

The Trend of CSR Disclosures and the Role of Corporate Governance Attributes: The Case of *Shari'ah* Compliant Companies in Malaysia

Abdifatah Ahmed Haji¹

SCICOM (MSC) BHD
Malaysia

Abstract

This study examines the trend of corporate social responsibility (CSR) disclosures and the role of corporate governance attributes in the CSR disclosures of *Shari'ah* compliant companies (ShCCs) in Malaysia for the years 2006 and 2009, a period which corresponds before and after a plethora of significant changes in Malaysia, encompassing the recent financial crisis and policy changes in the form of corporate governance restructuring. Using a CSR disclosure checklist, the extent and quality of CSR discourses of a sample of 76 ShCCs was examined. The results indicate that the extent and quality of CSR disclosures by the ShCCs is in overall low. However, there was a significant increasing trend in both the extent and quality of the CSR disclosures by the ShCCs over time. results of this study offer a number of practical implications. First, whilst the findings reveal a significant increasing trend of CSR information subsequent to the policy changes and the recent financial crisis, the CSR information was however not systematically provided, with most of the disclosures being stated in a narrative form. Hence, the policy makers in Malaysia may want to re-enforce the mandatory requirement of CSR information and provide a detailed CSR framework for the companies to follow such as "what" and "how" the CSR information should be disclosed. Second, the role of corporate governance attributes in the social disclosures of the ShCCs did not improve following the revised code, perhaps due to the unfolding recent global financial turmoil which may have undermined the effectiveness of the corporate governance attributes. Finally, this study offers the first empirical study to have assessed the trend of CSR disclosures and the role of governance attributes in CSR disclosure practices by the ShCCs.

Keywords: *Shari'ah Compliant Companies, Social Disclosures, Corporate Governance, Annual Reports, Malaysia*

¹Abdifatah Ahmed Haji holds MSc in Accounting from the International Islamic University Malaysia (IIUM). His research interests arise from accounting practices in emerging economies particularly in the areas of corporate disclosure and governance. He has published several articles in refereed academic journals of repute such as the *International Journal of Disclosure and Governance*, *Journal of Intellectual Capital*, *Journal of Human Resource Costing & Accounting*, *Asian Review of Accounting*, *Journal of Humanomics*, *Managerial Auditing Journal* among others. He also presented a number of papers in several international accounting conferences. Mr. Ahmed Haji can be contacted at abdifatah.ahmedhaji@scicom.com.my or fitka7@hotmail.com.

Introduction

Over the last few decades, there has been a growing awareness and demand across the global Muslim community for investing in line with the precepts of Islamic teachings, making the Islamic financial hub as a blooming industry (Hassan and Abdul latiff, 2009; Hassan and Harahap, 2010). A number of Muslim countries including Malaysia addressed this growing need of the Muslim community and established Islamic capital markets for *Shari'ah* (i.e., Islamic law) compliant securities. For instance, public listed companies in Malaysia are categorised as either *Shari'ah* or non-*Shari'ah* compliant companies. The *Shari'ah* classification forms a significant portion of the Malaysian economy, accounting for 88 per cent of the listed securities or two-thirds of the country's market capitalization as of December 2010 (Ahmed Haji and Mohd Ghazali, 2013). The decision as to whether a particular company is a *Shari'ah* compliant is made by the *Shari'ah* Advisory Council (SAC) of the Malaysian Securities Commission (SC). The SAC monitors the business activities of the companies to ensure that they maintain the '*Shari'ah* compliant company' status. Whilst the business operations of *Shari'ah* and non-*Shari'ah* compliant companies are largely the same, the operations and objectives of the *Shari'ah* compliant companies (ShCCs henceforth) must conform to the principles of Islamic *Shari'ah*. For instance, such companies must not involve certain business practices such as dealing with any form of interest, gambling, selling alcoholic beverages, production of non-*halal* products or services among other prohibited business transactions in the Islamic law.

