

# CORPORATE SOCIAL RESPONSIBILITY REPORTING IN MALAYSIA: A RESEARCH NOTE

Dalilawati Zainal and Suria Zainuddin

## Abstract

This study examines selected literature on Corporate Social Responsibility Reporting (CSRR) in Malaysia, as one of the important economies in Asia. A review of literature on CSRR revealed the importance of governance as a tool to promote Corporate Social Responsibility (CSR), thus impressing the greater importance of CSRR. Support from multiple stakeholders, particularly the government, regulatory authorities and shareholders, is needed as they can have a significant impact on a company's operations. With the implementation of mandatory CSRR in Malaysia beginning from the financial year of 2007, appropriate reporting standards could be produced as a guideline for reporting CSR-related information. The enforcement of existing regulations is also needed to ensure the continuous development of CSR and CSRR in Malaysia. This calls for more research in the field of study to be conducted, specifically in Malaysia to provide an Asian perspective.

**Keywords** Corporate Social Responsibility Reporting, Literature Review, Malaysia

## 1. Introduction

The increased awareness among stakeholders of the social and environmental implications of business activities has put companies under great pressure to be actively involved in corporate social responsibility (CSR) activities and report these activities (Ingley, 2008). Corporate social responsibility reporting (CSRR) has become an important agenda in companies, particularly post-Enron (Owen, 2005). This period has also witnessed a sense of urgency among companies to address issues such as ethics, accountability, transparency and disclosure. Belal and Momin (2009) highlighted the limited contribution of CSRR research from the perspective of developing countries, in contrast to the scenario in developed countries. This was despite the widespread social and environmental problems faced by developing countries as a result of rapid economic development, explosive population growth and urbanisation (Campbell-Lendrum and Corvalan, 2007). The difference in CSR agendas between developed and developing countries (Visser, 2008) requires specific attention to be paid to CSRR in

---

Corresponding author: Dr Dalilawati Zainal is a Senior Lecturer at the Department of Accounting, Faculty of Business and Accountancy, University Malaya, email: dalilawati@um.edu.my. Co-author: Dr. Suria Zainuddin is a Senior Lecturer at the Department of Accounting, Faculty of Business and Accountancy, University of Malaya, email: suriaz@um.edu.my.

developing countries. Therefore, this study examines the development of CSRR research in the context of a developing country, namely Malaysia.

Malaysia is considered one of the rapidly-developing economies in Asia, with a GDP worth USD238 billion (representing 0.38 per cent of the world's economy), and is ranked the fourth largest economy in Southeast Asia. A review of the development of CSR and CSRR in the country is in line with Malaysia's quest to become a developed country by the year 2020, based on well-balanced development between the economic, social and environmental aspects. Being a developing country, Malaysia faces a number of social and environmental problems. Rapid economic growth, globalisation and urbanisation are often related to environmental issues, such as climate change, environmental degradation and reduction of ecological diversity, depletion of non-renewable natural resources, and extinction of wildlife. On the social aspect, several cases of corporate misconduct have been reported such as the case with Transmile Group Berhad and Megan Media Holdings Berhad, and other issues of corruption. These examples raise the level of importance of extending a company's accountability to stakeholders and to act in a socially responsible manner in all areas of business (Brennan & Solomon, 2008). To demonstrate the commitment of companies towards these broader responsibilities, there is a need to establish social and environmental reporting by companies, termed CSRR in this paper. A review of CSRR research in Malaysia is timely given the recent attention shown by the regulatory authorities on corporate governance, CSR and CSRR. Findings from this study could contribute to CSRR literature by providing relevant evidence from developing countries and emerging economies, and by comparing them with studies from both developed and developing countries, to bring CSRR to a higher degree of importance.

A review of selected literature on CSR and CSRR is provided in this paper to understand the progress of CSR and CSRR implementation in Malaysia. The first section provides general explanations on CSR; it then focuses on the reporting aspects of CSR. The following sections discuss the development of CSR and CSRR research, and review the development of CSRR research in Malaysia. Finally, the paper makes suggestions on the future directions of CSR and CSRR in Malaysia, taking into account the various efforts undertaken by selected stakeholders in the country such as the government, companies and non-profit organisations.

## **2. Corporate Social Responsibility (CSR)**

The basic concept of CSR is based on changing the perception of the role of companies in society. Freeman (1984) highlighted the obligation of companies to act in a socially responsible manner, alongside maximising profits. To operate in a socially responsible manner, companies were expected to be able to enhance economic growth while protecting the environment and promoting

social responsibility (Carroll, 1991). Companies needed to fulfil their economic responsibility of being profitable, their legal responsibility of obeying the laws, their ethical responsibility of doing things in a right, just and fair manner, and their philanthropic responsibilities to be good corporate citizens (Carroll, 1991). The responsibility of a company is not only limited to the shareholders, but extends to its wide range of stakeholders (Clarkson, 1995). Clarkson (1995) categorised two groups of stakeholders, primary and secondary. The primary stakeholders were those whose continuing participation was necessary for the survival of the company, such as the shareholders, employees, suppliers, customers, government and the community. The secondary stakeholders were those who were not essential to the survival of the company, although their actions could have significant damage or benefit. Trade unions and environmentalists were examples of secondary stakeholders. Given the increased responsibility of companies to stakeholders groups, CSR could be referred to as the management of stakeholder interests in relation to economic, environmental, social and ethical issues (Cheung et al., 2009).

Various definitions of CSR were given in Carroll (1999) and Dahlsrud (2008). Carroll (1999) outlined the development of definitions spanning the early 1950s to the 1990s, where the core concept of CSR focused on the relationship between businesses and society. CSR described the company's responsibilities to their stakeholders (which included the society) and addressed and captured the most important concerns of the public regarding the relationship between businesses and society (Carroll, 1999).

Out of 37 CSR definitions analysed in the study by Dahlsrud (2008), the one used most frequently was provided by the Commission of the European Communities (2001) and the World Business Council for Sustainable Development (1999). The Commission of the European Communities (2001) defined CSR as 'a concept whereby firms integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis', while the World Business Council for Sustainable Development (1999) referred to CSR as 'the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life'. Despite the variety of CSR definitions in different studies, Dahlsrud (2008) argued that most were looking at a set of CSR dimensions that included the social and environmental dimensions. Other dimensions that were included in the CSR definitions were economic, ethical and stakeholder dimensions.

### **3. Corporate Social Responsibility Reporting (CSRR)**

CSRR has received increased attention from both the academic and corporate sectors following realisation of its importance in exhibiting to stakeholders a company's accountability and transparency (Gray et al., 1996; Hess, 2007) and

demonstrating a good reputation (Bebbington et al., 2008). CSRR is defined as 'the provision of information about a particular firm that may embrace any subject in any medium to any party with the aim of providing a solution for improved accountability to a wide array of stakeholders on environmental and societal issues' (Gray et al., 1995a). It involved extending a company's accountability beyond the traditional role of providing a financial account (Gray et al., 1996). It covered a variety of forms and appeared under various labels, for example social responsibility accounting, social audits, corporate social reporting, employee and employment reporting, stakeholder dialogue reporting and environmental accounting and reporting (Gray, 2002). It encompassed both the voluntary and mandatory reporting made by companies regarding issues that were important to a wide range of stakeholders, covering more than economic concerns (Jenkins and Yakovleva, 2006).

Zulkifli (2012) reviewed the definition of several new forms of accounting and argued that social and environmental accounting, social accounting, corporate social reporting and social responsibility accounting had the same definitions. These terms had been used interchangeably in previous CSRR research to mean CSRR (Gray et al., 1995a; Gray et al., 1996). Despite the variety of terms used to describe the social and environmental reporting by companies, [other terms being 'social (and environmental) accounting (disclosure)' and 'corporate social (and environmental) reporting (disclosure)'], this paper uses the term 'CSRR' to describe the social and environmental reporting by companies.

#### **4. The development of CSRR and CSRR research**

The development of CSRR has been well acknowledged in literature for more than two decades (Owen, 2008; Gray, 2010; Parker, 2011). Despite the different perspectives used in reviewing CSRR research, researchers are in general agreement on a number of issues pertaining to the current state and future prospects of the field. For example, most researchers acknowledged the continuous development of CSRR research not only in developed countries, but also in developing countries. However, they continue to wrestle with a multiplicity of theoretical approaches and possibilities used to explain CSRR. The growing literature on CSRR reflects an increasing focus and concern of both the academic and corporate sectors on the social and environmental issues that drive research efforts theoretically and empirically (Fifka, 2013).

CSRR began its journey to become a substantial research discipline in the early 1970s when most empirical works were mainly descriptive in nature and focused on social issues. Research during this period was theoretically underdeveloped with limited studies examining the motivations of CSRR (Mathews, 1997). CSRR continued to develop in the 1980s with more analytical work conducted, particularly on environmental issues, as these issues started to gain

popularity. These analytical works involved the empirical testing of specific conceptual frameworks or proposals.

Research was theoretically more informed with the introduction of various perspectives into CSRR research; such as the decision-usefulness, economic, social and political perspectives (Mathews, 1997). Gray et al. (1995a) reviewed several perspectives to explain CSRR and described the limited contributions of the decision-usefulness and economic perspectives. They, however, acknowledged the contributions made by the social and political perspectives in driving more research efforts on CSRR since the 1990s.

While social reporting received more attention in the 1970s and 1980s, it disappeared in the early 1990s due to a change in direction for research in environmental reporting (Gray et al., 1995a; Mathews, 1997). However, a resurgence of interest in social reporting, in addition to environmental reporting, occurred in the mid-1990s (Gray et al., 1995a; Mathews, 1997), focusing on eco-justice and eco-efficiency (Bebbington, 1997). Driven by the concern for sustainability and the growth in popularity of the 'triple bottom line' reporting that encompassed economic, social and environmental dimensions, CSRR was then further developed to include 'triple bottom line reporting' and 'sustainability reporting' (Bebbington, 1997; Gray, 2010).

The greater focus placed by governments, professional accounting bodies and companies on social and environmental issues led to the substantial growth of CSRR research from the mid-1990s (Deegan, 2002), with a predominance of environmental reporting research within the growth of CSRR research (Parker, 2011). Among the topics studied included motivations; determinants; methods of reporting; types of disclosure; and various parties' reactions to or perceptions of disclosure or reporting practices.

The majority of CSRR studies were investigated from the perspective of developed countries such as the United States of America, the United Kingdom and Australia. Moreover, Spain, the Netherlands and Finland had also been identified by Parker (2011) as the leading non-Anglo-Saxon contributors to CSRR literature. Despite the small number of contributions made by developing countries, it continued to increase (Owen, 2008; Belal and Momin, 2009). Several studies claimed that interest in CSRR research among researchers tended to fluctuate for a number of decades (Gray et al., 1995a; Mathews, 1997; Deegan, 2002). This had been due to several reasons, such as lack of agreed theoretical perspectives to drive systematic research (Ullmann, 1985; Gray et al., 1995a); researchers entering and leaving the field (Mathews, 1997); and the relative popularity of CSRR topics over a particular time period (Gray et al., 1995a; Mathews, 1997; Deegan, 2002). Nevertheless, the importance of CSRR research remained a result of the greater concerns of stakeholders on the social and environmental implication of a company's activities and corporate governance reform around the world.

## **5. The development of CSRR research in Malaysia**

The rise of CSRR research in Malaysia is driven by the continuous development of corporate governance, CSR and CSRR in the country. To date, a number of initiatives have been undertaken by the Malaysian government to promote corporate governance and CSR (Lu and Castka, 2009). For example, the Bursa Malaysia launched the CSR framework in September 2006 with the intention of assisting companies in their CSRR practices. This framework provided a set of voluntary guidelines for companies to address CSRR-related matters. On 14 December 2006, the listing requirements were revamped by Bursa Malaysia, making it mandatory for listed companies to include CSRR in their annual reports with effect of the 2007 financial year.

A specific guideline on CSR, known as ‘The Silver Book’, was also designed for government-linked companies (GLCs) to assume their important role in driving the Malaysian corporate sector. ‘The Silver Book’ was launched by Khazanah Nasional Bhd in September 2006 under its Government-linked Company Transformation Programme to provide guidelines for GLCs to conduct CSR activities. GLCs were encouraged to include CSR in their business objectives and corporate philosophy to enhance their value to both shareholders and other stakeholders. This was in line with the primary commercial objective of GLCs to serve the nation.

The Malaysian Ministry of Natural Resources and Environment, (formerly known as the Ministry of Science, Technology and the Environment) also produced the National Policy on the Environment in 2002. This policy integrated elements of sustainable development and aimed to achieve continuous economic, social and cultural progress, as well as enhancement of the quality of life of Malaysians through environmentally sound and sustainable development. Among the principles outlined in the national policy included stewardship of the environment, sustainable use of natural resources, the role of the private sector, and commitment and accountability. The policy played a vital role in guiding stakeholder towards a clean, safe, healthy and productive environment.

Several awards were also introduced to encourage companies to undertake CSR activities and to recognise companies that implemented such activities. For example, the professional accounting body ACCA Malaysia, endorsed by the Malaysian Department of Environment, launched the ACCA Malaysia Environmental and Social Reporting Awards (MESRA) in 2002 with the intention of recognising companies that disclose their CSRR. The award was also meant to raise awareness of corporate transparency and to encourage the uptake of environmental and social reporting in companies. In 2009, the name of the award was changed to the ACCA Malaysia Sustainability Reporting Award. The Department of Environment was an enforcement agency formed under the Ministry of Natural Resources and Environment, responsible for

preventing, controlling and abating pollution in Malaysia through implementing the Environmental Quality Act 1974.

The Ministry of Women, Family and Community Development of Malaysia also launched the Prime Minister's CSR Award in 2007 to recognise companies that made a difference to the local community through their CSR activities. A partnership between The Star Publications and the Institute of Corporate Responsibility (ICR) Malaysia, together with ACCA, PricewaterhouseCoopers and Securities Industry Development Corporation as working partners, produced The StarBiz-ICR Malaysia Corporate Responsibility Award that recognise companies with outstanding CSR practices and went beyond community and philanthropic activities. Several tax incentives were also introduced by the Malaysian government for companies that undertook CSR-related activities such as to reduce greenhouse gas emissions, to invest in local communities and to support arts and cultural programmes.

The enactment of the Malaysian Code on Corporate Governance (MCCG) in 2001, and its amendment in 2007 and 2012, was seen as a significant effort to improve corporate governance practices in the corporate sector in Malaysia (Shim, 2006). The MCCG outlined the role, composition and structure of the board of directors, as it was the most important internal governance mechanism in companies. Compliance with the disclosure provisions of the MCCG then became part of the Listing Requirements for Bursa Malaysia (Shim, 2006).

The Malaysian government also presented the Malaysian 'Business Code of Ethics' in 2002 and supplemented the code with a 'National Integrity Plan'. The Integrity Institute of Malaysia was later established in 2004 with the objective of enhancing corporate governance and business ethics standards in Malaysia. These efforts were intended to promote corporate transparency and accountability, as well as to improve the quality of life and well-being of the citizens (Lu and Castka, 2009). Overall, the continuous efforts undertaken for developing corporate governance, CSR and CSRR in Malaysia had motivated greater CSRR disclosure by companies and encouraged more research to be undertaken, particularly on CSRR.

Empirical research on CSRR in Malaysia has investigated the nature and extent of reporting, as well as motivations and determinants for reporting. Table 1 summarizes research on CSRR conducted in Malaysia. Studies by Teoh and Thong (1984) and Andrew et al. (1989) are among the earliest CSRR research in Malaysia. Teoh and Thong (1984) studied three related issues, namely the concept of CSR, the nature and extent of corporate involvement in CSR activities, and CSRR. A survey of a combination of a hundred foreign and local companies in Malaysia revealed that only 29 per cent of them reported on social performance in their annual reports, while most of the reporting focused on human resources and products/ services. Teoh and Thong (1984) were criticised for relying solely on personal interviews in examining the themes of CSRR. Ahmad et al. (2003)

suggested that content analysis would have been a better procedure to examine CSRR in a company.

**Table 1: Summary of CSRR Research in Malaysia**

Theme of Study	Authors (Year)	Type of Analysis	Research Method	Source of Reporting
1. Nature & Extent of CSRR (quality and quantity of reporting)	Teoh and Thong (1984)	Cross-sectional	Interview	-
	Andrew et al. (1989)	Cross-sectional	Interview	-
	Ahmad et al. (2003)	Cross-sectional	Content Analysis	Annual Report
	Thompson and Zakaria (2004)	Cross-sectional	Content Analysis	Annual Report
	Yusoff et al. (2005)	Longitudinal	Content Analysis	Annual Report
	Haron et al. (2006)	Longitudinal	Content Analysis	Annual Report
	Saleh et al. (2010)	Longitudinal	Content Analysis	Annual Report
2. Motivations/ Determinants of CSRR (company-specific characteristics and corporate governance)	Ahmad and Sulaiman (2004)	Cross-sectional	Content Analysis	Annual Report
	Hamid (2004)	Cross-sectional	Content Analysis	Annual Report
	Haniffa and Cooke (2005)	Longitudinal	Content Analysis	Annual Report
	Ghazali (2007)	Cross-sectional	Content Analysis	Annual Report
	Amran and Devi (2008)	Cross-sectional	Content Analysis	Annual Report
	Lim et al. (2008)	Cross-sectional	Content Analysis	Annual Report
	Said et al. (2009)	Cross-sectional	Content Analysis	Annual Report
	Elijido-Ten (2009)	Cross-sectional	Content Analysis	Annual Report
	Othman et al. (2011)	Longitudinal	Content Analysis	Annual Report

Similar findings were reported by Andrew et al. (1989), who conducted a content analysis on 119 annual reports of public-listed companies in Malaysia and Singapore. They found that 26 per cent of the companies had some CSRR in their annual reports, while human resources dominated the reporting. A low level

of CSRR was documented, ranging from less than a quarter of a page to slightly more than one page, and more reporting was found in large and medium-sized companies, and from those in the banking and finance sectors. No comparison was also made of the CSRR practices of the two countries in the study by Andrew et al. (1989) suggesting an incomplete picture of the state of CSRR in the individual countries.

While evidence presented by Teoh and Thong (1984) and Andrew et al. (1989) might have seemed outdated, Ahmad et al. (2003) offered another evidence of the nature and extent of CSRR. They found that CSRR disclosed by a sample of 98 companies in Malaysia contained little quantifiable data; focused on information related to products, consumers, employees and community involvement; and reported the 'good news' or news of CSRR that were positive in nature. Using a larger sample size (i.e. 257 companies), Thompson and Zakaria (2004) found that 81.3 per cent of the companies (i.e. 209 firms) made some form of CSRR in their annual reports, with most reporting centred on information related to employees and human resources. They suggested that the low level of CSRR was due to a number of factors, such as lack of government and public pressure, lack of perceived benefits of reporting, and the widely-held view that companies did not impact significantly on the environment.

In contrast to the cross-sectional analysis of CSRR (Andrew et al., 1989; Ahmad et al., 2003; Thompson and Zakaria, 2004), several studies also examined CSRR on a longitudinal basis (Yusoff et al., 2005; Haron et al., 2006; Saleh et al., 2010). Haron et al. (2006), who examined the level of CSRR during the financial crisis (i.e. 1998) as well as during the pre- and post-financial crisis periods (i.e. 1996 and 2000 respectively), found that the highest level of reporting was in 1998 during the financial crisis. They also revealed that most reporting was contained in the chairman's report, related to information on human resources and were qualitative and favourable in nature. They suggested that the increase in CSRR could be explained by the agency theory (i.e. to reduce the agency cost) and the legitimacy theory (i.e. to boost corporate image).

Yusoff et al. (2005), who investigated the environmental reporting made by 12 companies from environmentally-sensitive industries, observed an improvement in reporting practices of companies between 1999 and 2002. Their results indicated that companies had moved from non-disclosure to more qualitative disclosure in three common areas, namely the environmental section or the health, safety and environmental section; the chairman's statement; and in the review of operations. They suggested that the introduction of two awards, namely the Environmental Reporting Award in National Annual Corporate Report Award (NACRA) and the ACCA Environmental Award in 2000 and 2002 respectively, might have influenced the development of environmental reporting practices, apart from the increasing awareness of 'Triple Bottom Line (TBL) reporting' among companies.

In summary, there were some improvements in CSRR practices over time. Despite the low level of CSRR documented in literature, the level of awareness of CSRR had improved as demonstrated by the increasing number of companies disclosing CSRR. In the voluntary period of CSRR (i.e. prior to 2007), companies were motivated to disclose and publicise their CSRR to improve their relationship with stakeholders and to demonstrate a good corporate image.

A number of studies investigated the motivations for and determinants of CSRR in Malaysia. Ahmad and Sulaiman (2004) demonstrated limited support for the legitimacy theory in explaining the nature of and motivations for CSRR in Malaysia. Based on 38 companies (involved with industrial products and construction materials) that disclosed environmental information in their annual reports in the year 2000, it was found that reporting appeared to be low and restricted to very general, ad-hoc statements on environmental matters. They suggested that the absence of mandatory environmental reporting standards led to the lack of uniformity and scarcity of information. Hamid (2004) focused specifically on CSRR practices in highly-regulated industries and found that product-related information was the most popular theme of CSRR disclosed by companies in the banking and financial sectors. The size, listing status and age of business related significantly to the level of CSRR disclosed, while profitability and company profile were not (Hamid, 2004).

In examining the effects of culture (proxied by ethnic background of directors and shareholders) and corporate governance (proxied by board composition, multiple directorships and type of shareholders) on CSRR, Haniffa and Cooke (2005) found a significant relationship between a number of variables and CSRR, such as boards dominated by Malay directors; and boards dominated by executive directors, chairman with multiple directorships and foreign share ownership. The size, profitability, multiple listing and type of industry were also found to influence CSRR, with the exception of gearing. Their analysis was based on a sample of 139 non-finance companies that were listed in 1996 and provided support for the legitimacy theory.

The influence of corporate ownership structure on CSRR was also apparent. Government ownership was observed to be positively related to CSRR (Ghazali, 2007; Amran and Devi, 2008; Lim et al., 2008; Said et al., 2009) and mixed findings were found for other types of ownership structure. Haniffa and Cooke (2005) documented a positive association between foreign ownership and CSRR, while Amran and Devi (2008) and Said et al. (2009) did not list foreign ownership as being a significant variable to explain CSRR. A negative association was found between director ownership and CSRR in Ghazali (2007), while Said et al. (2009) found no association between the two variables.

Mixed findings were also documented on the relationship between characteristics of boards of directors and CSRR. Haniffa and Cooke (2005) revealed a negative association between the proportion of non-executive directors and the level of CSRR, whereas Lim et al. (2008) found a positive association

between the two variables. Said et al. (2009) did not observe any association between board size, board independence and CEO duality on CSRR. Ghazali (2007) relied on a sample of 87 non-finance companies drawn from the top 100 companies (by market capitalisation) for 2001; whereas Amran and Devi (2008) used a sample of 133 companies chosen from the stratified random sampling technique (by industries) from 2002. Said et al. (2009) relied on a sample of 150 companies for 2006, while Lim et al. (2008) used 743 companies in 2003 as the sample in their study.

