Corporate Social Responsibility Disclosure: Evidence from Shariah-Compliant Companies in ACE Market of Bursa Malaysia

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Abstract
This study seeks to investigate the degree of corporate social responsibility disclosure in company’s annual report. The scope is further narrowed to the Shariah-compliant companies in ACE Market of Bursa Malaysia. A total of 102 company annual reports for the year 2012 are examined to analyze the companies’ reporting practice using content analysis. Regression analysis was used to examine the relationship between corporate social responsibility disclosure (CSRD) and independent variables consisting of independent non-executive directors, Muslim chairman/president of the board, CEO duality, frequency of board meetings and auditor types. Study findings suggest that there is fair amount of CSR disclosure amongst Shariah-compliant companies listed with Bursa Malaysia. The results of the study demonstrate only the type of auditors employed have a significant relationship with CSR disclosure. In contrast, the extent of CSR disclosure is insignificant with regard to the proportion of independent non-executive directors, Muslim chairman/president of the board, CEO duality and frequency of board meetings. The research shows that the level of CSR disclosures among Shariah-compliant companies in ACE Market is moderate but the varieties of disclosure are impressive. This study provides evidence for regulatory bodies such as Shariah Advisory Council (SAC) of the Securities Commission Malaysia and Bursa Malaysia to look further at Shariah-compliance guidelines and to enforce new policies on corporate social disclosure.

Keywords: corporate social disclosure, ACE Market, Shariah-compliant companies, annual reports, independent non-executive directors.

1. INTRODUCTION

The disclosure of corporate social responsibility information has become a debatable issue and been of growing concern by business people over the past several years. Disclosure is very important to stakeholders as it provides them with the information necessary to reduce uncertainty and help them make suitable economic and financial decisions. Generally, the public-listed companies in Bursa Malaysia were required to make a report on their activities of corporate social responsibility in the annual reports. On the 5th September 2006, the guideline for public-listed companies namely CSR Framework was launched by the Bursa Malaysia. The framework was designed to cater the requirement of public-listed companies in implementing and reporting the CSR activities. There are four areas covered under the CSR practice such as marketplace, workplace, community and environment with no order of priority. Thus, commencing on 31st December 2007, all public listed companies were required to disclose the CSR activities involved in their organizations (Bursa Malaysia, 2009). During tabling the Annual Budget 2006, the Prime Minister (then) Dato’ Seri Abdullah Ahmad Badawi announced the requirements for PLCs to report on the CSR initiatives and encouraged companies to participate in CSR activities. Additionally, the government also made it a requirement for companies to report on their CSR activities
when tendering for government contracts under Budget 2006 (The Edge, 2007). Thus, it can be seen that, the directive from the Prime Minister is meant to encourage Malaysian PLCs to become more engaged and involved in social responsible activities within their business operation (The Star, 2007).

The other initiatives introduced by the government in relation to CSR following the requirement are: providing tax deductions for companies that provided public facilities and activated green technology, conferring “Prime Minister CSR Awards” for companies that have superior performance in their CSR activities such as launching “Green Building Index”, introducing “National Green Technology Policy” and initiating “Green Malaysia” (Othman et al., 2009). As a continuous effort to inculcate CSR elements in the public listed companies, the government launched the Silver Book to Government-Linked Companies (GLCs) on 25th September 2006. GLCs are defined as the companies that have primary commercial objective and the government has a direct controlling stake (Khazanah Nasional Bhd, 2007). The Silver Book provides the principles and guidelines on how GLCs can manage their contributions to society in an effective and sustainable manner (Othman et al., 2009). It highlights seven core areas of contribution society such as human rights, employee welfare, customer service, supplier partnership, environmental protection, community involvement and ethical business behavior (Khazanah Nasional Bhd, 2007).

This study focuses on the disclosure of corporate social responsibility in Shariah-compliant companies in the ACE Market of Bursa Malaysia. Since Malaysia is well known as an Islamic Financial Hub in the region, the government through their related authorities such as Bursa Malaysia, Securities Commission, Bank Negara Malaysia and most of the public listed companies are committed towards promoting the country as an Islamic financial hub. As this study focus on Shariah-compliant securities listed on the ACE Market of Bursa Malaysia. The Shariah-compliant securities are the securities traded in Bursa Malaysia public-listed company which have been permissible for investment, based on the company’s compliance with Shariah principles in terms of its primary business and investment activities (Bursa Malaysia, 2010). The principles are based on the Al-Qura’n and the Sunnah which follow the general principles of Syara’ (Malaysian ICM, 2007).

The research concludes that being socially and environmentally responsible is not only good for the society, but can also be very good for increasing and preserving shareholder value (Espeil & Schnietz, 2002). The reward of CSR disclosure such as increasing shareholder value is very attractive. As such, today we found that many Malaysian companies have started to disclose their corporate social responsibility in their annual report as well as their websites.

1.1 Objectives of the Study
Specifically, the purpose of this study is two-fold in that it sets out to:

- To examine the extent of corporate social responsibility (CSR) disclosure in Shariah-compliant companies on the ACE Market Bursa Malaysia.
- To identify the factors (independent non-executive directors, Muslim chairman/president of the board, CEO duality, frequency of board meeting and auditor types) influencing Shariah-compliant companies to disclose corporate social responsibility (CSR) in their annual reports.
1.2 Significance of the Study

It is a fruitful exploration as this study focuses on corporate social responsibility disclosures among Shariah-compliant companies in Malaysia. The study investigates whether the Shariah-compliant companies listed in ACE Market of Bursa Malaysia really implement the guideline of Shariah-compliant companies. There are many factors that are taken into account by the Shariah Committee before granting a Shariah-compliant label to the companies such as social, ethical, moral and religious dimension. This could improve and enhance the fairness and equality for the majority in the society. This study plays an important role in exploring issues in accounting for corporate social based on the issues highlighted above. Besides that, this study also updates the Malaysian literatures on social responsibility disclosures and sustainability issues especially to Shariah-compliant companies in Bursa Malaysia.

2. LITERATURE REVIEW

2.1 Shariah: The Essence of Islamic Perspective

According to Zubaida (2005), Shariah is a body of rules driving its legitimacy from theological premise that is God’s law. It is the Arabic word for Islamic law and is also known as the “Law of Allah” and it governs all aspects of life. As the Shariah is the law of Al-mighty Allah to all human kind, therefore it is all aspects of life in this world and also tells about hereafter as its faith of Muslim to believe. Therefore, in Islam, the questions of right and wrong in resource allocation and the pursuit of economic stability and growth cannot be settled by mere appeal reason and empirical observation (Rosly, 2005).

The main sources of Shariah are Al-Qur’an, Hadith, Sunna, Ijma, Qiyas and Ijtihad. Al-Qur’an is the book of revelations given to Prophet Muhammad (pbuh), Hadith are the narratives relating the deeds and utterances of Prophet Muhammad (pbuh), Sunna refers to the habitual practices and behaviour of Prophet Muhammad (pbuh) during his lifetime, Ijma is the consensus among Muslim scholars about specific issues not addressed in either Al-Qur’an or the Sunna, Qiyas is the use of deduction by analogy to provide an opinion on a case not referred to in the Al-Qur’an or in the Sunna in comparison with another case referred to in the Al-Qur’an and Sunna. Ijtihad represents a jurist’s independent reasoning relating to the applicability of certain Shariah rules on cases not mentioned in either Al-Qur’an or the Sunna (El-Gamal, 2000).

The Shariah is built on two basic principles which are removal of hardship (ra‘f alharaj) and prevention of haram (daf‘ aldarar) (Rosly, 2005). This has direct bearing to the Al-Qur’an verses:

“God never intended to make religion a means of inflicting hardship” (Al-Qur’an, 22:78)

“God intends to make easy for you” (Al-Qur’an, 4:28)

Overall, the Shariah is a system of ethics and values that covers all aspects of human life personal, social, political and intellectual with its unchanging bearings as well as its major means of adjusting to change (Sardar, 2003).
2.2 The Progress of Shariah-Compliant Securities in Malaysia

There has been a recent surge in demand for Shariah-compliant securities in the market and this outlook has spurred the growth especially in Malaysia (Islamic Finance Asia, 2008). It is due to Malaysia is among one of the key players in the world of Islamic capital markets (Abderrezak, 2008) and Shariah-compliant securities are the fastest growing segment of capital markets in Malaysia (Islamic Finance Asia, 2008). Due to the demands from local and foreign investor on securities with Shariah-principles, the Shariah Advisory Council (SAC) was given the task to manage and monitor all the matters pertaining Shariah-compliant securities. This includes providing guidance on Islamic Capital Market (ICM) transactions and activities with the aim to standardize and harmonize applications (Bursa Malaysia, 2010). The establishment of ICM has consequentially led where Muslim decisions-makers expects companies to disclose relevant information that may assist them in fulfilling their spiritual needs (Haniffa, 2002). It is also to establish Malaysia as a centre for ICM internationally and to enable Muslim to recognize and build confidence in Shariah-compliant investments (Securities Commission, 2002). In order for Malaysia to strengthen its ICM, it has to ensure that both local and foreign investors are willing to invest including investment in Shariah-compliant companies. Therefore, these companies must convince investors that it is a good investment through communicating qualitative and quantitative information disclosure in their annual reports (Ousama & Fatima, 2010).

The Shariah-compliant securities are securities of a Bursa Malaysia-listed company which have been classified as Shariah permissible for investment, based on the company’s compliance with Shariah principles in terms of its primary business and investment activities. In classifying the listed securities, the SAC received input and support from the SC and has applied a standard criterion in focusing on the activities of the companies listed on Bursa Malaysia (Securities Commission, 2002). The criteria used as a basis to study the securities are constantly updated based on the research and case studies of all the public-listed companies on Bursa Malaysia (Jamal et al., 2010). Pre-IPO screening will be done by SAC upon request by the firm that seeking listing at the board to determine either their securities classify under Shariah-compliant or otherwise (Bursa Malaysia, 2010). This is to ensure that Shariah-compliant securities have gone the appropriate study process, in line with the requirement for the development and progress of the Islamic capital market in Malaysia (Rosly, 2005). Due to the growth of Shariah market the regulators and authorities in Malaysia play crucial part in order to support the confidence level from the public especially among Muslim people on the Shariah products (Laldin, 2008). It is important because the Muslim investors would have confidence and have a peace of mind if financial product that they invest is made according to Shariah law.

2.3 Corporate Social Responsibility Disclosure (CSRD)

CSRD is far from being a new phenomenon; it is a method which management can interact with the broader society to “influence external perceptions about their organization” (Deegan, 2002). A lot of previous research studies have focused on the nature of and motivation for the organizations to implement CSRD. CSRD is defined as the CSR activities communicated to stakeholders via a company’s annual reports (Nik Ahmad et al., 2003; Mohd Ghazali, 2007). Thus, all the CSR activities which were disclosed by the firms in their annual reports were considered as CSRD (Saleh, Zulkifli & Muhamad, 2010). Therefore, the companies which are socially responsible would minimize the negative effect and maximize positive effects in its business environment (Bateman & Snell, 2002).
In terms of the nature of CSRD, many studies have been conducted both in Malaysia and overseas in attempt to determine the types of CSR disclosure that companies made (Muhammad et al., 2002). However, previous studies have found that the level of CSR of Malaysian public listed companies still remain low (ACCA, 2005). This could be due to less concerted effort or motivation on the part of top management to ensure that the companies are disclosing this corporate social responsibility activity (Said et al., 2009). Previous studies revealed that Corporate Social Responsibility Reporting in Malaysia is still generally low (Foo & Tan, 1988; Nik Ahmad & Sulaiman, 2004; Ramasamy & Ting, 2004; Mohamed Zain & Janggu, 2006). Though the reporting status is still relatively low among Malaysian companies, but it is improving based on the increase of 66 % of disclosing public listed companies in the early 90’s to 82 % currently (Thompson & Zakaria, 2004). Most disclosures in Malaysia tend to focus on human resource issues while energy issues receive least attention (Thompson & Zakaria, 2004). In terms of the industrial sector, banking and construction have the largest percentage of disclosing companies while the industrial product sector has the least (Thompson & Zakaria, 2004). Thus, the prior research indicates that CSRD expansion in Malaysia has a clear future as the number of companies involved in CSRD is growing. Government pressure is one of the reasons Malaysian firms are involved in CSRD (Amran & Devi, 2008). Apparently, with the issues of global concern such as financial stability and governance as well as climate change plus continuing scandals over product responsibility and widespread corruption, there is needed for companies to take the lead in developing and improved CSRD strategies (Nielsen & Thompson, 2007).

According to Pratten and Mashat (2009) the studies of Islamic business organizations do not always reveal high levels of CSR and previous work views that disclosure will be limited. Ayub (2008) stated that the Shariah attaches great importance to the role of information in the market. Ample time and opportunity should be given to the consumers in order for them to look and verify the goods or commodity that they are going to trade. In Islam, deceptive or inaccurate information is forbidden and considered a sin (Dusuki, 2008). The holy Prophet Muhammad (pbuh), stated that “Deceiving a Mustaral (an unknowing entrant into the market) is considered Riba”. Therefore, as Shariah-compliant companies, it is important for them to disclose as much information to their shareholders. It would ensure that shareholders will get the right information and make wise decision in the transaction especially information pertaining to social and environmental responsibility.

There are verses in the holy Al-Qur’an that highlights on the obligation on Muslims to give away certain portion of their wealth to the needy. The Al-Qur’an reads:

“It’s not righteousness that you turn faces towards the East and West, but righteous is the one who believes in Allah, and the Last Day, and the angels and the Book and Prophets and gives away wealth out of love for Him (God) to the near of kin and the orphans and the needy and the wayfarer and to those who ask and set slaves free” (Al-Quran 2:177)

Muhamad, Alwi and Mohammed (2002) study the development of CSR practice in Malaysian companies from annual reports for a five-year period from 1995 to 1999. The findings show that the disclosure levels in Malaysia is considered low where only less than 30 % of companies had disclosed the CSR activities in the annual reports.
Other studies in Malaysia such as Abdul Rashid and Ibrahim (2002) examined social responsibility perception among executives and manager. The findings show most of them have positive attitudes towards CSR. The results also show that the most influential factors that determine the attitude towards social responsibility are actually family upbringing.

Meanwhile, Abdul Hamid (2004) examined the CSRD practices in the banking and finance sector for Malaysian public listed companies. In this study, he used content analysis to explore four themes of social disclosure and concluded that product theme attracted the highest disclosure. The second highest disclosure related to human resources followed by community and the environment. Furthermore, a study by Sobhani, Amran and Zainuddin (2009) on 100 Bangladesh companies’ annual reports reveals that the level of disclosure has improved over the last 10 years. Based on the findings, the results showed that all the companies examined are found to disclose at least one item of disclosure issues such as human resources (11 %), community (47 %), consumer (23 %) and environmental (19 %). Finally, Amran and Siti Nabiha (2009) study used Institutional Theory to measure the perception and motives among managers in Malaysia toward CSR. This study attempts to explain the local CSR trend by interviewing the senior managers from selected companies who have been identified as good reporters. They found that despite low level of awareness of CSR, there is an increasing trend of reports.

2.4 Agency Theory
Agency theory is relevant to this study as it is able to explain the conditions under which a company is likely to voluntarily disclose corporate information. Initially, Jensen and Meckling (1976) defined the agency relationship as a contract under which a principal or more engage an agent to perform a service on their behalf. According to Pearce and Robinson (2007), it is a theory set of ideas on organizational control based on the belief that the separation of the ownership from management creates the potential for the wishes of owners to be ignored. An agency relation arises whenever one person which is the principal delegates decision-making authority or control over resources to another so called the agent (Jones, 2007). In this scenario, shareholders are the principals while top management is their agents appointed by shareholders to utilize organizational resources most effectively.

The agency theory argues that the presence of board of directors is to monitor the management and to protect the interest of the shareholders (Fama & Jensen, 1983). In order to have effective separation, the argument is that outside directors have incentives to develop reputations as experts in decision control. By using agency theory, it explains the independent non-executive directors having role of monitoring and ensuring the management is not running the business for their own interest. In other words, the independent non-executive directors will help in disclosing corporate social activities especially in annual reports. However, Burgess and Tharenov (2002) argued differently that a globally valid agency theory should accommodate the specific experiences of managers, directors and firms in transition economies. In this study, it is assumed that companies that have Independent non-executive directors’ and Muslim chairman or president will disclose more information to their shareholders especially on corporate social responsibility. Hence, it is expected that the disclosures on CSR are higher in their companies.
3. METHODOLOGY

3.1 Research Framework
This study proposes a theoretical framework based on past literature and the relationship between five independent variables namely independent non-executive directors, Muslim chairman/president of the board, CEO duality, frequency of board meetings and auditor types with corporate social responsibility disclosure. The framework to be examined is presented in Figure 1.

Figure 1: Research Framework

![Research Framework Diagram]

3.2 Hypotheses Development
Hypothesis development in this study is based on the agency theory. Hypotheses are developed after considering previous studies on corporate social responsibility disclosure.

3.2.1 Independent Non-Executive Directors
Empirical corporate governance literature suggests that the independence and composition non-executive directors are associated with the level of board independence and will create board effectiveness (Said et al., 2009). Due to that, independent non-executive directors are seen as not only ensuring that firms act according to the best interests of owners (shareholders) but as being tasked with monitoring all of the firm’s activities (Haniffa & Cooke, 2005).

In view of the ideas from the above-mentioned discussion, the standing point is that independent non-executive directors have an essential role to play in ensuring that Shariah-compliant companies undertake corporate social responsibility activities. Therefore, Shariah-compliant companies with a higher proportion of independent non-executive directors on their boards are expected to disclose information to reduce agency costs and assure shareholders that they are acting in their interests. These observations and arguments as a whole suggest the following hypothesis:

H1: Independent non-executive directors are positively related to corporate social responsibility disclosure.
3.2.2 Muslim Chairman/President of the Board
The chairman is perceived to be a powerful force in an organization (Jones, 2007). Chairmen are charged with the responsibility of formulating corporate strategies and are often deeply involved in promoting the image of their respective firms through social responsibility (David et al., 2006). In addition, Muslim chairmen may dramatically change company strategic direction as their responsibility is not limited to just increasing the profitability of the company but also extends to other parties related to the company including the stakeholders (Haniffa & Cooke, 2005).

Furthermore, a study by Haniffa and Cooke (2005) found that the chairman of a board has greater power and influence than other board members, including possible influence over the disclosure practices of the firm. Hence, the chairmanship of the board will influence a company’s CSR disclosure. From the above argument, the hypothesis is as follows:

H2: Muslim chairman/president of the board is positively related to corporate social responsibility disclosure.

3.2.3 CEO Duality
CEO duality explains the status of CEO whether the chairman is a CEO or not. Evidence regarding the persistence of duality provides the first indication of a possible relationship between duality and firm disclosure. Forker (1992) has considered role duality as an aspect of corporate governance that has given rise to concern on the ‘dominant personality’ phenomenon which has been found to be associated with poor disclosure. Ogbechie et al., (2009) and Bhagat and Black (2002) argue that firms are more valuable when the CEO and board chairman positions are separate.

In the Malaysian context, role duality is not particularly common among listed companies but the potential impact on disclosure should be worthy of testing (Hannifa & Cooke, 2002). The global trend shows that there should be separation roles of CEO and chairman which a feature widely recognized as good corporate governance structure (Okike, 2002). However, agency problems tend to be higher when the chairman is also the CEO and also according to the theory, the combined functions can significantly impair the board’s monitoring, disciplining and compensating of senior managers (Molz, 1988).

Nevertheless, the study by Brickley et al. (1997) reported that there is no relationship between CEO duality and disclosure and Gul and Leung (2004) found that in Hong Kong when the roles of the CEO and the chairman were combined the levels of voluntary corporate disclosures are lower. Thus, from the discussion above, the proposed hypothesis is as follows:

H3: There is negative relationship between CEO duality and corporate social responsibility disclosure.

3.2.4 Frequency of Board Meetings
An understandable implication of the studies is that directors in the boards that meet regularly are more likely to carry out their duties in accordance with shareholders’ interests. Moreover, the frequent board meetings suggest a more active board which is more effective in monitoring the management (Raghunandan & Rama, 2007). So the boards that meet regularly are probable to execute their duties thoroughly and in
accordance with shareholders interests (Byrne, 1996). Generally, the board effectiveness depend on how usually the members of the board meet to discuss several issues facing a company (Carcello et al., 2002). Conger et al. (1998) reported that the board meetings are an important resource in enhancing the effectiveness of the board and any increasing in board meetings is considered to represent the power of board activity.

However, Lipton and Lorsch (1992) indicated that board meetings are not necessarily useful because given the limited time available; they cannot be used for significant exchange of ideas among directors. Jensen (1993) pointed out that board meetings are not necessarily useful because given the limited time available, they cannot be used for meaningful exchange of ideas among directors. He further suggested that board should be relatively inactive and the boards are required to become active in the presence of problems. In light of the above discussion, the following hypothesis is examined:

H4: There is significant relationship between the board meetings and corporate social responsibility disclosures.

3.2.5 Auditor Types
It is argued that auditors can play an important role in improving a firms’ overall reporting (Hail, 2002). Previous research suggests that larger audit firms such as the Big- Four auditing firms provide higher quality disclosure level and reliable information to the firms (Watkins et al., 2004). Huang and Kung (2010) argued that when established audits firms work on audits, there is tendency for the analyst to give higher recognition in term of overall quality of corporate disclosure.

As a result, the Big- Four auditors firms strongly preserve their reputation and independence, and at the same time tightening their disclosure standards (Malone et al., 1993). Auditor type may also count as a factor in explaining variations in disclosure. Based on the above discussion, the following hypothesis is examined:

H5: The firms that are audited by the Big-Four audit firms are positively related to corporate social responsibility disclosure.

3.3 Research Methodology
The aim of the study is to explore the state of corporate social disclosure by Shariah-compliant companies in their annual reports. In order to accomplish the aim, the annual reports of the companies in the sample are used to examine the accessibility and extent of the disclosure of information. The annual reports for 2012 were selected for examination, as 2012 was the latest financial year for which all companies’ published annual reports were available at the time when the data collection started.

3.3.1 Sample
The population for this study consists of all Shariah-compliant companies listed on the ACE Market of Bursa Malaysia. As at 26 December 2012, some 102 Shariah-compliant companies were listed on the ACE Market. For the purpose of this study, all 102 companies were selected.

