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**THE QUALITY OF CORPORATE SOCIAL
RESPONSIBILITY (CSR) REPORTING OF MALAYSIAN
COMPANIES**



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**THE QUALITY OF CORPORATE SOCIAL RESPONSIBILITY (CSR)
REPORTING OF MALAYSIAN COMPANIES**

By

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in Fulfillment of the Requirement for the Degree of Doctor of Philosophy**



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ABSTRACT

Malaysia is ranked among the best in the Asian region in terms of corporate social responsibility (CSR) reporting. However, the focus of reporting is more towards compliance of the disclosure requirements rather than the content. More recent studies suggest that CSR reporting should no longer be a matter of disclosure compliance but should shift towards reporting quality issues including the issues of ‘what’ and ‘how’ CSRs are disclosed. Additionally, the existence of CSR practices such as stand-alone reports and CSR guidelines is an impetus for companies in Malaysia to improve the quality of CSR reporting. Hence, taking the perspective of organizational legitimacy theory, this study aims to determine five dimensions of CSR reporting quality and their relationships with CSR practices as adopted by companies in Malaysia. The research design was developed through two phases: content analysis and multivariate analysis. Analyses were conducted on 254 companies listed in the main market of Bursa Malaysia in 2016 from among various industries. The findings show that the overall quality of CSR reporting in Malaysia is still low at around 24 percent. The existence of CSR practices is also seen as having a weak relationship with the quality of CSR reporting. This suggests that the practice of CSR reporting in Malaysia is rather “symbolic”, which purpose is more towards legitimizing the existence of the companies. However, the level of CSR reporting in Malaysia is at its best regarding the dimension of quantity and density. The selection of the CSR reporting theme shows no difference among the industries. Most industries select the workplace theme regardless of the core business, which is contrary to previous studies. The finding is consistent with the institutional theory, which argues that due to mimetic influence, companies in the same industry have the potential to imitate the form of reporting made by larger companies.

Keywords: CSR reporting quality, CSR practices, organizational legitimacy theory, institutional theory.

ABSTRAK

Malaysia kini berada di tahap antara negara terbaik dari segi laporan tanggungjawab sosial korporat (CSR) di negara-negara Asia. Namun, ia lebih menumpukan kepada kepatuhan pelaporan tanpa mengambil kira kandungan laporan CSR tersebut. Kajian terkini mencadangkan agar laporan CSR sepatutnya bukan lagi mengenai isu pematuhan bahkan sepatutnya menyentuh isu-isu 'apa' dan 'bagaimana' CSR ini dilaporkan. Selain itu, kewujudan praktis CSR seperti laporan *stand-alone* dan garis panduan CSR menjadi satu faktor dorongan kepada syarikat-syarikat di Malaysia untuk meningkatkan kualiti laporan CSR. Justeru, melalui perspektif teori legitisasi organisasi, kajian ini bertujuan untuk mengenalpasti lima dimensi kualiti laporan CSR dan hubungannya dengan praktis CSR yang diguna-pakai oleh syarikat-syarikat di Malaysia. Rekabentuk kajian dibangunkan melalui dua fasa: analisa kandungan dan analisa multivariat. Analisa dilakukan terhadap 254 syarikat yang disenaraikan dalam pasaran utama Bursa Malaysia pada tahun 2016 yang terdiri daripada pelbagai industri. Dapatan kajian menunjukkan bahawa kualiti laporan CSR di Malaysia masih di tahap yang rendah iaitu pada sekitar 24 peratus. Kewujudan praktis CSR juga dilihat mempunyai hubungan yang lemah dengan kualiti laporan CSR. Ini membuktikan bahawa praktis laporan CSR di Malaysia adalah bersifat "simbolik" iaitu sekadar bertujuan untuk mengesahkan kewujudan syarikat dan laporan CSR tersebut. Namun demikian, tahap laporan CSR di Malaysia adalah pada tahap yang terbaik pada dimensi kuantiti dan densiti. Pilihan tema untuk laporan CSR menunjukkan tidak banyak perbezaan di antara industri. Kebanyakan industri memilih tema '*tempat kerja*' tanpa mengira teras perniagaan yang diceburi dan bertentangan dengan dapatan kajian-kajian sebelum ini. Keadaan ini selari dengan teori institusi yang menjelaskan bahawa disebabkan oleh pengaruh "mimetic", syarikat dalam industri yang sama mempunyai kecenderungan untuk meniru bentuk pelaporan yang dibuat oleh syarikat yang lebih besar.

Kata kunci: Kualiti laporan CSR, praktis CSR, teori pengesahan organisasi, teori institusi.

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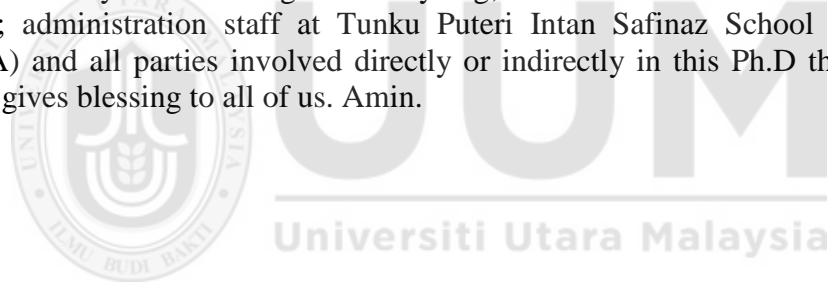


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LIST OF ABBREVIATION

ACC	Accuracy index
ACCA	The Association of Chartered Certified Accountants
CCM	Companies Commission of Malaysia
COM	Community
CSR	Corporate Social Responsibility
DNI	Density index
ENV	Environment
FASB	Financial Accounting Standard Board
G250	Global Fortune 250
GLC	Government-linked companies
GRI	Global Reporting Initiative
IASB	International Accounting Standard Board
IPC	Infrastructure Project Corporation
MESRA	Malaysian Environmental and Social Reporting Award
MNC	Multinational companies
MOR	Management orientation
MP	Marketplace
N100	The largest 100 companies
OBJ	Objectives and goals
OLS	Ordinary Least Square
OUT	Results and outcomes

PLC	Public Listed Companies
QCSR	Quality of Corporate Social Responsibility
READ	Readability index
REIT	Real Estate Investment Trust
RQI	Relative quantity index
SC	Security Commission
Sig	Significant
UNEP	United Nations Environment Programme
WP	Workplace



CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter is organized into the following sections. The first discusses the background of the study; the second defines the problem statement; the third, explains the research questions and objectives; the fourth describes the significance of the study; the fifth explains the scope of the study; the sixth presents the summary of the results and, finally, the organization of the study is described.

1.2 Background to The Study

CSR reporting is now not merely an optional report; it is a necessary standard business practice worldwide (Cable, 2013; Habek, 2017). It has been claimed as being one of the most competitive business strategies (Lim & Greenwood, 2017). Businesses are in the midst of a rapid global transformation which has forced companies to perform not only financially but socially as well. CSR reporting is regarded as one of the important elements in this transformation (Avi-Yonah, 2005; White, 2005; KPMG, 2017). Issues of global warming, unethical business practices and discouraging economic activities have caused businesses and stakeholders to develop more awareness towards non-financial information – including ethical issues, the environment and community issues (Hummels & Timmer, 2004). It is perceived that, in today's business world, the expectations are changing; companies are not only obliged to produce good products

and services but must also bear responsibility for the way they impact upon the societies and environments where they operate (KPMG, 2017).

In maintaining the need for having CSR reporting as part of business strategies, various parties including society, government, political and economic organizations coerce business entities to respond positively to the demands of being responsible not only for economic matters, but non-economic as well. Companies are required to prepare non-financial reporting as part of the accountability requirements to the environment and society at large. Some countries, such as Malaysia, have made CSR reporting mandatory. Companies that operate their businesses with a heavy emphasis on the environment and society seem to respond more favorably to CSR reporting. This is achieved by having several reporting platforms such as annual reports, separate CSR reports, websites, etc. Some companies are involved in the competition merely to receive an award for their CSR practices (Anas, Rashid, & Annuar, 2015), while others seek a third party to audit their CSR activities. This is done so as to gain assurance of their genuine CSR activities (Michelon, Pilonato, & Ricceri, 2015).

It is worth noting that prior research on CSR reporting can be divided into several dimensions, including: (1) research addresses on the content and quality of CSR reporting (Brammer & Pavelin, 2008; Bouten, Everaert, Liedekerke, Moor, & Christiaens, 2011; Othman, Arshad, & Darus, 2011; Michelon, Pilonato, & Ricceri, 2015); (2) research investigating the corporate or governance characteristics of CSR reporting companies (Roberts, 1992; Amran & Devi, 2008; Adnan, Staden, & Hay,

2010; Amran, Lee, & Devi, 2014); (3) research analyses on the medium of CSR reporting and its impact (Zeghal & Ahmed, 1990; Chapple & Moon, 2005; Deegan, Cooper, & Shelly, 2006); and (4) research considering the relation between CSR reporting and CSR performance (Balabanis, Philips, & Lyall, 1998; Jones, Frost, Loftus, & Vaan Der Laan, 2007; Clarkson, Li, Richardson, & Vasvari, 2008)

The concern with regard to CSR reporting nowadays focuses on ‘what’ and ‘how’ CSR information should be disclosed. The questions of relevance, completeness, comprehensiveness and quality of CSR reporting are now a center of discussion to attain the satisfaction and decision of stakeholders. Disclosure elements (such as having an honest communication strategy) are no longer a secret for the business strategy. It is now shared with relevant audiences in reducing information asymmetry between the business players and the stakeholders around the business.

Interestingly, a study by Baughn, Bodie & McIntosh (2007), found that Malaysia, despite being a low income country, appears to have a similar CSR commitment to high income countries such as Taiwan, Japan and Hong Kong. In 2007, Malaysia’s Security Commission (SC) implemented a regulation for listed companies in Malaysia to provide compulsory CSR reporting in their annual reports. However, CSR reporting in developing countries like Malaysia have several ‘unsolved’ agendas as mentioned by Visser (2008). These agendas are, namely: (1) developing countries are the most productive escalation markets for businesses that allow economies to expand; (2) developing countries are more exposed to social and environmental crises; (3)

developing countries are arguably the best places to have dramatic social and environmental impacts towards globalization, economic growth, investment and business activity; and (4) compared to developed countries, developing countries have various sets of agendas and challenges towards CSR implementation.

Prior studies such as that of Adams & Evans (2004) raise the issue of completeness and credibility of CSR reporting. Completeness refers to the extent to which companies disclose their social information in terms of scope and impact; while credibility demonstrates the quality of a company's commitment towards the environment and society at large (Macleod, 2001) and tenders positive aspects of negative impacts, if any, of doing business (GRI, 2016). Efforts to ensure completeness and quality of social information disclosed have been initiated by many agencies through the production of several guidelines such as AccountAbility (AA1000), Global Reporting Initiative (GRI) and the European Federation of Accountants (FEE) (CPA-Australia, 2004; Deegan, Cooper, & Shelly, 2006) respectively. For instance, GRI is one of the CSR frameworks developed for voluntary reporting that raises concerns about the rigour, comparability, auditability and general acceptance of CSR practices (Bouten, Everaert, Liedekerke, Moor, & Christiaens, 2011).

In Malaysia, GRI has been adapted by PwC Malaysia (see at <https://www.pwc.com/my/en/services/sustainability.html>) which acts like an *auditor* of environmental and social reporting by offering services to Malaysian companies for the production of quality CSR reporting. According to KPMG (2017), in order to improve

the credibility of disclosed environmental and social information, companies need to have third-party verification on the social information provided.

Despite these push factors towards having quality CSR reporting, the practice is not without its critics. Some organizations have categorized CSR reporting as not worth being disclosed, and further, as a waste of time and money. In addition, the reports are so thick and cumbersome that they can be of no interest for any audience to read (KPMG, 2013). Without doubt, some CSR reporting does indeed fall under those dull categories. Hence, it is certainly time to have a scientific study to investigate the content of CSR information and value the companies that have pleasant and engaging ways of disclosing CSR information.

Fortunately, in the 21st century, CSR reporting has now become an essential business management tool. It describes how a business can comprehend both its exposure to the risks of the business activities and its potential to gain yield from commercial opportunities. Further, it is the process by which a company can pleat and analyze the data it needs to create long-term value while still retaining sufficient flexibility to environmental and social change. CSR reporting is essential to assure investors that the existence of businesses have inherent characteristics by which to remain sustainable in business from year to year (KPMG, 2013).

1.3 Problem Statement

The main purpose of CSR reporting can be explained as fulfilling the aim and satisfaction of two parties, namely: companies – the demand of corporate accountability; and stakeholders – the need for being taken care of. CSR reporting is a disclosure of those costs and benefits that may or may not be quantifiable in monetary terms arising from economic activities and substantially borne by the community at large or other stakeholders (Perks, 1993). Disclosure can be regarded as one of the advantages of companies in showing their accountability rather than just profitability. Further, it may also elevate their reputation. However, it is claimed that the purpose of CSR reporting varies between companies as well as countries (Park & Brorson, 2005; Baughn, Bodie & McIntosh, 2007).

Recently, with most countries having announced CSR reporting as a mandatory disclosure, the scenario of manipulative information should not be a concern for stakeholders. This is due to the rise of several guidelines designed to help companies deliver better CSR disclosure reports (Mariano, 2010). However, the main objective of companies remains the maximization of profitability. The enforcement to disclose non-financial information is still exposed to manipulation in different paradigms such as focus on quantity of disclosure rather than quality. The scenario of lack of completeness and quality of CSR reporting has been debated by researchers including Bouten, Everaert, Liedekerke, Moor, & Christiaens (2011), Michelin, Pilonato, & Ricceri (2015) and Habek & Wolniak (2015). The issue of quality CSR reporting is now becoming mainstream (Diouf & Boiral, 2017).

It is evident from many studies (e.g. Tschopp, 2005; Haron, Yahya, Manasseh & Ismail, 2006; Ratanajongkol, Davey & Low, 2006; KPMG, 2013, 2015, 2017) that there is an increasing trend of CSR reporting in various countries. However, most of the increasing trend is focused on the rising amount of disclosure by companies. The question is; can the increasing amount of disclosure be claimed as a quality disclosure. Therefore, the trend should be more deeply examined beyond the quantity measurement. Emphasis on the quality should also be highlighted as an essential element in considering good CSR reporting.

In the modern world of doing business nowadays, companies are also urged to disclose their social and environmental responsibility beyond merely philanthropic purposes. Companies are reckoned to report their CSR activities in a credible and quality way by considering the following: whether the activity involves a master plan of the CSR programs; how the activity has been operationalized; and whether the upcoming event is related to the programs (Brammer & Pavelin, 2008; Bouten, Everaert, Liedekerke, Moor, & Christiaens, 2011; Michelon, Pilonato, & Ricceri, 2015). Hence, it is perceived that information relating to content, readability and credibility might be considered as essential elements to demonstrate the commitment of companies (Hess & Warren, 2008; Hąbek, 2017).

The demand for good CSR reporting has seen a dramatic growth of the CSR reporting platform beyond the traditional annual report to include encouragement for companies

to have stand-alone reporting and empowering websites for their CSR information (KPMG, 2013). A study by ACCA (2010a) shows that companies in Asian countries including Malaysia, Singapore, Indonesia, Thailand, and the Philippines are now preparing a Sustainability Report (the inclusion of extensive CSR information) within their annual reports. In fact, the number of companies reporting has increased dramatically since 2006, especially in Malaysia. This is due to enforcement by the Malaysian government for companies' annual reports to contain a compulsory report on CSR. It is also evident from prior studies that, due to growing trends among internet users, websites have become a logical platform on which to disclose CSR practices among companies (Basil, 2008; Amran, Ooi, & Mydin, 2018) and potentially target a wider range of stakeholders (Esa & Zahari, 2017).

The existence of platforms other than that of the annual report is also one of the factors designed to promote better CSR reporting. In Malaysia there are numerous companies that produce stand-alone reports for CSR reporting. Furthermore, companies in Malaysia are also encouraged to update their official websites in order to promptly disclose various current issues to stakeholders (Saad, 2015). Hence, the question must be asked: can the existence of these platforms improve the quality of CSR reporting? Or at least can the existence of these platforms provide a trigger for companies to reveal more reliable and relevant CSR information to stakeholders?

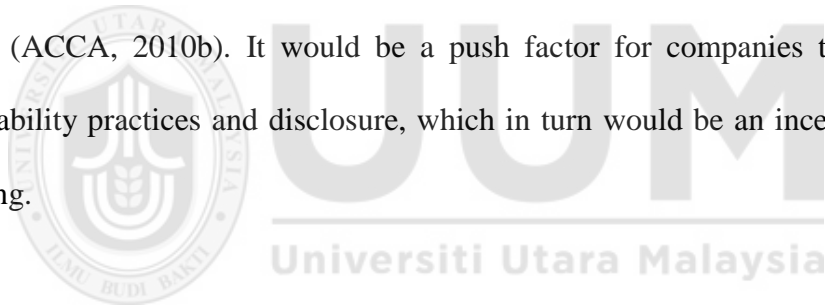
The progressive effort in ensuring that CSR reporting is on the right standard is one of the reasons that led to the formation of CSR guidelines such as GRI. The guidelines

appear to help managers in preparing their social information disclosure when determining the most important aspects to be genuinely transparent and accountable to the CSR reporting. To disclose is one thing (it is beneficial for companies' reputations) and to disclose accountably is another thing. In the latter scenario, companies are called upon to disclose transparently even information which may result in a negative impact for them. Stakeholders may seek complete and quality CSR reporting that discloses the real impact of certain economic activities which could somehow negatively affect the environment or society. However, there is often a gap when a company has to decide whether the concept of its reporting should be based upon either being socially responsible or a good agent of companies and hence jeopardize the quality of CSR reporting.

Research suggests that businesses should provide credible information (Bewley & Li, 2000; Janggu, Darusi, Sawani, & Zain, 2013) due to increasing resonance of issues such as global warming and unethical governance of companies. Companies not only need to prepare audited financial information but are also urged to have verified CSR reporting so as to ensure the credibility of the information disclosed. Credibility is a subjective matter and is very difficult to measure. Perhaps the most serious problem of reporting is that of providing a complete financial report (Adams, 2004) which may render a certain portion of the reporting questionable from a stakeholder perspective. According to Fernández-Feijóo-Souto, Romero, & Ruiz-Blanco (2012) the quality of CSR reporting can be enhanced by having independent third-party assurance. This CSR practice may

also provide a gap between assured CSR reporting and not-assured towards quality CSR reporting.

It has been perceived that the provision of awards may aid in stimulating the CSR practice of disclosure among companies (CCM, 2013). In Malaysia, the initiatives of certain agencies to introduce CSR awards, such as the Prime Minister's CSR award and ACCA MESRA (Malaysian Environmental and Social Reporting Award), are likely to be a vital element in the CSR disclosure practices of Malaysian companies. ACCA suggests that one of the ways to elevate the quality of CSR reporting is to reward the sustainability reports producer and, further, that the reward should come from the market (ACCA, 2010b). It would be a push factor for companies to produce good sustainability practices and disclosure, which in turn would be an incentive for quality reporting.



In summary, CSR reporting today is a mandatory requirement for companies to disclose information. To disclose is no longer an issue, but the question of what and how the CSR information is being disclosed has now become a center of the CSR reporting debate. Can the disclosure be categorized as quality? The definition of quality reporting is also still vague. A critical research study should be carried out to determine the questions of “what, how and at what level” regarding the quality of the reporting. It is undeniable that there have been specific efforts in Malaysia (on the part of organizations such as Bursa Malaysia, the Security Commission and even professional bodies such as audit firms) to promote quality CSR information disclosure such as the CSR guidelines

and third-party assurance. This results in the creation of a better CSR disclosure platform such as stand-alone reports and websites as well as recognizing CSR's best reporting preparer through the CSR award. While still not all organizations adapt to CSR practices, if a company does adopt them, does it significantly impact the quality of CSR reporting?

1.4 Research Questions and Objectives

In achieving quality CSR reporting, one must investigate the whole aspect of CSR which covers the practice right up until the reporting process. It is analyzed from the perspective of various players including companies (as preparers), governments, shareholders and stakeholders. However, due to the concept of CSR itself still being elusive, vague and ill-defined (Jamali, 2008), a considerable amount of study is needed to make the concept more comprehensible and easy to practice.

1.4.1 Research Questions

The research questions are constructed based on the problem statement discussed. The detailed explanations are as follows:

Question 1: What CSR information is disclosed in CSR reporting?

The question of *what CSR information is disclosed* refers to questioning the themes and the contents used by companies in disclosing their CSR reporting. In determining the theme, the Bursa Malaysia framework will be adopted to categorize the CSR information into four (4) major category themes including:

(1) Marketplace; (2) Workplace; (3) Environment; and (4) Community. Following this, to examine the content category in CSR reporting, the study adopted the CSR index prepared by Othman, Arshad, & Darus (2011). This index has been developed by following the GRI and the Bursa Malaysia framework respectively.

Question 2: How is the CSR information disclosed in CSR reporting?

The question of how CSR information is disclosed is triggered based on the first research question. To measure how beneficial CSR information has been disclosed, one should define the dimensions of the CSR disclosure. The question of “how” is determined by the dimension of the CSR information being disclosed. Bouten et al. (2011) suggests looking at three dimensions, specifically: (1) vision and goals; (2) management approach; and (3) performance indicators. However, other studies such as Michelon et al. (2015) propose investigating on the angle of: (1) the content of information disclosed; (2) the type of information used to describe CSR; and (3) the managerial orientation towards CSR disclosure. Therefore, the study intent to determine the current scenario of how the CSR information has been disclosed by Malaysian companies enables this study in proposing the level of quality of CSR reporting in Malaysia. Quality is a subjective matter; hence, this study takes the initiative to define the quality of CSR reporting by looking at the five dimensions including: (1) quantity; (2) density; (3) readability; (4) accuracy; and (5)

management orientation. The question of “how” will be explained by using these dimensions of quality.

Question 3: What are the relationships between the adoption of CSR practices and CSR reporting quality?

The government has encouraged companies to become actively involved in CSR activities by providing a great deal of incentives. This has been ongoing since 2006 through the Malaysian Budget and has moved on with mandatory legislation requiring companies in Malaysia to prepare their CSR reporting effectively on by the 2008 financial year end. The waves have triggered companies to pay more attention towards the welfare of society by responding to public expectations. The response is essential in order to retain reputation and gain value added for the business. The adoption of several CSR practices (such as stand-alone reporting, CSR guidelines, third party assurance, CSR awards and websites) are being questioned as to whether or not they have a significant impact upon the quality of CSR reporting.

1.4.2 Research Objectives

Based on the discussion of research questions, the study aims to investigate the CSR reporting in order to achieve the following objectives:

1. To identify the theme(s) of CSR reporting;
2. To examine the quality of CSR reporting in dimensions of quantity, density, readability, accuracy and management orientation;

3. To investigate the relationship between the adoption of CSR practices and the quality of CSR reporting.

1.5 Scope of The Study

The scope of the study focuses on the quality of CSR reporting. The quality has been examined through the lens of five dimensions including quantity, density, readability, accuracy and managerial orientation respectively. On the issue of methodology, the study adopted content analysis to collect the data. The data was collected by using the modified CSR index and classified into the five quality dimensions. An annual report for the year 2016, listed in the main market of Bursa Malaysia, has been selected as a sample for the study. It uses sentences as a text analysis since they are more reliable and meaningful. The study then furthers the analysis by investigating the relationship between the adoption of CSR practices and the quality of CSR reporting.

1.6 Significance of The Study

The present study of quality CSR reporting and the relationship with the adoption of CSR practices contributes to the extant literature in several ways. The significance of the study is as follows:

1.6.1 Theoretical Significance

CSR reporting nowadays is viewed as part of the business strategy and a value-added tool which is essential to enhance confidence among the stakeholders.

However, regardless of whether a reporting scenario is either on a voluntary-basis or mandatory-basis, CSR reporting is often criticized as lacking quality, comparability, completeness and consistency (Dando & Swift, 2003). With an increasing demand on enhanced quality of social information disclosed, this study contributes in terms of bridging the gap by investigating the CSR reporting in terms of quality which focuses on the completeness, complexity and comprehensiveness perspective of the CSR reporting. Hence, the study provides insights about the quality of CSR reporting as well as extending prior limited research focus on quality dimensions.

This study also provides the intensity of credibility of CSR reporting in terms of the quality of disclosure rather than the increasing amount or compliance of such disclosure. The categorization of CSR reporting provides valuable literature to CSR studies by offering in-depth content analysis on CSR reporting. The results are expected to open CSR research to view the growing trends of CSR. It will show that they are not relying on the increasing amount of disclosure alone but including the quality aspect as well. CSR reporting is highly dependent on the economic, political and social scenario of the respective countries (Chapple & Moon, 2005).

Despite the increasing trend for CSR reporting issues, a comprehensive theoretical framework of CSR is still vague. Most of the studies attempted different theoretical methodological explanations (Gray et al, 1995a; Cormier,

Magnan, & Velthoven, 2005) to clarify certain phenomena relating to CSR practices. Unfortunately, there is still a lack of concrete theoretical framework to unify those empirical findings. Some tentative offers have been made for parallel solutions which cannot be generalized to all situations. This study provides a multi-theoretical platform to support the explanation from several pressures such as the economy, public pressure, institutional pressure and legitimacy towards quality of CSR reporting.

1.6.2 Methodological Significance

Daub (2007) critically analyzes the weaknesses and methodological problems in existing assessment on evaluation of CSR information and came up with several fundamental problems. CSR studies may not be able to avoid “comparing apples to oranges” due to the degree of variety reference. Further, the different size of companies may affect the accuracy of the methodology used. Moreover, it is considered unfair to be adopted in small companies. As a result, Daub (2007) suggested a new methodological approach by which to assess the quality of CSR and which is expected to be used in corporate sustainability reporting in Switzerland. The method is mainly based on the GRI guideline as a reference. In the spirit of that, the study contributes in methodological terms by using a modified assessment on the quality of CSR reporting. This is executed by categorizing types of disclosures into three levels of disclosure, namely: semantic information; readability via tables, diagrams, figure and pictures; and

management orientation (Habek & Wolniak, 2015; Michelon, Pilonato, & Ricceri, 2015).

As for methodology, numerous earlier investigations selected an inadmissible strategy for estimation (Patten, 2002) and additionally neglected to control issues of firm size, industry and other potentially significant associated reporting behaviour. For instance, there has been across the board utilization of a binary variable to demonstrate whether an industry has a high or low profile with respect to CSR issues (see, e.g., Hackston & Milne, 1996; Patten, 1991, 2002; Roberts, 1992). The contribution of this paper is to develop a content analysis framework that can address the following questions simultaneously: (1) Which CSR topics are disclosed? – thereby addressing the issue of *content*; (2) What is the extent of disclosures on the different CSR topics? – addressing the issue of *extent*; and (3) What types of CSR disclosure are made? – addressing the issue of *quality*.

1.6.3 Practical Significance

The study investigates the relationship between the adoption of CSR practices – standalone reports, CSR guidelines, audit assurance, websites and awards, and the quality of CSR reporting. The study extend the quality CSR index developed by Othman, Arshad, & Darus (2011) which has been adapted from GRI and Bursa Malaysia Framework with forty (40) items and four (4) themes – Marketplace, Workplace, Environment and Community. The extension involves

the dimension of quality of CSR reporting which is quantity, density, readability, accuracy and managerial orientation. This could carry a significant methodological approach to other academics, researchers and practitioners who wish to examine the comprehensiveness of CSR reporting.

1.7 Summary of The Result

The present study aims to investigate the quality of CSR reporting among Malaysian companies and its relationship to the CSR practices. This includes a stand-alone report, CSR guidelines, assurance, awards and websites respectively. The results are summarized based on the objectives of the study as follows:

1.7.1 Objective 1: To Identify The Theme(s) of CSR Reporting

Malaysian companies prefer to disclose information regarding the workplace, followed by issues relating to community, environment and marketplace. This study used a disclosure index (Othman, Arshad, & Darus, 2011) in examining the topic chosen by companies based on the four themes set introduced by Bursa Malaysia Framework. The results show that the topics most widely discussed in the workplace relate to employee health and safety, employee training and rights of an employee. Community themes are the most diverse of the topics discussed including issues of volunteerism, philanthropy, education, as well as sports and leisure activities. Waste management and ecological sustainability are the most widely discussed topics in the environment theme. Lastly, in the marketplace theme, most companies chose to discuss widely the issues of products and

services and corporate governance. The descriptive investigation shows that Malaysian companies generally meet expectations for completion of ‘ticking the box’ for each item list in the adopted CSR index. However, in terms of extensiveness, CSR disclosure by Malaysian companies is considered low.

1.7.2 Objective 2: To Examine The Quality Of CSR Reporting in Dimensions of Quantity, Density, Readability, Accuracy and Management Orientation

The second objective seeks to examine the quality of CSR reporting in five dimensions – relative quantity, density, accuracy, readability and management orientation. It is worth noting that while most companies disclosed their CSR information, they were quantitatively below the industry average. The study investigates the total number of sentences used by each company to disclose their CSR information. Some companies are seen to disclose CSR information simply to comply with the requirements outlined by companies listed on Bursa Malaysia to provide CSR reporting. This is evidenced by the very few numbers of sentences on CSR information. However, it is undeniable that out of the total CSR information disclosed, most are disclosing under the themes proposed by the Bursa Malaysia Framework. Only that information is categorized as a general context of CSR information. Hence, the disclosure of this CSR information is further investigated through other extensive quality dimensions to analyze the actual quality level of the disclosure.

Among other quality dimensions examined is that of readability. Readability is analyzed through the total number of tables, diagrams and pictures used to

explain CSR. Generally, the use of tables, diagrams and pictures is still limited among companies in Malaysia. Most readability dimensions are only used by mega companies in Malaysia. Relatively, the results show that companies in Malaysia are still below the industry average in terms of readability.

The fourth quality dimension used in this study is that of accuracy. The quality level is measured by investigating CSR information through three major categories of information – (1) qualitative; (2) quantitative; and (3) monetary. The result shows that more than 85 percent (85%) of CSR information falls under the qualitative category. It indicates that companies in Malaysia are still reluctant to disclose quantitative information as well as monetary information in their CSR reporting. The study suggested that the scenario of not disclosing much information regarding quantitative and monetary aspects is one of the strategies used by companies to avoid any negative perceptions which could affect a company's reputation. A negative perception could originate from stakeholders who may have expected companies to contribute more than had been contributed during a particular year.

The last dimension of quality is that of managerial orientation. The approach of this quality dimension examines the style of writing proposed by management, specifically: either *Boilerplate information* or *Committed information*. Similarly, the results show that most of the information disclosed for CSR purposes among Malaysian companies is either in a general context or demonstrating policies of

companies towards CSR implementation. Often, less information is provided concerning outcomes and how much money companies invested in CSR activities.

This indicates compliance of companies in Malaysia in terms of fulfilling Bursa Malaysia requirement of having CSR reporting; however, the disclosure would appear to be symbolic rather than a commitment. The results show that the quality of CSR reporting is still low. Some companies are seen as having disclosed CSR information above the industry average in terms of number of sentences but lower in quality in terms of information from the perspective of readability, accuracy and managerial orientation. This scenario has been explained through theory of organizational legitimacy. It is perceived that some of companies do comply in CSR reporting as a symbolic to gain reputation. It is a very little effort has been showed to prove that companies are really committed in sharing their resources to the environment and society at large.

1.7.3 Objective 3: To Investigate The Relationship Between The Adoption of CSR Practices and The Quality of CSR Reporting

The next objective is to investigate empirically the existence of CSR practices such as the existence of stand-alone reports, CSR guidelines, assurance, awards and websites in addition to its relationship with the quality dimensions. Overall, the existence of CSR guidelines and websites has a significant influence upon the quality of CSR reporting. Other dimensions such as relative quantity, readability and managerial orientation also indicate that the existence of CSR

guidelines and websites has a significant positive impact on the quality of CSR reporting. Interestingly, dimensions of accuracy show significant results but relate negatively. This means that, despite the large number of sentences, they cannot be categorized as quality disclosure. It can then be directly linked that the disclosure of CSR information through the dimensions of accuracy is a symbolic approach and cannot be attributed to a commitment-oriented approach according to the theory of legitimacy of the organization. To some extent, this study suggests that CSR practices exist for the sake of fulfilling the stakeholders' expectation by camouflaging the CSR information for reputation rather than substantive reasons.

1.8 Organization of The Study

The present thesis is dispersed into six chapters. The first chapter discusses the research background, problem statement, research questions and objectives, significance of the study and summary of the result. The second chapter deliberates the literature review on concept and prior studies, especially regarding the theoretical and empirical findings on the CSR reporting, the nature of voluntary and mandatory reporting, the elaboration on quality of reporting, theoretical framework, and the hypothesis development of the study. The third chapter explains the methodology of the study including sample selection, process of data collection, and measurement of all variables. The fourth chapter reports on the results of the study which covers the descriptive results and statistics, data diagnostic tests, and the result of multivariate analysis for all the models. Then, the chapter deliberates on the discussion of the result to be related with prior

studies as well as the theoretical framework adopted in this study. Lastly, the final chapter concludes the whole writing of the thesis and provides implications and limitations of the study as well as the suggestions for future research.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature related to corporate social responsibility (CSR) in general and then narrows down to CSR reporting. It commences with the concept and the evolution of CSR followed by an evaluation of the presence of a platform by which to trigger companies to disclose CSR reporting. Recent developments in CSR reporting in global trends are reviewed before focusing specifically on developments in Malaysia. The theoretical framework for this research (including the legitimacy theory and the institutional theory) is presented. The chapter continues with a discussion on the quality measurement for CSR reporting before concluding with a critical review of the variables that have been identified in prior studies that have impacted on CSR reporting.