From the stakeholder perspective, Eljido-Ten (2009) investigated the influence of stakeholder power, strategic posture and economic performance on the quality and quantity of environmental reporting in annual reports. Of the variables used to represent stakeholder power (i.e. government power, shareholder power and creditor power), only government power was related significantly to environmental reporting. Strategic posture was positively related to environmental reporting, while economic performance was not. They proposed that there was not much demand for environmental reporting from shareholders and creditors, given the low level of environmental awareness in Malaysia.

In general, the majority of studies that examined the motivation for and determinant of CSRR were based on a single year of analysis. To draw conclusions on the determinants of CSRR based on a single-year data seemed insufficient, as findings tended to vary across different years of analysis. A longitudinal nature of CSRR research might enable researchers to observe a consistency of findings on determinants of CSRR over a period of time. Existing CSRR research also seemed to focus on the voluntary period of CSRR (prior to 2007). There was a need to explore the effectiveness of regulation in promoting higher levels of CSRR following the introduction of CSRR regulation in Malaysia in 2007.

Othman et al. (2011) documented the impact of CSRR regulation, government ownership and family ownership on CSR reputation. Based on their analysis of 117 companies in three industries for 2007, they found that CSRR regulation (represented by changes in CSR disclosure between 2006 and 2007) and government ownership were related positively to the level of CSR reputation (represented by CSR reputation index that is developed based on the RepTrake model, the BM CSR Framework and the Global Reporting Initiatives (GRI) Guidelines). On the other hand, family ownership was negatively associated with the level of CSR reputation, while profitability was positively associated with CSR reputation, and company size was not (Othman et al., 2011).

It has been proposed that the study by Othman et al. (2011) be extended by examining the impact of CSRR regulation on the levels of CSRR disclosed to include a more representative sample of companies from various industries. It could also investigate the moderating effect of CSRR regulation on the association between corporate ownership structure and CSRR in longitudinal analysis. Such extension could contribute to the development of CSRR in Malaysia and yield a deeper understanding of CSRR practices. It could guide regulators to move

forward on regulatory matters of CSRR and provide useful information to both shareholders and other stakeholders for the purpose of decision-making. It could also be beneficial to include the impact of the characteristics of the board of directors' (e.g. their CSR experience) on the levels of CSRR as such findings might propose the usefulness of the advisory or strategic roles of the board in directing CSRR.

## **6. Conclusions: The future direction of CSRR in Malaysia**

This study examines the development of CSRR research in the context of a developing country. A review of selected CSRR literature on the nature and extent of CSR information, and the factors and determinants related to the level of CSRR disclosed by companies in Malaysia, indicated an interest among stakeholders towards CSR and CSRR. Interest among researchers to investigate CSRR in Malaysia has been increasing, with quite a number of researchers arguing that the low level of CSRR among Malaysian companies showed that CSRR was still in its infancy. CSRR in Malaysia could probably be improved through the development of appropriate governance mechanisms and reporting guidelines, as well as through the enforcement of relevant reporting regulations for companies to discharge broader responsibility to society.

In Malaysia, the importance of corporate governance and CSR were apparent through the introduction of a number of initiatives. Among these were the implementation of the Malaysian Code of Corporate Governance (MCCG) and the establishment of the CSR framework as guidelines for CSRR, and the mandatory reporting requirement for all public listed firms to report CSR activities in their annual reports. The imposition of the mandatory CSRR requirements had an effect on the CSRR disclosure by companies (Lee and Hutchison, 2005). Research examining CSRR in the United Kingdom, Spain and Norway showed that although the number of companies reporting, and the quality and quantity of CSRR increased following the regulation, there remained a lack of reporting by several companies in the presence of such regulations (Adams et al., 1995; Larrinaga et al., 2002; Criado-Jimenez et al., 2008; Fallan and Fallan, 2009). The effect of CSRR regulation in Malaysia has yet to be observed despite its implementation in 2007. Global calls for greater diversity in corporate board composition and the appointment of specific departments and units to manage CSR-related issues in companies might invite more research investigating the link between corporate governance and CSRR.

This paper suggests that the continuous effort to support corporate governance and CSRR are two concepts that may help firms further develop and compete in the global market, without neglecting the rights of society and the younger generation to sustainable development. It is important to observe the ways companies respond to address the social and environmental problems confronting Malaysia as a result of rapid development. There is a need to examine

the progress of CSRR from both the voluntary and mandatory reporting regime, especially after the implementation of the CSRR regulation in Malaysia in 2007. Such examination could be beneficial to evaluate the effectiveness of the CSRR regulation in promoting CSRR and could also serve as a benchmark for the authorities to revise existing regulation. Continuous support from multiple stakeholders, such as the government, the regulatory authorities and shareholders, was needed as they have an impact the company's operations. Finally, this paper calls for more research to be conducted in CSRR in Malaysia to provide a perspective from Asia.

## References

- Adams, C. A., Coutts, A., & Harte, G. (1995). Corporate equal opportunities (non-) disclosure. *British Accounting Review*, 27, 87-108.
- Ahmad, N. N. N., & Sulaiman, M. (2004). Environmental disclosures in Malaysia annual reports: A legitimacy theory perspective. *International Journal of Commerce & Management*, 14(4), 44-58.
- Ahmad, N. N. N., Sulaiman, M., & Siswantoro, D. (2003). Corporate social responsibility disclosure in Malaysia: An analysis of annual reports of KLSE listed companies. *IIUM Journal of Economics and Management*, 11(1), 1-37.
- Amran, A., & Devi, S. S. (2008). The impact of government and foreign affiliate influence on corporate social reporting: The case of Malaysia. *Managerial Auditing Journal*, 23(4), 386-404.
- Andrew, B. H., Gul, F. A., Guthrie, J. E., & Teoh, H. Y. (1989). A note on corporate social disclosure practices in developing countries: The case of Malaysia and Singapore. *British Accounting Review*, 21, 371-376.
- Bebbington, J. (1997). Engagement, education and sustainability. A review essay on environmental accounting. *Accounting, Auditing & Accountability Journal*, 10(3), 365-381.
- Bebbington, J., Larrinaga, C., & Moneva, J. M. (2008). Corporate social reporting and reputation risk management. *Accounting, Auditing & Accountability Journal*, 21(3), 337-361.
- Belal, A. R., & Momin, M. (2009). Corporate social reporting (CSR) in emerging economies: A review and future direction. *Accounting in Emerging Economies*, 9, 119-143.
- Brennan, N. M., & Solomon, J. (2008). Corporate governance, accountability and mechanisms of accountability: An overview. *Accounting, Auditing & Accountability Journal*, 21(7), 885-906.
- Campbell-Lendrum, D., & Corvalan, C. (2007). Climate change and developing-country cities: Implications for environmental health and equity. *Journal of Urban Health: Bulletin of the New York Academy of Medicine*, 84(1), 109-117.

- Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, Jul-Aug, 39-48.
- Carroll, A. B. (1999). Corporate social responsibility. Evolution of a definitional construct. *Business and Society*, 38(3), 268-295.
- Cheung, Y. L., Tan, W., Ahn, H.-J., & Zhang, Z. (2009). Does corporate social responsibility matter in Asian emerging markets?. *Journal of Business Ethics*, 92(3), 401-413.
- Clarkson, M. B. E. (1995). A stakeholder framework for analyzing and evaluating corporate social performance. *Academy of Management Review*, 20(1), 92-117.
- Criado-Jimenez, I., Fernandez-Chulian, M., Larrinaga-Gonzalez, C., & Husillos-Carques, F. J. (2008). Compliance with mandatory environmental reporting in financial statements: The case of Spain (2001–2003). *Journal of Business Ethics*, 79(3), 245-262.
- Dahlsrud, A. (2008). How corporate social responsibility is defined: An analysis of 37 definitions. *Corporate Social Responsibility and Environmental Management*, 15(1), 1-13.
- Deegan, C. (2002). Introduction. The legitimising effect of social and environmental disclosures. A theoretical foundation. *Accounting, Auditing & Accountability Journal*, 15(3), 282-311.
- Elijido-Ten, E. (2009). Can stakeholder theory add to our understanding of Malaysian environmental reporting attitudes. *Malaysian Accounting Review*, 8(2), 85-110.
- Fallan, E., & Fallan, L. (2009). Voluntarism versus regulation. Lessons from public disclosure of environmental performance information in Norwegian companies. *Journal of Accounting and Organisational Change*, 5(4), 472-489.
- Fifka, M. S. (2013). Corporate responsibility reporting and its determinants in comparative perspective - a review of the empirical literature and a meta analysis. *Business Strategy and the Environment*, 22, 1-35.
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston: Pitman.
- Ghazali, N. A. M. (2007). Ownership structure and corporate social responsibility disclosure: Some Malaysian evidence. *Corporate Governance*, 7(3), 251-266.
- Gray, R. (2002). The social accounting project and Accounting Organizations and Society privileging engagement, imaginings, new accountings and pragmatism over critique? *Accounting, Organizations and Society*, 27(7), 687-708.
- Gray, R. (2010). Is accounting for sustainability actually accounting for sustainability...and how would we know? An exploration of narratives

- of organisations and the planet. *Accounting, Organizations and Society*, 35(1), 47-62.
- Gray, R., Kouhy, R., & Lavers, S. (1995a). Corporate social and environmental reporting. A review of the literature and a longitudinal study of UK disclosure. *Accounting, Auditing & Accountability Journal*, 8(2), 47-77.
- Gray, R., Owen, D., & Adams, C. A. (1996). *Accounting & Accountability. Changes and Challenges in Corporate Social and Environmental Reporting*. Europe: Prentice Hall.
- Hamid, F. Z. A. (2004). Corporate social disclosure by banks and finance companies: Malaysian evidence. *Corporate Ownership Control*, 1(4), 118-131.
- Haniffa, R., & Cooke, T. E. (2005). The impact of culture and governance on corporate social reporting. *Journal of Accounting and Public Policy*, 24(5), 391-430.
- Haron, H., Yahya, S., Manasseh, S., & Ismail, I. (2006). Level of corporate social disclosure in Malaysia. *Malaysian Accounting Review*, 5(1), 159-184.
- Hess, D. (2007). Social reporting and new governance regulation: The prospects of achieving corporate accountability through transparency. *Business Ethics Quarterly*, 17(3), 453-476.
- Ingle, C. B. (2008). Company growth and board attitudes to corporate social responsibility. *International Journal of Business Governance and Ethics*, 4(1), 17-39.
- Jenkins, H., & Yakovleva, N. (2006). Corporate social responsibility in the mining industry: Exploring trends in social and environmental disclosure. *Journal of Cleaner Production*, 14, 271-284.
- Larrinaga, C., Carrasco, F., Correa, C., Llana, F., & Moneva, J. (2002). Accountability and accounting regulation: The case of the Spanish environmental disclosure standard. *European Accounting Review*, 11(4), 723-740.
- Lee, T. M., & Hutchison, P. D. (2005). The decision to disclose environmental information: A research review and agenda. *Advances in Accounting*, 21, 83-111.
- Lim, Y. Z., Talha, M., Mohamed, J., & Sallehuddin, A. (2008). Corporate social responsibility disclosure and corporate governance in Malaysia. *International Journal of Behavioural Accounting and Finance*, 1(1), 67-89.
- Lu, J. Y., & Castka, P. (2009). Corporate social responsibility in Malaysia—experts' views and perspectives. *Corporate Social Responsibility and Environmental Management*, 16(3), 146-154.
- Lu, J. Y., & Castka, P. (2009). Corporate social responsibility in Malaysia—experts' views and perspectives. *Corporate Social Responsibility and Environmental Management*, 16(3), 146-154.

- Mathews, M. R. (1997). Twenty-five years of social and environmental accounting research: Is there a silver jubilee to celebrate? *Accounting, Auditing & Accountability Journal*, 10(4), 481-531.
- Othman, S., Darus, F., & Arshad, R. (2011). The influence of coercive isomorphism on corporate social responsibility reporting and reputation. *Social Responsibility Journal*, 1(1), 119-135.
- Owen, D. (2005). CSR after Enron: A role for the academic accounting profession. *European Accounting Review*, 14(2), 395-404.
- Owen, D. (2008). Chronicles of wasted time?: A personal reflection on the current state of, and future prospects for, social and environmental accounting research. *Accounting, Auditing & Accountability Journal*, 21(2), 240-267.
- Parker, L. D. (2011). Twenty-one years of social and environmental accountability research: A coming of age. *Accounting Forum*, 5, 1-10.
- Said, R., Zainuddin, Y. H., & Haron, H. (2009). The relationship between corporate social responsibility disclosure and corporate governance characteristics in Malaysian public listed companies. *Social Responsibility Journal*, 5(2), 212-226.
- Saleh, M., Zulkifli, N., & Muhamad, R. (2010). Corporate social responsibility disclosure and its relation on institutional ownership: Evidence from public listed companies in Malaysia. *Managerial Auditing Journal*, 25(6), 591-613.
- Shim, D. S. (2006). Governance in the markets: Malaysian perspective. *Journal of Financial Crime*, 13(3), 300-322.
- Teoh, H., & Thong, G. (1984). Another look at corporate social responsibility and reporting: An empirical study in a developing country. *Accounting, Organizations and Society*, 9(2), 189-206.
- Thompson, P., & Zakaria, Z. (2004). Corporate social responsibility reporting in Malaysia: Progress and prospects. *Journal of Corporate Citizenship*, 13, 125-136.
- Ullmann, A. A. (1985). Data in search of a theory: A critical examination of the relationships among social performance, social disclosure, and economic performance of US firms. *The Academy of Management Review*, 10(3), 540-557.
- Visser, W. (2008). Corporate social responsibility in developing countries. In A. Crane, A. McWilliams, D. Matten, J. Moon & D. Siegel (Eds.), *The Oxford Handbook of Corporate Social Responsibility* (pp. 473-479). Oxford: Oxford University Press.
- Yusoff, H., Yatim, N., & Nasir, N. M. (2005). Analysis on the development of environmental disclosure practices by selected Malaysian companies from 1999 to 2002. *Malaysian Accounting Review*, 4(1), 49-73.
- Zulkifli, N. (2012). *Social environmental accounting education issues in Malaysia*. Kuala Lumpur: University of Malaya Press.