3.4 Method of Data Analysis
This study uses content analysis to measure corporate social responsibility disclosure. Statistical Package for Social Science (SPSS) software (version 21) is used to find the
extensiveness of the CSR information disclosed by Shariah-compliant companies in their annual reports. Various techniques such as descriptive statistics, correlation analysis and multiple regression analysis are used in the analysis of different results discussed below;

3.4.1 Descriptive Statistics
Descriptive statistics will be used to study the independent non-executive directors, Muslim chairman/president of the board, CEO duality, frequency of board meetings and auditor types. Descriptive statistics are used to describe the basic features of the data gathered from the study. This fundamental information is necessary as it illustrates the population represented by the samples.

3.4.2 Regression Analysis
Based on the discussion of dependent and independent variables, the following regression model is developed:

\[ \text{CSR} = \beta_0 + \beta_1\text{INED} + \beta_2\text{CPOB} + \beta_3\text{CEOD} + \beta_4\text{FBM} + \beta_5\text{ADT} + \epsilon \]

where;
\[\text{CSR} = \text{Corporate Social Responsibility Disclosure} \]
\[\text{INED} = \text{Independent Non-Executive Directors} \]
\[\text{CPOB} = \text{Muslim Chairman/ President of the Board} \]
\[\text{CEOD} = \text{CEO Duality} \]
\[\text{FBM} = \text{Frequency of Board Meetings} \]
\[\text{ADT} = \text{Auditor Types} \]
\[\epsilon = \text{error terms} \]

3.4.3 Correlation Analysis
This analysis is a technique used in hypothesis testing of the relationships among the independent variables and between independent variables and the dependent variable. The significance of the correlation is tested at the 1% and 5% level in a two-tail test. A Pearson correlation is used to test the correlation between the independent variables.

4. RESULTS AND FINDINGS

4.1 Descriptive Statistics Analysis
This section explains the descriptive statistics of all variables. Table 1 summarizes the results for dependent and independent variables. The mean or average corporate social responsibility disclosure (CSR) by Shariah-compliant companies selected is 0.5810 and the standard deviation is 1.53649. As for the level of disclosure, the maximum level of disclosure for CSR is 14.38 and the minimum level is 0, as there are some companies that do not disclose CSR in their annual reports.
The maximum ratio for Independent Non-Executive Directors (INED) is 0.75 and the minimum is 0.20. The mean of the proportion of independent non-executive directors to total directors on the board is 0.48, which indicates that the number of independent non-executive directors sitting on the board of Shariah-compliant companies is about average. It is noted that, the average level for the Muslim chairman/president of the board (CPOB) variable is 0.42. This suggests that Shariah-compliant companies have a moderate number of Muslim occupying the position of chairman or president of the board and the standard deviation is 0.49.

However, the average level of CEO duality (CEOD) is 0.14 which indicates that only the small portions of the Shariah-compliant companies had the CEO duality and the balance seems the CEO and board chairman post are separated. This result reflects that role duality is being uncommon among Shariah-compliant companies in ACE Market. The standard deviation for this variable is 0.35. In addition, the frequent board meetings (FBM) of the companies show a maximum ratio of 13 times and a minimum ratio of 1 time. The mean value of company is 5.39 times. However, the standard deviation is 1.78 times. Finally, the table also reveals that the mean for the Auditors Types (ADT) is 0.12, meaning only certain of Shariah-compliant companies were audited by the Big-Four, while majority were audited by non Big-Four audit firms. The standard deviation was 0.32.

### 4.2 Correlation Analysis

As can be seen in Table 2, corporate social responsibility disclosure (CSRD) only has a significant positive relationship with Auditor Types (ADT). The correlation analysis shows that Auditor Types (ADT) is significant and positively correlated with CSR disclosure with at value of (.290). In contrast, the other variables of Independent Non-Executives Directors (INED), Muslim Chairman/President of the Board (CPOB), CEO duality (CEOD) and Frequency of board meetings (FBM) do not significantly influence the level of CSR disclosure.

Based on the results shown in Table 2, the correlation between CSR disclosure and Independent Non-Executives Directors (INED) is not significant, given a correlation value of (-.061). The relationship between Muslim Chairman/President of the board (CPOB) and CER disclosure was also insignificant, with a value of (-.062). Meanwhile, the CSR disclosure and CEO duality (CEOD) do not significant with a value of (-.071). Finally, the Frequency of Board Meetings (FBM) does not appear to have any significant relationship with CER disclosure given its value of (-.057). The results for these variables (INED, CPOB, CEOD and FBM) show that scores of the significance are above 0.05 which is more than threshold standard for significance.
Table 2: Correlations Results of all Variables

<table>
<thead>
<tr>
<th></th>
<th>CSRD</th>
<th>INED</th>
<th>CPOB</th>
<th>CEOD</th>
<th>FBM</th>
<th>ADT</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSRD</td>
<td>1</td>
<td>-0.061</td>
<td>-0.062</td>
<td>-0.071</td>
<td>-0.057</td>
<td>0.290**</td>
</tr>
<tr>
<td>INED</td>
<td>-0.061</td>
<td>1</td>
<td>-0.030</td>
<td>0.073</td>
<td>0.145</td>
<td>-0.104</td>
</tr>
<tr>
<td>CPOB</td>
<td>-0.062</td>
<td>-0.030</td>
<td>1</td>
<td>-0.355**</td>
<td>0.170</td>
<td>0.120</td>
</tr>
<tr>
<td>CEOD</td>
<td>-0.071</td>
<td>0.073</td>
<td>-0.355**</td>
<td>1</td>
<td>-0.186</td>
<td>-0.152</td>
</tr>
<tr>
<td>FBM</td>
<td>-0.057</td>
<td>0.145</td>
<td>0.170</td>
<td>-0.186</td>
<td>1</td>
<td>0.125</td>
</tr>
<tr>
<td>ADT</td>
<td>0.290**</td>
<td>-0.104</td>
<td>0.120</td>
<td>-0.152</td>
<td>0.125</td>
<td>1</td>
</tr>
</tbody>
</table>

4.3 The Test of Regression Coefficients

The significant effect of a predictor occurs if the significance value is less than 0.05 used in this study. Otherwise, the effect of the predictor on the dependent variable is considered insignificant.

Table 3: The Coefficient of Multiple Regressions Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>1.104</td>
<td>0.707</td>
<td>-0.015</td>
<td>1.563</td>
</tr>
<tr>
<td>INED</td>
<td>-0.002</td>
<td>0.012</td>
<td>-0.112</td>
<td>-0.148</td>
</tr>
<tr>
<td>CPOB</td>
<td>-0.346</td>
<td>0.322</td>
<td>-0.080</td>
<td>-1.074</td>
</tr>
<tr>
<td>CEOD</td>
<td>-0.345</td>
<td>0.454</td>
<td>-0.088</td>
<td>-0.761</td>
</tr>
<tr>
<td>FBM</td>
<td>-0.076</td>
<td>0.087</td>
<td>-0.088</td>
<td>-0.875</td>
</tr>
<tr>
<td>ADT</td>
<td>1.429</td>
<td>0.469</td>
<td>0.301</td>
<td>3.044</td>
</tr>
</tbody>
</table>

Based on the results presented in Table 3, the multiple regressions for Shariah-compliant companies listed on the Main Board of Bursa Malaysia are expressed as follows:

\[ Y \text{(CERD)} = 1.104 - 0.002\text{INED} - 0.346\text{CPOB} - 0.345\text{CEOD} - 0.076\text{FBM} + 1.429\text{ADT} \]

From the regression equation above, it can be concluded that CSR disclosure is only positively related with Auditor Types. However, CSR disclosure is negatively related with Independent Non-Executive Directors, Muslim Chairman/President of the Boards, CEO Duality and Frequency of Board Meetings.
4.4 Hypotheses Testing
The hypotheses developed were tested against the results of the regression analyses.

4.4.1 Hypothesis 1
Based on the regression analysis, Independent Non-Executive Directors has no significant influence on the CSR disclosure of Shariah-compliant companies listed with Bursa Malaysia. The significance value is equal to 0.883 which is more than the threshold standard that indicates that a $p$ value should be $\leq 0.05$ to be significant. Hence, H1 is not supported.

4.4.2 Hypothesis 2
Based on the regression analysis, Muslim Chairman/President of the Board has no significant influence on CSR disclosure of Shariah-compliant companies listed with Bursa Malaysia. The significance value is equal to 0.285, which is more than the threshold standard that indicates that a $p$ value should be $\leq 0.05$ to be significant. Thus, H2 is not supported.

4.4.3 Hypothesis 3
Based on the regression analysis, CEO duality has no significant influence on the CSR disclosure of Shariah-compliant companies listed with Bursa Malaysia. The significance value is equal to 0.448 which is more than the threshold standard that indicates that a $p$ value should be $\leq 0.05$ to be significant. Thus, H3 is supported.

4.4.4 Hypothesis 4
Based on the regression analysis, the frequency of board meetings among Shariah-compliant companies listed with Bursa Malaysia has no significant influence on their CSR disclosures. The significance value is equal to 0.384 which is more than the threshold standard that indicates that a $p$ value should be $\leq 0.05$ to be significant. Hence, H4 is not supported.