In addition, companies in the *Shari'ah* category are expected to involve socially acceptable activities that fall within the scope of the Islamic law (Hassan and Harahap, 2010). Adequate practices such as good governance, corporate social responsibility (CSR) and transparency are encouraged as an integral part of the ShCCs operations (Hassan and Harahap, 2010; Ahmed Haji and Mohd Ghazali, 2013). For instance, the social aspect of *Shari'ah* compliant companies is ideally regarded as equally important (if not more) as their financial dimension (Haniffa and Hudaib, 2007). The CSR activities are highly encouraged in Islam to eradicate poverty and promote social welfare. Communication of the CSR programs is also recommended as it could aid accountability between the entity and the stakeholders on the entity's operations (Baydoun and Willet, 2000).

This study examines the CSR disclosure practices of ShCCs in Malaysia overtime, when the Malaysian business environment witnessed several notable incidents including the recent global financial downturn and policy changes in the form of governance restructuring. In Malaysia, there has been a growing literature on CSR disclosure practices recently (e.g., Anuar et al., 2004; Yahya et al., 2005; Haniffa and Cooke, 2005; Mohd Ghazali, 2007; Amran and Devi, 2008; Said et al., 2009; Saleh et al., 2010; Esa and Mohd Ghazali, 2012; Ahmed Haji, 2013). The evidence shows an increasing trend of CSR disclosures, perhaps due to a plethora of CSR-specific awareness programs initiated by both the Malaysian government as well as the business community in recent years (Esa and Mohd Ghazali, 2012; Ahmed Haji, 2013). Much of the existing CSR literature in Malaysia, however, examine listed companies in general, with very few of the studies explicitly looking at the CSR practices of ShCCs (e.g., Anuar et al.,

2004; Yahya et al., 2005; Mohammed et al., 2010). The studies with focus of ShCCs were exploratory in nature as they usually investigate the status of the social disclosures. Other exploratory studies with focus of Islamic banks have also been undertaken elsewhere, mainly in the Gulf region (e.g., Maali et al., 2006; Aribi and Gao, 2010; Hassan and Harahap, 2010).

The studies documented mixed findings on the status of the social disclosures of the companies adhering to the Islamic principles. Consistent with the idealistic expectations on accountability and transparency, a number of prior studies found that *Shari'ah* compliant companies provide higher CSR disclosures than their conventional counterparts (e.g., Anuar et al., 2004; Aribi and Gao, 2010). Other studies, however, found lower social disclosures of *Shari'ah* companies or Islamic banks (Maali et al., 2006; Haniffa and Hudaib, 2007; Hassan and Harahap, 2010; Abdul Rahman et al., 2010).

The present study identifies two research gaps and intends to contribute to the growing CSR literature, particularly from the context of ShCCs. First, the extant CSR literature scarcely examines the trend of CSR disclosure practices of ShCCs. This study therefore assesses the CSR disclosures of ShCC over a two-year period of time, 2006 and 2009, to see the trend of CSR practices of those companies over time, particularly a period which corresponds before and after the recent global financial crisis and corporate governance restructuring. Second, much of the existing literature does not examine the role of corporate governance attributes in the CSR disclosures of ShCC. As a result, this study investigates the relationship between CSR disclosures and governance attributes of ShCCs in Malaysia in the years 2006 and 2009. The results would offer interesting insights not only because the relationship between governance attributes and CSR disclosure practices of ShCCs has not yet been examined, but because this undertaking presents the role of governance attributes in the social disclosures of ShCCs before and after the revised code of corporate governance in Malaysia. The code of corporate governance was recently revised in 2007 to encourage public listed companies to develop adequate governance practices. In sum, this study intends to examine the following two research questions:

1. *What is the extent and quality of CSR disclosures by Shari'ah compliant companies in Malaysia for the years 2006 and 2009?*
2. *What is the role of corporate governance attributes in the extent and quality of CSR disclosures by Shari'ah compliant companies?*

Based on a self-constructed CSR disclosure checklist, the findings of the present study indicate that the extent and quality of the CSR disclosures of ShCCs is in overall low. However, the findings revealed a statistically significant increase in both the extent and quality of the disclosures between 2006 and 2009. The significant increasing trend of CSR disclosures showcases a general increasing trend of CSR practices in the Malaysian business environment (Esa and Mohd Ghazali, 2012; Ahmed Haji, 2013). In terms of the role of governance attributes in CSR practices, multiple regression results reveal that board size as marginally significant and positive in both years, with some improvement in the year 2009. Family members on the board show a negative associa-

tion with the CSR disclosures in the year 2009. Government ownership is also significant and positive but only in the year 2006. None of the other governance indicators such as independent directors and board meetings explain the CSR disclosure practices of ShCCs in Malaysia. Control variables such as firm size and profitability have a positive association with the CSR disclosures of the ShCCs, with firm size having positive association in both years whilst profitability is only significant in the year 2006, before the financial turmoil.

The remainder of the study is organized as follows. The next section reviews the extant CSR literature and briefly discusses CSR from an Islamic perspective. The third section develops the research hypotheses whilst section four details the research methodology and data collection procedures. Section five presents the research analyses and findings while section six provides some concluding remarks.

Literature Review

Whilst the CSR disclosure literature is growing in the Malaysian environment (e.g., Haniffa and Cooke, 2005; Mohd Ghazali, 2007; Said et al., 2009; Saleh et al., 2010; Esa and Mohd Ghazali, 2012; Ahmed Haji, 2013), only few studies explicitly examined CSR practices of ShCCs (e.g., Anuar et al., 2004; Hassan and Christopher, 2005; Yahya et al., 2005; Mohammed et al., 2010). The studies usually explore the level of the CSR disclosures by the ShCCs.

Anuar et al. (2004) compared the CSR disclosure practices, with special focus to environmental disclosures, of *Shari'ah* and non-*Shari'ah* approved firms. The authors found that ShCCs in Malaysia provided higher amount of CSR disclosures than their non-ShCCs counterparts. The study attributes the higher amount of CSR disclosures by the ShCC to Islamic values such as accountability and full disclosure concepts (see, Baydoun and Willet, 2000).

Contrary to Anuar et al.'s (2004) findings, Hassan and Christopher (2005), who compared the CSR disclosures of one Islamic and two conventional banks in Malaysia, found that the Islamic bank provided less amount of CSR disclosures compared to the conventional banks. Their study also documented that the Islamic bank had a lower level of the overall voluntary disclosures. However, the limited sample size of the study may have provided limited evidence. In addition, Yahya et al. (2005) investigated the CSR disclosures in the annual reports of ShCCs in Malaysia. The authors found that almost 53% of the sample disclosed the CSR items in their index. However, a large number of the sample firms failed to disclose CSR items, implying that the *Shari'ah* companies' involvement in social activities is very low.

Recently, Mohammed et al. (2010) explored the sustainability disclosures of ShCCs. Examining the corporate website disclosures, the results of the study show that the sample companies provided lower amount of *Shari'ah* compliance related information as compared to governance and CSR themes. This is due to the absence of a mandatory disclosure guideline for the ShCCs to follow in releasing their compliance to the

Shari'ah principles such as their investments decisions, revenue sources and zakat statements.

A number of other studies have been undertaken in other countries to examine the social disclosures of Islamic banks (e.g., Maali et al., 2006; Haniffa and Hudaib, 2007; Hassan and Harahap, 2010; Aribi and Gao, 2010). These studies explored the social disclosures of Islamic banks operating in several countries, mainly in the Gulf region. Maali et al. (2006) examined the social disclosures of 29 Islamic banks located in 16 countries. Using a social disclosure index to compare the desired and the actual disclosures, they found that the social disclosures in the annual reports of the Islamic banks fell short to expectations. The study implies that the social disclosures of Islamic banks were more of good news, as the banks provided more disclosures on *zakat* and charity themes, hence, the disclosures were aimed to enhance the banks' image.

Similarly, using an ideal disclosure checklist as a benchmark, Haniffa and Hudaib (2007) examined the disclosures of seven (7) Islamic banks longitudinally. The results indicate that only one bank out of the seven provided disclosures above the average. More recently, Hassan and Harahap (2010) adopted the approach developed by Haniffa and Hudaib (2007) to compare the ideal and the actual CSR disclosures of seven (7) Islamic banks in the same Gulf region. Similar to the finding by Haniffa and Hudaib (2007), the study found that only one bank out of the seven banks examined provided CSR disclosures above the average. The findings appear to suggest that there is gap between the desired and the actual CSR disclosure practices. Sulaiman (2005) earlier highlighted similar rationale and stated that there is a huge difference between the ideal theoretical reporting framework advocated in academic discussions and the actually practice of Islamic organisations. This could be due to the absence of reporting standards for the firms to follow.

Adding this line of research, Aribi and Gao (2010) compared the CSR disclosures in the annual reports of 21 Islamic Financial Institutions (IFIs) and their conventional counterparts (also 21) in the Gulf region. The results indicated that the IFIs provided significantly higher CSR disclosures compared to the conventional institutions. However, the higher CSR disclosures by the IFIs was largely due to religious related items included in the checklist such as *Shari'ah* supervisory board reports, *Zakat* and charity donation dimensions among others. These items set aside; there was no significant difference between the CSR disclosures of IFIs and their conventional counterparts, albeit the social disclosures of IFIs were still slightly higher.

The preceding review to the extant literature shows that there is growing studies with focus of *Shari'ah* complaint companies' CSR disclosure practices. However, a number of research gaps arise from the existing literature. First, the studies did not examine the trend of CSR disclosures by the ShCCs following changes in the market place to see the impact of such changes on the social disclosure practices of the ShCCs. Second, the extant literature does not examine factors influencing the disclosures of the ShCCs as most studies explore the status of the CSR disclosures. This study is an attempt to contribute to the growing literature on the CSR disclosure practices of

ShCCs. The evidence, which is drawn from listed ShCCs in Malaysia, presents the CSR disclosures of the sample companies before and after a number of significant changes in Malaysia including the recent global financial downturn, governance restructuring and mandatory requirement of CSR information among a number of other changes. The study also investigates the role of governance attributes in the CSR disclosures of the ShCCs.

CSR from an Islamic Perspective

There is no one commonly accepted definition for CSR (Hassan and Harahap, 2010), but Carroll's pyramid (1979, 1991) suggests four CSR dimensions namely, economic, legal, ethical and philanthropic. Carroll's conceptualization of CSR underlines that companies must be economically sound in order to satisfy other secondary responsibilities; hence, there is a cause and effect relationship between economic well being of the companies and their philanthropic responsibility. Gray et al. (1995, p. 55) view CSR as a way "companies use their accounting to construct themselves and their relationships with others as they strive to create and maintain the conditions for their continued profitability and growth". Both Carroll (1991) and Gray et al. (1995) perceive CSR activities as only worldly affair, which if not undertaken, could result, at the worst, legal and corporate bottom-line (profitability) repercussions.

However, CSR from an Islamic perspective takes a broader view and takes into consideration not only the financial return of CSR activities from good image and legitimacy of the companies within the society, but also as a form of good deed (*ibadah*) which serves favourably to one's life in the hereafter. The Islamic worldview maintains that entities are not just accountable to the society but also to Allah (the Almighty). Accountability to the society is inseparable to that of Allah (Maali et al., 2006) as the people are the vicegerents on the earth. Siwar and Hossain (2009) stated that Islam is not merely a religion but also a complete way of life. It is a religion that guides not only individuals but also entities. Benevolence, trust, justice and accountability are some of the social and individual values advocated in Islam that are inherent in business dealings, politics as well as social spheres. It is also stressed in Islam the concept of universal brotherhood which suggests that all Muslims are brothers irrespective of their ethnic origin or colour and should take care of each other (Maali et al., 2006). Firms operating within the *Shari'ah* principles are expected to be conscious about these basic Islamic values and as a result undertake CSR programs to help the community resolve their economic problems (Abdul Rahman et al., 2010). The notion embedded in CSR activities from an Islamic perspective is not to satisfy regulatory requirements or worry about lost profits but rather a way to achieve success both in this life and the hereafter (*akhira*).

Maali et al. (2006) provide several illustrations on how CSR is encouraged in Islam. The prohibition of dealing with any form of interest, the payment of mandatory *zakat* on both individual and corporate wealth upon a certain level of wealth as well as voluntary charitable contributions, dealing with people justly are some examples that form part of CSR activities which are encouraged in Islam. Rather than charging interest to

the needy individuals or companies, it is alternatively highly appreciated in Islam for companies to provide *Qard Hassan*, which is a 'non-interest' bearing loan (Abdul Rahman et al., 2010). Environmental preservation is also highly encouraged in the Islamic values. These perspectives on CSR from the Islamic worldview offer a different ideology for CSR practices, with the undertaking of any CSR activity being a religious practice. Hence, firms operating within the *Shari'ah* principles are expected to involve higher amount of CSR activities.

Research Hypotheses

The Trend of CSR Disclosures by ShCCs

In recent years, there has been a growing trend of CSR disclosures in the Malaysian corporate environment, with recent studies showing a significant increase in the CSR disclosure practices of listed companies (Esa and Mohd Ghazali, 2012; Ahmed Haji, 2013). The increase was attributed to numerous factors and contextual changes taking place within the Malaysian business domain as well as the recent global financial crisis (Ahmed Haji, 2013). The contextual changes include the mandatory requirement of CSR information with effective from 2007, the introduction of the revised code of corporate governance in 2007, and the Malaysian government's initiative of CSR-specific awards such as the Malaysian Prime Minister's CSR award among other plethora CSR related awareness programs.

From a legitimacy theory perspective, companies would adopt different social disclosure strategies following changes in the Market place to maintain and legitimise their future existence. The social contract underlines that a company must conform to the basic social values in order to survive within the relevant public in the long-term. One way of doing this is undertaking socially desirable business activities through the production of quality products/services, preserving the natural resources such as the environment and extending a helping hand to the needy. These activities are in turn communicated in the corporate information channels such as the annual reports to signal the firm's adequate business practices and obtain legitimacy from the various stakeholder groups.

Empirical studies have shown that companies have released significantly higher CSR disclosures following changes in the market place to address the arising incidents. The changes that have led companies to respond to increased CSR disclosures usually include natural disasters, financial crisis and regulatory changes. The CSR disclosures were used as dialogue between the company and the divergent stakeholders to show that the firms are socially aware and avert the possibility of a legitimacy gap. Deegan et al. (2000), for instance, reports increased social disclosures in selected Australian firms following natural disasters. Chua et al. (2013) similarly documented an increasing trend of CSR disclosures following regulatory changes in the Chinese mainland. Using Malaysian data, Ahmed Haji (2013) found increased CSR disclosures in the Malaysian business environment following the recent global financial turmoil and the revised code of corporate governance. All these studies attributed the increase in the CSR disclosure practices as a corporate strategy to address the arising changes in the

market place in an attempt to avoid legitimacy crisis.

This study examines the *Shari'ah* compliant companies' CSR disclosure practices before and after the recent changes in the Malaysian business environment. The expectation is that these changes taking place in Malaysia, and the recent financial crisis in particular, would encourage *Shari'ah* compliant companies to involve higher amount of CSR practices consistent with the teachings of Islamic values such as benevolence and brotherhood to not only legitimise their future existence but also as a form of purification of their wealth (*ibadah*). Firms operating within the bounds of Islamic principles are expected to be conscious of the community (Abdul Rahman et al., 2010), especially during a financial crisis period of time (Ahmed Haji and Mohd Ghazali, 2013). The involvement of CSR activities are expected to be disclosed in the annual reports by the ShCCs to encourage other companies to adopt similar practices, which is also a CSR initiative of its own. Hence, this study predicts an increase in the CSR disclosures of ShCCs following the recent changes in Malaysia in developing the following hypothesis:

H1: *There is an increase in the CSR disclosures of ShCCs following the recent changes in the Malaysian business environment*

The Role of Corporate Governance Attributes in CSR Disclosures

Board Size

The size of the board of directors and its relation to corporate performance and transparency is a widely discussed matter in the corporate governance literatures (Mak and Kusnadi, 2005; Mohd Ghazali, 2010). Whilst the evidence is not conclusive, a large number of empirical studies reported a negative relationship between corporate performance and board size (e.g., Yermack, 1996; