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SOCIAL DISCLOSURE AND GOVERNANCE AMONG MALAYSIAN CORPORATIONS

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ABSTRACT

The objective of the study is to examine the relationship between corporate governance mechanisms and corporate social responsibilities (CSR) disclosure among Malaysian leading corporations on Bursa Malaysia. The research is carried out due to the relatively low awareness and inconsistency with respect to the CSR disclosure particularly in Malaysia. The study uses the annual reports and data stream to collect the data of 50 Malaysian top corporations on Bursa Malaysia in 2015. The multivariate analysis suggests that the audit committee expertise and the foreign shareholding have significant relationships with CSR disclosure in Malaysia. In this sense, having a clear understanding on the corporate governance characteristics is perceived as able to increase the disclosure of CSR information to the respected stakeholders. The study therefore contributes to the theories, literature and practice. In this perspective, the study highlights the importance of having a sound corporate governance structure in enhancing CSR information disclosure. In overall, the results of the study can be regarded as valuable to the corporate players, corporations, relevant statutory authorities as well as other related parties.

Keywords: Corporate Social Responsibilities (CSR), Corporate Governance, Disclosure, Leading Corporations, Malaysia.

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1. INTRODUCTION

Corporate social responsibilities (CSR) activities awareness can be considered as still lacking among many public listed companies in Malaysia despite of rapid CSR development in many countries in the last decade (Chapple et al., 2014). Arena et al. (2018) asserted that even in the mandatory setting in Malaysia and Indonesia, the new mandatory reporters provide a low level of disclosure while the companies that disclosing before the regulations being promulgated tend to disclose higher level of CSR information.

CSR is increasingly getting attention because of its importance. In this context, once a company adopts CSR practices in their business, it will increase their competitiveness in the market as well

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as strengthening their survival in the market (Mustafa et al., 2012). Over the past 30 years, the development CSR in business over the countries has successfully prompted Malaysian institutions to pay more attention on their social responsibility (Darus et al., 2014). The Malaysian Code of Corporate Governance (MCCG) for instance has been revised several times since 2000 to strengthen the roles of corporate governance on any issue that may affect the sustainability of the companies (Securities Commission Malaysia, 2021).

However, it can be said that the implementation on CSR is still inconsistent as the companies seldom include the disclosure of CSR in the annual report even in the case of mandatory settings. The CSR disclosure does not actually demand for financial information of company as it only requires the information related to the company society activities as well as the interaction with their employees and customers.

Further, Arena et al. (2018) and Anas et al. (2015) suggest that award can also be used to enhance the disclosure of in of CSR information in their annual reports. In this milieu, recognition is regarded as able to motivate and influence the managements of the public listed companies to disclose more relevant CSR information to the related stakeholders. Nevertheless, this study will only examine the effect of the internal structure or factors i.e., governance mechanisms on the CSR disclosure.

Hence, it is important to determine the factors that affect the CSR disclosure information. Specifically, it is vital to investigate the relationship between corporate governance mechanisms and CSR disclosure instruments by Haniffa and Cooke (2005) after a decade or 10 years among Malaysian leading companies. Several characteristics of the corporate governance structure to be investigated are company's board size, chief executive officer (CEO) duality, government ownership, foreign ownership and audit committee expertise.

The study thus contributes towards better understanding on the roles of corporate governance structure on CSR disclosure among Malaysian top companies through the impact of board size, chief executive officer (CEO) duality, government ownership, foreign ownership and audit committee expertise on the CSR disclosure. In overall, the study contributes to the theories and literature that the structure of governance needs to be strengthen in order to enhance the disclosure of CSR among Malaysian leading corporations. Moreover, in terms of the practical contribution, the study contributes by providing evidence with respect to the relationship between governance structure of Malaysian top corporations and CSR disclosure.

The paper is organized into 4 remaining sections. The next section discusses the relevant literature review. The section also includes discussions on the theoretical framework and hypothesis development of the research. This is subsequently followed by the research methodology section. Thereafter, the paper discusses the findings of the research. The paper ends with the conclusion of the study.

2. LITERATURE REVIEW

2.1. Concept of Corporate Governance

Corporate governance is considered as an important structure that will affect the performance of a firm either in public sectors or private sectors (Ali et al., 2015). The Malaysian Code on Corporate Governance (MCCG) defines corporate governance as “set of guidance includes the mechanism and process used to monitor the company’s business in order to improve the business success and also increase the concern for social responsibility with the purpose of increasing the shareholders’ value as well as think about the interest of other stakeholder.

In this respect, a number of changes have been undertaken in order to ensure that the board of directors able perform their responsibilities effectively. In March 2000, for instance, the Malaysian Code on Corporate Governance (the Code) has been issued to public. The purpose of the Code is to provide a set of principles, standards and regulations to ensure a good governance was implement and portrays ideal corporate governance framework (Securities Commission Malaysia, 2021). In order to remain relevant, the MCCG was reviewed and updated in 2007, 2012, 2017 and 2021. For the context of this study, Stuebs and Sun (2015) found a significant evidence between corporate governance and social responsibility.

2.2. Corporate Governance and CSR Disclosure

2.2.1. Board Size

Lipton and Lorsch (1992) asserts that there is less issues of agency conflict between shareholders and agents for smaller board size. Jensen (2010) notes that for firms with larger board size the decisions are basically decided by the CEO instead of board members because they seem to have less interaction between each and others. Hence, it can be said that smaller board size operates effectively and efficiently as board members communicate well.

Haji (2013) further broadens the research scope. It focuses on board size and the quality of CSR disclosure and claimed that board size is partially significant with CSR disclosure in year 2006, but showed positively significant in year 2009 after the revised code of corporate governance. On the other hand, Ghazali (2007) argues that there is a positive correlation between board size and CSR disclosure.

The study of Isa and Muhammad (2015) also conclude board size is an important factor for voluntary disclosure where larger board size viewed as having more expertise as compared to smaller board. Further, Marsidi et al. (2018) suggests that board size is a significant factor to explain the financial and social disclosure among Malaysian Islamic banks. The results of Matuszak et al. (2019) also found that board size has a positive significant effect on corporate social related reporting.

2.2.2. CEO Duality

CEO duality refers to a situation whereby the same person holds the positions of CEO and Executive Chairman on the board of directors. Elsayed (2007) found that the board of directors prefer the CEO duality exists in the corporation with the aim to improve the firm performance. This is viewed as vital for enhancing the level of voluntary disclosure like CSR in corporate annual reports. Gul and Leung (2004) reported that lower rate of disclosure of CSR occurred among the firms that practiced CEO duality. Meanwhile, Said et al. (2009) and Giannarakis et al. (2014)

pointed a different conclusion between the relationship of CEO duality and CSR disclosure. Nonetheless, the study of Razak and Mustapha (2013) claimed that CSR disclosure will not be affected by that CEO duality. This means that CEO duality is not one of the determinants of CSR disclosure.

2.2.3. Government Ownership

Ownership can be divided into two categories which are privately-owned and governmentally-owned. Annuar (2015) asserts that the influence of government ownership is important particularly after the Asian crisis and could possibly affect the overall level of institutional investors involvement in the government linked investment companies. Said et al. (2009) pointed out that in year 2000, the ownership by government in private company recorded 49.5%. Thus, the result from their study found a significant relationship between CSR disclosure and government ownership. This statement is supported by Ghazali (2007) as well as Eng and Mak (2003) which state that the government ownership has positive relationship with the CSR disclosure. Further, governmentally-linked companies seems to have more initiatives to disclosure more information than the privately-owned companies. This is because of the demanding company's transparency and perceptibility from the public. Haji (2013) reports that positive association can be enhanced as a result of the changes in the business environment. Juhmani (2013) nevertheless claimed that there is no relationship found between voluntary disclosure and government ownership in the selected 41 Bahraini listed companies.

2.2.4. Foreign Ownership

Ramasamy and Ting (2004) found that the level of awareness towards CSR disclosure is relatively lower compared to in Singapore. Chambers et al. (2003) stated that the higher the percentage of foreign shareholding in PLCs, the higher the voluntary CSR disclosure of a company in Malaysia. Haniffa and Cooke (2005) also found similar results between foreign shareholding and CSR disclosure. Such association is perceived as able to promote the inflows of financial capital from foreign investor when they disclose more on the social activities to public. Khan (2010) argued that the existence of foreign shareholding and nationalities in company able to ensure the company to take more initiatives in disclosing the CSR activities in annual reports in order to improve the communication between company and public. However, Sufian and Zahan (2013) suggest a contrary conclusion in which they found that foreign ownership does not have any association with CSR disclosure.

2.2.5. Audit Committee

The presence of audit committee members has become part of common instrument on corporate governance in the past twenty years. Audit committee is a managing committee who responsible in managing and supervising the financial report and disclosure of a company. The formation of this committee is to assure that there is an effective communication between the board and the auditors in order to provide a better picture of financial performance to their board members and shareholders. McMullen (1996) argues that, based on the agency theory, an effective audit committee is perceived to have the ability to increase the accuracy and trustworthiness of corporate financial reporting. The members of committee personnel are also viewed to have a positive and voluntary attitude towards the disclosure of information (Jizi et al., 2014). Further, the audit committee members especially those who have the accounting and finance knowledge are seen as able to improve the corporate voluntary disclosure (Akhtaruddin & Haron, 2010). Appuhami and Tashakur (2017) reported that audit committee expertise leads to better CSR disclosure among Australian firms.

2.2.6. CSR Disclosure Index

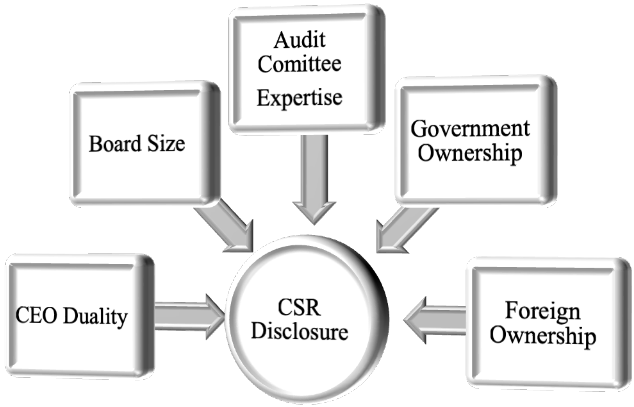
According to Thompson and Zakaria (2004), there is a clear increase in the implementing of CSR among Malaysian Public Listed Companies (PLCs). The improvement is from 66% in 1990s to 82% presently. Although there is significant growth of practices of CSR among PLCs, but only 30% of PLCs able to maintain and disclose CSR activities in their annual report regularly. The disclosure of CSR is divided into few classes which are below average, average and above average. A finding indicates that 32.5 percent of PLCs rate on above average class; 27.5 percent of PLCs rate on average class; and 40% of PLCs rate on below average class.

In a more recent study, Arena et al. (2018) reported on average the firms' disclosed 37.9 percent of the GRI social and environmental indicators. Nevertheless, in terms of breadth of items disclosed, the firms examined disclosed more environmental information than social information. The sample of the study was companies from 9 ASEAN countries that includes Malaysia 1 of the countries involved.

A number of studies on the topic of CSR suggest the significance of the measurement of CSR. Haniffa and Cooke (2005) includes environmental, employee information, products and services information and value-added information as the five themes for reporting the CSR activities. The scoring method is used to calculate the items disclose by the corporation in order to determine the CSR performance. In order to measure the disclosure, dichotomous approach was employed. If the item was disclosed, score "1" will be recorded. If it is not disclosed, score "0" will be marked. However, there is no points deduction made if the item/s is/are found to be inappropriate. In order to avoid biasness in scoring the items disclosed, the annual reports have to be fully read before any judgement made (Haniffa and Cooke, 2005).

2.3. Theoretical Framework

Figure 1: Theoretical Framework



According to Vourvachis and Woodward (2015), legitimacy theory has been used extensively in recent decades in the sphere of CSR disclosure practices research. As such, the study uses legitimacy theory as the theoretical framework of the study.

2.3.1. Legitimacy theory

There are two main views of legitimacy theory namely institutional legitimacy and strategic or organizational legitimacy (Suchman, 1995). These views are also supported by Chen and Roberts (2010). From the institutional legitimacy perspective, legitimacy theory argues that some firms disclose their information in annual reports to justify their legitimacy (Watson et al., 2002). Suchman (1995) stated that legitimacy is consider as a common idea or inference that a company acts respectable, desirable or improper inside the range of some stated socially constructed scheme of values, faiths, rationale and norms.

Moreover, legitimacy theory presents a better viewpoint on CSR as in the context of auditing and environmental control (Taylor et al., 2001). Brown and Deegan (1998) pointed out that legitimacy theory view the CSR disclosure as the corporations are restricted and controlled by the agreement between firms and society. By doing this, the firms able to generate profits from society and make sure they are able to continue to exist in the market.

On the other hand, the strategic perspective asserts that legitimacy can be used by the organizations to get support from the society. Therefore, Clikeman (2004) argues that CSR activities can be perceived as a medium to build image in maintaining and improving the economic position of the organization. Nonetheless, under legitimacy theory, CSR disclosure changes does not necessarily reflect the transparency commitment of an organization. As noted by Vourvachis et al. (2016), poor performers disclose more extensive CSR information, nevertheless of a principally positive nature, that is ultimately less revealing with respect to the company's underlying performance.

