables. The variable that is positively linked to CSRSD is board size, board independence; board qualification, family ownership and Malay director ownership and the negative linked relationship are board cross directorship, CEO ownership and non-executive ownership. However the result on control variable is negatively associated with CSRSD.

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TABLE OF CONTENT

CONTENT	PAGE
DECLARATION	II
PERMISSION TO USE	III
ABSTRACT	IV
ACKNOWLEDGEMENT	V
TABLE OF CONTENT	VI
LIST OF FIGURE	VIII
LIST OF TABLE	IX
1. CHAPTER ONE: INTRODUCTION AND BACKGROUND	
1.0 Introduction	1
1.1 Background of Study	2
1.2 Problem Statement	3
1.3 Research Objectives	4
1.4 Research Questions	4
1.5 Justification of Study	5
2. CHAPTER TWO: LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT	
2.0 Introduction	7
2.1 Voluntary Disclosure	7
2.2 Corporate Governance	9
2.3 The Agency Theory	10
2.4 Board Size	13
2.5 Board Independence	13
2.6 Board Qualification	14
2.7 CEO Ownership	15
2.8 Non Executive Director Ownership	18
2.9 Firm Size	20

3. CHAPTER THREE: RESEARCH METHODOLOGY

3.0	Introduction	21
3.1	Theoretical Framework	21
3.2	Methodological Approach	22
3.2.1	Research Approach/Design	22
3.2.2	Data Collection	23
3.2.3	Operationalization of Variables	23
3.2.4	Validity and Reliability	29
3.3	Methodological Design	30
3.3.1	Sampling Method	30
3.3.2	Target Population	30
3.3.3	Sampling Size	31
3.3.4	Unit of analysis	31
3.3.5	Data Analysis	31
3.4	Social Importance and Scientific Contribution	33
3.5	Limitation of Study	33

4. CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.0	Introduction	34
4.1	Descriptive Statistics	34
4.2	Multiple Regression Summaries	35
4.3	Correlation	40

5. CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

5.0	Introduction	43
5.1	Conclusion	43
5.2	Recommendation	44

6.0 REFERENCES	46
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7.0 APPENDIX

Operational Measure – Appendix 1	53
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List of Figures

Page

Figure 3.1 Research Framework

18

List of Tables	Page
Table 3.1 Summary of percentage Items Disclosed	28
Table 4.1 Summary of Descriptive Statistics	34
Table 4.2 Model Summary	35
Table 4.3 ANOVA	35
Table 4.4 Summary of Coefficient	37
Table 4.5 Collinearity Diagnostics	38
Table 4.6 Summary of Coefficient Correlations	39
Table 4.7 Summary of Pearson Correlation	41
Table 4.8 Summary of Regression	42

CHAPTER ONE

INTRODUCTION AND BACKGROUND OF STUDY

1.0 Introduction

Corporate Social responsibility (CSR) is one of the important management tools for the firms to create values and popularity within their customers. It has emerged as the significant themes to the international business communities and has become their mainstream activities. CSR is not a new idea nowadays. However, it has never been more prominent on the corporate agenda than it is today since the management started to realize the importance of CSR toward their firms.

CSR is no longer restricted to charity toward the community. It has become a business tools in promoting their businesses and also in reducing the company tax. The awareness towards CSR has increased towards business entity because their actions will reflect on the companies itself. The CSR has becomes a requirement to the companies in order to gain people's and government's recognitions.

In Malaysia CSR started late and not all companies are willing to implementing CSR in their business activity due to the conservative thinking of the shareholders. In other words if companies implement CSR, the return to shareholders will decrease. However, CSR is becoming well known in every corporate sector and most corporations in this world and most of the corporation. Multinational corporations have implemented this towards their employees, environment, customers and government. In the last few decade corporate social responsibility are not very

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