2.2 Corporate Social Responsibility (CSR)

2.2.1 The Evolution of CSR

CSR first emerged in 1932 when it was conjectured that companies should be responsible not only to their shareholders but to society at large (Cochran, 2007). The concept of CSR was introduced by business entities or companies and has been assumed to be a method for social enhancement among their employees in the form of health security, housing incentives and general survival (Quaak, Aalbers, & Goedee, 2007). Since then the development of CSR steadily evolved

and provided benefits to the main stakeholders, especially employees, suppliers and direct customers of the business.

Mirfazli (2008) draws three models by which to describe the evolution of CSR. The first is the classical model which began in the 19th century with profit maximization as the centre of social information issues. This means that, for any social disclosure, companies are requested to put profit as a main priority; only then can this be followed with social and environmental issues. In fact, the need to disclose social information is only to fulfill the market demand and not because they are responsible for doing so. The model has been supported by the fundamentalist economist, Milton Friedman, who expressed that the only responsibility for companies is to maximize their profits. Further, he proposed the issue of owner and manager relationship within the rules of the game without deception and insincerity (Friedman, 1970).

The second is the management model which emerged due to new business challenges among companies where the contract between owners and managers had been argued. As a result, it has been extended in terms of the objectives of companies that have been separated into two: while fulfilling the needs of an owner-manager in maximizing profit, companies are also responsible for considering the survival of other parties which are not directly involved in the agency contract. These include employees, suppliers and customers who are also known as secondary stakeholders (Mitchell, Agle & Wood, 1997). As matter of

fact, this model extends the classical model in terms of involvement of the classic owner-manager relationship into involvement with other groups having legitimate interests in the companies to share benefits. Therefore, stakeholder management is the most suitable theory to describe the management model since managers do not have all the rightful locus of corporate control and governance (Donaldson & Preston, 1995).

Lastly, the social environmental model is presented. The requirement of the business has been extended to social and environmental responsibility rather than profits alone (Davis, 2001). The power of politics and institutions also makes the business more competitive. As a result, the source of social environmental issues has become essential as compared to the classic model theory in which the market was the main source of business operation (Mirfazli, 2008). In other words, the focus of business has shifted from only the security and prosperity of owners into concern for the prosperity of society at large as well as institutions such as government and competitors.

The idea of being responsible has been introduced by Carroll (1979) through his CSR pyramid:

Firstly, *economic* responsibilities are the major purpose of the business. Companies must provide the necessary goods and services, only then can they perform any other roles and ensure sustainability in societal change in the long

run. Following this, companies can then pursue their economic goals in any way as long as they are within the boundaries of a *legal* framework that had been set by society. Despite the difficulty involved in drawing a line between economic and legal responsibilities (Chen, Patten, & Roberts, 2008), companies must find ways to fulfill the requirements. The next expectation of society towards business responsibilities would be *ethical* responsibilities which require that companies must act over and above legal requirements.

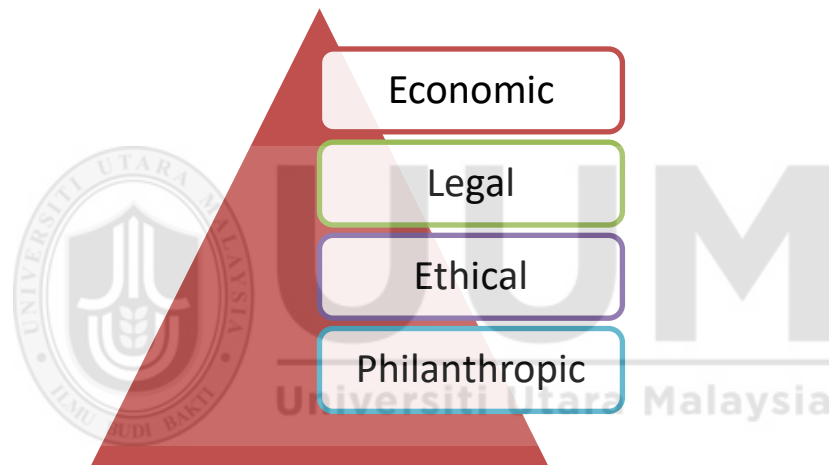


Figure 2.1
The Pyramid of Corporate Social Responsibility
Source: Carroll (1979)

Chen et al. (2008) assert that a company must run its business consistently with societal values in such matters as fair employment and the environmental impact of production. Finally, the most desirable requirement of society towards business entities is *philanthropic* or discretionary responsibilities beyond the errand of companies towards economic, legal and ethical issues. This responsibility was specifically proposed by Carroll (1979) for companies to be

able to choose or have discretion over the type, timing and extent of involvement (or commitment) (Chen et al., 2008) in CSR.

Deceptively, the ultimate focus of business is concentrated on profit-making; only then only can it undertake something more or better (Wartick & Cochran, 1985; Handy, 2002). In a different perspective, Quaak et al. (2007) describe how the process of being responsible is by distinguishing seven aspects of CSR which companies should be actively involved in, as well as being guidelines for companies to practice CSR. This consists of the following: triple P; value creation; stakeholders; balance; long-term basis; ultimate responsibility for suppliers and customers; and transparency which would be focused upon separately.

Triple P – Profit, People and Planet - denotes the concept that companies should have to balance up their profit-driven values with non-profit values. Value creation is the extension of triple P in which the value of the company not only places emphasis on profit but also upon social and environmental responsibilities. Stakeholders are the current subject focus of companies despite the neo-classical perspective which only focuses on shareholders. Stakeholders have been categorized into primary or internal stakeholders (employees, shareholder) and external stakeholders (customer, suppliers etc.). Accordingly, they comprise one of the most influential entities towards CSR implementation.

Balance is stimulated from the idea that companies and stakeholders are cooperating entities.

Hence, in a positive economic condition, cooperation should balance each need (companies and stakeholders) regardless of whether it is good or bad and be willing to go beyond the legislation, contracts and rules. Long-term basis concerns the core competences of companies. When the companies are willing to take full responsibility for the effect of their operational management by showing the ecological effects of the activities, it means companies are ready to focus on a long-term basis for CSR commitment. Ultimate responsibility for suppliers and customers is one of the most important elements in CSR. Companies should have responsibility beyond merely formal contracts, the nature of product and the location of the company. It should encompass alliances with suppliers, accepters, licensees or joint ventures respectively. Lastly, transparency is the best medium through which to show the openness of the companies and can be communicated through various media including annual reports or, perhaps better, sustainability reporting, the internet, or pertinent bulletins.

2.2.2 The Concepts of CSR

The evolvement of CSR has resulted in a wealth of literature to benefit theoretical seekers and existence of guidelines to assist the practitioner. Despite the enrichment of CSR development, the concept of CSR, if not at the stage of

infancy, is nevertheless still at the broad, ambiguous, unclear, complex, controversial, amorphous, subjective, highly intangible, fuzzy concept with unclear boundaries and debatable legitimacy (Frankental, 2001; Garriga & Mele, 2004; Morimoto, Ash & Hope, 2005; Sweeney & Coughlan, 2008). It is a continually evolving concept that brings a variety of theories and practices (Hopkins, 2003).

Over the past 50 years, CSR has been defined differently through several perspectives (see for example: Bowman, 1953; McGuire, 1963, McWilliams, Siegel & Wright, 2006, Naylor, 1999 and Sethi, 1975). It appears that the concept of CSR is elusive and abstract. As the definition of CSR is still being debated, the main issue here is to answer several questions far beyond the definition of the meaning of CSR; for instance; responsibility regarding what and to whom and who is calling for companies to be socially responsible (Moir, 2001). Since then several studies have been conducted, resulting in in these questions being answered. These include the study of Welford, Chan & Man (2007) which reported that the priority theme of CSR should be disclosed by companies (answer question of what) and classified several stakeholders and its preference theme for companies to CSR disclosure (answer question of to whom). Further, the study by Shahin & Zairi (2007) provides an empirical investigation regarding entities which are responsible for CSR practices among companies (this would answer the question of “who is calling”).

Most CSR concepts have been associated with business decision-making which incorporates ethical values, compliance with legal requirements and having respect for people, communities and environment as well as reputation. Accordingly, Bowman (1953) defines CSR as *an obligation to pursue policies to make decisions and follow lines of action which are compatible with the objectives and values of society*. In relation to other perspectives, CSR has been analyzed not only for profit-seeking issues but also for going beyond business and regulation requirements. Quaak, Aalbers & Goedee (2007) define CSR as *a company's obligation to act on issues society considered to be important, going further than the law requires them to do and being accountable for all its actions affecting social, environmental and economic areas*. Both definitions provide several aspects of CSR and may fulfill the welfare-mindset of society as well as business aims to gain reputation and profit.

To date, there is not even one definition which can be claimed as a comprehensive CSR definition. Apparently, studies on CSR commonly use the term definition to describe the direction of each study rather than to suggest a conclusive definition of CSR. Dahlsrud (2006) is one of the studies that focuses on the usage of the CSR definition used by the researchers in explaining the direction or dimension of his studies. He categorizes five dimensions of CSR definition, namely, environmental, social, economic, stakeholder and voluntariness and found that the most frequent definition used (by a total of 286 academic research studies between 1980 to 2003), in explaining CSR was from

Commission of The European Communities in 2001. This covered all dimensions - 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis'.

Even though there is still no single accepted definition for CSR, it is crucial that the understanding of CSR be interpreted by the practitioners before they implement it and later report on it to the public. Companies, or even academicians, find it very difficult to apply the existing definition, due to differences in specific interest (Dahlsrud, 2006). Some definitions are only meant to describe awareness and how companies should be responsible (quite apart from their profit-oriented minds) without providing any specific guidelines. However, due to increasing demand for CSR adoption nowadays, mere awareness or a half-hearted initiation of CSR is no longer accepted. Companies must take the CSR matter as seriously as their profits.

According to Friedman (1970), the only responsibility of business was to increase profits for the principals. The flow of resources to social issues may lower the returns of the shareholder; hence, it is contradictory with the ultimate aim of business (Pinkston & Carroll, 1996). Business entities should be aware that a business can only exist when there is a transaction or communication between provider and receiver. Providers are expecting the maximum profit out of their business, while the receivers are assumed to receive goods, products and

services. However, business is not about exchanging goods and services only, it should also involve the surrounding 'community' including socio-politic, environmental and social issues at large in terms of impact and the benefits they receive. Therefore, business entities are not only expected to be profitable but must also support the needs of the environment and social obligations within the community.

For the purposes of investigating CSR practices, this study uses the definition of McWilliams, Siegel & Wright (2006) that perceives CSR as beyond compliance and engages in actions that appear to further some social good, as well as the interests of the firm and that which is required by law. CSR must be sincere (not only as a symbolic initiative) in helping people, communities, and the environment. CSR should be adopted not because of what the companies or shareholders will derive from it but because it is the right thing to do. A number of empirical studies (e.g. Perrini, 2005; Sweeney & Coughlan, 2008) suggested that corporate behaviors are biased towards the decision to disclose their CSR reporting relying on business strategic considerations rather than accountability behaviors. Companies tend to disclose information which can bring a strategic advantage to their businesses rather than reporting *true and fair* information which however can bring a negative impact in terms of profitability to their businesses. However, stakeholders increasingly request the management of business to not only be perceived as accountable but to act in this way by translating their accountability into complete and quality reporting (Adams &

Zutshi, 2004). As a direct response of change of society towards social responsibility awareness, the connotations of CSR itself have been evolved or been used interchangeably over time. These include: ‘corporate responsiveness’ (Ackerman & Bauer, 1976; Carroll, 1979); ‘corporate citizenship’ (Maignan, Ferrell, & Hult, 1999); ‘corporate social responsibility’ (Carroll, 1999; Matten & Moon, 2004); and ‘sustainability’ (Kolk, 2004; Wheeler & Elkington, 2001). This indicates that in some way the evolvement represents an increasing demand for complete disclosure of CSR activities. Hence, it can be assumed that there is an increased demand for CSR reporting in terms of content and quality as well.

2.3 Development of CSR Reporting

CSR reporting only commenced being considered through the viewpoint of business perspectives in the 1970s. At that time, the main trigger for business to have CSR reporting was to gain public acceptance as well as to portray a good image and avoid the volatility of the markets (such as boycotts) (Trotman, 1979). Companies are regarded as acting responsibly when they voluntarily disclose their social responsibility information without the requirement for any legislation to coerce them into doing so (p.27).

CSR reporting has been referred to in various terminologies in previous studies as: CSR reporting (Golob & Bartlet, 2007); CSR disclosure (Unerman, 2000; Ghazali, 2007); Triple Bottom Line reporting (Deegan, Cooper & Shelly, 2008); and Sustainability reporting (Gray & Milne, 2002). The various terminologies have been used

interchangeably with some studies so as not to differentiate the meaning of those terms (Caswell, 2004); however, some of the studies can be explained the other way around (see for example Gray & Milne, 2002). This study however remains to apply CSR reporting terminology so as to explain the CSR practice/disclosure in the annual report or stand-alone report.

Gray, Owen, & Maunders (1987) define CSR reporting as a process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large. As such, it involves extending the accountability of organizations (particularly companies), beyond the traditional role of providing a financial account to owners of capital, in particular, shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders. However, the study decides to select the definition that focuses on stakeholders to the CSR reporting as defined by GRI: *'Sustainability reporting is the practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development'*. In addition, CSR reporting is a broad term and considered to be made up of four elements: marketplace, workplace, environmental, and community. These four elements are linked to one another and have a long-term view.

The idea of disclosing social information might be triggered from the phrases that have been discussed among businesses (as well as accountants in the 1990s) - *good ethics is*

good business (Gray & Milne, 2002). Before the edge, it was known that companies are reluctant to be liable for environmental and social issues. Further, and if they had to choose, they would probably decide not to report any of the social or environmental issues in their corporate reporting. The early stage of social reporting in the 1990s focused on environmental reporting (Gray & Milne, 2002). However, since then, issues of public awareness as well as the need for companies to be sustainable have brought CSR Reporting issues into the mainstream of business strategies. CSR reporting has been practiced through several platforms in order to elevate the extensiveness, completeness as well as quality of CSR reporting. The present study aims to investigate some of the CSR practices such as the existence of a stand-alone report, CSR guidelines, the assurance of CSR reporting, the award for CSR best practices, and websites as an alternative medium for CSR reporting.

The content and quality dimension show that prior studies used numerous methodological processes in providing different perspectives of results such as case studies (Adams, 2004; Cormier & Gordon, 2001), longitudinal studies (Gray, Kouhny, & Lavers, 1995a), surveys (Welford, 2005), interviews (Woodward, Edwards, & Birkin, 2001) and content analysis (Milner & Adler, 1999). It is claimed that content analysis has been commonly used to better explain content perspective (e.g. Abbott & Monsen, 1979; Roberts, 1992; Patten, 2002; Clarkson, Li, Richardson & Vasvari, 2008). It is due to the ability of content analysis to gather qualitative and quantitative data (Abbott & Monsen, 1979) that wide usage of the technique has been enabled among CSR researchers. However, the content analysis technique employed focuses greatly on the

extensiveness of CSR reporting through several approaches such as: volumetric approach (e.g. words, lines, sentences, themes and pages); index approach (e.g. binary coding and weighted coding); and qualitative approach. Hence, the approach is often limited to exploring the quality side of CSR reporting.

As matter of fact, corporate disclosure relating to environmental and social issues has been a subject of debate over the last decade in order to achieve sustainability and is well-documented in literature (Deegan & Rankin, 1996; Gray, Kouhny, & Lavers, 1995a). Therefore, this study aims to move beyond descriptive and extensive investigation of CSR studies in order to elevate the quality perspective of reporting of the actual meaning of such disclosure (Kolk, 1999; Laine, 2005). It seeks to contribute by offering further explanations of the meaning of CSR disclosure and at the same time extending literature on a recent stream of CSR studies. The present study also seeks to contribute to improving methodological perspectives, especially on the disclosure quantity aspect that covers extensiveness and completeness, in addition to the disclosure quality aspect that covers comprehensiveness and credibility of CSR reporting among Malaysian companies. This is in line with the study of Adams (2002) which stresses the need for improvement in methodological issues of CSR reporting in term of completeness, extensiveness and credibility of social and environmental reporting respectively.

A study on quality perspective was initiated by Daub (2007) who claimed that his study was one of the first attempts to perform quality perspective of CSR reporting in

Switzerland. His study focuses on the best methodological approach by which to measure qualitative perspective of social and environmental disclosure. It is perceived that CSR is difficult to measure, and that communication is crucial to provide evidence for such commitments (Macleod, 2001). In fact, the quality of CSR reporting is still relatively poor and inadequate (Adams & Zutshi, 2004) and in the infancy stage (Hasan, Maijor, Mock, Roebuck, Simnett, & Vanstraelen, 2005) specifically in emerging-economy countries (Baskin, 2006) such as Malaysia.

2.4 Disclosure: Voluntary vs Mandatory

From a business perspective, it can be perceived that the most important disclosure relates to financial matters which focus on information of interest to a company's shareholders. Non-financial disclosure commonly arises as a voluntarily disclosure which focuses on information regarding social responsibility (Healy & Palepu, 2001). Whilst financial disclosure has been mandated for large companies in the majority of countries in the world, disclosure for non-financial matters (e.g. CSR reporting) remains voluntary (Bhimani, Silvola, & Sivabalan, 2016; Woodward, Edwards, & Birkin, 1996). However, increasing demand from stakeholders has resulted in some countries announcing non-financial disclosures (specifically CSR reporting) as mandatory disclosure (Golob & Bartlet, 2007; Ioannou & Serafeim, 2017).

CSR reporting distinguishes two types of disclosure: voluntary disclosure and mandatory disclosure. In order to better explain the CSR reporting, the study implies the

definition of Madhani (2008) as *“to communicate information about a firm’s performance and value to the public, outside investors and other stakeholders”*.

Voluntary CSR disclosure results from the awareness of companies in responding to the expectations of the stakeholders and society beyond what is required by the mandatory information. It is a self-regulation in measuring the level of accountability of companies to their surrounding – the environment, social factors as well as for employees (Gainet, Saidane, Farvaque, & Refait-Alexandre, 2009). It is claimed that voluntary disclosure is the most recognized medium of CSR reporting (Golob & Bartlet, 2007). The substance of voluntary disclosure is commonly used by companies to elevate their positive reputation and avoid information that could result in a negative image (Stittle, 2002).

Mandatory CSR disclosure is presented as enforcement by regulation or legislation. The ruler or government should regulate mandatory disclosure in order to ensure that companies report appropriate information as well as taking care of social welfare issues (Golob & Bartlet, 2007). CSR reporting is read by various stakeholders and shareholders. Thus, it is necessary to provide factual and reliable information. It is evident that legislation may provide a greater impact on CSR reporting (Adams & Zutshi, 2004). Countries like Denmark, the Netherlands, Norway and Sweden have provided excellent environmental disclosure due to mandatory reporting that requires companies to disclose their environmental performance to the public (KPMG, 1999).

With effect from December 31, 2007, Malaysian public listed companies (PLCs) have been required to include a description of the CSR activities or practices undertaken by the listed issuer and its subsidiaries or, if there are none, a statement to that effect. This requirement has been incorporated into the Listing Requirements of Bursa Malaysia (Appendix 9C, Part A, paragraph 29) (SSM, 2013). Prior to mandatory requirement, Bursa Malaysia launched a CSR Framework on 5 September 2006 as a guide for PLCs in implementing and reporting on CSR. The Bursa Malaysia CSR Framework looks at four main focal areas for CSR practice – the Environment, the Workplace, the Community, and the Marketplace, in no order of priority (Bursa Malaysia, 2006).

2.5 Quality of CSR Reporting

Disclosure related to social and environmental issues has been considered as an area of interest by business and academicians from as far back as the 1970s (Kolk, 2005). Adams (2004) claims that, unfortunately, quality CSR reporting is still poor and in the infancy stage. It was also suggested that most of the reporting is inadequate to portray social performance. In conjunction with the scenario, The Association of Chartered Certified Accountants (ACCA) has drawn up criteria for preparing good CSR Reporting (see www.accaglobal.com). This should contain transparent information, reveal a true practice to be accountable to stakeholders, disclose sincere information regardless of positive or negative impacts to social and environmental and provide complete disclosure (Adams & Zutshi, 2004).

Due to subjectivity of assessing the quality of CSR reporting, methodological approaches to measure quality vary among prior studies (see example: Brammer & Pavelin, 2008; Cormier et.al, 2005; Hasseldine et al., 2005). For example, Hasseldine et al. (2005) employed a scheme described by Toms (2002) which used sentences as an analysis unit in evaluating the quality of environmental reporting. Some studies (e.g. Adnan, Staden & Hay, 2010; Brammer & Pavelin, 2008) utilized GRI guidelines in evaluating quality disclosure. However, many previous studies have drawn a number of limitations on methodological issues such as: small sampling (Balabanis, Philips & Lyall, 1998); limit for individual reports alone (Daub et al., 2007, p79) such as annual reports, sustainability reports, websites and others; and various measurements of quality disclosures. Therefore, it may contribute to difficulty of conclusion as well as for generalizing the findings.

Prior studies focusing on quality such as Adams (2002) and Hasseldine, Salama & Toms, (2005), however, did not bring quality aspects into meaningful CSR practice or CSR reporting. Hasseldine et. al (2005) analyzed the quality perspective in terms of the number of sentences disclosed by companies' annual reports. Relying on the number of sentences alone could be a false alarm due to the possibility that the persons who prepared the report may play with the words to exaggerate the fact of their real CSR practices. To describe quality is debatable and subjective in nature; hence, Hess & Warren (2008) recommended that practical measurement of the quality of CSR (which may bring a meaningful CSR) can be achieved by looking at the relational commitment of companies towards CSR implementation over a certain period of time. It would then

be more consequential when the companies initiate to put responsibility into social reporting.

The measurement and evaluation anxiety regarding the quality of CSR reporting led Brammer & Pavelin (2008) to introduce indicators by which to confirm quality CSR reporting. The indicators must be able to: differentiate between policies statements (environment in the case of Brammer & Pavelin); disclose specific actions; quantify the impact upon the environment or future development; as well as meet the requirements of an external audit. Therefore, in calculating quality the measurement must be able to differentiate the intent of someone in doing well with the one who actually did well. In addition, it is much better if the latter can disclose completely what exactly they did well.

Robertson & Nicholson (1996) have described the categorization of quality reporting as ‘general rhetoric’, ‘specific endeavor’ and ‘implementation and monitoring’ with each level giving a different type of social information disclosed in the annual report. For instance, general rhetoric level covers only the policies and general statement about CSR practices by companies. ‘Specific endeavor’ level contains information about specific involvement of a company in CSR and lastly, Implementation and Monitoring comprises information regarding annual audits or reviews (Guerard, Bean & Stone, 1990).

The quality of CSR reporting can be seen in two different perspectives. Diamond & Verrecchia (1991) postulated that the quality of disclosure is related to the precision of investors' beliefs. Hopkins (1996) presumed the disclosure quality to be the capability of investors to read and interpret the information with ease. It is worth mentioning that reporting quality is commonly based on the informative nature of non-financial disclosure, especially CSR. Prior research shows study on the non-financial information (e.g. CSR) focuses on various aspects such as quantity (length or size of disclosure), numerical content, horizon content readability, and quality (Gray, Kouhny, & Lavers, 1995a; Adams, Hill, & Roberts, 1998; Haron, Yahya, Manasseh, & Ismail, 2006; Brammer & Pavelin, 2008; Othman, Arshad, & Darus, 2011; Hirigoyen & Poulain-Rehm, 2014; Michelin, Pilonato, & Ricceri, 2015; Habek, 2017)

Due to the nature of disclosure – qualitative and quantitative - the definition of quality CSR reporting become a more complex and multi-faceted concept (Beattie, McInnes & Fearnley, 2004) and still at a stage of infancy. To measure the quality of non-financial information, CSR reporting studies might lend an approach in measuring qualitative financial reporting quality. The measurement is based on the fundamental and enhancing qualitative characteristics underlying decision usefulness as defined in the Exposure Draft 'An improved Conceptual Framework for Financial Reporting' of the FASB and the IASB (IASB, 2008). However, none of the measurement methods enables a comprehensive assessment of financial reporting quality (Beest, Braam, & Boelens, 2009).

In designing a measurement method of CSR reporting, this study suggested borrowing from the quality fundamental in financial reporting to inculcate criteria of the

fundamental qualitative characteristics and items that measure the enhancing qualitative characteristics (Beest, Braam, & Boelens, 2009). Firstly, the fundamental qualitative characteristics focus on the extensiveness and completeness of the CSR information disclosed. The content of CSR reporting is then measured using the available guidelines such as GRI, Bursa Malaysia Framework etc. Secondly, the enhancing qualitative characteristics focus on comprehensiveness and timeliness in order to improve decision usefulness when the fundamental qualitative characteristics are established.

Therefore, this study implies an element of financial quality reporting when measuring the quality of CSR reporting. The main elements of CSR reporting quality are as follows:

2.5.1 Fundamental Qualitative

The extensiveness and completeness are the criteria by which to measure the fundamental qualitative characteristics of CSR reporting. One of the platforms to encourage the extensiveness and completeness of non-financial information (i.e. CSR reporting) is through the regulations. In the context of Malaysia, public listed companies (PLC) are required to have their own CSR reporting in order to explain their CSR activities and practices (effective from 31 December 2007). Bursa Malaysia mandatorily requires CSR reporting as one of the listing requirements stated in Appendix 9c, Part A (29) (Bursa Malaysia, 2010). Prior to mandatory requirement, Bursa Malaysia launched a CSR Framework on 5 September 2006 as a guide for PLCs in implementing and reporting on CSR.

The Bursa Malaysia CSR Framework looks at four main focal areas for CSR practice – the Environment, the Workplace, the Community, and the Marketplace, in no order of priority (Bursa Malaysia, 2006).

In the bigger picture, the existence of the GRI as an international, multi-stakeholder and independent non-profit organization that promotes economic, environmental, and social sustainability also directly or indirectly affects the performance of CSR reporting activity among Malaysian companies. The GRI was established in 1997 in partnership with the United Nations' Environment Programme (UNEP). GRI has developed Sustainability Reporting Guidelines that strive to increase the transparency and accountability of a company's economic, environmental, and social performance and provide all companies and organizations with a comprehensive sustainability reporting framework that is widely used around the world. Involvement in many CSR activities as suggested in guidelines (GRI etc.) might bring completeness of CSR disclosure closer. Completeness of CSR disclosure is expected not only to disclose the policy, but the report should provide a clear, appropriate and fair view about the relevant issues in the CSR theme. It has to be sufficient to reflect significant economic, environmental and social impacts while at the same time enabling stakeholders to evaluate the organization's performance in the reporting period (GRI Standard, 2016).

The guidelines of CSR stipulate that CSR reporting should first determine issues and related activity indicators that are relevant to and appropriate for CSR disclosure. It might assist the person preparing the CSR reporting in determining which content and CSR issues are reportable for sustainability. The consideration of information is based on the context of a significant impact on the social, economic and environmental factors that substantially affect the stakeholders' decisions (Ong, 2016). The density of CSR disclosure is one of the considerations when defining the completeness of CSR reporting. Companies should disclose the relevant CSR information in its CSR reporting. Relevance is referred to as the capability of the capital provider to make decisions that are right for the perspective of the users (IASB, 2008). Drawing on prior literature, relevance can be defined as the disclosure being operationalized based on the scope of CSR activity rather than a general policy of disclosure and the intention of being good for the environment or society. This definition is limited in scope because it neglects related CSR information and it excludes future planning for CSR information to the users of the annual report (Nichols & Wahlen, 2004). In order to improve the comprehensiveness of the quality assessing measurement tool, this study will consider a density of the disclosure to differentiate the CSR information and others.

In addition, companies also need to feed the stakeholders' expectation as an interest group to read CSR reporting by making them as the key reference point for many decisions in the preparation of the report. In summary, for this study,

the fundamental qualitative characteristics that represent the extensiveness and completeness are the quantity of disclosure and density of the CSR reporting.

2.5.2 Enhancing Characteristics

The characteristics of enhancing qualitative CSR information are understandability, comparability, and complexity that can improve usefulness of decision-making processes when the fundamental qualitative characteristics are established (Beest, Braam, & Boelens, 2009). CSR information must be reported as classified, characterized, and presented clearly and concisely in order to increase the accuracy and quality of CSR. The understandability of CSR information may enable users to comprehend the meaning of CSR activities. A prior study measured understandability through the accuracy of CSR information that provides qualitative, quantitative and monetary information CSR reporting (Michelon, Pilonato, & Ricceri, 2015). The quantitative and monetary CSR information in particular may be valuable in terms of explaining and providing more insight (Beretta & Bozzolan, 2004). Moreover, if the preparer of CSR reporting combines words and sentences that are easy to understand, the reader will be more likely to understand the content as well (Curtis, 1995).

Given the complexity of and the need for comprehensiveness in CSR reporting, several issues arise as to the role of the CSR information preparer in providing such quality information to the CSR reporting users. A study of Lehavy, Li, &

Merkley (2011) attempts to research the issues involved in annual report readability among the financial analysts. Lehavy, Li, & Merkley (2011) raised concerns about the complication of reading written communication and provided a systematic approach by examining the relation between comprehensive measures of the overall readability of corporate reports. However, their study is only focused on written communication and does not look at pictures, graphs, or tabular information. It is worth noting that the presence of tabular or graphic formats may improve understandability by clarifying relationships and ensuring conciseness (Jonas & Blanchet, 2000). Therefore, this study takes the issue of readability as one of the measurements to confirm comprehensiveness of quality CSR reporting.

The other enhancing qualitative characteristic is comparability, which “is the quality of information that enables users to identify similarities in and differences between two sets of economic phenomena” (IASB, 2008). In order to portray consistency and comparability, the study focuses on the management orientation that measures the forward-looking and backward-looking information. The management orientation is important in order to anticipate the change and uncertainty of business activities. Companies’ consistency relies heavily on the operations of the same accounting policies and procedures, either from period to period within an entity or in a single period across entities. New information, rules or regulations generally cause companies to change their estimates, judgements, and accounting policies. For instance, if new information

is available which encourages a revision of the expected lifetime of a certain asset this may result in a change of estimate (Beest, Braam, & Boelens, 2009).

In summary, for this study, the enhancing qualitative characteristics that represent comprehensiveness and complexity are the accuracy, readability, and management orientation towards CSR reporting. For that matter, this study focuses on CSR reporting which performs a “niche” investigation on the scope of completeness (quantity, density, readability) and quality (accuracy and management orientation) perspective of CSR reporting. The trend of CSR reporting, especially in Malaysia nowadays, is concentrated on the high-stability trends. Several factors such as social pressure, the changing of stakeholders’ requirements, government enforcements as well as companies’ initiatives (Amran & Devi, 2008) are consistently good check and balance determinant for companies to disclose their environmental and social activities via CSR reporting. However, the consistent trend of CSR disclosure among companies alone is not enough to measure the meaning of companies being accountable and responsible towards the environment and society. Thus, a study on the quality of reporting is also required, at least, to further measure the second objective of businesses’ existence – accountability rather than merely profitability.

2.5.3 Readability of CSR Reporting

In this study, readability represents the existence of tables, figures, diagrams, and pictures in the CSR reporting. Tables, figures, diagrams, and pictures offer

several potential advantages over the traditional narrative writing for the communication of CSR information. They are more likely to attract attention and stimulate interest (Beattie, Dhanani, & Jones, 2008) and can increase the effectiveness of information passage due to the nature of delivery being more spatial rather than linguistic (Beattie & Jones, 2000). According to Beattie et.al (2008), the capacity of a reader to evoke pictorial patterns would indicate that they are better for our memory than text. Furthermore, tables, figures, diagrams, and pictures are particularly useful for highlighting trends and summarizing a long document with text in a form of visual sense. As a matter of fact, the visual sense aids manage to present CSR information in a short and clear format thereby rendering the information as a more direct and immediate tool of communication (Cho, Michelon, & Patten, 2012; Habek & Wolniak, 2015).

It is evident that annual reports tend not to be thoroughly read by users (Hines, 1982). The suggestion has been seconded by Beattie & Jones, (1992) who claim that the human capacity for remembering text is limited and people are inclined to remember visual patterns. Prior studies demonstrate the essential nature of pictorial information such as tables, diagrams, or pictures in communicating information in annual reports (Beattie & Jones, 1992, 2000; Beattie, Dhanani, & Jones, 2008; Cho, Michelon, & Patten, 2012; Hines, 1982; Muino & Trombetta, 2009). Habek & Wolniak (2015) support this argument by providing evidence that tables, diagrams, figures and pictures are adopted in significant amounts of disclosure by companies in EU member states in explaining their CSR

information. In addition, Muino & Trombetta (2009) found that the use of graphs, as part of visual sense information, positively improves performance. Hence, it is expected that the use of visual sense in CSR information may elevate the quality of CSR reporting as well. However, Muino & Trombetta (2009) also claim that the use of graphs is one of the tools for impression management (symbolic) rather than substantive management. Therefore, this present study intends to investigate the relationship of readability towards the quality of CSR reporting in both a symbolic or substantive approach.

2.6 Prior Studies on CSR Reporting

The literature investigates the development of CSR in terms of theoretical, conceptual and managerial processes since the early 19th century. The obligation to have CSR in the early 1950s was dependent on the compliance of companies in satisfying the legislations and voluntarily taking further initiatives to improve the quality of life for employees as well as society at large (Carroll, 1999). CSR quickly expanded into more comprehensive actions and responsibilities by having a regulatory framework from various bodies such as ACCA, GRI, AA1000 etc. This was performed in order to deal with the stakeholder expectations and manage the strategy of business according to the requirement of being responsible including taking care of environmental impacts. On the other hand, the framework also works as a guideline to companies in communicating their social information to stakeholders and the public.

The trend of disclosing social information seems to have increased over the past 50 years. At first, the reporting focus was more on environmental issues; it then continuously evolved to cover all aspects of social issues, known as “sustainability”. It is particularly evident in a comment by KPMG (2005) as follows:

A dramatic change has been seen in the type of corporate responsibility reporting which has changed from purely environmental reporting up until 1999 to sustainability (social, environmental and economic) reporting which has now become mainstream among G250 companies (68%) and is fast becoming so among N100 companies (28%) (p.4)

The development of CSR has been eyed closely by KPMG since the early 1990s until the present. As a result, KPMG has published a report for a survey every three year, internationally, on social and environmental reporting (KPMG, 2002; KPMG, 2005; KPMG, 2008; KPMG, 2011; KPMG, 2013; KPMG, 2017). The ultimate purpose of the KPMG survey was to examine the reporting trends of some of the largest companies in the world. The sample includes the global fortune 250 (G250) and the 100 largest companies by revenue (N100) in several countries. The focus of the KPMG trend has evolved through time based on the current development on CSR reporting. Table 2.1 shows that the trend of CSR reporting has increased steadily since 2002 to 2017 and CSR reporting among G250 companies has reached stability since 2013 to the present. This is due to several factors such as the mandatory requirement for some countries like Malaysia and the awareness of companies to the needs of CSR reporting for elevating their reputations among stakeholders. The KPMG survey covers four major regions in the world including America, Asia Pacific, Europe, the Middle East and Africa consisting of 49 countries around the world. Statistically, America leads in terms of

CSR reporting disclosure with 85% followed by Asia Pacific with 78%, Europe with 77%, and the Middle East and Africa with 52%. Interestingly, Malaysia has been listed as one of the countries having high CSR disclosure along with Japan, India and Taiwan (KPMG, 2017).

The contents of the KPMG survey show the progression of issues from the extensiveness to the quality of CSR reporting. In 2002 and 2005, the survey focused on the theme selection for companies in disclosing their CSR activities. This trend shifted in the 2008 survey to the quality of disclosure, particularly on the corporate responsibility strategy and reporting process. As matter of fact, it is essential for the whole process of social responsibility to be carefully implemented so as to accrue benefits to the targeted groups. Therefore, the survey investigates the vigorous nature of CSR in assimilating social objectives into a company's strategy and management system (KPMG, 2008). The emphasis on the integration of CSR into business strategy is consistent with the statement of Daub (2007) which claims that the quality of CSR reporting was determined by the extent to which companies integrate social accountability into sustainable management systems.

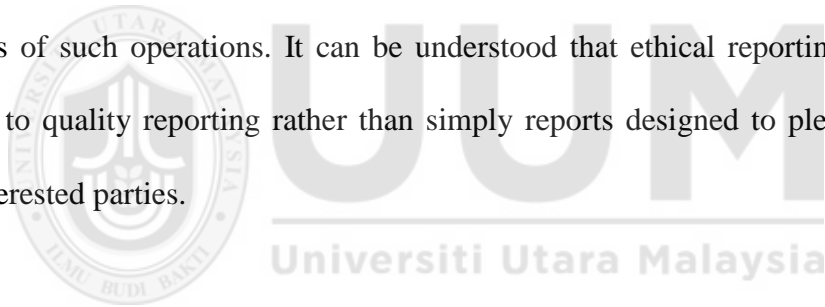
Table 2.1

KPMG CSR Survey from 2002 to 2017

		2002	2005	2008	2011	2013	2015	2017
Disclosure trend	G250	45%	64%	83%	95%	93%	92%	93%
	N100	18%	41%	53%	64%	71%	73%	75%
Focus		Theme and extensiveness	Theme and extensiveness	Strategy and reporting process	-Extensiveness and quality -Consistency and accessibility	Extensiveness and quality	Extensiveness and quality	Quantitative and Qualitative reporting
Contents		1. (HS)E - 73% 2. Sustainability - 14% 3. Environmental and social - 10% 4. Social - 3%	1. Sustainability - 68% 2. Environmental and social - 17% 3. (HS)E - 13% 4. Social - 2%	1. Strategy with objectives identified 2. Performance indicators linked to objectives 3. Data provided for performance indicators	1. Global standard 2. Integrated reporting 3. Ownership 4. Assurance	1. Strategy, risk and opportunity 2. Materiality 3. Suppliers and the value chain 4. Stakeholder engagement 5. Governance of CR 6. Transparency and balance	1. Strategy, risk and opportunity 2. Materiality 3. Suppliers and the value chain 4. Stakeholder engagement 5. Governance of CR 6. Transparency and balance	1. Quantitative global trends 2. Financial risk of climate change 3. Sustainable Development goals 4. Human rights 5. Carbon reporting

	2002	2005	2008	2011	2013	2015	2017
<i>Driver issue</i>	<ol style="list-style-type: none"> 1. Environmental 2. Social 3. Standard and guidelines 4. Stakeholder dialogue, codes of conduct and partnership 5. Business drivers 	<ol style="list-style-type: none"> 1. Business drivers 2. Governance 3. Materiality 4. Stakeholder engagement 	<ol style="list-style-type: none"> 1. Ethical 2. Economic 3. Reputation 4. Innovation and learning 5. Employee motivation 6. Risk management or reduction 7. Supplier relationship 8. Shareholder value 9. Market position 10. Government relationship 11. Cost saving 	<ol style="list-style-type: none"> 1. Global standard 2. Integrated reporting 3. Ownership 4. Assurance 	<ol style="list-style-type: none"> 1. Global standard 2. Integrated reporting 3. Assurance 4. Risk and opportunity linked to value 	<ol style="list-style-type: none"> 1. Carbon reporting 2. Integrated reporting 3. Assurance 4. Global standard - GRI 	<ol style="list-style-type: none"> 1. Regulation, stock exchanges and investor pressure 2. integrated reporting 3. Assurance 4. GRI 5. Climate change as a financial risk 6. Human rights 7. Carbon reporting

Interestingly, the business drivers for disclosing CSR are also moving from concentrating on reputation towards ethical reasons. It is particularly claimed by Adams (2002) that most companies prefer to disclose CSR reporting by the force of, either directly or indirectly, general contextual as well as corporate characteristics such as regulation, ownership, culture, nature of industry, stakeholders, competitors, profitability, size and age of company etc. This encourages companies to report for the sake of the demand of those parties. On the other hand, very few companies disclose ethical reporting, which is driven from the internal contextual aspect, to convey interested parties with true and fair reporting consisting of reports containing bad news, future planning of society activities rather than profit activities, as well as the cost and benefits of such operations. It can be understood that ethical reporting is much more related to quality reporting rather than simply reports designed to please stakeholders and interested parties.



There have been rich empirical and non-empirical studies on CSR in the UK and other European countries since the 1970s (Gray, Kouhny, & Lavers, 1995a). It is also claimed that European countries have outpaced other regions such as the U.S in terms of CSR practices and publishing CSR disclosure (Hartman, Rubin, & Dhanda, 2007). Various themes and methodological issues have been applied by numerous authors to bring the social and environmental issues to mainstream disciplines of business (Voort, Glac, & Meijs, 2009).

Reluctance to disclose social and environmental information is one of the reasons why Harte & Owen (1991) initiated their study. They carefully investigated how 30 UK companies provided environmental information in their annual reports and surprisingly found that non-random samples selected disclosed their social and environmental involvements despite the low awareness in their early assumption. They admitted that CSR reporting in British at that particular time was still in the early stages, and far from concluding their genuine commitment towards CSR practices. Hence, it is suggested that, in improving reporting and enhancing credibility, companies should disclose more specific information as well as assurance from other parties in promoting public accountability.

As a matter of fact, if companies have taken the initiative in providing CSR reporting, this does not necessarily mean those companies are really taking the CSR as an obligation for social responsibility. This has been proven by Gray, Owen & Maunders (1987) as well as Guthrie & Parkers (1989). They exclusively indicated that companies report little or no information on social and environmental issues in their annual reports. This is only that which is outlined by the legislation. In other words, companies disclosed information for the sake of fulfilling legislation requirements rather than being responsible.

In seeking the answer for commitment by companies, Robertson & Nicholson (1996) surveyed a total of 299 questionnaires (32% rate of return) completed by Chief Executive Officers (CEO) as well as annual reports of several UK companies. The

survey found that most UK companies communicate their social responsibility by highlighting internal information (employee – i.e. 83%) rather than external information (local community – i.e. 25%) (p.1099). They concluded that different industries may place emphasis on different stakeholders' groups; for example, the food, drink and tobacco products industry focus on community while the electricity industry combines social responsibility to employees with shareholder interests.

Instead of concentrating on the meaning of disclosure, a study by Gray et. al (1995a) focuses on longitudinal extension of CSR reporting among UK companies. Using content analysis, they collected annual reports from 1979 to 1991 and divided the samples into two periods 1979-1987 – haphazard samples of companies, and 1988-1991 – top 100 largest companies in the UK. This was done purposely to determine the effect of size in disclosing CSR. Generally, Gray et.al (1995a) surmised that CSR reporting is in a rising pattern; however, UK companies still disclose what the legislation (mandatory) requires them to disclose rather than voluntary items.

The paradigm of CSR research in European countries of the 20th century has shifted from focusing on the theoretical extent of CSR to the measurement of quality of CSR. For example, Daub (2007) set a new methodological approach by which to assess the quality of CSR in Swiss companies. On his investigation, he received quite a high response of company participation (74% rate of return) and found that the highest disclosure a score of 75%. However, on average, Swiss companies are still at a low level of disclosure with only 33% in all sectors of assessment. According to Daub

(2007), the ranking only shows how well the companies report their social and environmental information. However, there is still no strong evidence to show the quality of reporting performance which is, to date, hard to be justified. The assessment of quality in his study relies on the triple bottom line reporting which is available in the Swiss annual report. It is clearly shown on the highest weighted percentage (65%) for the performance dimension, which consists of economic, environmental, social and integrated issues, in the scoring system used.

2.6.1 Trend of CSR Reporting Studies In Malaysia

Studies have documented that CSR reporting matured at a higher stage of stability (KPMG, 2017) in developing countries. However, the research on quality CSR reporting is considered to be at the early stage in developing countries such as Malaysia. Most of the research in Malaysia has focused on the level and extent of CSR reporting by Malaysian companies (Teoh & Thong, 1984; Haniffa & Cooke, 2005; Hamid & Atan, 2011; Zainal, Zulkifli, & Saleh, 2013). This has related to the determinants of CSR with company size, leverage, awards, director ownership and government ownership being the factors that influence the management decision to disclose CSR (Ahmad & Sulaiman, 2004; Amran & Devi, 2008; Haji, 2013; Sulaiman, Abdullah, & Fatima, 2014). Very few have focused on the quality of CSR reporting (Othman, Arshad, & Darus, 2011).

As far as this study is concerned, the issue of social responsibility in Asian countries essentially began only in the 1980s (Tsang, 1998). The issue of disclosure arose for attention in later years (see for example: Andrew, Gul, Guthrie & Teoh, 1989; Foo & Tan, 1988). The beginning of CSR studies is mainly concerned with the extent of CSR Reporting by companies. For instance, Foo & Tan (1988) studied 299 Malaysian and Singaporean companies listed on the Stock Exchange of Singapore for the year ending 1985. The study indicates that Singaporean companies disclose more CSR as compared to Malaysian companies. They argue that this is due to a successful industrialization program embarked upon by the Singaporean government which resulted in Singapore claiming the highest per capita gross national product in Asia.

Andrew et al. (1989) reported similar findings in terms of size and CSR relations. They investigated 119 annual reports of publicly listed companies in Malaysia and Singapore and concluded that the level of CSR reporting is relatively low – 31 out of 119 (26 percent). Interestingly, Andrew et al. (1989) also indicated that the banking and finance industry has the largest contribution of CSR among industries. This result could be due to influence from the majority of shareholders of the Development Bank of Singapore as a government initiative (Haron et al., 2006). Both studies revealed that the area of human resources is the favorite theme to be disclosed.

In earlier years, the first CSR reporting study in Malaysia was undertaken by Teoh & Thong (1984). The study aimed to analyze the degree of awareness and the level of CSR disclosure in the top 100 Malaysian companies in annual reports for the 1980's. The study found that most CSR reporting related to human resources issues followed by product services, community work and the environment. Despite the low level of disclosure among companies (about 29%) they also concluded that the attitude of CEOs towards CSR reporting was rather conservative.

Other studies on CSR have been conducted by William & Pei (1999) which analyzed CSR reporting on websites. Their sample included companies in several countries – namely Malaysia, Singapore, Hong Kong and Australia. The result showed that Singaporean and Australian companies tend to disclose more social information as compared to Malaysian and Hong Kong companies. Interestingly, the study reported that Singaporean and Australian companies believe that the most effective way to disseminate corporate social information is via websites rather than annual reports. William & Pei (1999) then listed several factors to explain why Singaporean and Australian companies choose to disclose more social information via their websites rather than their counterparts in Hong Kong and Malaysia. Firstly, the annual budget allocation to internet-based technology is different between the countries; secondly, the number of internet consumers in certain areas is relatively small and it is not cost-effective to invest in internet-based technology; lastly, the level of awareness and acceptance of a

new medium of communication – website, influences the institutional bodies' decision regarding electronic business among the countries.

Haron et al. (2006) studied the level of CSR reporting in Malaysian companies before and after the Asian Financial crisis. In particular, his study examined the disclosure for the years 1996, 1998 and 2000. As expected, a higher level of disclosure was reported in 1998 which was the peak of the recession period. Haron et al. (2006) surmised the existence of several factors contributing to the disclosure. Firstly, the companies disclosed more social information in order to please shareholders by reducing agency costs and to gain public confidence in their performance. Secondly, the companies tried to remain in line with the government's goal during the recession period in which social benefits were the priority. Finally, the disclosure was the companies' response to encouragement from the Finance Committee and the principle of corporate governance which requires them to be more transparent when reporting on the state of internal controls.

As compared to Western countries, there is a scarcity of research of comparative studies on CSR in the counterpart Asian countries (Chapple & Moon, 2005, p. 416). As an example, Ramasamy & Ting (2004) compared the level of CSR awareness between Malaysian and Singaporean companies. They found that both companies have low levels of CSR awareness but in growing paths. However, Singapore appears to be more CSR-conscious its counterpart. As

expected, economics (profitability) seems to be a significant factor in influencing awareness due to more advanced economic procedures providing more resources to support CSR activities (Adams, Hill, & Roberts, 1998; Ramasamy & Ting, 2004).

Another study by Chapple & Moon (2005) provided the Asian CSR literature with several focuses including the variation of CSR practices among Asian countries. The respective differences are explained by stages of development. They also raised the issue of globalization and its impact towards CSR adoption in Asia as well as the national business systems structure being influenced by the practices of CSR by Multi-National Companies (MNC). The study investigated CSR websites from companies in India, Indonesia, Malaysia, Philippines, South Korea, Singapore and Thailand. As expected, they found that CSR varies among countries due to several reasons. The primary reason is that different countries have different natures of doing business. The overall conclusion shows that Asian countries lag behind compared to Western countries (UK) in reporting social information. The figures showed a difference of 40% behind (UK >90%, Asian <50%). Chapple & Moon (2005) discovered that companies with direct foreign investment disclosed more CSR compared to domestic companies. However, further investigation showed that, in terms of distribution of patterns of commitment to CSR issues, those among MNC and domestic companies are not varied and had no significant different.

Studies on the reputation and the quality of CSR reporting have been carried out by Othman et al. (2011). The study developed a quality CSR index based on the GRI and Bursa Malaysia framework to investigate the coercive isomorphism on CSR and reputation. The study also found that regulatory mandates are significant instruments in elevating the reputation of a company. Nevertheless, industries in Malaysia are neglecting the importance of reputation in CSR reporting. Another interesting finding is that family-owned companies do not consider CSR reporting as an important tool by which to promote reputation.

Recent studies in Malaysia are focusing on the extent and quality of CSR reporting (e.g. Sulaiman, Abdullah, & Fatima, 2014; Sadou, Alom, & Laluddin, 2017). For instance, Sadou et.al (2017) found that the quality level of CSR reporting for Malaysian companies is still low, but the study improved the extent and quality of CSR reporting as compared to prior studies such as Haniffa & Cooke (2005) and Haji (2013).

2.6.2 Studies On The Quality of CSR Reporting

CSR studies have been extended to find the determinants of social disclosure in order to explain what possible factors are influencing the increasing trend of CSR in both developed and developing countries. To date, there are still no conclusive studies to accurately explain the main reasons for companies to disclose their social information (Elijido-Ten, 2004) either in annual reports or any other communications media such as websites, bulletins or everyday

tabloids. Definitely, whenever companies provide a certain amount to be invested in social and environmental activities, they expect higher benefits as a return on their investment. Hence, not all companies decide to have CSR reporting and those companies who have CSR reporting may have different methods of quality reporting. This is due to CSR reporting disclosure being costly both in monetary terms and impact of public commitment. Certainly, once companies have disclosed information, they tend to suffer a loss of strategic discretion due to the obligation to perform the social responsibility in the right direction (Brammer & Pavelin, 2008; Cormier & Magnan, 1999). Talking about costs and benefits, it is evident that the pressure of disclosing CSR information results from external parties such as legislators, regulators, society and investors (Li, Richardson, & Thornton, 1997; Roberts, 1992). Recently, pressure is also being raised from internal parties as well such as cultural groups, CSR committees and boards of directors (Adams, 2002).

Previous studies showed that the factors of CSR reporting were varied (e.g. Adams & Frost, 2008; Cormier et al., 2005; Ghazali, 2007; Smith et al., 2005; Welford, 2005). This could possibly be due to inconsistent theoretical and methodological approaches (Carroll, 1999) or the expectation of stakeholders towards CSR changes over time (Gray et al., 1995a). Some factors (such as size and profitability) are theoretically sound, while the rest are mixed in describing the factors that influence companies to disclose their CSR activities.

It is clear that the size of a firm is the most consistent factor to have positive significant influences on CSR reporting (Amran & Devi, 2008; Belkaoui & Kaprik, 1989; Patten, 1991; Hackston & Milne, 1996; Brammer & Millington, 2004; Cormier et al., 2005). The simple reason is that large companies are more visible and have greater impact upon the stakeholders (Watts & Zimmerman, 1986). They are also more exposed to regulatory and political pressures which are known as a potential cost. Therefore, to reduce this potential cost, companies should take the initiative of reporting more information (including their social activities) so as to exhibit responsible action taken towards society at large as well as what is required by law (Gamerschlag, Moller, & Verbeeten, 2010). It is also an example of good corporate citizenship (Brammer & Pavelin, 2008).

Meek, Roberts & Gray (1995) indicated that the nature of industry does influence the level of CSR reporting. Industries with a high degree of risk for the environment are more likely to disclose more information in their CSR reporting. In contrast, Ratanajongkol, Davey & Low (2006) indicated that the industry type does not have significant correlation with the level of CSR reporting. However, it is interesting to research the correlation between the nature of industries and CSR reporting. It is assumed that when companies are involved in high risk operations and have a negative impact upon environmental and social issues, some of them tend to switch stakeholders' views to social activities so as to preserve their reputation (Mitnick, 2000).

The ownership of companies is also determined as among the factors that influence CSR reporting. Prior studies found that the correlation is mixed depending on the type of ownership. For instance, consistent findings show that companies having foreign ownership positively correlate with CSR reporting (Amran & Devi, 2008; Haniffa & Cooke, 2005; Said, Zainuddin, & Haron, 2009) since foreign ownership is influenced by its country of origin (commonly from developed countries). In addition, companies with foreign shareholders are coerced to obey the CSR rules set by the countries in which they operate (Amran & Devi, 2008). Government ownerships are also expected to be influential antecedents towards CSR reporting. Due to issues of authority and power, government seems the right party to coerce companies into disclosing more non-financial information by regulating several legislation requirements. Adams (2002) indicated that government ownership has a significantly positive relationship to CSR reporting, while, in contrast, Amran & Devi (2008) found that there is no significant relationship between government ownership and CSR reporting.

As stated by Archambault & Archambault (2003), there is still a paucity of studies which can be considered a complete set of factors that influence the quantity and quality of corporate disclosure. Eljido-Ten (2004), for example, utilized the model of Ullman (1985) to extend CSR reporting literature in providing possible determinants of quality and quantity of environmental disclosures in developing countries. The study suggests that the major

determinants of having quality environmental disclosure are the concern of top management towards CSR reporting and the government's power to authorize companies, while the level of environmental disclosure and economic performance demonstrated no significant relation.

Prior studies suggested that both external and internal determinants may influence the level of CSR reporting (see for example Adams, 2002; Amran & Devi, 2008; Belkaoui & Kaprik, 1989; Eljido-Ten, 2004; Hackston & Milne, 1996; Haniffa & Cooke, 2002). Most demonstrate a significant correlation mix either positively or negatively to the level of CSR. However, those studies seem to focus only on the quantitative dimensions while very few studies provide the qualitative dimensions of CSR reporting. For instance, Eljido-Ten (2004) mentioned clearly in her aim of study to propose 'possible determinants of the quality and quantity of environmental disclosures'. In contrast, the finding of her study is still lacking an explanation of the 'quality' dimensions of CSR reporting.

According to Hess & Warren (2008), meaningful CSR must be seen beyond cash contributions. It is suggested that meaningful CSR can be evaluated on how far (deep) companies disclose their involvement in CSR activities and only then may it be claimed as a quality CSR reporting. Companies are aware of society's expectation towards meaningful CSR reporting and that the push appears to come not only from stakeholders in society, but also from companies in an

endeavor to define what it means to be socially responsible. For this reason, Hess & Warren (2008) suggested two characteristics that could make CSR reporting more likely to be meaningful, namely: (1) Commitment, and (2) Strategic resources. Commitment can be described in two perspectives – transactional and relational. A transactional approach results from the action of companies which may initiate or terminate the CSR based on the fluctuation of pressures that come from different sources. Meanwhile, a relational approach appears when the companies committed to the CSR build a long-term relationship with particular stakeholder groups. Strategic resources are the indicator to provide meaningful CSR by efficient and effective use of companies' resources. The companies may maximize their benefits through CSR contribution when they are willing to leverage the core competencies of business and contribute goods and services that are based on expertise used in (or generated by) their normal operations.

A quality dimension of CSR reporting has been defined in various approaches (Brammer & Pavelin, 2008; Bouten, Everaert, Liedekerke, Moor, & Christiaens, 2011; Chauvey, Giordano-Spring, Cho, & Patten, 2014; Habek & Wolniak, 2015; Michelon, Pilonato, & Ricceri, 2015). For instance, a study by Brammer & Pavelin (2008) measures CSR reporting quality with scorings of 1 and 0 respectively for each item of disclosed information in all five dimensions adopted. Their study focuses on environmental disclosure and investigates quality in the dimensions of policies, environmental initiatives, improvement of

environmental performance, the adoption of environmental audits and management targets for environmental issues. The quality of CSR reporting is also measured by borrowing the definition of quality as defined by Financial Accounting Standard Board (FASB) (Chauvey, Giordano-Spring, Cho, & Patten, 2014; Alotaibi & Hussainey, 2016) comprising relevance, comparability, verifiability, clarity and neutrality. Table 2.2 summarizes the quality dimensions used by recent studies and the factors that influence the level of CSR reporting quality.

Table 2.2

Summary of studies on quality dimensions

	<i>Author</i>	<i>Country</i>	<i>Theory</i>	<i>Quality dimension</i>	<i>Factors of quality</i>
1	Brammer & Pavelin (2008)	UK	N/a	<ol style="list-style-type: none"> 1. Policies 2. Initiatives 3. Improvement 4. Audit 5. Management target 	<ol style="list-style-type: none"> 1. Nature of industries 2. Environmental performance 3. Firm size 4. Media exposure 5. Ownership 6. Profitability 7. Leverage 8. Board composition
2	Bouten, Everaert, Liedekerke, Moor & Christiaens (2011)	Belgium	n/a	<ol style="list-style-type: none"> 1. Vision and goals 2. Management approach 3. Performance indicators 	n/a
3	Cho, Michelin & Patten (2012)	US	n/a	Number of graphs <ol style="list-style-type: none"> 1. Social 2. Environmental 3. Financial 	n/a
4	Chauvey, Giordano-Spring, Cho, & Patten (2014)	France	Legitimacy theory	<ol style="list-style-type: none"> 1. Relevance 2. Comparability 3. Verifiability 4. Clarity 5. Neutrality 	n/a

	<i>Author</i>	<i>Country</i>	<i>Theory</i>	<i>Quality dimension</i>	<i>Factors of quality</i>
5	Anas, Rashid & Annuar (2015)	Malaysia	Stakeholder theory Legitimacy theory	Bursa Malaysia CSR framework index (17 items): 1. Score 3 for quantitative/monetary 2. Score 2 for specific CSR information without quantitative 3. Score 1 for general CSR information 4. Score 0 for no disclosure	1. Firm size 2. Profitability 3. Award
6	Habek & Wolniak (2015)	European Union Countries	n/a	1. Relevance of information - sustainability strategy, stakeholders, targets, trends over time, performance indicator, improvement actions, integration with business process, executive summary 2. Credibility of information - readability, basic reporting principles, quality of data, stakeholder dialogues, feedback, independent verification	n/a
7	Michelon, Pilonato & Ricceri (2015)	UK	Legitimacy theory	1. Quantity 2. Density 3. Accuracy 4. Management orientation	1. Standalone report 2. Assurance 3. Reporting guidance
8	Alotaibi & Hussainey (2016)	Saudi Arabia	Legitimacy theory Stakeholder theory Signalling theory Agency theory	5 Likert's scale of 1. Relevance 2. Faithful representation 3. Understandability 4. Comparability	1. Board size 2. Independent directors 3. Government ownership 4. Managerial ownership 5. CEO duality 6. Board meeting frequency 7. Audit committee size 8. Remuneration committee size 9. Auditor type

	<i>Author</i>	<i>Country</i>	<i>Theory</i>	<i>Quality dimension</i>	<i>Factors of quality</i>
9	Lock & Seele (2016)	European Union Countries	n/a	1. Truth - assurance, completeness, accuracy, standards 2. Sincerity - materiality, stakeholder, engagement, stakeholder dialogue, management system 3. Appropriateness - investors, employees, NGOs 4. Understandability - timeliness, accessibility, balance, readability	1. GRI guidelines 2. Standalone report 3. Size 4. Firm experience 5. Mandatory report

Despite the stability of CSR reporting disclosure amongst all companies around the world (with more than 90% disclosure) (KPMG, 2017), recent studies on the quality of CSR reporting claim that the level of quality CSR disclosure is still relatively low (Bouten, Everaert, Liedekerke, Moor, & Christiaens, 2011; Chauvey, Giordano-Spring, Cho, & and Patten, 2014; Anas, Rashid, & Annuar, 2015; Michelin, Pilonato, & Ricceri, 2015; Habek & Wolniak, 2015).

2.7 Theories Underlying CSR Disclosure

Several theoretical frameworks have been applied to describe CSR reporting. The theories include agency theory (Friedman, 1970; Woodward et al., 1996), stakeholder theory (Freeman, 1984; McWilliams & Siegel, 2001), legitimacy theory (Patten, 1991; Woodward et al., 1996) and institutional theory (DiMaggio & Powell, 1983; Scott, 1987). However, it worth noting that there is no accurate and constructive theory yet in

explaining both the CSR practices as well as CSR Reporting (Cormier et al., 2005; Reverte, 2008).

The reason one necessitates to have multi-theoretical framework is based on Gray et al. (1995a) that question on whether a single conceptual framework can sufficiently explain the pattern and the quality of CSR reporting and can adequately capture the determinants of CSR reporting. Gray et al. (1995a) draws several reasons: firstly, CSR reporting is not a systematic process and most of the time is subject to current trends of other counterparts; secondly, it is hard to associate profit with CSR on the same period of time; and finally, CSR reporting appears to be related to several major factors like size, industry-specific effects and country-specific effects. Therefore, this study employs several theories in order to explain several factors that influence the CSR reporting.

2.7.1 Institutional Theory

To describe *Institutional theory*, the word ‘institutionalize’ is the main concern. The theory is interested in the process of external factors like environments influence the making of institutionalized and become rules or practices (Scott, 1987). DiMaggio & Powell (1983) argued that nowadays change in structure of organization was no longer based on efficiency and competition. The change in organizational structure moved towards the homogeneity of other company in term of bureaucratization and other forms of organizational change rather than making them more efficient. DiMaggio and Powell (1983) named the process of

homogenization as isomorphism. The definition of isomorphism according to DiMaggio & Powell (1983) is a *constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions*. They added that in a modern organization scenario, the organization is not only competing to gain resources and customers, but the organization must also survive the political power and institutional legitimacy, for social and as well as economic fitness (DiMaggio & Powell, 1983).

To achieve isomorphism, DiMaggio & Powell (1983) identified three mechanisms namely, (1) coercive; (2) mimetic; and (3) normative. Firstly, coercive isomorphism results from external factors pressures such as political influence, regulation, law and society. The pressures may be exerted in the form of force, persuasion, or invitation to join in collusion both formal and informal by other organizations. Secondly, mimetic isomorphism originates from uncertainty within the environment. In uncertain environment, the organization tends to follow the successful organization without aware the consequences or risks. With no guideline or reference, the organization mimics the other organization and assumes it can replicate the successful of other organization. Lastly, normative isomorphism roots from professionalism. The professionalization interprets as the collective of peoples to outline their procedure of works in providing guideline to others and to establish a cognitive base and legitimating for their occupational autonomy.

Whilst Scott (1987) claimed that there is diversity in defining the concept of institution and institutionalization. Despite the various approach, he believes that it still exists similarity and little agreement on specific areas. Scott review the Institutional Theory through four sociological paradigm – (1) Institutionalization as a process of instilling value; (2) Institutionalization as a process of creating reality; (3) Institutional systems as a class of elements; and (4) Institutions as distinct societal spheres.

Firstly, the process of institutional occurs concurrently with the process of organization structure development. Organization structure, which requires careful technical instruments to develop, exists through the adaptation of changes and has been influenced by two main factors – internal and external. Internal factors come from the characteristics and commitment of the players of the development of organization structure, while the external factors affect in term of environments influences and constraints. Through this development, institutional appears naturally as part of the technical process. Institutional is the process of imparting value to the organization. The value is the mechanism to stability and ‘persistence of the structure over time’ (Scott, 1987).

Secondly, the process of instilling value continues by looking at the reaction of individuals towards the value. Reaction could be varying depend on the interpretation of each individuals. Therefore, those reactions can be categorized to different classification and consequently enable them to be grouped into similar behavior. The institutionalization occurs when there is repetition in

action and share similar meaning towards the actions (Scott, 1987). Meyer & Rowan (1977) added that the rules of institutionalized are when the society has been classified as *reciprocated typifications or interpretations*. The shared value in society is one of the ways in stabilizing the social order in and the features of the development of good organizations.

Thirdly, the institutionalization focuses on intrinsic elements specifically culture which involve symbols, cognitive systems, normative beliefs, rather than extrinsic elements such as technical requirements, resource streams, information flows and influence relations (Scott, 1987). However, the elements classification gives less attention to the process of institutionalization. It is rather emphasis on belief system separately. Thus, this approach appears to be similar with approach by DiMaggio & Powell (1983) which emphasis on coercive, mimetic and normative mechanism which works separately.

Lastly, Scott (1987) concluded that institutionalization is the enduring process in order to assimilate the diversity of belief system. The societal must first considerate the various social practiced which ‘associated with varying functional arenas within societal system’ (Scott, 1987). Then only the institutional arise when society can combine the cognitive and normative system and behavioral system as a culture of the organizations.

2.7.2 Legitimacy Theory

The concept of legitimacy theory is generally about *reaction* (Woodward, Edwards, & Birkin, 2001). The company would react according to society expectation. Therefore, under legitimacy theory, companies operate under a mandate of society and legitimate in fulfilling contracts with society (Cormier & Gordon, 2001). This theory is based upon social contract which both parties (society and company) agree certain objectives, thus, as in return companies requested to perform business operation in line with socially desired and which guarantee its survival (Brown & Deegan, 1998; Deegan, 2002). In other word, legitimacy theory is about how companies should respond to community expectations (Patten, 1991).

Legitimacy is *a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which entity is a part* (Dowling & Pfeffer, 1975, p. 122) while Suchman (1995) defines as *a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definition* (p.574). Both definition are used by Mobus (2005) which claims that legitimacy is the dynamic perspective of theory in term of generalized and static character of legitimacy, the perceptual or cognitive matter of legitimacy and the shared values and norms.

The dynamic of legitimacy can be explained through two perspectives – institutional and strategic. The strategic perspective can be interpreted when the companies tend to manipulate resources in effort to gain legitimacy status from surround community. In contrast, intitutional perspective emphasizes on outsider pressures who generate force to companies to react. Despite manipulation resource, the institutional views on a set of constitutive beliefs alleged by surround community (Mobus, 2005).

Lindblom (1994) critically analyzes and proposes four strategies to be adopted by companies for legitimation (see figure 1). The main concern of legitimacy theory is relied on the public awareness and concern. Without the awareness of public, the theory may not able to fully explain the issues. As claimed by Mobus (2005) is *one of primary factors suggested to influence a corporate response on environmental issues is the growth in awareness and concern in the general community*. Hence, the successful of legitimacy is depending on level of interest of community towards social and environmental impact. Such behavior would force company to react in explaining the affecting company's activities to social and environment and therefore annual report could be an accessible medium for public to get the responses (Mobus, 2005). Furthermore, the limitation of the legitimacy theory has been widely highlighted (for example O'Dowyer, 2002; Wilmhurst & Frost, 2000) as well as the awareness of social and environmental issues in Malaysian experience is still in infancy stage (Amran & Siti-Nabiha, 2009).

2.8 Conceptual framework

Prior studies in CSR reporting have adopted several underlying theoretical in explaining the CSR reporting factors and motivations. For instance, agency theory enlightens the motivations to disclose CSR (Haron, Yahya, Manasseh, & Ismail, 2006), then the stakeholder theory as a compliment to agency theory appears and elaborates determinants such as country of origin (Sweeney & Coughlan, 2008) and the influence of a specific regulators, shareholders, creditors, investors, environmentalists, and the media on CSR reporting judgements (Ali, Frynas, & Mahmood, 2017). On the other hand, legitimacy theory discusses the presence of standards and regulations (Freedman & Jaggi, 2005), economic development (Belal & Momin, 2009), environmental and social disclosure and performance (Clarkson, Li, Richardson, & Vasvari, 2008), effects on variables such as industry and size (Hackston & Milne, 1996; Patten D. M., *The Relation between Environmental Performance and Environmental Disclosure: A Research Note*, 2002). The institutional theory, in addition, explains CSR reporting from a political economy viewpoint, in which CSR reporting is examined based on the institutional arrangements of organizations (Amran & Devi, 2008).

Despite all these theories, it is worth to note that no single theory yet able to explain the inconsistent empirical finding in telling the motivations for CSR reporting, particularly across countries. This study puts forward an effort to explain the motivation of companies to produce CSR reporting in the angle of quality disclosure by adoption several CSR practices such as stand-alone report, CSR guidelines, audit assurance,

website and award. Given this argument, legitimacy, agency and institutional theories can be used in assessing the motivation of companies to disclose good (bad) quality disclosure and the adoption of CSR practices influence on CSR reporting. Legitimacy perspective provides a medium to relate the voluntary (or mandatory in this study) reporting to have a better relationships with relevant stakeholders and it helps to resolve some of the issues in organizational legitimacy (Neu, Warsame, & Pedwell, 1998).

Suchman (1995) defines legitimacy as the action of the society usually in line with the desire within a social system. This assumption supports the aim of this study on both the adoption of policies and practices able to influence disclosure quality as a means to change the society perception. Hence it may increase or decrease the organization's legitimacy (DiMaggio & Powell, 1983; Suchman, 1995). According to this perspective, the process of legitimacy acquisition may be achieved through the disclosure of CSR information and reporting practices and consequently may (or not) be useful to elevate the knowledge of stakeholders about companies' activities and objectives achieved. Despite all these positive assumption, some literature claims the opposite's argument as to merits such initiative (Amran, Lee, & Devi, 2014; Cho, Michelon, Patten, & Roberts, 2014; Larrinaga, 2014; Neu, Warsame, & Pedwell, 1998). For instance, Amran, Lee, & Devi (2014) concerns on the quality of CSR reporting might affect from the lack of role of board directors in upholding the sustainable agenda in CSR reporting process. In other study such as Bebbington, Kirk, & Larrinaga (2012) suggest in managing the public perceptions and perceived legitimacy treats, CSR reporting is the best as a form to discourse those intended. Larrinaga (2014) provides an insight into the issue of

quality reporting is not driven by the generally accepted activity. Furthermore, Cho, Roberts, & Patten (2010) evidence that CSR disclosure is highly impact in the environment of high litigation such as US especially when the disclosure is reported in annual report. Consequently, the disclosure also effects the management technique in preparing the CSR reporting.

Some reporting scenario gives the double-edge sword of organizational legitimacy (Ashforth & Gibbs, 1990) and this can be described two different approaches in seeking the legitimacy: (1) substantive management; and (2) symbolic management (Michelon, Pilonato, & Ricceri, 2015). Substantive management displays a real commitment of companies in disclosing their CSR activities. Substantive management embodies a genuine action of corporate to execute companies' strategies as well as being responsible to society. This approach aspired to gain public awareness in getting know how far companies react to their strategies into a concrete and authentic action in order to obtain legitimacy through changes in actions and policies (Hopwood, 2009). Thus, substantive management aims to depict the companies as socially responsible and avoids perception of creating a presence of concern that does not translate into actual performance (Michelon, Pilonato, & Ricceri, 2015). On the other hand, symbolic approach is known as a ritual practices (Meyer & Rowan, 1977) which able to fulfil the stakeholder expectation with a visible and salient reporting while keeping the company's profit aim intact within management team (Ashforth & Gibbs, 1990). Substantive practices would bring changes in companies' practices and performances whereas symbolic practices would portray companies as without any meaningful impact

to their operations and performance. Prior study on substantive and symbolic management interpret the absence of any significant association between governance and performance due to companies are prefer to adopt a symbolic management to serve stakeholder expectation and only few of substantive management to mix up the stakeholder understanding (Rodrigue, Magnan, & Cho, 2013)

Study on symbolic and substantive action like Berrone, Gelabert, & Fosfuri (2009) found that symbolic approach aims to influence society perception by using explicit or obvious actions to obtain legitimacy such as participation in any campaigns or creating any observation board committee, while substantive approach need companies to really commit in any actions to increase companies' legitimacy such as organize programme for pollution prevention. Other study on symbolic and substantive attempt to understand either substantive or symbolic issue has any relation on CSR practices likes Mahoney, Thorne, Cecil, & LaGore (2013) examines on the presence of standalone report of CSR reporting and its relation to substantive signal or greenwashing, and Boiral (2013) focus the adoption of GRI standards towards the quality information of CSR reporting either viewed as substantive or used to camouflage real sustainable issue.

Therefore, this study uses the organizational legitimacy as main theoretical framework to further investigate the scenario of CSR reporting practices among Malaysian companies as a substantive or a symbolic approach. It is perceived that substantive approach would lead the companies to consider environment and social issue as companies' commitment and as a sense of accountability to stakeholders to be

transparent. The study predicts the use of several CSR practices such as standalone report, CSR guideline, audit assurance, website, and award have a significant relation in elevating the quality of CSR reporting in Malaysia environment. In contrast, symbolic approach would perceives companies as to portray as ‘committed’ by exploiting the CSR reporting as an opportunity to camouflage companies’ social and environment activities as well as to confuse the stakeholders if there any negative information within companies’ performance (Cho, Roberts, & Patten, 2010) and to project companies image separated from the reality (Boiral, 2013). As matter of fact, organizational legitimacy is often raised and preserved through the practice of symbolic actions (Dowling & Pfeffer, 1975; Neu, Warsame, & Pedwell, 1998) that form part of the company’s public image.

Even though the expectation of this study is on the organizational legitimacy, the other underlying theories such as agency theory, stakeholder theory and institutional theory may be the best theoretical the explain the scenario of CSR reporting especially on the quality perspective.

2.9 CSR Practices and Hypothesis Development

The motivation to enhance CSR information is varies. This study is triggered by the opposing perspectives either to be substantive or symbolic in managing CSR information to further investigates based on the research question raises the relationship of adoption several CSR practices (stand-alone report, CSR guidelines, audit assurance,

website and award) towards the enhancement of CSR information by companies. The next section discusses the hypothesis of this study.

2.9.1 Stand-alone Reporting

Recently stand-alone report has become a trend for largest companies to disclose their CSR reporting due unlimited space in annual report. On the other hand, this CSR practices could be an initiative to increase the level of stakeholder confidence. Prior studies evident the CSR reporting has evolved from the relying annual report as a medium to disclose social and environment information to stand-alone report, also known as sustainability reports for some (O'Dwyer, Unerman, & Hession, 2005; Bouten, Everaert, Liedekerke, Moor, & Christiaens, 2011; Clarkson, Fang, Li, & Richardson, 2013).

It perceives in near future the trend would be a standard for largest companies in disclosing their CSR information (Michelon, Pilonato, & Ricceri, 2015). Based on survey by KPMG (2017) shows that trend of CSR reporting is now at the stable stage with more than 90 percent of the Global Fortune 250 companies report their CSR practices since 2011 to 2017. This positive trend of reporting motivates companies to disclose more on their CSR activities and reports the performance of CSR practices to their stakeholders.

Furthermore, a number of studies have proved that the presence of stand-alone report is seen as a proxy to elevate the quality of CSR disclosure by providing

significant information for stakeholders especially investors to assess companies' CSR information (Dhaliwal, Radhakrishnan, & Yang, 2012; Dhaliwal, Li, Tsang, & Yang, 2014). Stand-alone report is produced by companies to enhance their commitment in reporting CSR activities and as a part of a clear engagement of companies towards the issue of environmental and social as well as to maintain business sustainability (Mahoney, Thorne, Cecil, & LaGore, 2013; Michelon, Pilonato, & Ricceri, 2015).

Accountability is very much needed nowadays. Recent studies claim the regulations such as mandatory regulation on CSR reporting has a positive effect on the quality of CSR reporting (Wang, Cao, & Ye, 2017; Wang, Tian, Fan, & Luo, 2017). However, prior researchers have uttered reservations about the intention of these CSR reports as substantive CSR reporting practices (Cooper & Owen, 2007; Moneva, Rivera-Lirio, & Munoz-Torres, 2007; Michelon, Pilonato, & Ricceri, 2015). Unerman, Bebbington, & O'Dwyer (2007) in their books critics on the trend of creating the CSR reports as one of the public relations tools in order to survive in a competitive business and similarly to the study by Thorne, Mahoney, & Manetti (2014) claims that those CSR reports is merely for the purpose of media visibility and to manage the political in management.

From the discussion in the conceptual perceptive and the debate above, the first hypothesis in this study is as follows:

H₁: There is a relationship between the presences of stand-alone report with disclosure quality of CSR reporting.

2.9.2 CSR Guidelines

CSR guidelines are perceived as the essential tools to increase the level of CSR reporting. In Malaysia, Bursa Malaysia CSR framework had been produced by the initiative of Bursa Malaysia to help companies produces CSR reporting back to 2006. The aims of the framework is to provide the guideline for companies, at that time, to have basis for disclosing their social responsibility practices and in which area is essential to be disclosed. For example, Othman, Arshad, & Darus (2011) adapts the Bursa Malaysia CSR framework to analyze the influential factors of CSR reporting in Malaysia. In the international perspective, the GRI reporting framework is widely recognized as a leader in the international standardization of CSR reporting (Bebbington, Kirk, & Larrinaga, 2012; Mahoney, Thorne, Cecil, & LaGore, 2013). It is also considered the crucial example of CSR reporting, as it has wide application in multi-national companies that operate in a variety of industries (Joseph, 2012). Mahoney, Thorne, Cecil, & LaGore (2013) confirms that guidelines such as GRI play the important roles for companies in providing information about environmental and social. Furthermore, the GRI guidelines appear to trigger companies to have a higher level of commitment in complying CSR framework and consequently increase the level of quality of CSR reporting (Michelon, Pilonato, & Ricceri, 2015).

However, the adoption of GRI framework is also being critics by few studies because the use of it seems to be widely isolated (Joseph, 2012; Moneva, Rivera-Lirio, & Munoz-Torres, 2007), uses in a biased way due to not supported by the formal national regulations (Freedman & Jaggi, 2005; Moneva, Rivera-Lirio, & Munoz-Torres, 2007). For instance, the CSR reporting templates based on GRI guidelines aid companies to disclose exactly following line by line of the templates to meet the requirement of the guidelines. The complete 'tick' for the templates may not assure the management intentions either to have a substantive reporting or remain as symbolic performance. Nevertheless, on the perspective completeness, it can be suggested that with the presence of CSR guideline, companies may increase the volume of their CSR reporting (Michelon, Pilonato, & Ricceri, 2015) or perhaps the reason for companies to disclose better CSR information.

Based on the discussion over the both perspective of GRI adoption towards quality of CSR reporting, the second hypothesis in this study is as follows:

H₂: There is a relationship between the adoptions of CSR guidelines with disclosure quality of CSR reporting.

2.9.3 Assurance of CSR information

External assurance is one of the vital elements to increase level of transparency and confidence of CSR reporting (Adams & Evans, 2004; Dando & Swift,

2003). Prior studies concern on the credibility of CSR reporting by focusing on the competency's technicality and the independence of assurance provider (Dando & Swift, 2003). The need to have a third party assurance to elevate the credibility and confidence of CSR information as part of the rigorous independent verification processes has been supported by many studies (Adams & Evans, 2004; O'Dwyer & Owen, 2005; Simnett, Vanstraelen, & Chua, 2009; Fernández-Feijóo-Souto, Romero, & Ruiz-Blanco, 2012; Odriozola & Baraibar-Diez, 2017). The process of independent verification provides adequate assurance to stakeholders in term of the completeness and the quality of CSR information reported.

The third party assurance, however, is being criticized due not plays the expected role in establishing credibility report but act as the consultancy that support management activity rather than offer an independent assurance to reinforce transparency (Ball, Owen, & Gray, 2000). Some assurance statements are guided based on the latest CSR guidelines such as the AccountAbility and the Global Reporting Initiative (O'Dwyer & Owen, 2005). This study found an improvement in term of independence of evaluation process and some emphasis on the companies' performance. However, Michelon, Pilonato, & Ricceri (2015), still doubts about the ability of independent assurance practices to enhance the quality, transparency and completeness of and public confidence in CSR reports.

Cho, Michelon, Patten, & Roberts (2014) investigates the association of CSR reporting with assurance and without to the company's performance. Their study found that assurance is not associated to increase value of companies but companies with assurance are likely to be listed in Dow Jones Sustainability Index and are perceived to be more social responsibility and green. This finding is similar with the concept of symbolic practice that suggests the benefits of assurance are limited to portray the perceptions towards the image of companies in their CSR practices.

However, in other studies claims that the assurance process by the third party organizations is implemented by following standard assurance principles and guidelines and in line with the stakeholders expectation, hence, might increase the completeness and quality of CSR information (Adams & Evans, 2004; Zorio, Garcia-Benau, & Sierra, 2013). Edgley, Jones, & Solomon (2010) examines the involvement of stakeholders in preparing non financial reporting. Their study suggests that the involvement of stakeholder in the process of reporting may change the perception and attitude of the managers towards them. Therefore, it is perceived that when the assurance practice could provide real changes in a company's processes, it may denote a substantive practice.

Based on the debate over the presences of assurance services practice, the third hypothesis in this study is as follows:

H₃: There is a relationship between the presences of assurance services practice with disclosure quality of CSR reporting.

2.9.4 Award

The award appears to be an essential element in the CSR reporting practices of Malaysian companies in the recent years. As far as this study concern, there is a very limited study on the award and its relationship towards quality of CSR reporting. Study by Anas, Rashid, & Annuar (2015) is one of the early studies examines the influence of award toward CSR reporting. Their study developed a checklist to analyze the extent and quality of CSR information in the 2008 annual reports of Malaysian companies. The results show that the quality of CSR reporting practices was slightly nominal when it is compared to the extent of CSR reporting practices. Interestingly, award has a significant positive relationship with both the extent and quality of CSR reporting practices of the Malaysian companies (Anas, Rashid, & Annuar, 2015). Therefore, it brings understanding that the commitment to follow award's requirement for CSR reporting practices is one of the efforts for companies to inform their substantive practices towards CSR activities.

In contrast, Virakul, Koonmee, & McLean (2009) selected four CSR award-winning companies in investigating the several angle of CSR reporting practices among best CSR disclosure companies. This study admits that CSR award is one of best CSR practices for reputation and a good portray of social responsibility.

The results of their study show that all selected companies have a written policy on CSR and it was stated in line with their business strategic plans for better corporate governance policy. However, when it comes to a written policy on CSR budget, none has a specific policy on how they would commit on a regular or yearly basis (Virakul, Koonmee, & McLean, 2009). This would interpret into opposite direction of companies' commitment and presume as a symbolic approach of management to gain a good image without 'commit'.

The discussion of the complying of award's requirement brings to the final hypothesis in this study as follows:

H4: There is a relationship between the presences of award with disclosure quality of CSR reporting.

2.9.5 Website

One of the mediums to promote CSR information among Malaysian companies is via their corporate website (CCM, 2013). Many studies review the online communication especially through websites as the key channel for CSR reporting (Rolland & Bazzoni, 2009; Homayoun, Rahman, & Bashiri, 2011; Hassan, Yusoff, & Yatim, 2012; Conway, 2012; Rahim & Omar, 2017). Previous study suggests that companies around the world use their websites to disclose their CSR practices (Maignan & Ralston, 2002). Due to growing trend of internet user, website become a logical platform to disclose CSR practices

among companies (Basil, 2008; Amran, Ooi, & Mydin, 2018) and target a wide range of stakeholders (Esa & Zahari, 2017).

Rahim & Omar (2017) claims that use of online communication for CSR reporting conveys many benefits to companies in terms of increase transparency, reputation, trust, information accuracy and faster information dissemination. However, their study found that there are managerial issues associated with the use of online communication such as website. It could be implied that the CSR reporting via websites aims to fulfill the need of stakeholders for companies' reputation, hence, it is only a symbolic practice.

In other studies, Homayoun, Rahman, & Bashiri (2011) investigates contents of four internet reporting disclosure and one of the groups is CSR reporting. It is worth to note that Malaysian companies from their findings are performed well in published internet-based reporting and interestingly achieved high score for the quality perspective. Therefore, because the existing of CSR information via companies' website could provide a quality reporting, it may represent a substantive reporting practice.

The discussion of two-fold of the presences of website for CSR information, the forth hypothesis in this study is as follows:

H₅: There is a relationship between the presences of website with disclosure quality of CSR reporting.

2.10 The conceptual framework of the study

Based on the discussion above, this study is to investigate the variables either to relate towards quality CSR reporting in a substantive approach or a symbolic approach. All hypotheses will be developed in the form of exploratory hypotheses. Thus, all observed variables will be tested to see their respective power in the respective domain. This is necessary because to this date the quality of CSR reporting still has not been addressed empirically under the specific direction discussed in this study.

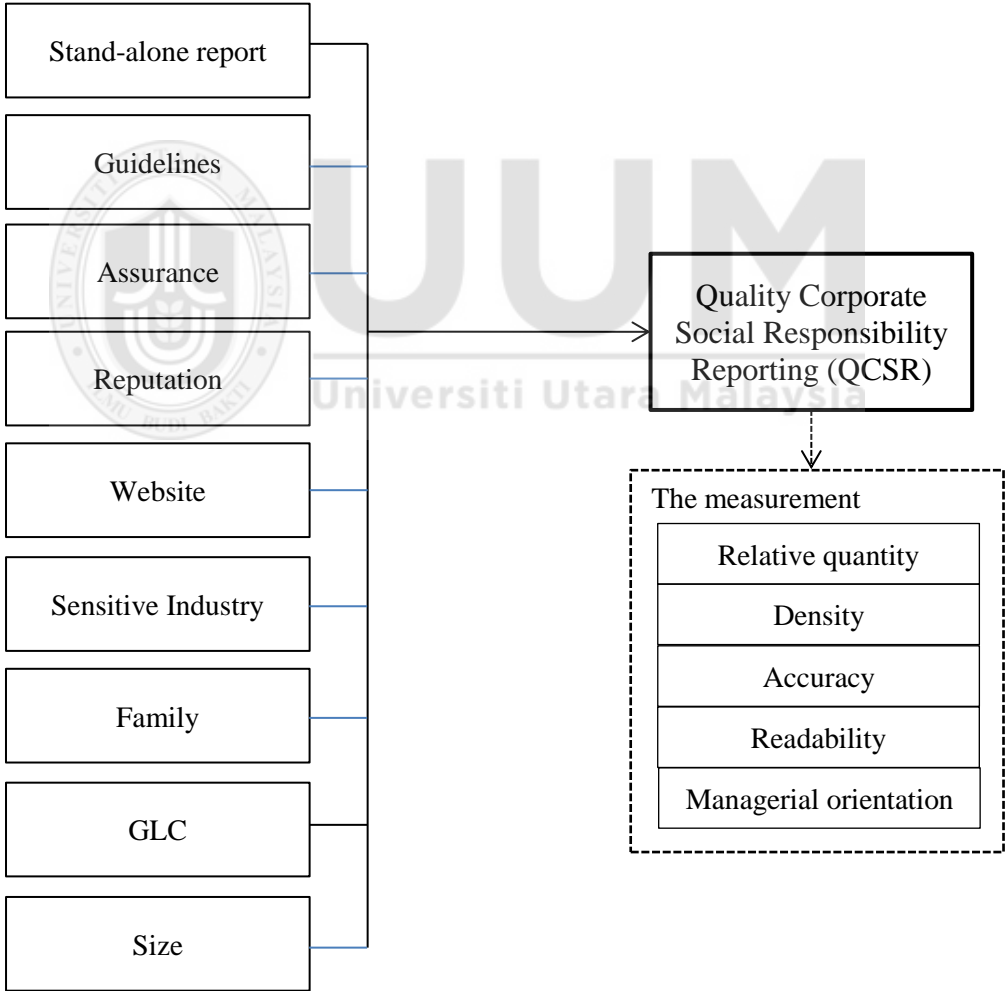


Figure 2.2
Conceptual framework of Quality of CSR Reporting

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter explains the methodology of the study. The section begins with the sample and data collection. Then, the section explains the measurement of the variables including the extent and the quality of CSR reporting. Then, the section continues in explaining the process of assessment of validity and reliability for the content analysis technique. Lastly, the section enlightens the technic adopted for regression analysis.

3.2 Sample and Data Collection

The aim of study is to investigate in depth disclosure of CSR reporting especially on the quality perspective, the sample was selected as follows: (1) companies that listed in the year of 2016; (2) the systematic sampling determined to select company under three groups of shareholder funds. As the dimensions of study are treble, therefore, the first round covers investigation towards the pattern of CSR reporting in 2016 based on CSR reporting scoring index developed by Othman, Arshad & Darus (2011). The index is modified by embedding the five quality dimensions – relative quantity, density, readability, accuracy and managerial orientation. Then, the index used to investigate the quality of CSR reporting. The modified index is one of the contributions of this study. The modification is based on prior study by Michelin, Pilonato, & Ricceri (2015), Habek & Wolniak (2015, Bouten et al. (2011) and Brammer & Pavelin (2008). Lastly,

the study empirically investigated the relationship between adoption of CSR practices and the dimensions of quality CSR reporting using multivariate analysis.

3.2.1 Population and sample selection

The population of the study was 770 companies as at 21 May 2017 listed on the Main Market of Bursa Malaysia. This population is then grouped into three categories based on shareholder funds: (1) small companies below RM200 millions of shareholder funds; (2) medium companies in the range of RM200 millions to RM600 millions of shareholder funds; (3) big companies with more than RM600 millions of shareholder funds. The categories have been developed based on the minimum and the maximum of market capitalization extracted from the database. Then, the market capitalization has been split into three range of funds where each category has similar amount of companies to represent the range category. Rangan, Chase, & Karim (2015) claims that the quality of practices or reporting of CSR much affected based on the fund provided by companies.

The present study, then eliminates industry that do not have more than 20 companies due to insufficiency to categories into three groups of shareholder funds (i.e. small, medium, and big). The eliminated industries are REIT, IPC, hotels, and mining. The number of companies after the elimination are 744 companies. The detail of sample selection is shown in table as follows:

Table 3.1

List of companies based on Industries

<i>Shareholder Fund (RM'million)</i>								
Industry	< 200	%	200 to 600	%	> 600	%	TOTAL	%
<i>Industrial Products</i>	116	40%	57	24%	37	17%	210	28%
<i>Trading/ Services</i>	59	20%	60	25%	55	26%	174	23%
<i>Consumer Product</i>	56	19%	46	19%	17	8%	119	16%
<i>Properties</i>	20	7%	34	14%	41	19%	95	13%
<i>Construction</i>	14	5%	20	8%	11	5%	45	6%
<i>Plantations</i>	3	1%	12	5%	25	12%	40	5%
<i>Finance</i>	2	1%	6	2%	24	11%	32	4%
<i>Technology</i>	18	6%	7	3%	4	2%	29	4%
TOTAL	288	39%	242	33%	214	29%	744	100%

Table 3.2

List of eliminated industries

Shareholder Fund (RM'million)				
Industry	< 200	200 to 600	> 600	TOTAL
<i>REIT</i>	2	2	12	16
<i>IPC</i>	1	1	3	5
<i>Hotels</i>	1	1	2	4
<i>Mining</i>	0	1	0	1
TOTAL	4	5	17	26

Despite looking at the size of shareholders fund, the study also captures the type of ownership into three categories including Government-link companies (GLC), family companies and others (multinational companies etc.). The separation of company's category is to close up the investigation in looking the

variation of pattern and quality of CSR reporting from different characteristic of industries. The first category is local companies consists independent local companies and GLC. GLC - a unique category of companies in Malaysia and purposely forms as a business arm of Malaysia government. The GLCs are strategic companies which control the government resources to maintain the economic stability of the country. The second category is family companies. Hirigoyen & Poulain-Rehm (2014) show that family businesses do not differ from non-family businesses in many dimensions of social responsibility. To avoid the biasness in term of business risk, the next classification would be each company in each category will be divided into high-risk and low-risk industries. This is due to prior studies proved that companies in high-risk industries discloses more CSR reporting rather than its counterparts (Othman, Arshad & Darus, 2011; Jenkins & Yakovleva, 2006; Tilt & Symes, 1999). In this study, industry in high-risk category are construction, industrial products, plantation, and properties, while low-risk industries are consumer products, trading and services, finance, and technology.

The sample size is determined by using formula proposed by Krejcie & Morgan (1970)

$$n = \frac{X^2 * N * P * (1 - P)}{(ME^2 * (N - 1)) + (X^2 P * (1 - P))}$$

Where:

n = sample size

X² = chi-square for the specified confidence level at 1 degree of freedom

N = population size

P = population proportion (0.5 in this table)

ME = desired margin of error (expressed as a proportion)

Based on the formula, this study comprised 254 companies using stratified sampling based on the criteria that had been listed before consists (1) shareholder funds groups; (2) industry; and (3) ownership.

Table 3.3
Sampling

INDUSTRY	Population	%	Sample	CATEGORY OF SAMPLING									
				Shareholder funds				Ownership					
				RM200 mil ∨	RM200 mil - RM600 mil	RM600 mil ∧	TOTAL	MNC	GLC	FAMILY	OTHER	TOTAL	
Industrial Products	210	28%	72	40	19	13	72	8	8	37	19	72	
Trading/Services	174	23%	59	19	19	21	59	12	14	23	10	59	
Consumer Product	119	16%	41	19	16	6	41	11	6	19	5	41	
Properties	95	13%	32	7	11	14	32	5	5	14	8	32	
Construction	45	6%	15	5	6	4	15	1	3	8	3	15	
Plantations	40	6%	14	1	4	9	14	3	3	3	5	14	
Finance	32	4%	11	1	2	8	11	3	3	2	3	11	
Technology	29	4%	10	6	2	1	9	2	2	4	2	10	
	744		254	98	79	77	254	45	44	110	55	254	

3.2.2 Data Collection

One of medium in delivering message within sovereign system is through annual report (Gray, Kouhny, & Lavers, 1995a). Despite the increasing alternative medium of CSR communication such as company's website, bulletin board,

newspapers and press release (Sweeney & Coughlan, 2008; Esa & Zahari, 2017), annual report appears to be the main and reliable communication that is available publicly to the stakeholders and the most cost-effective way for companies to disclose their social activities (O'Donovan, 2002). Furthermore, annual reports possess a certain degree of credibility in comparison with other types of corporate media because they go through the same auditing process as a company's financial information (Jenkins & Yakovleva, 2006, p. 274; Lock & Seele, 2016).

This study examines social information disclosure, which the term used in this study as CSR reporting, in either the annual report. The use of annual reports as a medium of communication is in line with other previous studies (Amran & Devi, 2008; Gray, Kouhy, & Lavers, 1995b; Guthrie & Parkers, 1989; Jenkins & Yakovleva, 2006; Hirigoyen & Poulain-Rehm, 2014; Michelon, Pilonato, & Ricceri, 2015; Habek, 2017).

Whilst the growing an alternative channel for CSR communication especially online reporting, the study limits its scrutiny to CSR reporting in annual report for several reasons. First, the regulation to mandate the CSR reporting in Malaysia was meant for disclosure in the annual report. Second, not many companies produce CSR reporting in alternative medium of CSR communication like internet reporting and if any it is relatively low (Belal & Momin, 2009; Rahim & Omar, 2017). Thirdly, the way of social information

been disclosed in annual report is slightly different across companies (Sweeney & Coughlan, 2008), thus, it is appropriate to compare across companies of CSR reporting practices. Finally, annual reports are the most reliable source of information with regular and wide distribution (Vuontisjarvi, 2006) and its required to be consistent with a true and fair view of audited financial statement (Sweeney & Coughlan, 2008). Furthermore, prior studies also use annual report for CSR reporting research (Cormier, Magnan, & Velthoven, 2005; Gray, Kouhny, & Lavers, 1995a; Nik Ahmad, Sulaiman, & Siswontoro, 2003; Brammer & Pavelin, 2008; Michelon, Pilonato, & Ricceri, 2015).

3.3 The Measurement of Dependent Variables

The measurement of study has been classified into four stages. Firstly, the study looks descriptively the existence of CSR reporting on the selection of sample companies, and simultaneously examines the extent of CSR reporting by employing content analysis. A content analysis is a methodology widely adopted in disclosure studies, to capture CSR disclosure. Following Krippendorff (2004), the CSR disclosure will be recorded using single sentences¹ as recording unit because sentences are generally considered more reliable than pages or paragraphs. Secondly, the study proceeds with a coding procedure to determine CSR information disclosure. The procedure consists of analyzing of each sentence and then assign a score 1 if it contains some information on CSR or a score of 0 if it provides no CSR information regardless any CSR-themed item.

¹ When one sentence referred to more than one thematic area, we coded the first one mentioned. If a sentence contained both quantitative and monetary information, we coded it as monetary.

Thirdly, when a piece of CSR-themed information is identified, it is coded into the CSR disclosure index, which is modified to capture the elements of quality (refer table 3.4). The index consists of 40 themes of disclosures. The number of sentences calculated and then relocate to the suitable dimensions of the quality. The sentences are coded into: (1) quantity; (2) density; (3) readability; (4) accuracy (qualitative, quantitative, or monetary); and (5) managerial orientation (expectations and context, programmes policies and initiatives, objectives and goals, results, and outcomes). I first performed a pilot test of the coding activity with the help of a research assistant. Based on the evidence collected in the pilot test, a list of identification and classification rules are defined to supplement the disclosure scheme. The author, then carried out all the coding to avoid inter-coder reliability problems.

The structures of CSR disclosure index code is based on the *Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines* (GRI, 2005, 2016) and then tailored into the CSR disclosure guidelines as produced by *The Bursa Malaysia CSR Framework* (Bursa Malayisa, 2006) in order to reflect the Malaysian CSR environment. The disclosure index and the Bursa framework are in the following table 3.4 and table 3.5, respectively.

Table 3.4

CSR Reporting Disclosure Index

		<i>Quality Dimensions</i>				
		<i>RQI</i>	<i>DNI</i>	<i>READ</i>	<i>ACC</i>	<i>MOR</i>
<i>Community:</i>						
C1	Employee volunteerism, community services					
C2	Education, scholarship, practical training					
C3	Youth development, graduate employment programme					
C4	Educating communities, training, consultation					
C5	Aid to underprivileged, philanthropy & charitable giving, aid to minority group or indigenous					
C6	Community engagement dialogue, community relations					
C7	Community health and diseases, community safety					
C8	Infrastructure for the benefits of the community i.e.: building schools, mosque, kindergartens, playground, community hall					
C9	Sponsor or organize sports activities, culture and leisure					
C10	Awards related to community achievement, recognition of related community initiatives					
<i>Environment:</i>						
E1	Climate change, global warming, reducing greenhouse gas emission, control effluents discharges, reduce carbon dioxide emission					
E2	Energy, alternative energy, biogas, renewable energy technology, Life Cycle Analysis (LCA)					
E3	Waste management, reduction reduce & recycle (RRR)					
E4	Biodiversity, endangered wildlife, habitats, land, reservoirs, conservation & preservation of the natural wonders, increasing landscaping & green spaces					
E5	Pollution management, zero burning policy, reduce air pollution, adhered to environment Quality Act 1974					
E6	Obtain ISO 14001/14004					
E7	Water resources, reduce water usage, water monitoring					
E8	Materials used, land contamination, soil conservation, reduce land erosion, controlled chemical application					
E9	Commitment to ecologically sustainable development i.e.: members of RSPO, members of ICRM					
E10	Awards related to environmental commitments					

		<i>Quality Dimensions</i>				
		<i>RQI</i>	<i>DNI</i>	<i>READ</i>	<i>ACC</i>	<i>MOR</i>
Workplace:						
W1	Great place to work, conducive working environment, clear vision & values, a clear career development programme, opportunity to reach the full potential, flexi-hours					
W2	Remuneration, compensation, perks & benefits, pays well, adequate facilities – sports & recreation, day care, housing, car loan					
W3	Rights of an employee, workplace diversity & equal opportunity – Policies, guidelines regarding value and respect each other, gender issues, gender equality, prohibited discrimination on religion, disability, race, political belief, family status, marital status					
W4	Employee health & safety, implemented policy, safety act, safety assessment, caring workers well-being, adhered to safety and health act (1994), chemical health & safety assessment (CHRA), endorsed by SIRIM or DOSH, zero accident					
W5	Health & Safety OHSAS 18001					
W6	Workplace relations, teamwork, employer-employee relationships, family day, sports day					
W7	Employee training & human capital development					
W8	Employee reward and recognition					
W9	Employee satisfaction surveys, dialogues, provide channels for employees' concerns / grievances/ complaints					
W10	Awards in recognition of company's excellence in workplace					
Marketplace:						
M1	Product & service behavior i.e.: Halal certification MS 1480 (HACCP), MS1500 (Halal), MSQH, MS ISO 15189, ISO/IEC 17025 (quality for lab testing), GMS, certified by RSPO					
M2	Concern about customer health & safety i.e.: policy preserving customer health & safety, compliance with local, national or international regulations, compliance with code of marketing practices					
M3	Green product, using green technology, free from any controversial product, listed in Syariah approved shares					
M4	Frequency measuring customers satisfaction, satisfaction survey					
M5	Corporate Governance, commitment to the highest standards of integrity, openness & accountability, transparent, ethical procurement – compliance to law, demonstrating ethical					

		<i>Quality Dimensions</i>				
		<i>RQI</i>	<i>DNI</i>	<i>READ</i>	<i>ACC</i>	<i>MOR</i>
	behavior, adopting the ethics charter, establishing ethics committee, awarded CG award					
M6	Organization & governance ISO9000					
M7	Educating, sharing/provide new knowledge to stakeholders, provide awareness programme, communicate policy to stakeholders					
M8	Provide friendly facilities to customers, fairness in stakeholder transaction					
M9	Stakeholder engagement, stakeholders updated, stakeholder's dialogues, provide channels for stakeholders' concerns/ grievances/ complaints					
M10	Awards in relation to marketplace practices, obtaining external assurance report					

(Source: Othman, Arshad, & Darus, 2011)



Table 3.5

CSR Bursa Malaysia framework

Environment	Community	Workplace	Marketplace
<ul style="list-style-type: none"> - Climate change - Energy - Endangered wildlife - Biodiversity 	<ul style="list-style-type: none"> - Employee volunteerism - Education - Youth development - Underprivileged - Graduate employment - Children 	<ul style="list-style-type: none"> - Employee involvement - Workplace diversity - Gender issues - Human capital development - Quality of life - Labour rights - Human rights - Health & safety 	<ul style="list-style-type: none"> - Green products - Stakeholder engagement - Ethical procurement - Supplier management - Vendor development - Social branding - Corporate governance

Source: Bursa Malaysia (2006)

The reasons of using GRI guidelines as main reference are because the guidelines: (1) provides a comprehensive structured framework of CSR reporting which covers economic, environmental, labour practices, human rights, product responsibility and society; (2) appropriate to all kind of companies and industries regardless the size and locations (GRI, 2005, 2016); (3) provides measurement for quantitative and qualitative information; (4) aims to promote CSR Reporting to be as important as financial reporting which rigor, comparability and auditability (Bouten et al., 2011); (5) available on the website and were constructed by a various specialist in area (Reynolds & Yuthas, 2008). Lastly, the study continues with the statistical analysis which includes the use of multiple linear regression models to analyze the relationship between the CSR reporting quality and independent variables.

3.3.1 Content analysis

On the first stage, the study investigates the volume or extensiveness of CSR reporting. To measure the extensiveness, this study employs content analysis. Content analysis is a 'research technique for making replicable and valid inferences from data to their context' (Krippendorff, 1980, p. 21). Prior studies (Abbott & Monsen, 1979; Cochran & Wood, 1984; Roberts, 1992; Hackston & Milne, 1996; Hamid, 2004; Ratanajongkol, Davey, & Low, 2006; Michelon, Pilonato, & Ricceri, 2015) used the content analysis as a method of CSR measurement. It is claimed that to produce a comprehensive social information disclosure, the suitable or modified content analysis is demanded. Hence, the shared meaning should be taken into consideration to develop a coding structure and ensure the collection of data can be replicated (Gray et al., 1995b; Bouten et al., 2011).

The volume of CSR reporting commonly has been measured by the number of words (Deegan & Gordon, 1996), sentences (Hackston & Milne, 1996; Milner & Adler, 1999; Krippendorff, 2004; Michelon, Pilonato, & Ricceri, 2015) or pages (Deegan & Rankin, 1996; Gray, Kouhy, & Lavers, 1995b). Eventhough there are debates on which the best unit analysis for studies that employ content analysis (Smith, Adhikari, & Tondkar, 2005), interestingly previous studies utilized each of above method of measurement and provide sufficient justification for adopting it. Sentences are the complete arrangement of words to explain a particular scenario. Therefore using sentences to measure CSR

disclosure are claimed as more reliable and meaningful data for further analysis (Milner & Adler, 1999; Unerman, 2000).

Unerman (2000) argued that sentences are more likely help the researcher to has fewer error in measuring a content and display similar results for measuring volume of proportions of a page. Quantification in terms of whole sentences tends to be justified in that sentences can be counted with more accuracy than words (Hackston & Milne, 1996; Tsang, 1998) and sentences are used to convey meaning whereas discerning the meaning of individual words in isolation is problematic (Hackston & Milne, 1996). Therefore, this study employs sentences as the instrument.

3.3.2 The quality of CSR reporting

The volume of CSR reporting disclosed alone is not sufficient to measure the quality of social information disclosure. It is a few studies focus on the quality of CSR reporting (see for example: Brammer & Pavelin, 2008; Hasseldine, Salama & Toms, 2005; Toms, 2002). Hasseldine et al. (2005) carry out the paper to measure the impact of quality CSR reporting towards the environmental reputation of companies. In their study, the quality measurement used is by indexing the sentences used to explain CSR reporting (scale of 0 to 5 adopted from Toms (2002)). However, the study is not directly investigated the quality of CSR reporting per say, but only focusing on the impact of environmental reputation towards CSR reporting.

While many studies have increasingly focused their investigation to seek quality of CSR reporting but mostly lay out the difficulty in measuring quality of CSR reporting as their limitations (Healy & Palepu, 2001). It is unsurprised when the researches (using constructed disclosure indices) tend to use amount of disclosure as a proxy for disclosure quality (Beattie, McInnes, & Fearnley, 2004; Botosan, 1997). Therefore, at this second stage, the study brings the alternative approach towards measuring quality as well as quantity of CSR reporting. By having volume of CSR previously, this study further the analysis by investigating the quality of CSR disclosure by adapting approach by Michelon, Pilonato, & Ricceri (2015). The reason of having Michelon et al. (2015) study framework is due to their studies can capture the angle of qualitative as well as quantitative dimension of CSR disclosure. Following their approach, the analysis of this study considers (1) the content of the CSR information disclosed which focus on what and how much CSR information is disclosed, (2) the type of measures used to describe and discuss CSR activities which focus on how CSR information is disclosed, and (3) the managerial direction on how the business approach to CSR.

Michelon, Pilonato, & Ricceri (2015) and Beretta & Bozzolan (2004) suggest that to balance up the quantity information, CSR information must have the absolute number of items disclose and its weight in the overall information being disclosed. Therefore, this study follows Michelon, Pilonato, & Ricceri (2015)

approach by considering both a relative quantity index (RQI) and a density index (DNI). The measurement of relative quantity is by measuring the standardized residuals of an Ordinary Least Square (OLS) regression model of disclosure using size and industry as independent variable (Beattie, McInnes, & Fearnley, 2004). This index is expected to give a greater value to the company that discloses more information as compared to average of companies belonging to the same industry, adjusted by size (measured as the natural logarithm of share capitalization). In other words, the CSR disclosure quantity measure is adjusted by two main factors that have been determinedly found to influence level of disclosure:

$$RQI_i = \text{Disc}_i - \hat{\text{Disc}}_i$$

where RQI_i is the relative quantity index for company i , Disc_i is the observed level of disclosure for company i and $\hat{\text{Disc}}_i$ is the estimated disclosure level for company i .

CSR reporting should be disclosed at its best to meet a required level of information and to meet its stakeholders' information needs but avoid excessive and unnecessary detail (GRI, 2016 p.11). Furthermore, the writing styles is much associated to the effectiveness of narrative reporting and the relevancy of information is seem been dilluted by the mass of information disclosed (Beretta & Bozzolan, 2004). The diluting CSR information in a long document as a stand-alone CSR report or annual report may serve to communicate relevant information but in a way that is hard for the user to understand and to find

relevant information and therefore may divert attention of the users (Cho, Roberts, & Patten, 2010; Michelon, Pilonato, & Ricceri, 2015).

Thus, to measure the relevant of information, this study uses density of CSR information as the ratio between the numbers of sentences in which CSR information is provided over the total number of sentences contained in CSR section of the annual report or the stand-alone report. This ratio varies between 0 and 1, where values close to 1 are associated with less dilution of relevant information in the document analyzed:

$$DNI_i = \frac{1}{k_i} \sum_{j=1}^{k_i} CSR_{ij}$$

where DNI_i is the density index for company i , k_i is the number of sentences in the document analyzed for company i and $CSR_{ij} = 1$ if the sentence j in the document analyzed for company i contains CSR information and $CSR_{ij} = 0$ otherwise.

In measuring accuracy, type of information used in CSR reporting will be further analyzed. Similar to Michelon, Pilonato, & Ricceri (2015) and Wiseman (1982), the accuracy of information measures based on the type of information disclosed; (1) monetary information that will be assigned with 3 points; (2) quantitative information but non-monetary with 2 points; and (3) qualitative information with 1 point. The accuracy index (ACC_i) is measured as the ratio between the sum of the weighted total value of all the sentences that contain

CSR information over the number of CSR sentences contained in the report. In implying the ranges of 1 to 3, a value close to 3 means that most of the information is mainly disclosed in monetary forms, while a value close to 1 implies that the CSR information disclosed is basically in qualitative forms.

$$ACC_i = \frac{1}{n_i} \sum_{j=1}^{n_i} w * CSR_{ij}$$

where ACC_i is the accuracy index for company i , n_i is the number of sentences containing CSR information in the document analyzed for company i , $CSR_{ij} = 1$ if the sentence j in the document analyzed for company i in year t contains CSR information and $CSR_{ij} = 0$ otherwise, $w = 1$ if the sentence j in the document analyzed for company i in year t is qualitative, $w = 2$ if the sentence j in the document analyzed for company i in year t is quantitative, $w = 3$ if the sentence j in the document analyzed for company i in year t is monetary.

The fourth disclosure index is the readability index (READ). This index is to measure the CSR information in term of logical structure by determining the use of graphical presentation of the data such as tables, diagrams and picture. (Habek & Wolniak, 2015). Thus, to measure the readability, this study uses the ratio between the numbers of tables, diagrams and picture in which CSR information is provided over the total number of sentences contained in CSR section of the annual report or the stand-alone report. This ratio varies between 0 and 1, where values close to 1 are associated with more readability of relevant information in the document analyzed:

$$\text{READ}_i = \frac{1}{m_i} \sum_{j=1}^{m_i} \text{CSR}_{ij}$$

where READ_i is the readability index for company i , m_i is the number of tables, diagrams and picture in the document analyzed for company i and $\text{CSR}_{ij} = 1$ if the sentence j in the document analyzed for company i contains tables, diagrams and picture of CSR information and $\text{CSR}_{ij} = 0$ otherwise.

The final disclosure index is the managerial orientation. The index is to measure the comprehensiveness of CSR reporting and it is like the approach of Bouten, Everaert, Liedekerke, Moor, & Christiaens (2011) suggest that companies should not only report their intentions, but also their actions and subsequent performance. This index is also developed by adapting Beretta and Bozzolan (2004) approach in specifying details of CSR disclosure items to provide insights on the corporate disclosure for CSR reporting. Other than comprehensiveness, the element of completeness is also being taking care by following study by Adams (2004) that propose 'in order to discharge accountability, companies' disclosure should be complete'. This index had been adapted from Michelin, Pilonato, & Ricceri (2015) suggest that CSR reporting lean towards strategies, plans and intention rather than communicating results.

Therefore, this index separates two type of CSR reporting presentations name as *Boilerplate information* and *Committed information*. Nature of *Boilerplate information* is in a very standardized forms that discloses general expectations

concerning the future and context or policies and programme in place. While *Committed information* provides CSR reporting in a very objectives and goals information together with the measurable results and outcomes of actions taken by companies to meet the stakeholders expectations or needs. The managerial orientation index (MOR) of CSR reporting thus can be classified as follows:

Managerial Orientation	Forward Looking	Backward Looking
Boilerplate management	<ol style="list-style-type: none"> 1. Context 2. Expectations 3. Hypotheses 	<ol style="list-style-type: none"> 1. Policies 2. Initiatives 3. Strategies 4.
Committed management	<ol style="list-style-type: none"> 1. Objectives 2. Goals 	<ol style="list-style-type: none"> 1. Results 2. Outcomes of actions

The index of managerial orientation (MOR_i) is determined as follows:

$$MOR_i = \frac{1}{n_i} \sum_{j=1}^{n_i} (OBJ_{ij} + OUT_{ij})$$

where MOR_i is the managerial orientation index for company i , n_i is the number of sentences containing CSR information in the document analyzed for company i , $OBJ_{ij} = 1$ if the sentence j in the document analyzed for company i contains CSR information on goals and objectives and $OBJ_{ij} = 0$ otherwise, $OUT_{ij} = 1$ if the sentence j in the document analyzed for company i contains CSR information on results and outcomes and $OUT_{ij} = 0$ otherwise.

Finally, similarly to the approach of Beretta and Bozzolan (2004), all the five indexes are standardized together in avoiding a scale effect. Each index is indexed in ranges between 0 and 1 and further computes a synthesis of the five indexes using the simple arithmetic mean as follows:

$$QCSR_i = \frac{1}{5(RQTS_i + DENs_i + ACCs_i + READs_i + MORs_i)}$$

where $QCSR_i$ is the standardized quality index for company i , RQI_i is the relative quantity index DNI_i is the standardized density index, ACC_i is the standardized accuracy index, $READ_i$ is the standardized readability index and MOR_i is the standardized managerial orientation index. Table 3.6 summarizes the disclosure variables.

Table 3.6
Dependent variables

<i>Disclosure variable</i>	<i>Definition</i>
Relative quantity	$RQI_i = \text{Disc}_i - \wedge \text{Disc}_i$ <p>where RQI_i is the relative quantity index for company i, Disc_i is the observed level of disclosure for company i and $\wedge \text{Disc}_i$ is the estimated disclosure level for company i.</p>
Density	$DNI_i = \frac{1}{k_i} \sum_{j=1}^{k_i} CSR_{ij}$ <p>where DNI_i is the density index for company i, k_i is the number of sentences in the document analyzed for company i and $CSR_{ij} = 1$ if the sentence j in the document analyzed for company i contains CSR information and $CSR_{ij} = 0$ otherwise.</p>
Accuracy	$ACC_i = \frac{1}{n_i} \sum_{j=1}^{n_i} (w * CSR_{ij})$ <p>where ACC_i is the accuracy index for company i, n_i is the number of sentences containing CSR information in the document analyzed for company i, $CSR_{ij} = 1$ if the sentence j in the document analyzed for company i contains CSR information and $CSR_{ij} = 0$ otherwise, $w = 1$ if the sentence j in the document analyzed for company i is qualitative, $w = 2$ if the sentence j in the document</p>

	analyzed for company i is quantitative, $w = 3$ if the sentence j in the document analyzed for company i is monetary.
Readability	$READ_i = \frac{1}{m_i} \sum_{j=1}^{m_i} CSR_{ij}$ <p>where $READ_i$ is the readability index for company i, m_i is the number of tables, diagrams and picture in the document analyzed for company i and $CSR_{ij} = 1$ if the sentence j in the document analyzed for company i contains tables, diagrams and picture of CSR information and $CSR_{ij} = 0$ otherwise.</p>
Managerial orientation	$MOR_i = \frac{1}{n_i} \sum_{j=1}^{n_i} (OBJ_{ij} + OUT_{ij})$ <p>where MOR_i is the managerial orientation index for company i, n_i is the number of sentences containing CSR information in the document analyzed for company i, $OBJ_{ij} = 1$ if the sentence j in the document analyzed for company i contains CSR information on goals and objectives and $OBJ_{ij} = 0$ otherwise, $RES_{ij} = 1$ if the sentence j in the document analyzed for company i contains CSR information on results and outcomes and $RES_{ij} = 0$ otherwise.</p>
QCSR	$QCSR_i = \frac{1}{5(RQTS_i + DENs_i + ACCs_i + READs_i + MORs_i)}$ <p>where $RQIs_i$ is the standardized relative quantity index, DNI_s_i is the standardized density index, $ACCs_i$ is the standardized accuracy index and $MORs_i$ is the standardized managerial orientation index.</p>

3.3.3 Validity and Reliability

This study reviews annual report concerning the content of CSR information. Quality CSR index by Othman, Arshad, & Darus (2011) was adopted with four thematic of CSR – marketplace, workplace, environment, and community, and

ten items of each theme are reviewed. Thematic synthesis is also used by prior studies as systematic translated methods for the analysis of primary research (e.g. Beattie, McInnes, & Fearnley, 2004). Then all the items are coded in order to formalize the identification and development of themes to be analyzed.

The coding process in this study comprised five stages; (1) the downloaded annual report (in pdf format) transferred to spreadsheet and initially split into sentences as a text unit. Then, the spreadsheet is printed-out with text-units numbered; (2) Initial coding was undertaken involved the identification of 5th types of CSR-theme, namely *Marketplace*, *Workplace*, *Environment and Community*, and if not mention will be coded as *Other*. Later, the coding of each text-unit from these major 4th CSR-themes into 10th dimensions based on quality CSR index adopted. The codes developed for each text unit are as follows – Marketplace (M1 to M10), Workplace (W1 to W10), Environment (E1 to E10), Community (C1 to C10) and Other (O). The coding is not included the sub-headers (headings within sections) of Marketplace, Workplace, Environment and Community. (3) The coding was read by a simple coder to incorporate the sentence splits based on the index system; (4) A report was prepared showing the result of incorporated coding and separated to each category of index; and (5) The report was checked for errors and amendments were made as necessary.

For reliability and validity assessment, two researchers (one author and one research assistant) first performed a pilot test with 15 companies of the coding activity. Based on the evidence collected in the pilot test, the results were

discussed and defined a list of identification and classification rules to supplement the disclosure scheme. Then the author carried out all the coding to avoid inter-coder reliability problems. The coding process consists 5 dimensions of coding: (1) Assigned of each sentence a score 1 if it contains some information on CSR or a score of 0 if it provides no CSR information regardless any CSR-themed item; (2) Coded using quality CSR index (40 items); (3) Coded for its characteristics - qualitative, quantitative, or monetary; (4) Coded for managerial orientation - expectations and context, programmes policies and initiatives, objectives and goals, results, and outcomes, and (5) readability – tables, diagrams and picture. With these dimensions of coding, the level of agreement on the within-sentence splits was 83%.

The values for the individual dimensions were: (1) 88% at the determination of CSR information; (2) 73% for the coding using quality CSR index; (3) 96% for the characteristics dimension; (4) 72% for the managerial orientation dimension; and (5) 87% for the readability dimension. For alternative measurement of reliability in adjusting for chance is using Scott's pi (Krippendorff, 1980, p.138). Scott's pi was 82%. The cut-off level for acceptability ranges from 70% (Boyatzis, 1998, p.156) to 80% (Guthrie and Matthews, 1985, p.261). Thus, the levels of reliability attained were generally highly satisfactory.

3.4 The Measurement of Independent Variables

The statistical analysis is to analyze the relationship between the qualities of CSR reporting (dependent variables) and factors that influence company to disclose the CSR reporting (independent variables). Therefore, to test the hypotheses, the full model specifications comply with the following structure:

1. Model 1: Quality of CSR reporting

$$QCSR = \beta_0 + \beta_1 SALONE + \beta_2 GUIDE + \beta_3 AUDIT + \beta_4 AWARD + \beta_5 WEB \\ + \beta_6 SI + \beta_7 FAMILY + \beta_8 GLC + \beta_9 SIZE + e$$

2. Model 2: Relative quantity of CSR reporting

$$RQI = \beta_0 + \beta_1 SALONE + \beta_2 GUIDE + \beta_3 AUDIT + \beta_4 AWARD + \beta_5 WEB \\ + \beta_6 SI + \beta_7 FAMILY + \beta_8 GLC + \beta_9 SIZE + e$$

3. Model 3: Density of CSR reporting

$$DNI = \beta_0 + \beta_1 SALONE + \beta_2 GUIDE + \beta_3 AUDIT + \beta_4 AWARD + \beta_5 WEB \\ + \beta_6 SI + \beta_7 FAMILY + \beta_8 GLC + \beta_9 SIZE + e$$

4. Model 4: Accuracy of CSR reporting

$$ACC = \beta_0 + \beta_1 SALONE + \beta_2 GUIDE + \beta_3 AUDIT + \beta_4 AWARD + \beta_5 WEB \\ + \beta_6 SI + \beta_7 FAMILY + \beta_8 GLC + \beta_9 SIZE + e$$

5. Model 5: Readability of CSR reporting

$$READ = \beta_0 + \beta_1 SALONE + \beta_2 GUIDE + \beta_3 AUDIT + \beta_4 AWARD + \beta_5 WEB + \beta_6 SI + \beta_7 FAMILY + \beta_8 GLC + \beta_9 SIZE + e$$

6. Model 6: Managerial orientation of CSR reporting

$$MOR = \beta_0 + \beta_1 SALONE + \beta_2 GUIDE + \beta_3 AUDIT + \beta_4 AWARD + \beta_5 WEB + \beta_6 SI + \beta_7 FAMILY + \beta_8 GLC + \beta_9 SIZE + e$$

Table 3.7

Summary of variable measurements

Variables	Description
<i>QCSR</i>	QCSR is the standardized quality index measured by $QCSR_i = \frac{1}{5(RQTS_i + DENs_i + ACCs_i + READs_i + MORs_i)}$
<i>RQI</i>	RQI is the relative quantity index measured by $RQI_i = Disc_i - ^{Disc}_i$
<i>DNI</i>	DNI is the density index measured by $DNI_i = \frac{1}{k_i} \sum_{j=1}^{k_i} CSR_{ij}$
<i>ACC</i>	ACC _i is the accuracy index measured by $ACC_i = \frac{1}{n_i} \sum_{j=1}^{n_i} (w * CSR_{ij})$
<i>READ</i>	READ _i is the readability index measured by $READ_i = \frac{1}{m_i} \sum_{j=1}^{m_i} CSR_{ij}$
<i>MOR</i>	MOR _i is the managerial orientation index measured by $MOR_i = \frac{1}{n_i} \sum_{j=1}^{n_i} (OBJ_{ij} + OUT_{ij})$

Variables	Description
<i>SALONE</i>	SALONE is a number of standalone reports measured by <i>Takes the value one if a standalone report is provided, and zero otherwise.</i>
<i>GUIDE</i>	GUIDE is CSR guidelines measured by <i>Takes the value one if CSR guidelines are adopted, and zero otherwise.</i>
<i>AUDIT</i>	AUDIT is third-party assurance measured by <i>Takes the value one if audit assurance is adopted, and zero otherwise.</i>
<i>AWARD</i>	AWARD is CSR award received by companies measured by <i>Takes the value one if CSR awards are received, and zero otherwise.</i>
<i>WEB</i>	WEB is CSR disclosure in corporate websites measured by <i>Takes the value one if CSR reporting is disclosed in corporate's website, and zero otherwise.</i>
<i>SI</i>	SI is sensitive industry measured by <i>Takes the value one if industry is categorized as sensitive industry, and zero otherwise.</i>
<i>FAMILY</i>	FAMILY is a family-owned industry measured by <i>Takes the value one if company is categorized as family-owned, and zero otherwise.</i>
<i>GLC</i>	GLC is a government-linked companies measured by <i>Takes the value one if company is categorized as government-linked companies, and zero otherwise.</i>
<i>SIZE</i>	Log of the companies' market capitalization

This study consider several variables as control variables such as sensitive industry (Othman, Arshad, & Darus, 2011), family ownership, government-linked companies ownership (Habbash, 2016) and size (Michelon, Pilonato, & Ricceri, 2015).

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results of the study. The section begins with a descriptive result for: the theme(s) selected by companies; selection themes by industries; sentences disclosed using disclosure index; CSR practices; and quality of CSR reporting. The next section explains the process of data cleansing. This section starts with the identification of outliers, normality and transformation, and is followed by testing the homoscedasticity and a multicollinearity test. The last section presents the results of multivariate analysis through six proposed models in the study.

4.2 Empirical evidence – descriptive results

4.2.1 The quality of CSR reporting

Table 4.1 summarizes a general count of information regarding CSR practices (independent variables) by various industries. The count uses a binary process. Descriptively, only 6.7% of companies produced stand-alone reports; only three (3) (1.2%) companies hired a third party to audit their CSR reporting and 19.7% disclosed information regarding a CSR award in the report. An advantage to the CSR practices is having GRI/Bursa guidelines and websites for CSR reporting. Almost 50 percent (50%) of companies prepared their CSR reporting according to the GRI or Bursa guidelines and about 42 percent (42%) of companies had a CSR segment on their official websites.

Table 4.1

CSR Practices (Independent variables) by industries

INDUSTRY	N	Standalone Report	GRI/Bursa Guidelines	Assurance	Award	Website Disclosure
Construction	15	0	8	1	2	9
Consumer Product	41	1	21	1	6	12
Finance	11	2	7	0	8	6
Industrial Products	72	3	37	0	7	28
Plantations	14	2	8	1	4	10
Properties	32	3	14	0	11	10
Technology	10	1	6	0	0	2
Trading/Services	59	5	25	0	12	29
TOTAL	254	17	126	3	50	106
<i>Percentage</i>	<i>100</i>	<i>6.7</i>	<i>49.6</i>	<i>1.2</i>	<i>19.7</i>	<i>41.7</i>

Having a mandatory requirement for CSR reporting is not a factor which would encourage companies to adopt any CSR practices such as stand-alone reports, CSR guidelines, assurances, awards or websites to elevate their CSR information. The Security Commission of Malaysia's requirement is to have CSR reporting segments completed only by listed companies in Malaysia. As long as companies produce any information regarding CSR, then they are considered to have complied with the requirement no matter what form the CSR reporting takes. It also can be suggested that stand-alone reports and audit assurances are still at the infancy stage indicating that most companies are not ready to invest in items which would accelerate the richness of CSR information.

Table 4.2 provides descriptive statistics for all variables (dependent and independent). On average, companies disclose 68.75 sentences for CSR reporting over a relatively high distance with the maximum number of sentences

disclosed (1,031 sentences). It is worth mentioning that some companies really do put an effort in to disclosing their CSR practices into the reports while most companies merely fulfill the minimum requirement. This study uses sentences as a unit of analysis for the rest of the investigation. Despite having a certain volume of CSR reporting, it has been found that most companies disclosed CSR reporting below the industry average. This can be demonstrated by the mean of relative quantity (-0.1918). The negative results can be interpreted as disclosed CSR information below the expected level.

Table 4.2
The quality of CSR Reporting (n=254)

		Unit	Mean	Median	SD	Min	Max
Panel A Total disclosure and quality of disclosure							
	No of sentences	#	68.75	25.00	139.33	1	1031
	No of CSR	#	58.35	18.50	127.17	0	982
Relative quantity	Average quantity	%	-0.1687	-0.1918	0.4003	-1.3679	1.2038
Density	Density of CSR	%	0.7895	0.7672	0.1490	0.2500	1.0000
Readability	No of picture, tables and figures	%	-0.4191	-1.0000	0.8376	-1.0000	2.4929
Accuracy	Qualitative	%	0.8668	0.9611	0.2513	0.0000	1.0000
	Quantitative	%	0.1112	0.0000	0.1938	0.0000	1.4286
	Monetary	%	0.0438	0.0000	0.1505	0.0000	1.5000
Managerial Orientation	Expectations	%	0.7654	0.8295	0.2321	0.0000	1.0526
	Objectives	%	0.0067	0.0000	0.0256	0.0000	0.3158
	Programmes	%	0.1950	0.1291	0.2155	0.0000	1.0000
	Results	%	0.0102	0.0000	0.0408	0.0000	0.5484
Quality	$\frac{1}{\sqrt{(RQIs + DNIs + READs + ACCs + MANS)}}$	%	0.2409	0.1896	0.2083	-0.1216	1.0878

Panel B Independent and control variables						
Salone	%	0.0670	0.0000	0.2504	0.0000	1.0000
Guide	%	0.4960	0.0000	0.501	0.0000	1.0000
Audit	%	0.0120	0.0000	0.1082	0.0000	1.0000
Award	%	0.1970	0.0000	0.3984	0.0000	1.0000
Web	%	0.4170	0.0000	0.4941	0.0000	1.0000
SI	%	0.4650	0.0000	0.4997	0.0000	1.0000
Family	%	0.4290	0.0000	0.4959	0.0000	1.0000
GLC	%	0.1770	0.0000	0.3826	0.0000	1.0000
Size	log	5.53	5.46	0.6889	3.67	7.84

*: “Salone” is stand-alone report, “Guide” is GRI or Bursa Malaysia guideline, “Audit” is audit assurance for CSR, “Award” is award received by companies for CSR practices, “Web” is CSR disclosure in website of companies, “SI” is sensitive industry, “Family” is family ownership, “GLC” is GLC ownership and “Size” is logarithm of size companies measured by market capitalization.

The results suggested that companies in Malaysia show their commitment in disclosing relevant CSR information in their CSR reporting. This can be proved by examining the result of the density which is measured between the total sentences under the title CSR in an annual report versus the relevant sentences that explain CSR. There is an exclusion of general sentences which do not fall under any CSR theme (community, environment, workplace and marketplace). The result shows that from a total of 68.75 sentences, CSR reporting comprises 58.35. It performed much better as compared to the finding by Michelin, Pilonato, & Ricceri (2015) for CSR reporting in the UK.

In general, most of the sentences analyzed communication of qualitative information (83.9%) while focusing less on quality information such as quantitative and monetary factors by 5.2% and 6.9%, respectively. It indicates that companies are holding back from disclosing information relating to quantitative or monetary

issues to avoid negative perception from stakeholders. The negative perception might arise from various perspectives such as the CSR activities fund not being enough as compared to the income generated by the companies, etc.

In terms of readability, companies have provided a -0.4191 result of pictures, tables and figures to support CSR reporting in companies' annual reports. It indicates that some companies have made excessively use of pictures, tables and figures to explaining CSR information; however, on average, the companies have not met the expectation of the industry average. The negative figure demonstrates this. It also shows that companies in Malaysia prefer to disclose CSR information in a writing style rather than through pictures, tables and figures.

Finally, the investigation on management orientation that measures forward-looking and backward-looking information shows that most of the information disclosed by companies focuses on the general expectations and initiatives for the future rather than on objectives and goals of the companies (76.5% vs 0.6%). Meanwhile, in relation to backward-looking information, most companies tend to disclose information relating to programmes (19.5%) rather than results and outcomes (1.0%).

The overall quality CSR reporting shows a mean of 0.2409 which indicates that the level of CSR reporting quality among Malaysian companies is still at the infancy stage.

4.2.2 CSR reporting theme(s)

One of the reasons why companies disclose their social information is to gain back their reputation (Hasseldine, Salama & Toms, 2005) especially from their primary stakeholders. This could have come about due to disclosed information either directly or indirectly producing harmful effects from action by the company in the marketplace, workplace, environment or society. Therefore, this study raises the issue of CSR theme that companies prefer to disclose. Does it depend on the nature of business activities? It has been perceived that industries differ in respect of their inherent activities impact – environmentally and socially (Brammer & Pavelin, 2008). A study by Sweeney & Coughlan (2008) investigated the variety of themes of CSR set to accommodate stakeholder expectations of different industries. They indicate the expected results such as that companies are selective in disclosing their social information in order to satisfy the expectations of either their primary or secondary stakeholders. This attitude is commonly in line with the core business of companies. Interestingly, the study also found unexpected results where shareholders are not the focus group to benefit from CSR. Therefore, this study employs a simple binary coding scheme (Abbott & Monsen, 1979; Adams & Harte, 1998; Belkaoui & Kaprik, 1989; Cormier & Gordon, 2001) by which to measure the presence (absence) of CSR reporting.

Figure 4.1 shows that the theme most commonly selected by industry is the workplace as compared to themes of Community, Environment, Marketplace,

and Other (Non-related CSR information). It can be suggested that most Malaysian companies are not affected by the main operations of their core business in selecting their CSR reporting themes. However, some industries like plantations, finance, properties and technology, chose to disclose their preference theme based on the core businesses that the companies focus on. Generally, the result shows CSR reporting in Malaysia is similar to mimetic activity with each based on the preparer of CSR reporting. It is common for companies in Malaysia to outsource their CSR reporting to other parties. Hence, the assumptions of having similar templates of CSR reporting are quite high if the same preparer prepares those CSR reports.

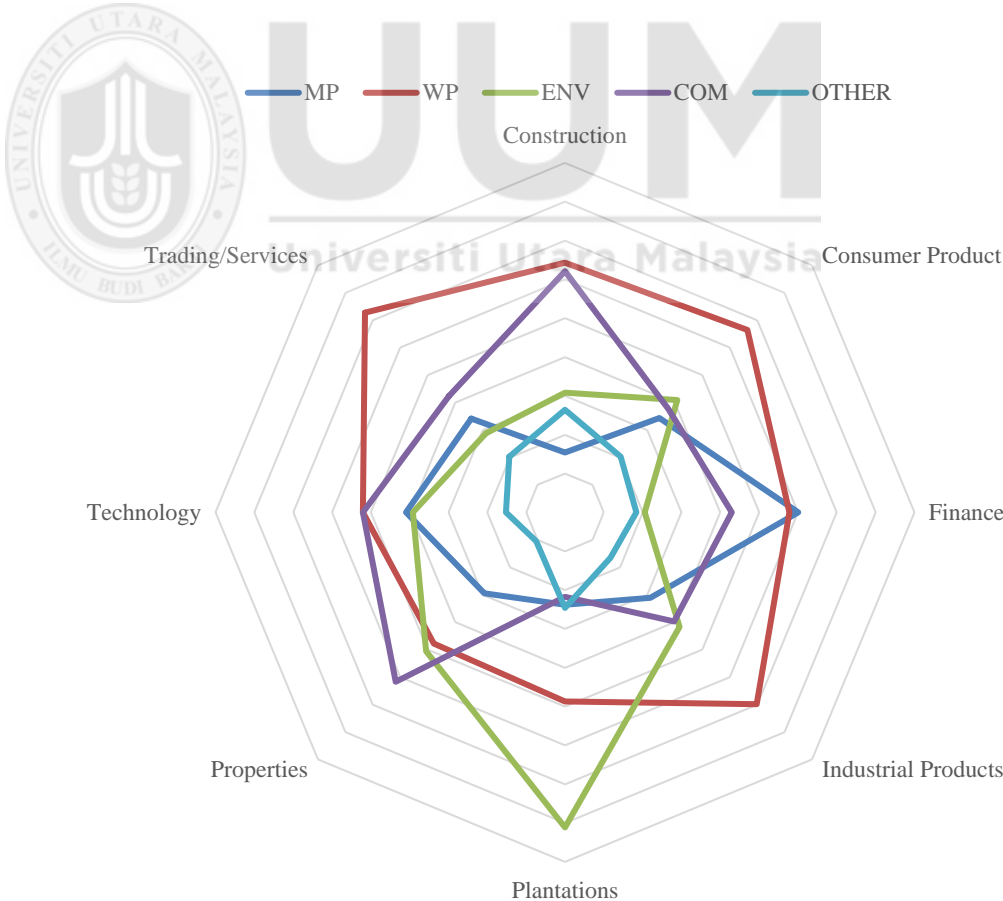


Figure 4.1
Theme coverage by industry (n=254)

Figure 4.2 displays the details of the theme selection by industries in sequence. For example, properties prefer to focus on the community (30.8%), plantations on the environment (40.6%), and finance on the marketplace (30.0%). Meanwhile, other industries chose the workplace as their main CSR themes. The marketplace is the theme that is less disclosed in most industries, except for the finance sector. In this study, non-CSR information is coded with 'other' and it can be suggested that most Malaysian companies disclose relevant CSR information in their CSR reporting. Most companies disclose less than 10% of non-CSR information in their CSR reporting except for companies in constructions and plantations which contribute 13.2% and 12.3% respectively.

Table 4.3 shows the statistics of CSR reporting including the average sentences collected and the distribution of the sentences based on the themes suggested by Bursa Malaysia. Sentences, which not fall under any themes – marketplace, workplace, environment and community, have been assigned into 'other' theme. The total of CSR disclosure ranges from 0 to 1031 in the annual report of Malaysian companies in the year of 2016.

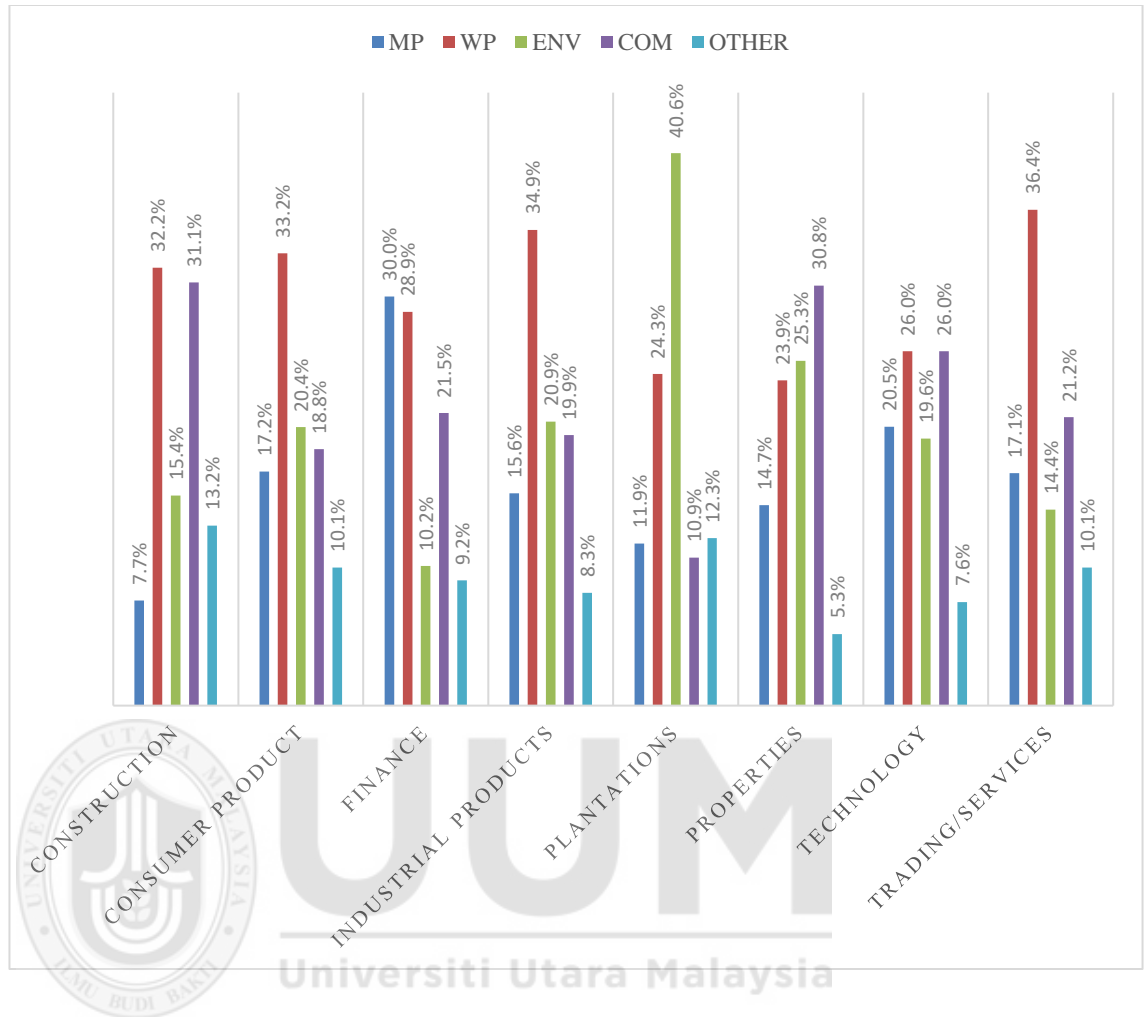


Figure 4.2
Theme selection (%) by industry (n=254)

Table 4.3
CSR reporting by theme (n=254)

	Mean	Median	Min	Max	SD
Total CSR	68.75	25	0	1031	139.33
Marketplace	12.10	0	0	268	34.26
Workplace	21.41	7.5	0	334	45.69
Environment	14.08	3	0	325	38.04
Community	14.57	5	0	295	30.38
Other	6.34	3	0	78	11.30

Denoting by minimum and maximum, companies in Malaysia tend to disclose more on the workplace (0 to 334 sentences) as compared to the environment (0

to 325 sentences), community (0 to 295 sentences), and marketplace (0 to 268 sentences). The mean value shows that the overall CSR reporting disclosure score is 68.75. This indicates that CSR reporting practices in Malaysia are still low.

From the industry perspective (Table 4.4), the trading and services sector produces the most CSR information (22.4%) followed by industrial products and others. However, the mean and median perspective shows that the plantations industry performs well by disclosing CSR reporting at 140 and 1098.50 respectively. The huge difference between mean and median for certain industries, except construction and consumer products, indicates the presence of outliers in the data. Therefore, the study has performed some data diagnostics so as to clean the data for further analysis.

Table 4.4
CSR Reporting by industry

INDUSTRY	N	Total Sentences	%	Mean	Median	SD	Min	Max
Construction	15	454	2.6	30.27	30.00	28.47	1	103
Consumer Product	41	2,466	14.1	60.15	24.00	130.66	2	755
Finance	11	2,547	14.6	231.55	73.00	284.13	5	796
Industrial Products	72	3,313	19.0	46.01	476.50	722.51	54	4305
Plantations	14	1,960	11.2	140.00	1098.50	1052.30	31	2181
Properties	32	2,474	14.2	77.31	545.00	1210.93	19	3241
Technology	10	342	2.0	34.20	510.00	177.39	28	777
Trading/Services	59	3,907	22.4	66.22	653.00	704.77	30	2611
	254	17,463	100.0					

The study further visualizes the amount of CSR disclosure and the total number of companies represented in respective industries comparatively in Figure 4.3. It shows that trading/services, consumer products, technology, and property sectors disclosed CSR information similarly with the sample number selected. However, the construction and industrial products sectors portrayed disclosure as being below the number of companies represented, specifically: 2.6% disclosure from 6.0% construction companies; and 19.0% disclosure from 28.2% industrial products companies. In contrast, the finance and plantations sectors performed better in terms of CSR disclosure by disclosing more – 4.3% selected finance companies but disclosure CSR reporting was 14.6%; and 5.4% selected plantations companies but disclosure CSR reporting was 11.2%.

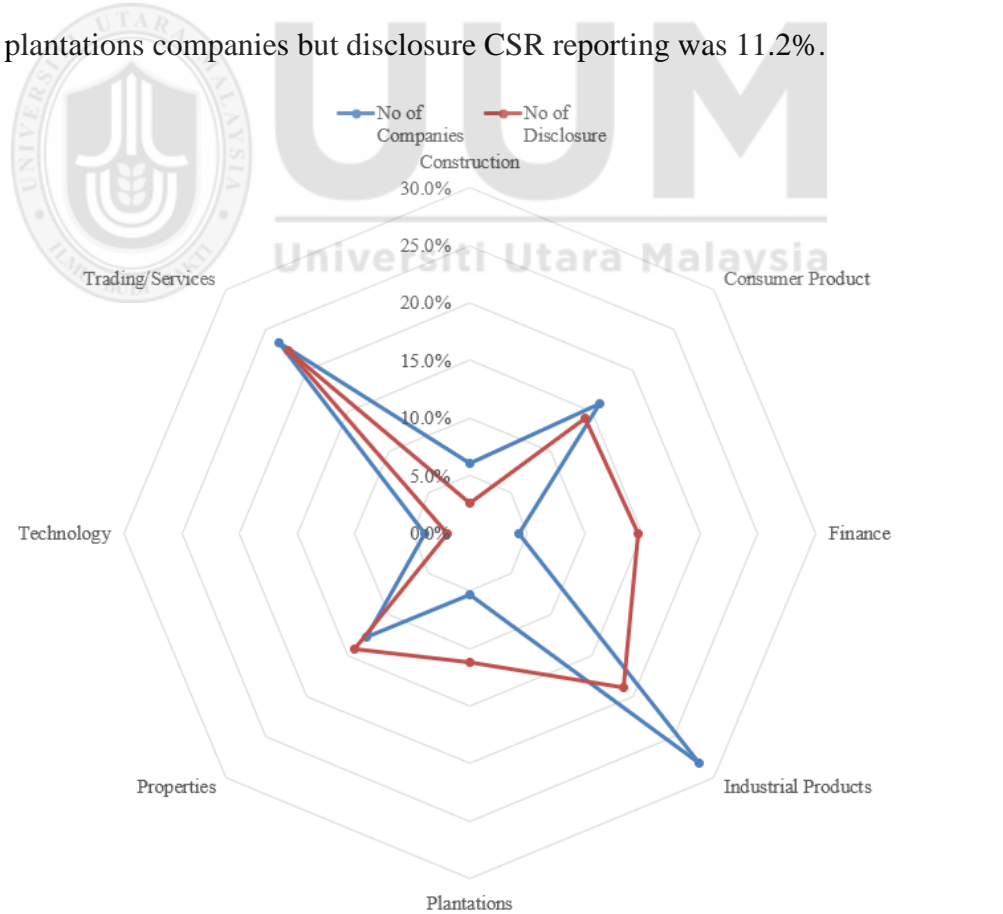


Figure 4.3
 Visualization of CSR reporting by sentences among industries

4.2.3 The extensiveness of CSR reporting

Table 4.5 presents descriptive statistics concerning the CSR reporting disclosure by adopting the CSR disclosure index developed by Othman, Arshad, & Darus (2011). The index is based on the Bursa Malaysia framework and the Global Reporting Initiative (GRI) guidelines. It is important to include GRI since the guidelines are a valuable global tool for operationalizing towards international confidence in trustworthiness of corporate reporting (Clarke, 2007).

Table 4.5
The extensiveness of CSR Reporting (n=254)

Theme	Details	Mean	Median	SD	Min	Max
		%	%	%	#	#
Quantity	Total CSR disclosure	90.8	58.35	127.17	0	982
	Total Non-CSR disclosure	9.2				
Community	Total CSR disclosure	17.6				
	Volunteerism	3.43*	1.00	8.41	0	94
	Education	2.87	0.00	8.20	0	79
	Youth development	0.25	0.00	1.26	0	12
	Consultation	0.16	0.00	1.23	0	13
	Philanthropy	3.32*	1.00	6.14	0	45
	Community relations	0.24	0.00	1.24	0	14
	Community Health and diseases	0.57	0.00	4.34	0	65
	Infrastructure	0.50	0.00	2.13	0	20
	Sports and leisure activities	1.76	0.00	6.98	0	85
	Awards related to community	0.12	0.00	0.93	0	12
Environment	Total CSR disclosure	20.5				
	Climate change	1.31	0.00	4.16	0	34
	Energy	1.72	0.00	5.72	0	52
	Waste management	2.96*	0.00	9.28	0	88
	Biodiversity	1.78	0.00	9.11	0	114
	Pollution	0.79	0.00	3.16	0	34
	ISO 14001/14004	0.19	0.00	0.72	0	9
	Water resources	1.26	0.00	5.27	0	55

Theme	Details	Mean	Median	SD	Min	Max
		%	%	%	#	#
	Materials used	0.51	0.00	2.74	0	29
	Ecologically sustainable	2.80*	0.00	8.77	0	105
	Awards related to environmental	0.12	0.00	0.72	0	9
Workplace	Total CSR disclosure	31.1				
	Great place to work	2.73	0.00	8.45	0	78
	Remuneration	0.85	0.00	2.22	0	16
	Rights of an employee	2.75	0.00	7.31	0	63
	Employee health & safety	6.63*	1.00	16.42	0	123
	OHSAS 18001	0.19	0.00	1.08	0	15
	Workplace relations	1.69	0.00	4.27	0	37
	Employee training	3.89*	1.00	9.54	0	88
	Employee recognition	0.53	0.00	1.80	0	21
	Employee satisfaction	0.72	0.00	3.77	0	45
	Awards related to workplace	0.14	0.00	0.65	0	5
Marketplace	CSR disclosure	17.6				
	Product & service	4.41*	0.00	14.62	0	113
	Concern about health & safety	0.39	0.00	2.05	0	22
	Green product	0.08	0.00	0.58	0	7
	Customers satisfaction	0.58	0.00	3.63	0	38
	Corporate Governance	3.64*	0.00	10.77	0	98
	ISO9000	0.01	0.00	0.09	0	1
	Communicate policy to stakeholders	0.68	0.00	3.05	0	34
	Provide friendly facilities	0.67	0.00	3.80	0	50
	Stakeholder engagement	0.91	0.00	4.27	0	53
	Awards in relation to marketplace	0.18	0.00	1.48	0	22

Notes:

“%” is percentage, “#” is number of sentences, “*” is the most preferred activities for CSR reporting

As can be seen in Table 4.5, most companies in Malaysia prefer to be involved in the workplace’s CSR activities (31.1%), followed by the community (21.2%), the environment (20.5%) and the marketplace (17.6%).

As for workplace issues, on average, companies tend to disclose more on employee health and safety (6.63%) in addition to employee training and human

capital development (3.89%). The reporting concerning health and safety includes the implemented policy, the relevant Safety Act, safety assessments, caring for workers' well-being, adhering to the Safety and Health Act (1994), chemical health & safety assessment (CHRA), endorsement by SIRIM or DOSH, and ideally, zero rates of workplace accidents. However, on the other hand, most companies do not participate in OHSAS 18001 (only 0.19%); hence, it is not disclosed in CSR reporting. OHSAS 18001 Occupational Health and Safety Management sets out the minimum requirements for occupational health and safety management best practice.

In relation to the environment, on average, the focus of CSR reporting is concentrated on waste management and reduction, reduction and recycling of waste (RRR) (2.96%) and the commitment to ecologically sustainable development i.e. members of RSPO, members of ICRM etc. (2.8%). The awards in relation to the environment seem not to bring any concern to companies in reporting its CSR practices; only 0.12% participate in awards recognition programmes.

As for community, on average, 3.43% of CSR reporting is concerned with disclosing employee volunteerism and community services. Further, 3.32% disclosed an activity to aid the underprivileged, philanthropic and charitable giving activities as well as aid to minority groups or indigenous people. Similar to the environment, awards are not a concern of CSR practices on this theme, which only provides 0.12% of disclosure.

In relation to the marketplace, on average, most companies (4.41%) prefer to disclose their products and services behavior, including some disclosure referring to product recognition such as Halal certification MS1480 (HACCP), MS1500 (Halal), MSQH, MS ISO 15189, ISO/IEC 17025 (quality for lab testing) and GMS certified by RSPO respectively. Besides that, companies also disclose CSR reporting regarding corporate governance especially in relation to: commitment to the highest standard of integrity, openness and accountability, transparency; ethical procurement; compliance with the law; demonstrating ethical behavior; adopting the ethics charter; establishing an ethics committee; and awarding a corporate governance award.

This result implies that most companies have a preference for specific topics in the themes of CSR reporting to be a reflection of its responsible behavior towards the community, environment, workplace, and marketplace. The results further summarize how most companies focus less on disclosing information for award purposes and do not expect to be involved in any award recognition.

4.3 Data diagnostic tests

The study takes several diagnostics prior testing to remove several issues of regression results. The diagnostics are as follows: (1) Outliers identification; (2) Normality; (3) Test of linearity; (4) Test of Homoscedasticity; and (5) Multicollinearity.

4.3.1 Outliers identification

The outliers were investigated to remove or reduce the unusual pattern of the data. The outliers are observations with a unique combination of characteristics, identifiable as distinctly different from the other observations (Hair et al., 2010). Wooldridge (2013) defines outliers as observation of substantially different data in set of bulk data, perhaps due to errors or data are generated by different model than most of the other data. Therefore, the outliers may influence the accuracy of regression analysis results. It is a common in linear regression to observe an outlier with large residual. The outlier may designate a sample peculiarity or other problem. Univariate outliers have been detected by using studentized residuals. Studentized residuals are z -scores, computed for a case based on the data for all other cases in the data set (Coakes et al., 2006). Coakes et al. (2006) suggested that a case in the data set is univariate outlier if the z -score for studentized residual is greater than ± 3.0 . The analysis identified 11 outliers (see Table 4.7). All the outliers are replaced with the mean to remain the number of sample selected.

Table 4.6
Outliers Identification using z-Score

No of outliers	Dataset
1	4
2	6
3	70
4	104
5	107
6	127
7	131
8	184
9	190
10	194
11	199

After the replacement, the study applied Cook's distance to test a further impact of the data. Table 4.8 reveals that no case in the dataset has a greater of Cook's distance value than 1. Therefore, there is no case might influence the overall data on the regression.

Table 4.7
Cook's Distance Test

	Minimum	Maximum	Mean	SD	N
Cook's Distance - QCSR	0.000	0.076	0.004	0.008	254
Cook's Distance - RQI	0.000	0.265	0.005	0.021	254
Cook's Distance - DNI	0.000	0.074	0.004	0.008	254
Cook's Distance - ACC	0.000	0.174	0.004	0.013	254
Cook's Distance - READ	0.000	0.102	0.004	0.009	254
Cook's Distance - MOR	0.000	0.097	0.003	0.011	254

* *QCSR = Quality of CSR reporting, RQI = relative quantity, DNI = density, ACC = accuracy, READ = readability, MOR = managerial orientation*

4.3.2 Normality and transformation

The data normality distribution was evaluated by the skewness and kurtosis values for each variable. Skewness values illustrate the symmetry of the

allocation score and a skewed variable mean the score is not be at the center of the distribution, whereas kurtosis is about the peakedness of distribution which can be either too peaked for instance with short and thick tail or too flat with long and thin tail (Tabachnick & Fidell, 2001). Normal distribution is considered when value of skewness and kurtosis is at zero (0). Positive skewness value will have a cluster of cases to the left at a low value and negative skewness will have the score cluster or pile at the right side with a long-left tail (Tabachnick & Fidell, 2001). Kurtosis with values of below zero (0) indicate a relatively flat distribution known as “platykurtic” and the kurtosis values above zero (0) indicate a peaked distribution or “leptokurtic” as recommended by researchers that samples be large enough to prevent under-estimation of variance. Seldom will perfect normality assumption be achieved. The test was conducted using skewness and kurtosis measurement. It is thus concluded that the data is symmetric because the skewness and kurtosis values are both less than ± 2.00 for all the dimensional constructs of the study. According to George and Mallery (2010), a skewness or kurtosis value between ± 2.00 is regarded as an excellent value and hence, the data for this study is normally distributed.

The diagnostic results suggest that the dependent – relative quantity, and independent – size (market capitalization), variables are normally distributed. However, density, accuracy, managerial orientation, and readability (dependent variable) are not normally distributed. Hence, this study applies a valid transformation (used the logarithmic) for an identification of a valid

transformation to convert data into a normal distribution. After the transformation the result shows all the variables were considered as normally distributed as shown in Table 4.9.

Table 4.8
Statistical results of Skewness and Kurtosis for variables

	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Control Variable				
Size	.392	.153	.581	.304
Dependent Variable				
RQI	.201	.153	1.123	.304
DNI	-.883	.153	.842	.304
ACC	-1.657	.153	2.557	.304
MOR	.659	.153	.517	.304
READ	1.620	.153	1.932	.304

* *QCSR = Quality of CSR reporting, RQI = relative quantity, DNI = density, ACC = accuracy, MOR = managerial orientation, READ = readability, Size = a logarithm of market capitalization*

4.3.3 Test of Linearity

Another multivariate assumption is linearity of data which is the relationship between the residuals against the predicted values. Linearity refers to the error term of distribution. Linearity is important for regression analysis because correlation can capture only the linear association between variables and if there is a substantial non-linear relationship, it will be ignored in the analysis because it will underestimate the actual strength of the relationship (Tabachnick & Fidell, 2001).

Linearity can be observed by examining the scatterplots (Hair et al., 2006). The results of linearity through scatterplot diagrams for various variables indicate no clear relationship between the residuals and the predicted values. Assessment of all scatterplots of the standardized residual versus standardized predicted values reveal that in all the plots, the residuals are scattered with no systematic or curvilinear pattern (U-shape distribution); or clustering of residuals as indicated by Tabachnick and Fidell (2007) (refer Figure 4.4). The randomized patterns of the scatterplots indicate that the assumption of linearity is met. Therefore, linearity could be assumed.

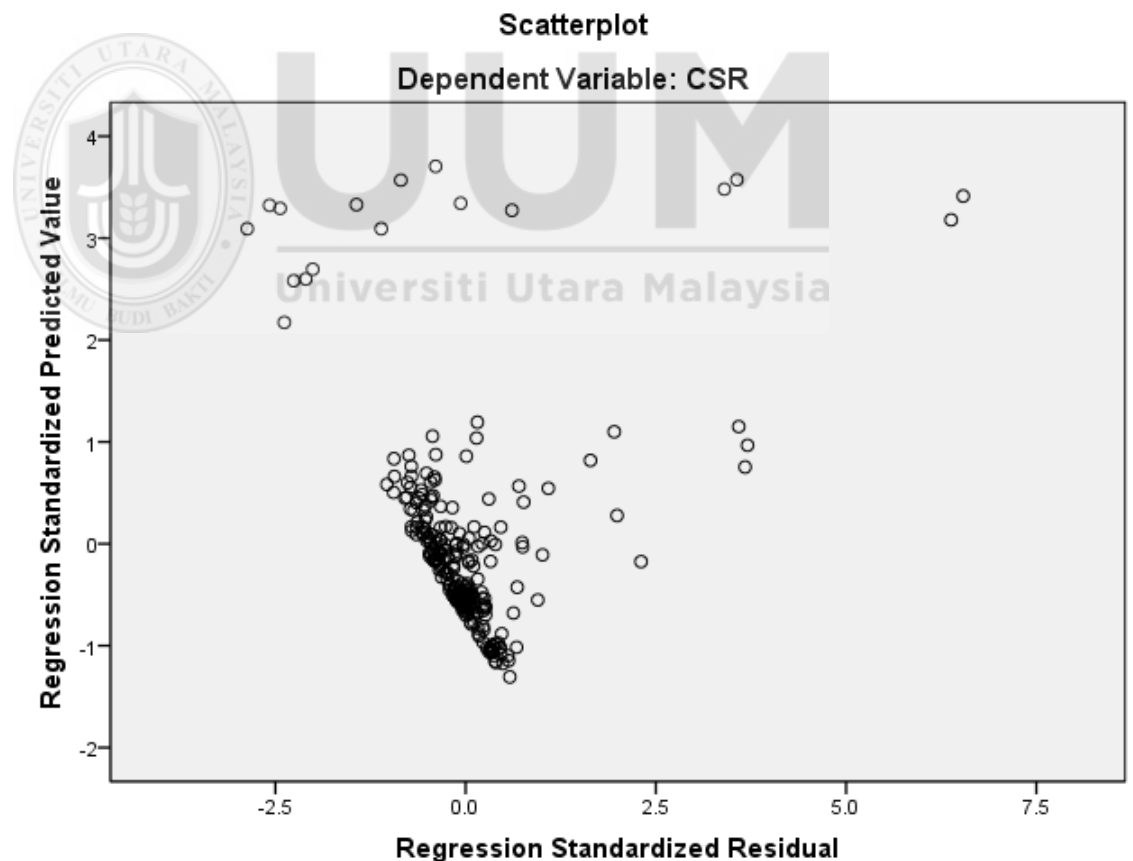


Figure 4.4
Scatterplots of Standardized Residuals against the Predicted Values

4.3.4 Test of Homoscedasticity

Homoscedasticity refers to constant variance of the error term and the variance of the dependent variables is approximately the same for different levels of the explanatory variable (Hair et al., 2006). Homoscedasticity is indicated when the width of the band of the residuals is approximately at a different level from the dependent variables and the scatterplot shows a pattern of residual normally distributed around the mean. To check for homoscedasticity, the scatterplots of studentized residuals against the predicted values were used as in Figure 4.5 (Hair et al., 2010). There is a need to inspect the plots of residuals against the predicted values to reveal that the residuals are scattered randomly with no obvious systematic pattern. If there is no systematic pattern of decreasing or increasing residuals, it can be assumed that the assumption of homoscedasticity is not violated.

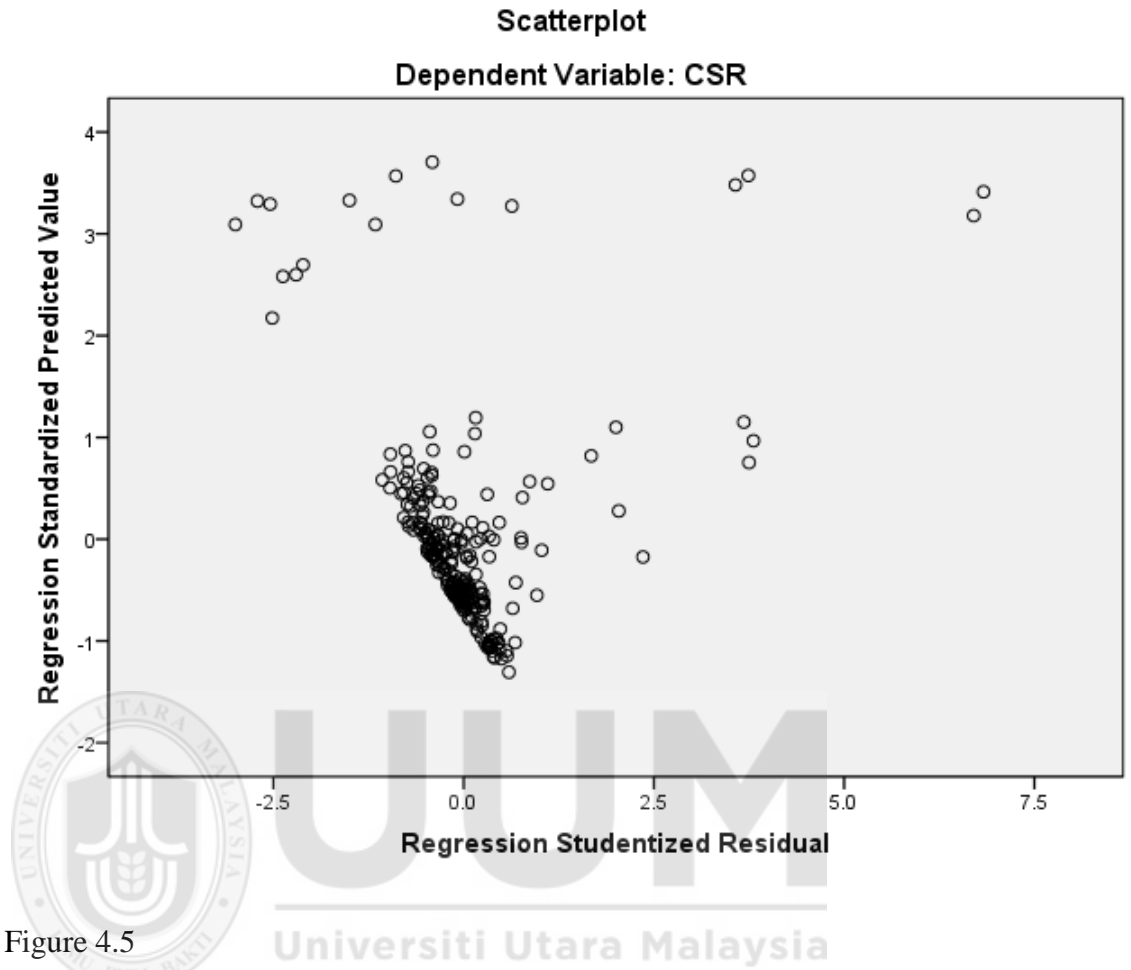


Figure 4.5
Scatterplots of Studentized Residuals against the Predicted Values

4.3.5 Test of Multicollinearity

Multicollinearity and singularity are related to the correlations between the predicting variables. Singularity occurs when one of the independent variables is merged with other independent variables (Tabachnick & Fidell, 2001). Multicollinearity poses a problem for multiple regression when the independent variables are highly correlated ($r = 0.8$ and above). When such a case happens, the regression coefficients would not be significant due to high standard error.

According to Tabachnick and Fidell (2001), tolerance values approaching zero (0) specify the presence of high multicollinearity. The cut-off value for VIF is less than 10 and tolerance value of more than 0.1. Hence, as deliberated in the statistical analysis, there is no violation of the assumption for this study. All the independent variables have tolerance value of less than 0.1 and VIF value of less than 10.

Multicollinearity test is crucial to diagnose that there should not be no exact collinearity exist between two independent variables. High multicollinearity might cause the estimated regression coefficients to become unreliable and unstable. The problems also might lead to wrong direction of results tested and the biasness (Hair, Black, Babin, Anderson, & Tatham, 2006). In this study (Table 4.10), multicollinearity assumption is examined using Pearson correlation matrix through the bivariate analysis between the variables. The correlation among the variables will cause to multicollinearity problem if the correlation values are more than 0.7 (Hair, Black, Babin, Anderson, & Tatham, 2006).

Table 4.9

Pearson Correlation for All Independent Variables

	QCSR	RQI	DNI	ACC	MOR	READ	SALONE	GUIDE	AUDIT	AWARD	WEB	SI	FAMILY	GLC	SIZE
QCSR	1														
RQI	-.103	1													
DNI	.317**	.077	1												
ACC	.311**	-.054	.683**	1											
MOR	.016	.134*	.196**	.218**	1										
READ	.004	-.006	.028	.032	.026	1									
Salone	.061	.182**	.040	.075	.191**	-.066	1								
Guide	.102	.215**	.381**	.211**	.256**	.009	.207**	1							
Audit	-.005	.181**	.041	.044	.077	.047	.117	.110	1						
Award	.084	.024	.151*	.131*	.213**	-.042	.343**	.301**	.221**	1					
Web	.094	.154*	.151*	.143*	.308**	.041	.316**	.102	.055	.203**	1				
SI	.014	-.051	.095	.042	-.038	-.023	.003	.007	-.029	-.024	-.020	1			
Family	-.041	.034	-.081	-.047	-.012	.016	.054	-.033	-.095	-.069	-.072	.022	1		
GLC	.024	-.026	.043	-.013	.194**	-.007	.247**	.117	-.051	.185**	.235**	-.081	-.048	1	
Size	.126*	-.368**	.227**	.253**	.316**	-.056	.411**	.264**	.067	.448**	.294**	-.021	-.230**	.389**	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

QCSR = Quality of CSR reporting, RQI = relative quantity, DNI = density, ACC = accuracy, MOR = managerial orientation, READ = readability, Size = a logarithm of market capitalization

Salone is stand-alone report, Guide is GRI or Bursa Malaysia guideline, Audit is audit assurance for CSR, Award is award received by companies for CSR practices, Web is CSR disclosure in website of companies, SI is sensitive industry, Family is family ownership, GLC is GLC ownership and Size is logarithm of size companies measured by market capitalization.

The second test (Table 4.11) is multicollinearity test using Tolerance and Variance Inflation Factor (VIF). VIF is an independent variable shows that how coefficient's variance and standard error of other variables increase due to the inclusion of the variable. Data will suffer multicollinearity problem if Tolerance value is less than 0.10 and VIF is greater than 10 (Hair et al., 2006; Pallant, 2011).

Table 4.10
Tests of multicollinearity through VIF

Model	Collinearity Statistics	
	Tolerance	VIF
SALONE	0.757	1.321
GUIDE	0.885	1.13
AUDIT	0.928	1.078
AWARD	0.752	1.33
WEB	0.852	1.174
SI	0.983	1.018
FAMILY	0.908	1.101
GLC	0.832	1.202
SIZE	0.706	1.417

* *SALONE* is stand-alone report, *GUIDE* is GRI or Bursa Malaysia guideline, *AUDIT* is audit assurance for CSR, *AWARD* is award received by companies for CSR practices, *WEB* is CSR disclosure in website of companies, *SI* is sensitive industry, *FAMILY* is family ownership, *GLC* is GLC ownership and *SIZE* is logarithm of size companies measured by market capitalization

4.4 Empirical evidence - Multivariate Statistics

In multivariate analysis, the study uses Ordinary Least Square (OLS). The results of each model are explained as follows:

4.4.1 Model 1: The quality of CSR reporting

Model 1 estimates the relationship between the adoption of CSR practices (stand-alone reports, CSR guidelines, audit assurances, awards and website) and the quality of CSR reporting. The results in Table 4.12 demonstrate this relationship. The standardized five indexes used to measure the overall quality of CSR reporting include: (1) relative quantity (RQI); (2) density (DNI); (3) accuracy (ACC); (4) readability (READ); and (5) managerial orientation (MOR).

The presence of five quality processes of CSR reporting explained 22.3 percent of variance of quality of CSR reporting ($R^2 = 0.223$, $F = 7.788$, $p < 0.01$). Despite the low significant of regression equation, the result shows similarity with the previous result (Beretta & Bozzolan, 2004; Michelon, Pilonato, & Ricceri, 2015). On the overall quality of CSR reporting, the result shows the adoption of CSR guidelines (Guide – using GRI or Bursa Malaysia Framework) ($B = 0.271$, $t = 4.513$, $p < 0.01$) and website (Web) ($B = 0.313$, $t = 5.117$, $p < 0.01$) are positively associated with the quality of CSR reporting. It can be suggested that the presence of CSR guidelines may indicate that companies in Malaysia are committed to responsibility towards the environment and society at large.

Table 4.11
Regression model for quality of CSR reporting

	B	t	Sig.
SALONE	.055	.842	.401
GUIDE	.271	4.513	.000***
AUDIT	-.009	-.160	.873
AWARD	.092	1.407	.161
WEB	.313	5.117	.000***
SI	-.074	-1.295	.197
FAMILY	.050	.853	.395
GLC	-.102	-1.647	.101
SIZE	-.040	-.596	.551
(Constant)		1.676	.095
R ²	0.223		
Adj. R ²	0.195		
F	7.788		
Sig.	0.000		

Notes: * p < 0.1; ** p < 0.05; *** p < 0.01

* *SALONE* = stand-alone report, *GUIDE* = GRI or Bursa Malaysia guideline, *AUDIT* = audit assurance for CSR, *AWARD* = award received by companies for CSR practices, *WEB* = CSR disclosure in website of companies, *SI* = sensitive industry, *FAMILY* = family ownership, *GLC* = GLC ownership and *SIZE* = logarithm of size companies measured by market capitalization

4.4.2 Model 2: The relative quantity of CSR reporting

The equation in Model 2 analyzes the effect of the adoption of CSR practices on the relative quantity of CSR reporting (refer Table 4.13). The relative quantity is measured by running the standardized residuals in an OLS regression model of disclosure using size and industry as independent variables. The model indicated that the adoption of CSR practice explained 49.2 percent variance of relative quantity of CSR reporting ($R^2 = 0.492$, $F = 26.268$, $p < 0.01$). Table 4.13 also displays that the

presence of stand-alone report ($B = 0.171$, $t = 3.272$, $p < 0.01$), CSR guidelines ($B = 0.316$, $t = 6.509$, $p < 0.01$) and websites ($B = 0.170$, $t = 3.431$, $p < 0.01$) were highly positive associated with relative quantity of CSR reporting.

As expected, the volume of CSR disclosure in the CSR reporting may lead to a positive relationship, especially with the presence of stand-alone reports, CSR guidelines and websites. This theory is proved by the result in Table 4.12 which shows that stand-alone reports, CSR guidelines and websites are significantly positive when associated with relative quantity of CSR. It indicates that the presence of these CSR practices triggers companies to disclose more CSR reporting.

In contrast, the presence of audit assurances and awards failed to predict relative quantity of CSR reporting. The results show low coefficient of Audit ($B = -0.046$, $p > 0.10$) and Award ($B = 0.010$, $p > 0.10$) respectively. For control variables, the results show an interesting finding. GLC companies and size are significantly associated with the relative quantity of CSR reporting, but displayed a negative coefficient, indicating that size or GLC ownership tends to bias disclosure of CSR information in a symbolic manner rather than substantive. Surprisingly, family ownership is positively associated with relative quantity of CSR reporting ($B = 0.167$, $t = 3.499$, $p < 0.01$). It is suggested that companies with family ownership have a high commitment to disclose their CSR activities in CSR reporting.

Table 4.12
Regression model for relative quantity of CSR reporting

	B	t	Sig.
SALONE	.172	3.272	.001***
GUIDE	.316	6.509	.000***
AUDIT	-.046	-.974	.331
AWARD	.010	.193	.847
WEB	.170	3.431	.001***
SI	-.073	-1.585	.114
FAMILY	.167	3.499	.001***
GLC	-.308	-6.159	.000***
SIZE	-.502	-9.251	.000***
(Constant)		7.452	.000
R ²	0.492		
Adj. R ²	0.473		
F	26.268		
Sig.	0.000		

Notes: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

* *SALONE* = stand-alone report, *GUIDE* = GRI or Bursa Malaysia guideline, *AUDIT* = audit assurance for CSR, *AWARD* = award received by companies for CSR practices, *WEB* = CSR disclosure in website of companies, *SI* = sensitive industry, *FAMILY* = family ownership, *GLC* = GLC ownership and *SIZE* = logarithm of size companies measured by market capitalization

4.4.3 Model 3: The density of CSR reporting

The equation in Model 3 analyzes the density of CSR reporting towards the adoption of CSR practices. The density is measured as the ratio between the number of sentences in which relevant CSR information is disclosed over the total number of sentences contained in CSR reporting of an annual report or a stand-alone report. The model presents that the adoption of CSR practices contributed only 9.9 percent of variances of the density of CSR reporting ($R^2 = 0.099$, $F = 2.977$, $p < 0.01$). Table 4.14

displays that only the presence of CSR guidelines is statistically associated with the density of CSR reporting ($B = 0.164$, $t = 2.542$, $p < 0.05$).

Most of the variables exhibit the relationship between the density of CSR reporting and the presence of stand-alone reports, audits, awards, and websites were not significantly associated. For control variables, only the element of size was found to have a significant effect upon the density of CSR reporting ($B = 0.160$, $t = 2.217$, $p < 0.05$). However, sensitive industries, family ownership and GLC are statistically not significant to the density of CSR reporting.

Table 4.13
Regression model for density of CSR reporting

	B	t	Sig.
SALONE	-.063	-.899	.369
GUIDE	.164	2.542	.012**
AUDIT	.045	.707	.480
AWARD	.000	.003	.998
WEB	.086	1.303	.194
SI	-.029	-.467	.641
FAMILY	-.072	-1.132	.259
GLC	.042	.626	.532
SIZE	.160	2.217	.028**
(Constant)		5.563	.000
R ²	0.099		
Adj. R ²	0.066		
F	2.977		
Sig.	0.002		

Notes: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

* *SALONE* = stand-alone report, *GUIDE* = GRI or Bursa Malaysia guideline, *AUDIT* = audit assurance for CSR, *AWARD* = award received by companies for CSR practices, *WEB* = CSR disclosure in website of companies, *SI* = sensitive industry, *FAMILY* = family ownership, *GLC* = GLC ownership and *SIZE* = logarithm of size companies measured by market capitalization

4.4.4 Model 4: The accuracy of CSR reporting

Model 4 in this study examines the relationship of CSR reporting accuracy with the adoption of CSR practices. The accuracy is measured as the ratio between the sum of the weighted value (1 to 3) of all sentences that contain relevant CSR information over the total number of sentences contained in CSR reporting of annual reports or stand-alone reports. The results are provided in Table 4.15.

The model indicated that the adoption of CSR practices successfully explained 14.1 percent of CSR reporting accuracy ($R^2 = 0.141$, $F = 4.450$, $p < 0.01$). As a matter of fact, the accuracy of CSR reporting is not significantly associated with the majority of the adoption of CSR practices including stand-alone reports, CSR guidelines and audit assurances. Only awards received ($B = -0.121$, $t = -1.764$, $p < 0.1$), and websites ($B = -0.139$, $t = -2.169$, $p < 0.05$) showed a significant association towards the accuracy of CSR reporting. However, the relationship is negatively associated which indicates a lack of commitment from Malaysian companies in providing accurate information (especially information on quantitative and monetary issues for CSR activities).

For control variables, size is negatively associated with the accuracy of CSR reporting ($B = -0.264$, $t = -3.732$, $p < 0.01$). However, sensitive industries, family ownership and GLC ownership failed to demonstrate a significant relationship with the accuracy of CSR reporting. Similarly, Model 2 shows that the size of Malaysian companies goes

towards a negative direction. This would indicate the adoption of symbolic management of CSR reporting.

Table 4.14

Regression model for accuracy of CSR reporting

	B	t	Sig.
SALONE	-.024	-.354	.724
GUIDE	.001	.013	.989
AUDIT	.005	.077	.939
AWARD	-.121	-1.764	.079*
WEB	-.139	-2.169	.031**
SI	.043	.726	.469
FAMILY	-.055	-.884	.377
GLC	.057	.878	.381
SIZE	-.264	-3.732	.000***
(Constant)		21.047	.000
R ²	0.141		
Adj. R ²	0.109		
F	4.450		
Sig.	0.000		

Notes: * p < 0.1; ** p < 0.05; *** p < 0.01

* *SALONE* = stand-alone report, *GUIDE* = GRI or Bursa Malaysia guideline, *AUDIT* = audit assurance for CSR, *AWARD* = award received by companies for CSR practices, *WEB* = CSR disclosure in website of companies, *SI* = sensitive industry, *FAMILY* = family ownership, *GLC* = GLC ownership and *SIZE* = logarithm of size companies measured by market capitalization

4.4.5 Model 5: The readability of CSR reporting

Model 5 exhibits the readability of CSR reporting and its relationship towards the adoption of CSR practices. The readability is measured as the ratio between the number of pictures, tables, and diagrams to the industry average of pictures, tables, and diagrams in CSR reporting of annual reports or stand-alone reports.

As presented in Table 4.16, the model explained 23.4 percent variance of readability of CSR reporting ($R^2 = 0.234$, $F = 8.273$, $p < 0.01$). Three of the CSR practices were significantly associated with readability of CSR reporting. The practices were GUIDE ($B = 0.136$, $t = 2.282$, $p < 0.05$), AWARD ($B = 0.110$, $t = 1.707$, $p < 0.10$) and WEB ($B = 0.283$, $t = 4.658$, $p < 0.01$). It indicates that, in the existence of websites, CSR guidelines and awards, opportunity can aid companies to include more pictures, tables, and diagrams when preparing their CSR reporting.

Table 4.15

Regression model for readability of CSR reporting

	B	t	Sig.
SALONE	.008	.130	.897
GUIDE	.136	2.282	.023**
AUDIT	-.019	-.325	.746
AWARD	.110	1.707	.089*
WEB	.283	4.658	.000***
SI	-.047	-.834	.405
FAMILY	-.016	-.275	.784
GLC	.008	.136	.892
SIZE	.182	2.723	.007***
(Constant)		-4.235	.000
R^2	0.234		
Adj. R^2	0.206		
F	8.273		
Sig.	0.000		

Notes: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

* *SALONE = stand-alone report, GUIDE = GRI or Bursa Malaysia guideline, AUDIT = audit assurance for CSR, AWARD = award received by companies for CSR practices, WEB = CSR disclosure in website of companies, SI = sensitive industry, FAMILY = family ownership, GLC = GLC ownership and SIZE = logarithm of size companies measured by market capitalization*

The presence of stand-alone reports and audit assurances were not significantly associated with readability of CSR reporting. The results show low coefficient for stand-alone reports ($B = 0.008$, $p > 0.1$), and audit assurances ($B = -0.019$, $p > 0.1$). For control variables, size is positively associated with readability of CSR reporting ($B = 0.182$, $t = 2.723$, $p < 0.01$). On the other hand, sensitive industry, family ownership and GLC ownership were not significant to the accuracy of CSR reporting.

4.4.6 Model 6: The managerial orientation of CSR reporting

Model 6 examined the managerial orientation of CSR reporting and its relationship towards the adoption of CSR practice. Managerial orientation is measured as the ratio between: the number of objectives and goals (forward-looking type); disclosure of result and outcomes (backwards-looking type); disclosure of total number of relevant CSR information in CSR reporting of annual reports or stand-alone reports. The results are provided in Table 4.17.

As indicated in Table 4.17, the fact of adoption of CSR practice explained 15.5 percent of the model ($R^2 = 0.155$, $F = 4.968$, $p < 0.01$). The adoption of three CSR practices established a significant relationship with the managerial orientation of CSR. The CSR adoptions were guidelines ($B = 0.167$, $t = 2.666$, $p < 0.01$), audit assurances ($B = 0.169$, $t = 2.767$, $p < 0.01$) and websites ($B = 0.200$, $t = 3.134$, $p < 0.01$). It indicates that the presence of CSR guidelines, audit assurances and websites triggers companies to prepare a better quality of CSR reporting and indicates the commitment of companies in reporting their CSR activities.

Table 4.16

Regression model for managerial orientation of CSR reporting

	B	t	Sig.
SALONE	-.071	-1.053	.294
GUIDE	.167	2.666	.008***
AUDIT	.169	2.767	.006***
AWARD	.092	1.359	.175
WEB	.200	3.134	.002***
SI	-.074	-1.249	.213
FAMILY	.142	2.303	.022**
GLC	-.010	-.161	.872
SIZE	.064	.917	.360
(Constant)		.130	.897
R ²	0.155		
Adj. R ²	0.124		
F	4.968		
Sig.	0.000		

Notes: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

* *SALONE* = stand-alone report, *GUIDE* = GRI or Bursa Malaysia guideline, *AUDIT* = audit assurance for CSR, *AWARD* = award received by companies for CSR practices, *WEB* = CSR disclosure in website of companies, *SI* = sensitive industry, *FAMILY* = family ownership, *GLC* = GLC ownership and *SIZE* = logarithm of size companies measured by market capitalization

However, stand-alone reports and awards were not significantly associated. The results show low coefficient B-value of stand-alone reports ($B = -0.071$, $p > 0.1$), and awards ($B = 0.092$, $p > 0.1$). For control variables, family ownership showed a positive association with managerial orientation of CSR reporting ($B = 0.142$, $t = 2.303$, $p < 0.05$). On the other hand, sensitive industries, GLC ownership and size were not significant towards managerial orientation of CSR reporting.

4.4.7 Summary of the Effect of Adoption of CSR Reporting on the Quality of CSR Reporting

Table 4.18 illustrated overall regression results to examine the effect of the adoption of CSR reporting on the quality of CSR reporting and its measurements. It was found in the table that the adoption of CSR reports had successfully explained 22.3 percent of the overall quality of CSR reporting ($R^2 = 0.223$, $F = 7.788$, $p < 0.01$). Adoption of CSR report was also highly represented in the relative quantity of CSR report ($R^2 = 0.492$, $F = 26.268$, $p < 0.01$), followed by readability ($R^2 = 0.234$, $F = 8.273$, $p < 0.03$) and managerial orientation ($R^2 = 0.155$, $F = 4.968$, $p < 0.01$). Results also showed that adoption of CSR report only explained 14.1 percent of the accuracy of CSR reporting ($R^2 = 0.141$, $F = 4.450$, $p < 0.01$) and 9.9 percent of density of CSR reporting ($R^2 = 0.099$, $F = 2.977$, $p < 0.01$).

Further inspection showed that standalone reports (SALONE) only established a significant relationship with relative quantity ($B = 0.172$, $t = 3.272$, $p < 0.01$). Guidelines (GUIDE), however, showed a significant relationship with most of the outcomes, except for the accuracy of CSR reports as follows: overall CSR reporting ($B = 0.271$, $t = 4.513$, $p < 0.01$); relative quantity ($B = 0.316$, $t = 6.509$, $p < 0.01$); density ($B = 0.164$, $t = 2.542$, $p < 0.05$); readability ($B = 0.136$, $t = 2.282$, $p < 0.05$) and managerial orientation ($B = 0.167$, $t = 2.666$, $p < 0.01$).

Next, audit assurance (AUDIT) was found to have a significant relationship with only managerial orientation ($B = 0.169$, $t = 2.767$, $p < 0.01$). Award (AWARD) established a significant association with two outcomes that were, namely, accuracy ($B = -0.121$, $t = -1.764$, $p < 0.10$) and readability ($B = 0.110$, $t = 1.707$, $p < 0.10$). Lastly, similar to GUIDE, website (WEB) showed a significant relationship with most of the outcomes except for density of audit report. WEB was found to have a significant relationship with overall quality of CSR ($B = 0.313$, $t = 5.117$, $p < 0.01$), relative quantity ($B = 0.170$, $t = 3.431$, $p < 0.01$), accuracy ($B = -0.139$, $t = -2.169$, $p < 0.05$), readability ($B = 0.283$, $t = 4.658$, $p < 0.01$) and managerial orientation ($B = 0.200$, $t = 3.134$, $p < 0.01$).



Table 4.18
Overall Regression Results

	Model 1: Overall Quality of CSR		Model 2: Relative Quantity		Model 3: Density		Model 4: Accuracy		Model 5: Readability		Model 6: Managerial Orientation	
	B	t	B	t	B	t	B	t	B	t	B	t
SALONE	.055	.842	.172	3.272***	-.063	-.899	-.024	-.354	.008	.130	-.071	-1.053
GUIDE	.271	4.513***	.316	6.509***	.164	2.542**	.001	.013	.136	2.282**	.167	2.666***
AUDIT	-.009	-.160	-.046	-.974	.045	.707	.005	.077	-.019	-.325	.169	2.767***
AWARD	.092	1.407	.010	.193	.000	.003	-.121	-1.764*	.110	1.707*	.092	1.359
WEB	.313	5.117***	.170	3.431***	.086	1.303	-.139	-2.169**	.283	4.658***	.200	3.134***
SI	-.074	-1.295	-.073	-1.585	-.029	-.467	.043	.726	-.047	-.834	-.074	-1.249
FAMILY	.050	.853	.167	3.499***	-.072	-1.132	-.055	-.884	-.016	-.275	.142	2.303**
GLC	-.102	-1.647*	-.308	-6.159***	.042	.626	.057	.878	.008	.136	-.010	-.161
SIZE	-.040	-.596	-.502	-9.251***	.160	2.217**	-.264	3.732**	.182	2.723***	.064	.917
(Constant)		1.676		7.452		5.563		21.047		-4.235		.130
R ²	0.223		0.492		0.099		0.141		0.234		0.155	
Adj. R ²	0.195		0.473		0.066		0.109		0.206		0.124	
F	7.788		26.268		2.977		4.450		8.273		4.968	
Sig.	0.000		0.000		0.002		0.000		0.000		0.000	

Notes: * p < 0.1; ** p < 0.05; *** p < 0.01

* SALONE = stand-alone report, GUIDE = GRI or Bursa Malaysia guideline, AUDIT = audit assurance for CSR, AWARD = award received by companies for CSR practices, WEB = CSR disclosure in website of companies, SI = sensitive industry, FAMILY = family ownership, GLC = GLC ownership and SIZE = logarithm of size companies measured by market capitalization

4.5 Discussions on the quality of CSR reporting

The trend of CSR reporting is now at a significant momentum and the concerns relating to quality disclosure are sufficiently evident to be institutionalized in the CSR practice (Bouten, Everaert, Liedekerke, Moor, & Christiaens, 2011). Hence, this study examines the dimension of the quality of CSR reporting by extending the measurement of quality consisting of the quantity, density, accuracy, readability, and management orientation. The dimensions consider the quality, as claimed by many studies (Hackston & Milne, 1996; Brammer & Pavelin, 2008; Bouten, Everaert, Liedekerke, Moor, & Christiaens, 2011), by investigating the number of sentences in CSR reporting. Following this, the present study then examines further on the dimension of density to investigate both relevant and irrelevant CSR information, accuracy in terms of qualitative, quantitative, and monetary information, and narrative orientation by provision of measurable objectives and outcomes.

To value the level of quality reporting, research should design a valuable tool in assessing the CSR information disclosed. The argument of investigating the volume of CSR disclosure to represent a quality disclosure has been discussed as far back as the early 20th such as (Gray, Kouhy, & Lavers, 1995b; Toms, 2002). This assumption may potentially mislead the real meaning of the quality of CSR reporting. Some studies have contended that a sense of quality reporting can be measured when the disclosure includes not only non-monetary quantitative disclosure but also monetary quantitative disclosure (Bouten, Everaert, Liedekerke, Moor, & Christiaens, 2011; Guthrie, Cuganesan, & Ward, 2008). Other research (Cormier, Magnan, & Velthoven, 2005)

used the weightage on the type of information disclosed in CSR reporting. Information with quantitative and monetary disclosure was assigned with the highest scoring (e.g. 3 points) and the lowest scoring was allocated to the qualitative type of information.

The main focus of this study is to examine the dimensions of quality for CSR reporting. In overall perspectives, the result shows that the level of quality of CSR reporting among Malaysian companies is at the level of 24 percent which is considered low and at the infancy stage. This is consistent with the result of previous studies (e.g. Chauvey, Giordano-Spring, Cho, & Patten, 2014; Michelon, Pilonato, & Ricceri, 2015). The scenario implies that Malaysian companies are not really keen to produce quality reporting and perhaps only consider meeting the minimum CSR reporting requirement of Companies Commission of Malaysia (CCM) in order to avoid any monetary fine for non-compliance.

In defining the meaning of quality, this study investigates the five dimensions by clarifying the alternative explanation for CSR reporting quality, as follows:

4.5.1 The quality of CSR reporting in the relative quantity of disclosure perspective

ACCA (2010a) claims that Malaysia has the highest number of CSR reporting among the ASEAN countries. Malaysia is categorized as the country that has had the highest level of CSR reporting since 2011 to 2017 at a consistency rate of more than 90 percent. However, the disclosure performance measured by ACCA (2017) analyses the existence of CSR reporting in a Malaysian

company’s annual report or stand-alone report. This study investigates the existence of CSR reporting by extending the measurement of extensiveness of CSR information disclosed following a suggestion by (Beretta & Bozzolan, 2004) to inculcate the average expectation of disclosure based on the industry and size of the company. Surprisingly, the level of disclosure is far from the finding by ACCA (2017). CSR reporting in Malaysia based on the finding of this study is relatively low and some of the disclosure is below the average of industry expectation (see Figure 4.6).

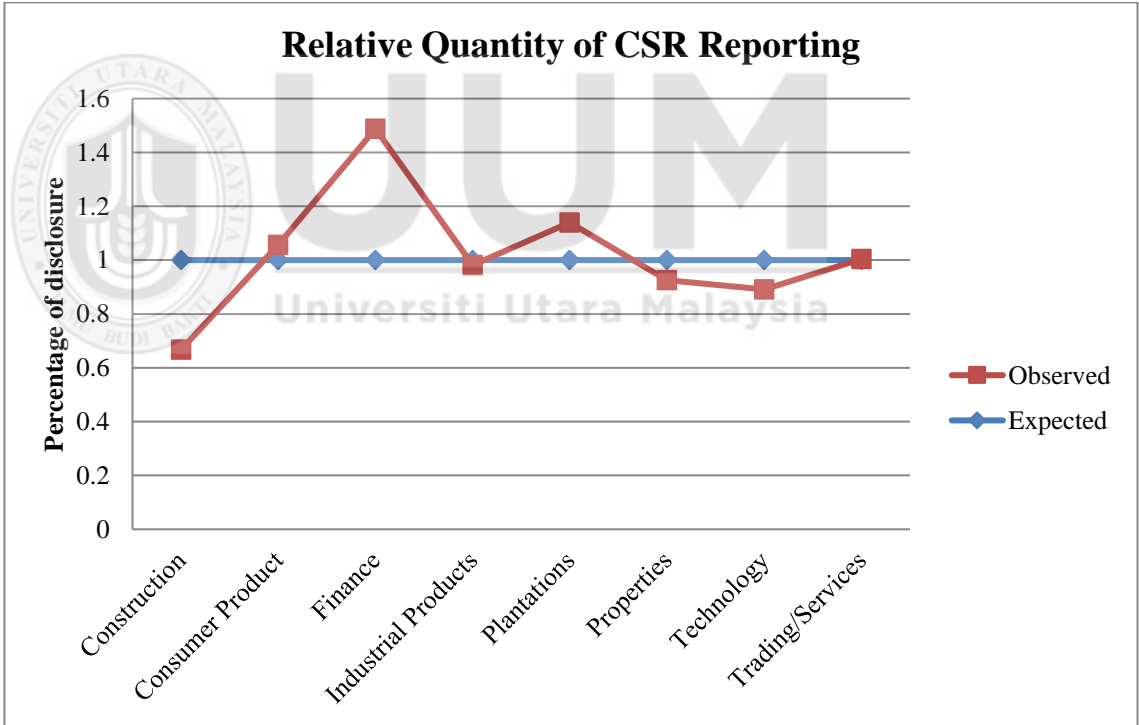


Figure 4.6
Relative quantity of CSR reporting

This study further analyses the extensiveness of CSR reporting by adopting an index based on GRI index and Bursa Malaysia framework (Othman, Arshad, &

Darus, 2011) to investigate the number of disclosures from forty different topics in CSR disclosure. The purpose of the index is to examine the completeness of this study based on the GRI and Bursa Malaysia framework, and of CSR reporting among Malaysian companies. As matter of fact, research also found that the issue of completeness of CSR disclosure is relatively poor (Bouten et al., 2011; Cohen & Simnett, 2015; Patten & Zhao, 2014) due to the tendency of companies to disclose selected topics in each of the CSR themes. This study investigates the total sentences of various topics (but limited to forty items). The selection is performed by considering items drawn by GRI and then matching them to the requirement of the Bursa Malaysia framework that suits Malaysian businesses.

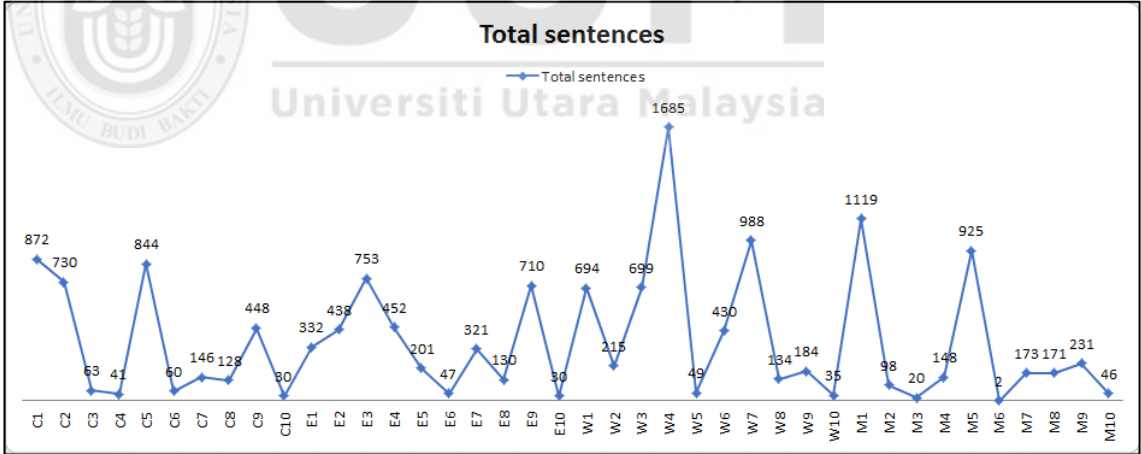


Figure 4.7
Total of sentences disclosed for various topics in CSR reporting

Figure 4.7 shows the tabulation of CSR information disclosed by sentences. On average, the coverage of each topic is slightly low. The selection of topics is also

calculative, perhaps due to favourable information that may lead to an augmentation of the company's reputation. The scenario confirms the essence of agency theory. Based on agency theory, a company must act optimistically and efficiently within an efficient market. This action is a nexus of contracts between various economic agents in the market (Cormier et al., 2005). Therefore, fulfilling the interests of both shareholders and stakeholders would be a wise strategy by which to achieve a competitive advantage.

4.5.2 The quality of CSR reporting in the density of disclosure perspective

GRI states that CSR reporting shall contain the information required by stakeholders and avoid excessive and unnecessary detail under the principle of clarity in the G3.1 guideline (GRI, 2016). Beretta and Bozzolan (2004) also claim that the effectiveness of narrative reporting is allied with the relevance of information. Further, it is affected by “how much it is diluted into the mass of other pieces of information disclosed” (p. 272). This study examines the density of CSR information to differentiate between relevant and irrelevant information in the CSR reporting disclosure. Prior studies argued that diluting CSR information in a long document of CSR reporting may communicate relevant information but, at the same time, cause the user to become confused with irrelevant information. Consequently, it may be difficult for the user to understand the CSR information (Michelon, Pilonato, & Ricceri, 2015) or decide how this long document might obscure relevant information and divert attention (Beretta & Bozzolan, 2004; Cho, Roberts, & Patten, 2010).

However, CSR reporting in Malaysian companies (especially in annual reports) disclose a higher percentage of CSR information as compared to irrelevant information. In a contrasting result to the findings, Michelon et al. (2015) found the level of CSR information reported in UK companies is relatively low at less than 40 percent. Malaysian companies tended to disclose better CSR information in terms of density by having more than 75 percent of total sentences disclosed in CSR reporting. Hence, it is perceived that Malaysian companies are committed to disclosing relevant information and not merely diluting it with unnecessary information for the purposes of CSR disclosure.

4.5.3 The quality of CSR reporting in the accuracy of disclosure perspective

Knowing that Malaysian companies tend to disclose a higher relevance of CSR information in its CSR reporting, this study further examines the accuracy of relevant CSR information in terms of the accuracy perspective. This is in line with prior studies that question the ‘what’ issues in CSR reporting (e.g. Chauvey, Giordano-Spring, Cho, & and Patten, 2014; Al-Tuwaijri, Christensen, & Hughes, 2004). Prior studies urged some other studies not to take into account several important dimensions that would characterize the information disclosed. This included monetary and quantitative information (Al-Tuwaijri, Christensen, & Hughes, 2004).

Accordingly, this study investigates the accuracy of CSR information disclosed in CSR reporting by advancing a different point for CSR information. This comprises a lower point for qualitative information and a higher point for monetary information. Descriptively, the CSR information disclosed among Malaysian companies is mostly qualitative information as approximately 85 percent of disclosure is qualitative information. The disclosure still has a lack of quantitative information and very little on monetary data. The result is contradictory with the findings of Sadou, Alom, & Laluddin (2017) which show more than 40% of the top 100 companies (based on market capitalization) in Malaysia have disclosed both quantitative and monetary information for their CSR reporting. Nevertheless, the result of this study is consistent with the study by Anas, Rashid, & Annuar (2015) which selected 60 companies randomly via Bursa Malaysia listing companies. Anas et al. (2015) used a score of 3 for each of the disclosure items - a score of 3 for quantitative/monetary information; a score of 2 for CSR information without quantitative/monetary information; and a score of 1 for general CSR information. They found, similarly to this study, that CSR information containing quantitative or monetary facts is still low (about 16%). On the other hand, this study perceived that the size of companies does matter with regard to the accuracy of CSR information. This was demonstrated when Sadou et al. (2017) selected only large companies for their samples as compared to other studies such as Anas et. al (2015), Al-Tuwaijri et al. (2004), Bouten et al. (2011) and this current study which used random sampling for selection of companies.

4.5.4 The quality of CSR reporting in the management orientation of disclosure perspective

The present study applies a different angle of examining the quality dimension in CSR reporting by looking at the management orientation for CSR information disclosed. Based on the CSR disclosure among Malaysian companies, the study found that Malaysian companies focus heavily on *boilerplate information* rather than *committed information* for their CSR information disclosure (see Figure 4.8). The boilerplate information has been defined as communicating CSR information via very standardized statements that only contain general expectations concerning the future, or the context of CSR practices. They also suggest that policies and programmes should be arranged for their CSR practices; while committed information provides specific objectives and goals for companies to be able to achieve together detailed results and outcomes of action taken to meet stakeholders' concerns (Michelon, Pilonato, & Ricceri, 2015).

The result is consistent with the findings of Michelon et al. (2015) which discovered a very similar pattern of CSR information disclosed among 112 companies between the years 2005 to 2007. This result also confirms the management orientation of CSR reporting which prefers to emphasize the general statement rather than disclosing the performance indicators of companies' CSR practices as suggested by prior studies. Further, it indicates that

the level of comprehensiveness of CSR reporting is still low (Bouten et al., 2011; Guthrie, Cuganesan, & Ward, 2008; Wiseman, 1982).

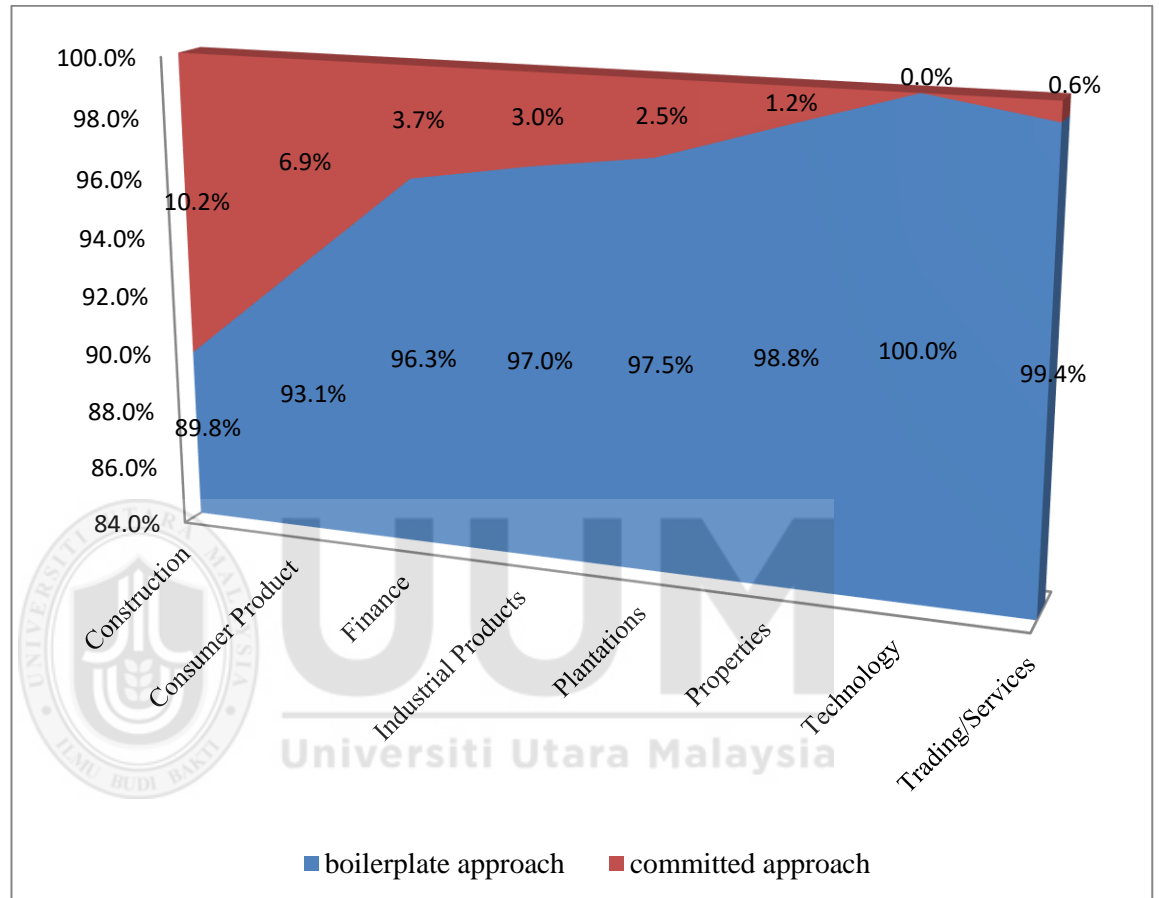


Figure 4.8
Management orientation of CSR disclosure

4.5.5 The quality of CSR reporting in the readability of disclosure perspective

This study finds that readability of CSR reporting in Malaysia is still not widely adopted by Malaysian companies' annual reports specifically relating to CSR information. Most companies have become used to presenting CSR information using the traditional text method. The result is in contrast to the result by Habek

& Wolniak (2016) who that found companies in developed countries like Poland, Sweden, Denmark, United Kingdom, and Netherland use tables, figures, diagrams, and pictures comprehensively in summarizing the CSR information for their annual reports or stand-alone reports.

4.6 The relationship on the adoption of CSR practices towards the quality of CSR reporting

This study investigates whether the adoption of CSR practices like stand-alone reports, CSR guidelines, assurances, websites and awards are related to the quality of CSR reporting. The investigation addresses theoretically and empirically the issue of management preference for reporting CSR either for symbolic or substantive approaches. This study also uses different dimensions of quality CSR reporting in measuring the relationship towards several CSR practices adopted by Malaysian companies. The purpose of various dimensions is to explain a different angle of CSR reporting. This includes the content of CSR information disclosed by providing, namely: the themes; the number of sentences; the type of information; the use of visual sense; and the approach of management in presenting their CSR information either in a general context (symbolic) or as a committed approach. The investigation on how companies engage with CSR practices and, more importantly, how they disclose it triggers the present study to evaluate the scenario. It appears that, by taking account of all the dimensions of CSR practices in this study, the adoption of these CSR practices is not associated with a higher level of CSR reporting quality in Malaysian companies. Hence, it suggests that these CSR practices do not represent a substantive approach but a symbolic one. Most companies disclose their CSR information for the sake of gaining

reputation from their stakeholders as well as showing commitment to fulfill the minimum requirements for mandatory CSR disclosure that have been mandated by the Security Commission of Malaysia.

Complementary dimensions such as quantity, density, accuracy, readability and management orientation are considered to the measurement of disclosure quality by which to capture the commitment of companies in communicating their social and environmental issues as well as challenges in CSR reporting. Hence, the way in which the quality of CSR reporting of the companies embraces those CSR practices is proof that aiming towards these practices is not sought merely as a responsibility deed. In spite of far-reaching notoriety of CSR practices, concerns are to be communicated with confirmation of no significant association amongst practices and quality of CSR reporting communicated to stakeholders. Supposedly, these practices appear to arise to influence stakeholders' perceptions for taking part in CSR activities in order to commit to societal expectations. This study found that CSR practices are quite different from those of other countries in terms of committing to the quality of CSR reporting. Table 4.19 shows the summary of the relationship of the adoption CSR practices towards the quality of CSR reporting.

Overall results show that the quality of CSR reporting, in several quality dimensions, is significantly and positively associated with the existence of CSR guidelines. It indicates that CSR guidelines such as the GRI framework and the Bursa Malaysia framework help Malaysian companies to prepare quality CSR reporting. Surprisingly, the result contrasts with the findings of Michelin et al. (2015) who discovered that CSR

guidelines are not improving the quality of CSR reporting in the US. One study by Fortanier (2011), however, supports the claims that CSR guidelines help to increase CSR reporting in terms of volume and completeness but still not the quality of CSR reporting. This can be claimed as the contribution of this study towards CSR practices, in particular Malaysia or in Asian countries generally. On the other hand, the use of CSR guidelines appears to provide more relevant CSR information than for companies without the CSR guidelines, but the disclosure is also relatively low quality. Deceptively, the completeness of CSR information throughout the item list in the guidelines could be interpreted as a way to obscure CSR information, only depicting the companies as committed and camouflaging the disclosure within the general context of CSR information.

Table 4.17

Summary of relationship of CSR practices vs Quality CSR reporting

	<i>Stand-alone report</i>		<i>CSR Guidelines</i>		<i>Assurance</i>		<i>Award</i>		<i>Website</i>	
	<i>Sig.</i>	<i>Sign</i>	<i>Sig.</i>	<i>Sign</i>	<i>Sig.</i>	<i>Sign</i>	<i>Sig.</i>	<i>Sign</i>	<i>Sig.</i>	<i>Sign</i>
<i>Relative quantity (RQI)</i>	√	+	√	+					√	+
<i>Density (DNI)</i>			√	+						
<i>Accuracy (ACC)</i>							√	-	√	-
<i>Readability (READ)</i>			√	+			√	+	√	+
<i>Managerial orientation (MOR)</i>			√	+	√	+			√	+
<i>Quality CSR reporting (QCSR)</i>			√	+					√	+

Website as a medium to promote CSR reporting is associated significantly with the quality of CSR reporting in Malaysia, except in the case of negative association to the accuracy of CSR information. It implies that website is one of the main platforms to

communicate CSR information to primary as well as secondary stakeholders. The nature of presentations also displays user-oriented reporting by providing downloaded CSR reporting. Obviously, using technology can easily relate the CSR activities to organizational values by putting several links to other segments in companies' reporting. The finding supports the implication outcome of Rolland & Bazzoni (2009) who claimed that websites have a role in significantly increasing CSR reporting and response to the change of global societal expectations concerning business practices. Hassan, Yusoff, & Yatim (2012) also support the theory that website has been used by Malaysian companies in disclosing CSR reporting in an 'up-to-date' manner despite not yet being fully utilized. In a broader perspective, the attempt of companies to disclose CSR information in a website is a way to promote the credibility of CSR reporting and gain a higher reputation for the companies. However, some companies may be reluctant to disclose more CSR information in the website in order to avoid revealing information that may expose the symbolic approach of CSR activities. In addition, in terms of website usage, Rahim & Omar (2017) agree that website is useful as a reporting mechanism to disclose CSR information due to an increase in stakeholders' demands for transparency. However, due to the nature of providing CSR in websites on a voluntarily basis, companies have still not yet utilized the technology for stakeholders' demands.

A CSR award is believed to be one of the motivations to encourage companies to disclose more CSR information (Haniffa & Cooke, 2005). This study found that CSR practices on having awards for motivation have little significance to the quality of CSR

reporting. It is consistent with the findings by Anas, Rashid, & Annuar (2015) and Sadou, Alom, & Laluddin (2017) who mention that CSR awarded companies have incentives to disclose better quality information related to CSR activities. The results report that the quality of CSR reporting is slightly better in terms of readability and extending the findings of previous studies (Haniffa & Cooke, 2005; Sadou, Alom, & Laluddin, 2017). However, it failed to achieve a highly significant result on other dimensions of quality. Interestingly, the results also show that the CSR award is negatively significant to the quality of CSR reporting. It brings one to the conclusion that companies disclose CSR information more for symbolic purposes and to fulfill the requirements of the awards evaluation index. That information is categorized as qualitative information; hence, it does not fall into the category of quality CSR reporting. This is also consistent with Hackston and Milne (1996) who claimed that companies in New Zealand disclosed their CSR activities in a qualitative (narrative) form rather than in a quantitative or monetary form.

Issuing a standalone report is voluntary for companies in Malaysia. The trend of having a standalone report is increasing (KPMG, 2017) and can trigger an increase in the extensiveness and quality of CSR reporting (Michelon, Pilonato, & Ricceri, 2015). However, the result shows that the standalone reports of Malaysian companies are not significantly aligned to the quality of CSR reporting. The result is expected due to the practice of standalone reports for CSR reporting being very low among Malaysian companies. A study by Ogundare (2013) utilizes sustainability reports among large companies in Malaysia and investigates the relationship of economic performance to

sustainability reporting. The result is consistent with the current study which demonstrates that it is not a significant issue associated with CSR reporting. The study would like to share the same understanding of Ogundare (2013) towards standalone reports in Malaysia that these reports are still not yet a phenomenon to promote CSR information. In addition, a standalone report burdens companies with no profitable value. Furthermore, Thorne, Mahoney & Manetti (2014) also claimed that companies with standalone reports have no significant difference in the profitability and level of CSR reporting practices. However, the result shows a significant association of the standalone report towards the dimension of the extensiveness of the CSR information disclosed. This is consistent with the finding of Michelon et al. (2015).

The assurance is the instrument by which to gain trust among stakeholders as to the accuracy of CSR reporting published (Fernández-Feijóo-Souto, Romero, & Ruiz-Blanco, 2012). The result has a similarity with the finding of Michelon et al. (2015) which demonstrates that assurance does not improve the quality of CSR reporting except in a managerial orientation. The result is influenced by the unwillingness of companies to have third-party assurance in order to assure the quality of CSR reporting.

4.7 Conclusion

This chapter has successfully discussed the findings of the study. Mixed results were established from the analysis. The next chapter, Chapter Five, will summarize the study and outline the contributions gained. The final chapter will provide appropriate recommendations and suggestions for future research.

CHAPTER FIVE

CONCLUSION

5.1 Introduction

The purpose of this chapter is to conclude the present study by summarizing the whole chapter and indicating several implications of the theories and practices, as well as the limitations of the study and recommendations for future research. This chapter is organized as follows: first, overview of the study; second, summary of the study; third, implication of the study towards theoretical and practices; fourth, limitations of the study; fifth, recommendations for future research; sixth, conclusion of the research.

5.2 Summary of the study

CSR reporting in Malaysia has been mandatory since 2007. Since then, listed companies on the Bursa Malaysia are required to disclose CSR activities in their respective annual reports. Therefore, it is not surprising to see Malaysia categorized as among the best in Asian countries in terms of CSR reporting according to the ACCA study (2011, 2017), in line with Japan, Hong Kong and Taiwan.

The study on CSR reporting has undergone a paradigm shift starting from focusing on the content of CSR (i.e. Ackerman & Bauer, 1976; Aupperle, Carroll, & Hatfield, 1985; Adams CA, 1999) to factors affecting CSR reporting (i.e. Belkaoui & Kaprik, 1989; Archambault & Archambault, 2003; Amran & Devi, 20.08; Gamerschlag, Moller, & Verbeeten, 2010). The issue of reporting CSR is now extended to the issue of what type

of CSR information and how it is disclosed in the company's annual reports, stand-alone reports or company websites. As an example, Bouten et al. (2011) introduced a method of viewing CSR reporting on whether the disclosure provides a real picture of the company's social and environmental activities or simply exposes the general policy regarding CSR. The study attempts to give perspective and value to CSR disclosure.

Consequently, this study focuses on the quality of CSR reporting. The quality of CSR reporting is examined through the five main dimensions, including: quantity; density; readability; accuracy; and managerial orientation. Prior studies such as Brammer & Pavelin (2008), Othman et al. (2011), Bouten et al. (2011), Michelon et al., (2015), Habek & Wolniak (2015) show the importance of quality in CSR reporting. Therefore, this study defines the quality from several dimensions so as to understand the meaning of CSR reporting as well as to investigate the reality of CSR reporting quality among Malaysian companies.

In addition, Bursa Malaysia (prior to the introduction of mandatory CSR reporting) issued a framework for guidance to companies who wish to report their CSR activities in the annual report. The existence of GRI as an international guideline can also be adopted as a guideline for the preparer of CSR reporting by companies in Malaysia. The company also took the initiative of producing separate CSR reports to facilitate stakeholders as well as avoid excessive annual reports with CSR activity information. The existence of this stand-alone report is believed to be able to increase CSR credibility reporting with more detailed and in-depth CSR information.

This CSR reporting quality issue is also highly subjective. The preparation of time-consuming and cost-reporting information is also a factor in the provision of CSR reporting that is neither comprehensive nor credible. Accordingly, one of the ways to overcome this issue is to have third-party assurance. For example, Aw et al. (2009) noticed the impact on companies that voluntarily use third party services to audit their CSR reporting. The study found that, with assurance, the CSR reporting prepared was better in terms of comprehensiveness and credibility of the information. Hence, the present study examines the relationship between the CSR practices such as stand-alone reports, CSR guidelines, assurances, awards and websites, and the quality of CSR reporting.

In achieving the objectives, the methodological approach of the present study comprised two stages. In the first stage, the study adopted the CSR index developed by Othman et al. (2011) and then modified it to capture several dimensions of quality. Content analysis was used to collect the data by using sentences as a unit of analysis. The first stage consisted of two steps of data collection. First, the collection focused on the quantity of CSR information based on the themes in the modified index. Second, code was assigned to the several dimensions of quality either in the form of the number of sentences or the weightage of one to three in dimensions such as accuracy and managerial orientation.

The second stage is consistent with previous studies (Michelon et al., 2015; Habek & Wolniak, 2015), in that the study calculated the quality of CSR reporting via five other proxies including relative quantity, density, readability, accuracy and managerial orientation. All these six models were tested using a final sample of 254 listed companies drawn from the main market on Bursa Malaysia. The study covered 2016 annual reports with the latest annual report having been produced at the time of data collection of the present study. The latest annual report was expected to provide the latest scenario of CSR information disclosure. The five hypotheses were developed and tested by employing Ordinary-Least Square (OLS) using SPSS statistical software to investigate the relationship between the CSR practices and the quality of CSR reporting through several dimensions.

5.3 Summary of Results

The study found that generally the quality of CSR reporting among Malaysian companies is still at a relatively low level. The study provides several dimensions by which to examine the quality of CSR reporting.

First, on the volume of disclosure, it was found that Malaysian companies perform quite well by providing on average 69 sentences to explain their CSR activities. From the average, 58 sentences relate to CSR information. This second dimension indicates that Malaysian companies are ready to focus on relevant CSR information in their CSR reporting. The results are in contrast to the finding of Michelin et al. (2015). This can be interpreted that Malaysian companies are better in terms of disclosing their CSR

information. Third, on the issue of readability, Malaysian companies are considered to be at the infancy stage in providing tables, diagrams and pictures as a tool by which to communicate their CSR information in the reporting. On average 9.16 tables, diagrams and pictures were used by companies as additional tools in explaining CSR activities. Fourth, the moderate volume of sentences in disclosing CSR information is not in line with the accuracy of the CSR information. The present study found that almost 87 percent of the disclosed information is in a qualitative form rather than quantitative or monetary form. Hence, it is suggested that Malaysian companies are not yet ready to disclose 'quality' CSR information to avoid any negative perceptions from stakeholders. Finally, the management orientation in writing the CSR reporting by Malaysian companies focused on the general context (*Boilerplate information*) as compared to committed information such as stating clear objectives and showing results and outcomes of the CSR activities.

The results also show that Malaysian companies are preoccupied with the perception of having their core business being based on CSR themes. Malaysian companies are choosing the workplace as their preferred theme. The present study uses institutional theory (DiMaggio & Powell, 1983) to explain the scenario. Most CSR reporting is prepared by a third party and the possibilities of mimicking the format and the structure of CSR reporting is high in CSR reporting. Therefore, it is worth mentioning that the selection of the themes would probably be similar among the companies. Figure 5.1 displays the selection of themes among Malaysian companies:

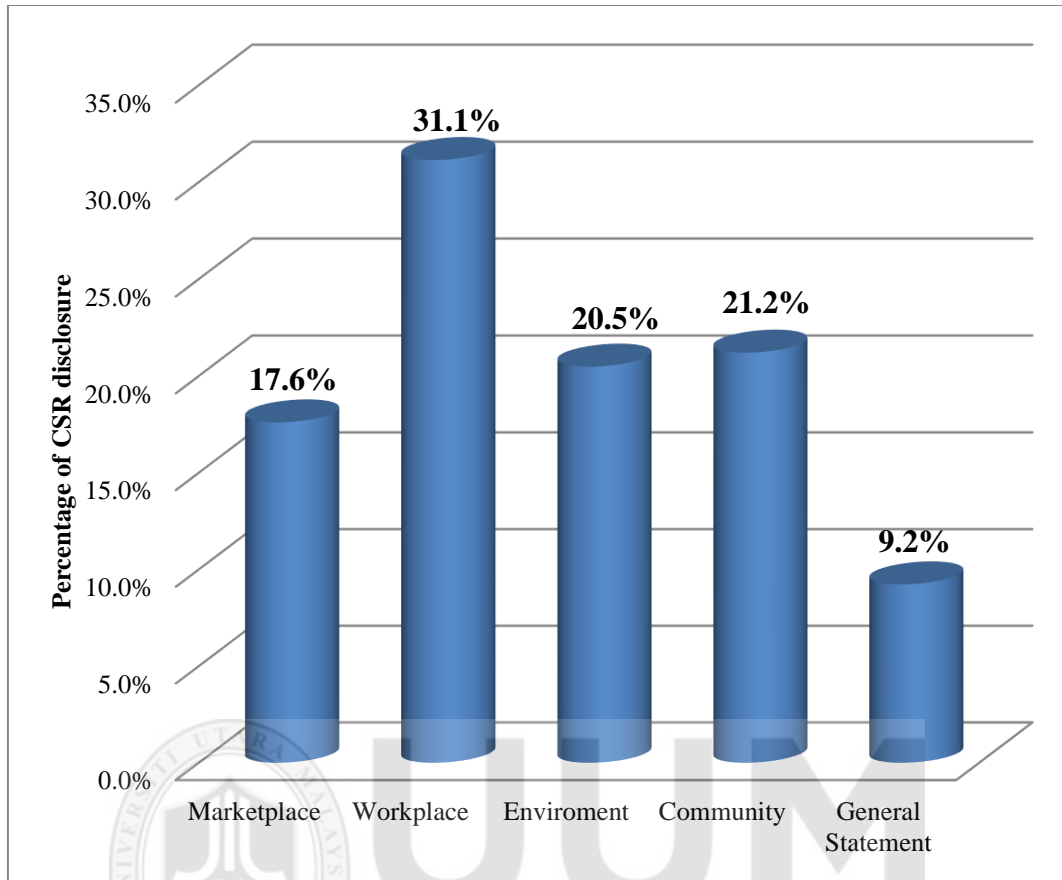


Figure 5.1
The theme of CSR reporting in Malaysia

On the subject of comprehensiveness, the coverage of CSR reporting by the CSR index (developed based on GRI and Bursa Malaysia framework) among Malaysian companies is considered moderate. However, the preference topic for each theme as demonstrated in Figure 5.2 shows that companies are selective in explaining CSR information further. This is perhaps due to limitations of companies' resources in implementing CSR activities which would increase the cost of the companies' operations.

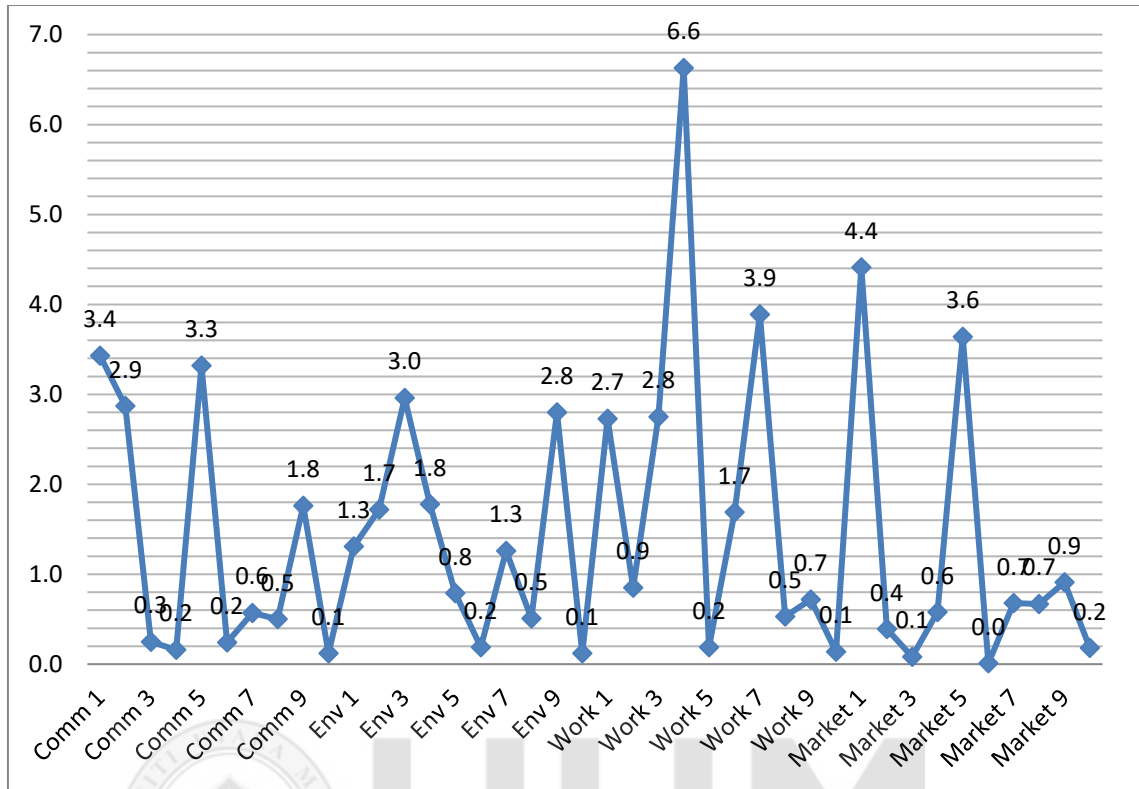


Figure 5.2
CSR disclosure (%) based on Quality CSR Index

Regarding the relationship between CSR practices and the quality of CSR reporting, the results show that CSR guidelines have significant association with several dimensions of quality. It is expected that, in order to have better CSR reporting, one should have a guideline for preparing the reports. Similarly, the study believes that websites can be a platform for Malaysian companies to produce better CSR reporting. However, the results show that even though websites have a positive relationship to several dimensions of quality, it is still not providing quality CSR information. The CSR information lacked a quantitative and monetary form.

Table 5.1

Relationship of CSR practices vs Quality CSR reporting

	<i>Stand-alone report</i>		<i>CSR Guidelines</i>		<i>Assurance</i>		<i>Award</i>		<i>Website</i>	
	Sig.	Sign	Sig.	Sign	Sig.	Sign	Sig.	Sign	Sig.	Sign
<i>Relative quantity (RQI)</i>	√	+	√	+					√	+
<i>Density (DNI)</i>			√	+						
<i>Accuracy (ACC)</i>							√	-	√	-
<i>Readability (READ)</i>			√	+			√	+	√	+
<i>Managerial orientation (MOR)</i>			√	+	√	+			√	+
<i>Quality CSR reporting (QCSR)</i>			√	+					√	+

A CSR award is believed to be one of the motivations for companies to disclose more CSR information (Haniffa & Cooke, 2005). This study found that CSR practices on having awards for motivation have little significance to the quality of CSR reporting. It is consistent with the findings by Anas, Rashid, & Annuar (2015) and Sadou, Alom, & Laluddin (2017) which mention that CSR-awarded companies have incentives to disclose better quality information related to CSR activities. The results state that the quality of CSR reporting is slightly better in terms of readability and extends the findings of previous studies (Haniffa & Cooke, 2005; Sadou, Alom, & Laluddin, 2017), but fails to achieve a highly significant study on other dimensions of quality. Interestingly, the results also show that the CSR award is negatively significant to the quality of CSR reporting. It brings one to the conclusion that companies disclosed more CSR information for merely symbolic purposes and to fulfill the requirement of the awards evaluation index. That information is categorized as qualitative information; hence, it does not fall into the quality of CSR reporting. This is also consistent with the

findings of Hackston and Milne (1996) who claimed that companies in New Zealand disclosed their CSR activities in a qualitative (narrative) form rather than quantitative or monetary form.

Issuing a standalone report is voluntary for companies in Malaysia. The trend of having a standalone report is increasing (KPMG, 2017) and has triggered an increase in the extensiveness and quality of CSR reporting (Michelon, Pilonato, & Ricceri, 2015). However, the result shows that the standalone report of Malaysian companies is not significant to the quality of CSR reporting. The result was expected due to the practice of having a standalone report for CSR reporting being very low among Malaysian companies. A study by Ogundare (2013) used sustainability reports among big companies in Malaysia to investigate the relationship between economic performance and sustainability reporting. The result was consistent with the current study not having a significant association with CSR reporting. The study would like to share the same understanding of Ogundare (2013) towards standalone reports in Malaysia that this type of report is still not yet a phenomenon by which to promote CSR information. Further, it was found that the standalone report costs companies a considerable amount with no profitable value being gained. Furthermore, Thorne, Mahoney & Manetti (2014) also claimed that there is no significant difference in the profitability and level of CSR reporting practices between companies with standalone reports and those without standalone reports. However, the result demonstrates a significant association of the standalone report towards dimension of the extensiveness of CSR information disclosed which is consistent with the finding of Michelon et al. (2015).

The assurance is the instrument by which stakeholders gain trust about the accuracy of published CSR reporting (Fernández-Feijóo-Souto, Romero, & Ruiz-Blanco, 2012). The result has similarity with the finding of Michelin et al. (2015) which shows that assurance is not improving the quality of CSR reporting except in the managerial orientation. The result is influenced by the unwillingness of companies to have a third-party assurance to ensure the quality of CSR reporting.

5.4 Implication of the study

The implications of the study will be discussed in both theoretical and practical perspectives in the next section:

5.4.1 Theoretical implications

The present study has theoretical implications in several ways: first, as far as this study is concerned, there is still either no or limited study on the relationship of the adoption of CSR practices such as stand-alone reports, CSR guidelines, assurances, websites, and awards towards the quality of CSR reporting particularly in developing countries like Malaysia. Most of the studies have focused on investigating the level of CSR reporting. Hence, the present study has addressed the gap and extended the study of previous literature by examining several dimensions of CSR reporting quality and its relationship towards the adoption of several CSR practices. It is expected that this study will contribute significant findings for developing countries.

Second, the present study has theoretical implications by using the latest CSR reporting from companies' annual reports of 2016 as well as the existence of other CSR practices of disclosure media such as stand-alone reports and websites. Third, the need for credibility of CSR disclosure among the stakeholders is important to ensure a better understanding of companies' responsibilities; however, there is a limited study to investigating the credibility of those CSR disclosures. Therefore, this present study has extended the scope of previous literature and provides significant results for quality and the relationship with the adoption of CSR practices. The issue of quality has been measured through five dimensions including quantity, density, accuracy, readability and management orientation. Another contribution is by examining the relationship of the quality dimensions towards the adoption of CSR practices such as a stand-alone report, CSR guidelines, assurances, websites and awards.

Fourth, on the theoretical perspective, the present study applies two edges of organizational legitimacy theory in examining the practices of CSR among companies as either a symbolic approach or a commitment with a substantive approach. The study also utilizes the other theoretical underlying issues for CSR disclosure such as agency theory, stakeholder theory, or institutional theory respectively. Finally, the present study has a theoretical implication of focusing on some methodological issues in the relationship between the CSR practices and the quality of CSR reporting. Most of the studies either use quantity in

representing the quality, or a simple scoring index for disclosing less with lower points or disclosing monetary information to receive higher points. This present study computes separately the dimension of quality with the appropriate calculation in representing the quality of the disclosure. The results are then empirically linked to the presence of CSR practices using Ordinary Least Square method to investigate the association.

5.4.2 Practical implications

The present study has practical implications for stakeholders in several ways. First, the study has implications for Malaysian companies and Bursa Malaysia as well as for academics and researchers. The framework used for this study was adopted from the GRI framework and Bursa Malaysia CSR framework that is considered suitable for the Malaysian environment. The foundation of the GRI framework is also appropriate for companies to disclose their CSR and fulfill the requirements of international standards of CSR disclosure. It is expected that the index used could be helpful for Malaysian companies to improve their CSR disclosure as well as CSR practices. Secondly, the findings of the study are based on the four themes as suggested by Bursa Malaysia including marketplace, workplace, environment, and community in categorizing CSR practices of Malaysian companies. The present study has provided the level of disclosure and its quality dimensions for the CSR disclosure. Hence, the findings have practical implications for all the stakeholders including companies, Bursa Malaysia, and

any interested parties for CSR reporting in order to improve the level of quality reporting for each theme in CSR practices.

Thirdly, the present study explored CSR reporting for various industries in Malaysia (including industrial products, trading and services, consumer products, properties, constructions, plantations, finances and technologies) which may provide an insight for the regulatory bodies to focus on each sector in order to content the needs of their relevant stakeholders regarding better information. Finally, the results of the study have significance for regulatory bodies, annual reports or stand-alone report preparers, practitioners, researchers, Bursa Malaysia, security commission, and the management of Malaysian companies so as to improve their quality of CSR reporting. They will also be able to disclose it by adopting good CSR practices such as stand-alone reports, observation of CSR guidelines like GRI framework, having third party assurances, disclosing the information on websites and actively participating in awards for reputation.

5.5 Limitation of the study and recommendation for future research

The present study contributes in several theoretical and practical ways; however, it is still far from perfection. There are a number of limitations which can be drawn from this study. Firstly, this study requires more samples with which to extend the association of the variables for generalization. The present study used a one-year sample for the investigation which was ultimately assumed to be an insufficient sample by

which to provide trends and an accurate picture of CSR reporting and practices of Malaysian companies. Hence, it is suggested that a future study extend the data for three or five years in order to have a sufficient number of data to investigate quality and the consistent trend of companies in disclosing their CSR information.

Secondly, the present study has investigated the current CSR reporting practice among Malaysian companies and its relationship to CSR practices as the medium to elevate the quality of disclosure. The evidence of the relationship between CSR reporting and CSR practices advocates that various dimensions are needed in order to investigate the level of quality of CSR reporting. Further, they are considered crucial for future research to consider further dimensions and definitions of quality to enhance and motivate companies to disclose better CSR information. Furthermore, the study acknowledges that the measurement of CSR practices may not fully capture all the possible and relevant measurements by only using binary measurements. This may not be accurate in explaining the existence of those CSR practices and their relationship towards the quality of CSR reporting. Therefore, future research should consider extending the measurement of CSR practices by having an in-depth measurement for those CSR practices. Thirdly, this study utilized OLS regression models to examine the relationship of the adoption of CSR practices towards the quality of CSR reporting. However, some of the specific behaviors of dynamic panel data and time series should be accounted for in future studies.

Finally, the present study has been considered from every angle to have sufficient measurement in providing a better explanation for the quality of CSR reporting in developing countries such as Malaysia. However, it should also consider other factors in generalizing a different background of studies consisting of different regulatory, economic, and political scenarios. Hence, a study for a multitude of countries and economic backgrounds is suggested in order to gain better understanding for CSR reporting and its relations towards CSR practices.

5.6 Conclusion

This study has a purpose to fill the research gaps by providing enhanced understanding about the adoption of CSR practices and the quality of CSR reporting. Underlying theories for this study have been tested in Malaysian companies with mandatory regulation on the CSR reporting and the highest ranking of CSR disclosure in surface practices. It is anticipated that this study will provide a significant contribution to CSR reporting literature and also to the quality of CSR disclosure. This study has successfully answered the research questions and fulfilled all of its objectives. The study finds that the current quality of CSR reporting is relatively low and the relationship of the adoption of CSR practices towards the quality of CSR reporting does not actually provide a better relationship. It indicates that companies are symbolically disclosing their CSR reporting in portraying their commitment towards CSR activities rather than responsibly committing for the benefit of society at large. Nevertheless, for those companies adopting CSR guidelines and disclosing CSR information in the website, the results indicate significant quality and precise CSR disclosure. As a

conclusion, the adoption of CSR practices in Malaysia is argued to be not just mere tools in promoting quality CSR reporting.



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