Legitimacy theory, therefore, interprets that the CSR disclosure of a firm is based on the standards, principles and duties (Hibbitt, 2004). However, Branco and Rodrigues (2008) argues that even if the company's activities meet the requirements of the community, there will also be a possibility that their legitimacy being questioned. This is due to the fact that the company is unable to interact with the society effectively about their activities. Thus, in order to achieve the legitimacy, firm have to disclose their CSR information by following the legitimacy theory on a regular basis.

2.4. Hypothesis Development

2.4.1. Board size

From the perspective of legitimacy theory, one of the reasons for the organizations to engage in CSR disclosure is to achieve legitimacy in terms of their operations. In this sense, companies disclose CSR information in order to legalize their existence as well as enhancing the acceptance of the related parties. In this milieu, the size of board is known as one of the crucial factors of CSR disclosure and corporate governance efficiency. The study of Giannarakis (2013) found that the board size has influence on the CSR disclosure. Based on the study of Said et al. (2009), it unable to show that board size is negatively associated with CSR disclosure. Besides, Siregar and Bachtiar (2010) suggested that there is a significant positive and non-linear relationship between board size and disclosure of CSR. This was supported by the study of Ghazali (2007).

H_1: There is a positive relationship between board size and CSR disclosure.

2.4.2. CEO Duality

The word “duality” means that one individual plays a significant role as CEO and Chairman on the board of directors. In a company, the chairperson of board of directors and CEO are a same individual, it is known a “Lead director”. The combination of chairman and CEO will lead to leadership and governance issues. A different person holds the separate position of CEO and chairman will improve the board performance and hence increase the company performance. Moreover, the presence of CEO duality tends to concentrate the decision-making power on a specific individual with the consequences that might not maximize the shareholders’ wealth (Said et al., 2009). This will decrease the advantages from retaining the information that may affect the CSR disclosure of the company. From the legitimacy theory point of view, this can be considered as the situation whereby the organizations want to seize economic benefits by disclosing their CSR information in their annual reports.

H_2: There is a negative relationship between CEO duality and CSR disclosure.

2.4.3. Government Ownership

Government ownership is also known as government shareholding. Government retains partly of fully amount of shares in privatized companies. According to Ghazali (2007), he claimed that the percentage of government owned shares privatized firm as at December 2000 recorded 49.5%. Government holds shares in private entities can be known as the company owned by government. Therefore, public always has high concerns and expectations to the government owned company. The interview analysis by Annuar (2015) suggests the significant role of government ownership in government linked investment companies. As a result, government-owned company tends to engage more on social responsibilities activities, so that it can helps in increase the image and reputation. This is consistent with the legitimacy theory that assert organization disclose on CSR information to response to the institutional pressure in order to legitimize their business operations.

H_3: There is a positive relationship between government ownership and CSR disclosure.

2.4.4. Foreign Ownership

The total number of shares owned by foreign shareholders over the total number of shares issued by the company is known as foreign shareholding or foreign ownership. Haniffa and Cooke's (2005) study showed that PLCs in Malaysia use the strategy of actively involving in corporate social responsibility to attract the attention and interests of foreign investors. By doing so, the foreign investors tend to invest more by obtaining the shares in Malaysian company. As a result, the capital inflows of capital getting higher and performance of company improved. In order to be able gain the capitals continuously from foreigners, the firm will provide and disclosure the CSR on a constant period to fulfil the concern of investors. As asserted by the legitimacy theory, organizations disclose their CSR information in order to improve the perceptions their organizations as well as to seize economic benefits.

H_4: There is a positive relationship between foreign ownership and CSR disclosure.

2.4.5. Audit Committee Expertise

Audit committee has the responsibility in assisting the board of directors regarding the issues of financial reporting, internal and external audit functions, risk management system and internal control system. The legitimacy theory states that in order to legitimize their operations and grasp the economics benefits, the companies will disclose more on the CSR information. Jizi et al. (2014) proposed that the members of committee personnel may have a positive and voluntary attitude towards the disclosure of information while Akhtaruddin and Haron (2010) advocates that audit committee expertise lead to better level of voluntary disclosure. In addition, Appuhami and Tashakor (2017) reported the positive impact of audit committee expertise on CSR disclosure among Australian firms.

H_5: There is a positive relationship between audit committee and CSR disclosure.

3. RESEARCH METHODOLOGY

3.1. Research Design

A quantitative approach is used in this study to examine the impact of corporate governance mechanisms on social disclosure. determinants on CSR disclosure as this study adopts to an illustrative approach to data. Other than that, it is used to finalize the findings and hypothesis. This study uses the measureable data in the annual report. The research design of this study is cross-sectional analysis. This study examines the relationship among CSR disclosure, government ownership, foreign ownership, audit committee, CEO duality and board size. The data in this study will be extracted from the annual reports and DataStream. For the CSR disclosure, the study adopts and adapts the disclosure instruments by Haniffa and Cooke (2005). The sample of this study is top 50 Malaysian listed companies.

3.2. Model Specification

$$CSRD = \beta_0 + \beta_1 BDSIZE + \beta_2 CEODUAL + \beta_3 GOVTOS + \beta_4 FORGOS + \beta_5 AUDCOM + \varepsilon_i$$

Where;

$CSRD$	=	CSR disclosure index
$BDSIZE$	=	number of directors on board
$CEODUAL$	=	the presence CEO duality on board
$GOVTOS$	=	$\frac{number\ of\ shares\ owned\ by\ government}{total\ number\ of\ shares\ issued}$
$FORGOS$	=	$\frac{number\ of\ shares\ owned\ by\ foreign\ shareholders}{total\ number\ of\ shares\ issued}$
$AUDCOM$	=	number of committees who has an accountancy or finance background
ε_i	=	stochastic term

3.3. Measurement of Variables

Table 1: Measurement of variables

Variables	Variable Type	Description
CSR disclosure	Dependent	1. CSR Index covers 5 themes: community involvement, environmental, employee information, products and services information and value-added information. 2. CSDI: scores of ‘‘1’’, if the company disclose the items and ‘‘0’’, if it is not. 3. DCOR = $\sum_{j=1} \frac{dj}{n}$
Board Size	Independent	Numbers of directors included on the board
CEO Duality	Independent	CEO = Chairperson CEO ≠ Chairperson
Government Ownership	Independent	Shares owned by government (%) / Government linked companies Score “1”, if the company state % of government shareholding. Score “0”, if the company did not state % of government shareholding.
Foreign Ownership	Independent	Shares owned by foreigners (%) Score “1”, if the company state % of foreign shareholding. Score “0”, if the company did not state % of foreign shareholding.
Audit Committee Expertise	Independent	Number of audit committee member who has an accountancy and finance background
Firm size	Control	Total assets
Firm profitability	Control	ROA= $\frac{Net\ Profit}{Total\ Assets}$ ROE= $\frac{Net\ Profit}{Total\ Equity}$

3.4. Data Collection and Analysis Techniques

The data for CSR disclosure and other related variables will be collected from the annuals reports of top 50 companies listed on the main board of Bursa Malaysia in 2015 based on market capitalization. In terms of number of sample, 50 companies are considered as relevant and sufficient in this study. According to De Vaus (2002), in order to run the multivariate regression analysis, 1 independent variable requires at least 5 sample. As such, the total number of sample is able to meet the stated requirement. The year 2015 is chosen due to the fact that the study attempts to examine the effect of the CSR instruments developed by Haniffa and Cooke (2005) after 10 years of being introduced. Statistical Package for Social Science (SPSS) version 20.0 and E-views, version 8 is used to analyse the data in this study.

3.4.1. Multiple Regression Analysis

The multiple regression analysis is used to examine the relationship between only one dependent variable with more than 2 explanatory variables. Coefficient of determination (R^2 or r^2) used o to indicate how strong the relationship between variables. It used to explain how much of independent variable can affect the dependent variable. Regarding to this study, the degree of CSR disclosure of a company can be explained by the CEO duality, board's size, audit committee government ownership and foreign ownership.

Analysis of variance (ANOVA) is a statistical model developed by Ronald Fisher in the article of "*The Correlation between Relatives on the Supposition of Mendelian Inheritance* "in year of 1918. ANOVA is a method that analyse the variance between and within the 3 groups or more. Besides, ANOVA is extended to the t-test and z-test. In the ANOVA test, the dependent variable must be measurable which is index of CSR disclosure in this study. F-test equations are shown below to test on the level of variability of scores on different samples.

$$F = \frac{\text{Variance−between−group (SSB)}}{\text{Variance−within−groups (SSE)}}$$

3.5. Scoring Method

Content analysis is a way of gathering data and a method of systematizing graphics, figures, ideas or messages. It was commonly adopted to find out the index of CSR disclosure (Haniffa & Cooke, 2005; Abbot & Monsen, 1979). The measurement of CSR disclosure includes the five subjects i.e. environment, human resource, community, energy and product. The items disclosure will be pull out from annual reports and sum up all the items covers in the CSR disclosure. A CSR index (CSRI) will be form then. Dichotomous will be using to develop the CSR index. If the firm discloses the five themes in their report, it will get the score of "1" on the sheet, meanwhile if it is unsuccessfully make the disclosure, then the score "0" is recorded in the spread sheet.

$$DCOR = \sum_{j=1} \frac{dj}{n}$$

Where: DCOR = the total disclosures score
dj = score gain
n = the highest score that a firm can gain

Table 2: Research Instrument Used in Study

Themes	Items
Community involvement	General philanthropy
	Participation in government social campaigns
	Community programs (health & education)
Environmental	Environmental policies
	Raw material
	Environmental protection programme
	Award from environmental protection
	Support for public/private action design to protect the environment
Employee Information	Employee appreciation
	Discussion on employee welfare
	General redundancy
	Policy on training
	Recruitment problems
	Discussion of ways to overcome recruitment problems
	Number of employee
	Categories of employees by race
	Categories of employees by age
	Nature of training
	Number of employees trained
	Amount spent on employees training
	Categories of employees trained
Product or Services Information	Discussion of major types of products
	Pictures of major types of products
	Improvement on product quality
	Improvement in customer services
	Customer awards/ratings receive
Value-Added Information	Value-added statement
	Value-added data/ratios

Source: Haniffa and Cooke (2005).

4. RESULTS AND DISCUSSIONS

4.1. Descriptive Statistics

Table 3 below presents the descriptive statistics of all of the independent variables and control variables in the study. Total sample in this study is top 50 companies listed in Bursa Malaysia.

Table 3: Descriptive Statistics

	N	Mean	Minimum	Maximum	Standard Deviation
Board Size	50	9.42	6	16	2.186
CEO duality	50	0.08	0	1	0.274
Government Shareholding	50	0.22	0	1	0.418
Audit Committee	50	1.68	1	3	0.683
Foreign Shareholding	50	0.34	0	1	0.4785

Table 3: continued

ROA	50	6.6276	0.01	75	11.6205
ROE	50	14.2932	-0.60	166	27.1055
Total Assets	50	57871234870	17259615	7.E+11	1.291 E+11

The mean, minimum amount, maximum amount and standard deviation for board size are 9.42, 6, 16 and 2.186 respectively. Next, CEO duality, government shareholding and foreign shareholding data are recorded by using dichotomous method. This means that, 0 is the minimum amount and 1 is the maximum amount. CEO duality is whether the position of CEO and chairperson of a company holds by a same person. The mean and standard deviation of CEO duality are 0.08 and 0.274 respectively.

Government shareholding is the percentage of shares belongs to government to the total number of shares issued by the companies. Meanwhile, foreign shareholding is the percentage of shares held by foreigners to the total number of shares issued by the companies. The mean for government shareholding and foreign shareholding are 0.22 and 0.34, the standard deviation is 0.418 and 0.4785 correspondingly. For audit committee, the maximum number of member is 3 while the minimum number is 1. The mean of audit committee is 1.68 while the standard deviation is 0.683.

4.2. Pearson Correlation Analysis

Table 4: Pearson Correlations

		CSR	**Board Size**	**CEO Duality**	**Gov. S.**	**Audit Com.**	**Foreign S.**
CSR	Pearson Correlation	1	.215	.023	.220	.201	.397**
	Sig. (2-tailed)		.134	.874	.125	.163	.004
	N	50	50	50	50	50	50
Board Size	Pearson Correlation		1	-.125	-.014	-.072	.231
	Sig. (2-tailed)			.386	.924	.619	.106
	N		50	50	50	50	50
CEO Duality	Pearson Correlation			1	-.157	-.078	-.212
	Sig. (2-tailed)				.277	.588	.140
	N			50	50	50	50
Gov. S.	Pearson Correlation				1	-.034	.638**
	Sig. (2-tailed)					.813	.000
	N				50	50	50

Table 4: continued

Audit Com.	Pearson Correlation	1	-.035
	Sig. (2- tailed)		.810
	N	50	50
Foreign S.	Pearson Correlation		1
	Sig. (2-tailed)		
	N		50

Notes: **, Correlation is significant at the 0.01 level (2-tailed). *, Correlation is significant at the 0.05 level (2-tailed).

Based on the Table 4 above, it can be said that there is no multicollinearity problem exist in this study. The correlation among all the independent variables is less than 0.90. Although the government shareholding and foreign shareholding have the highest correlation value which is 0.638 and significant at 1% significance level, but it still not more than 0.90.

4.3. Multiple Regression Analysis

Multiple Linear Regression is one of the popular method used in many past researches to evaluate the variability to the development of CSR. In this study, multiple linear regression used to signify how much the affection of independent variables on the variance in dependent variable. Tables provided below are the result from the analysis.

Table 5: Result of Multiple Regression Analysis

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.409	8	0.051	3.466	0.004
Residual	0.604	41	0.015		
Total	1.013	49			

By referring to be Table above, the F-statistic value is 3.466 with a significance level of 0.004. According to the theory, it can be concluded that the more variance in the regressand is explained by the regressors as the greater the F-statistic value. The relationship between regressand and regressor is directly proportional.

Table 6: Model Summary of Multiple Regression Analysis

R	0.635
R Square	0.403
Adjusted R Square	0.287
Standard Error of the Estimate	0.1214

Based on the Table 6 above i.e., Model summary of Multiple Regression Analysis, the R value of 0.635 represents an average degree of correlation between the dependent variable and independent variables. Next, the R square figure shows how much of the independent variable can affect the dependent variable. In this study, the R square is 0.403. This signifies that 40.3% of the degree of

CSR disclosure of a company can be explained by the CEO duality, board's size, audit committee government ownership and foreign ownership.

Table 7: Determinants that Affect CSR Disclosure

CSR score	Coefficient	Standard Error	t-statistic	Sig.
C	0.1494	0.1002	1.4911	0.1436
Board Size	0.0117	0.0085	1.3837	0.1739
CEO duality	0.0907	0.0658	1.3787	0.1755
Government Shareholding	-0.0044	0.0567	-0.0772	0.9388
Audit Committee	0.0584	0.0266	2.1968	0.0337**
Foreign Shareholding	0.1098	0.0548	2.0032	0.0518*
ROA	-0.0009	0.0030	-0.2909	0.7726
ROE	0.0019	0.0013	1.4747	0.1479
Total Asset	3.69E-13	1.49E-13	2.4750	0.0175

Notes: ** means correlation is significant at the 0.05 level. * means correlation is significant at the 0.10 level.

Based on the output in Table 7, the following equation is formed:

$$\boldsymbol{CSRD = 0.1494 + 0.0117\,BDSIZE + 0.0907\,CEODUAL - 0.0044\,GOVTOS + 0.1098\,FORGOS + 0.0584\,AUDCOM}$$

From the estimated regression equation above, it can be concluded that CSR disclosure has a positive relationship with board size, CEO duality, audit committee and foreign shareholding. However, the variables like board size and CEO duality have no significant positive association with CSR disclosure as the p-value is more than 0.10. Variables audit committee and foreign shareholding showed significant positive relationship with CSR disclosure as their p-value is less than 0.10. Government shareholding is the only one independent variable which has a negative relationship with CSR disclosure. The results hence indicate that hypothesis 1, hypothesis 4 and hypothesis 5 have to be accepted whereas hypothesis 2 and hypothesis 3 have to be rejected.

As illustrated in the table above, the most important factor of the CSR disclosure is foreign shareholding as it has the highest coefficients among all other independent variables. The coefficient of foreign shareholding equals to 0.1098 indicating that 1-unit increase in foreign shareholding will increase 0.1098 unit in CSR disclosure, holding other determinants constant. The p-value of foreign shareholding equals to 0.0518 which is significant 10% significance level. This can be explained by the fact that the Malaysian public listed companies are actively involved in the aspect of corporate social responsibility in order to gain the attention and interests of foreign investors. As a result, the foreign investors tend to invest more in the related companies. As such, this support Khan (2010) that stated the existence of foreign shareholding and nationalities in company enable the managements to take more initiatives in improving the communication with the public by disclosing the CSR information in the annual reports.

Besides, the results show positive and significant relationship between audit committee and CSR disclosure. The coefficient of audit committee is 0.0584 which is also indicates that each 1% increase in audit committee will bring 0.0584% of increment in CSR disclosure, other variables remain constant. The p-value of audit committee is 0.0337 which is smaller than α (0.10) at 10% level of significance. This is consistent with Appuhami and Tashakor (2017) that reported the positive effect of audit committee expertise on CSR disclosure among the Australian firms. This can be supported by the fact that the audit committee members tend to be more productive and efficient in disclosing information publicly as well as aim to increase the transparency of information reveals to the public.

Consistent with expectation, board size shows a positive correlation with CSR disclosure but it is not significant as the p-value of the variable is 0.1436 which is greater than 0.10 at 10% level of significance. The statistically significant coefficient of 0.0117 indicate that for every 1% increase in board size will increase the CSR disclosure by 0.0117%, keeping other determinants constant. The correlation found in this study is consistent with Ghazali (2007) and Isa and Muhammad (2015). They pointed out that managers and leaders on board helps in increasing the voluntary level of disclosing CSR information. Besides, big board size will normally consist of more skilled or expertise as compared to small sized board.

On the other hand, CEO duality is positively associated with CSR disclosure. The p-value is 0.1739, while the coefficient equals to 0.0907. This represents that for every 1% increase in CEO duality, CSR disclosure will increase by 0.0907%. In the perspective of CEO duality, there are two different point of views. First, it supports the separation of roles whereas the other view argues that the separation is not important because there are evidences reflecting that corporations even with roles combined are well operated and have a strong and efficient board for monitoring purposes. The positive relationship is consistent with Elsayed (2007). The finding suggests that the board of directors prefer the CEO duality exists in the corporate when the corporate performance is relatively low. This means that CEO duality helps in improving firm performance. Thus, the level of voluntary disclosure of CSR in annual reports will be increase as well.

Conversely, CSR disclosure has a negative and insignificant relationship with the government shareholding. The p-value of government shareholding is 0.9388 implies that government shareholding has insignificant influence on CSR disclosure and the coefficient of -0.0044 expresses the negative relationship between CSR disclosure and government shareholding. For every 1 unit increase in government shareholding will decrease the CSR disclosure by 0.0044 unit, with other variables being equal. In this study, although the relationship between government shareholding is not in line with the hypothesis but it is consistent to the finding of Ghazali and Weetman (2006). The negative correlation can be justified by the fact that the ownership by government institutions might not require the corporations to provide extensive disclosure because they are being monitored by the government in a separating way (Ghazali & Weetman, 2006). The insignificance relationship between government shareholding and CSR disclosure implies the coercion isomorphism level that might not be strong enough to guide or encourage companies to disclose information voluntary and significantly.

With regard to the control variables, total asset shows positive and significant relationship with CSR disclosure. The p-value of total asset is 0.0175 which is lower than 0.10 and significant at 10% significance level which is consistent with the studies of Deegan and Gordon (1996) and Khan (2010). This implies that larger corporations face more pressure from public than smaller corporations as larger corporations have larger group of shareholders. Therefore, they tend to disclose CSR information voluntary in order to satisfy shareholders' concern. Meanwhile, profitability ratios such as ROA has negative relationship; ROE is positively correlated with CSR disclosure. However, both the profitability ratios show insignificant relationship which this finding is consistent with the past studies (Hackston & Milne, 1996; Patten, 1991). The positive correlation of ROE with CSR disclosure indicates this variable will improve corporation financial performance which fulfilling investors' demands. On the other hand, the negative relationship between ROA and CSR disclosure suggests that if the corporation tends to disclose more about the CSR information, the corporation needs to incur additional expenditure that will put the corporation at an economic disadvantage as compared to corporations that disclose less (Vance, 1975).

5. CONCLUSION AND LIMITATIONS OF THE STUDY

Arena et al. (2018) suggested that the awareness of CSR in Malaysia and Indonesia can still be regarded as lacking and inconsistent. Hence, the findings of the study are only not perceived as beneficial to increase the awareness with respect to the CSR disclosure among Malaysian Leading Public Listed Companies but also useful to a number of related parties such as the corporate players, corporations and statutory authorities.

In this perspective, the results of the study provide evidence on the relationship between governance mechanisms and disclosure of CSR information. This will enable the respected stakeholders to have a clear understanding on the effect of the corporate governance characteristics that will eventually enhance the disclosure of CSR information in the annual reports of the Malaysian leading companies to their respective stakeholders.

The main findings of the study have advocated that the audit committee expertise as well as the foreign shareholding are significantly related to CSR disclosure. Hence, the study contributes to theoretical and practical setting of the corporate governance structure particularly in the Malaysian context. In this perspective, the findings of the study suggest that those listed companies with better level of CSR disclosure information is linked to the audit committee expertise as well as foreign shareholding.

In other words, the findings are consistent with the assertion of the legitimacy theory on the vital roles of the corporate governance structure particularly the audit committee expertise and foreign shareholding on the CSR disclosure level among top Malaysian companies. In this viewpoint, the big companies' reactions on the CSR disclosure reflects of the views of the legitimacy theory on the importance of being accepted and legitimized by the industry and community.

The study, nonetheless, has its own limitations. First, the sample of this study is 50 big corporations in Malaysia. Therefore, the results of the study cannot be generalized to other listed companies excluded in the research. The other limitation of the study is that the study only examines the annual report for 2015. As such, the relationship between governance structure and CSR disclosure information examined for the pre and post 2015 are unknown.

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