4.4.5 Hypothesis 5
Based on the regression analysis, the involvement of the Big- Four audit firms in the performance of audits for Shariah-compliant companies listed in Bursa Malaysia has a significant, positive relationship on the CSR disclosure of the companies. The significance value for Audit Types is less than the threshold standard that indicates that a $p$ value should be $\leq 0.05$ to be significant. Since the result shows the significance value is equal to 0.003, the relationship is in the positive direction and H5 is not supported.

5. CONCLUSION
This study investigates the level of CSR disclosure in the annual reports of Shariah-compliant companies listed at ACE Market of Bursa Malaysia for the period 2012 using content analysis. The results demonstrate that although Shariah-compliant companies listed at ACE Market is moderate but the varieties of disclosure are impressive. It is found that out of 102 Shariah-compliant companies were studied only 87 reported on corporate social responsibility. This shows that the awareness of social responsibility among Shariah-compliant companies is extremely good. The research demonstrates that Shariah-compliant companies extend their CSR activities such as education, health, environment and others. The findings of this study suggest that the high level of CSR disclosure amongst Shariah-compliant companies may reflect an attempt by the
companies to practice corporate reporting that embodies the Islamic principles of full disclosure and social accountability. Hence, an emphasis on corporate social related matters was taken into account by the companies. More importantly, CSR disclosure appears to occur irrespective of the size of Shariah-compliant companies.

The initiatives taken by Bursa Malaysia to recognize the importance of long term sustainable development have somehow generated stronger business growth but also promote a more balanced growth which incorporates the social and environmental dimensions of development (Bursa Malaysia, 2010). Although there is a slow uptake of CSR amongst Malaysian companies, there is a growing awareness that CSR affects the long-term profitability of the business.

Overall, this study constitutes an attempt at gaining an understanding of CSR and CSR disclosure from an Islamic perspective, particularly among Shariah-compliant companies listed with Bursa Malaysia. The study employs the agency theory to develop hypotheses on the influences of Independent Non-Executive Directors, Muslim Chairman/President of the Board, CEO Duality, Frequency of Board Meetings and Auditor Types on CSR disclosure by Shariah-compliant companies at ACE Market of Bursa Malaysia.

This study has reasonably achieved its objective of identifying the effects of factors such as independent non-executive directors, Muslim chairman/president of the board, CEO duality, frequency of board meetings and auditor types on CSR disclosure by Shariah-compliant companies at the ACE Market of Bursa Malaysia. The present study also makes an important contribution to literature on the subject as there is a paucity of research on the influence of religion, in general, and Islam in particular, on the extent of CSR disclosure. Furthermore, this study provides valuable insights into how certain factors affect the extent CSR disclosure by Shariah-compliant companies on the ACE Market of Bursa Malaysia.

5.1 Implications to Knowledge/Theory
The primary contribution of this study is that, it offers a constructive understanding from an Islamic perspective of CSR disclosure by Shariah-compliant companies at ACE Market of Bursa Malaysia. Next, the study of CSR disclosure practice from an emerging economy like Malaysia will add a substantially new dimension to existing literature. This is because previous studies have focused predominantly on more developed economies such as those of the United States and Europe. In addition, this is the first study of its kind to examine the influence of religion, in general, and Islam in particular, on the extent of CSR disclosure among Shariah-compliant companies listed at ACE Market of Bursa Malaysia.

5.2 Limitations
Due to time constraints, the study was conducted only among Shariah-compliant companies listed in the ACE Market of Bursa Malaysia. These companies were selected due to the availability and accessibility of the data to be collected. Second, the present study did not focus on the motivation behind CSR disclosure among Shariah-compliant companies. Third, there might be other factors such as leverage, listing age, capital raised, profitability, audit committee and ownership structures composition that should be considered in undertaking such a study.
5.3 Recommendation for Future Research

In spite of this study, there is still little research being done on CSR reporting in Malaysia. There is also a paucity of research examining Shariah-compliant companies’ in particular on the extent of their CSR disclosure. This study of CSR disclosure among Shariah-compliant companies is considered an exploratory study. It is therefore recommended that any future study should be extended to cover companies listed in Main Board of Bursa Malaysia.

Many other factors may contribute to the disclosure of CSR by Shariah-compliant companies. These include gearing (debt to equity), capital raised and company age; future research might want to look at these factors. This study does not focus on the specific sectors or industries that Shariah-compliant companies listed with Bursa Malaysia are involved in. Hence, further research should be focused on specialized sectors of the Main Board of Bursa Malaysia.

The element of corporate governance should be taken into consideration as an explanatory variable for CSR disclosure because this has not yet been explored, especially among Shariah-compliant companies. Therefore, the investigation of the relationship between corporate governance and CSR disclosure might be considered as a future research opportunity.

References


The Edge. (2007). GLC need to step it up, says PM. August 1st – 7th.


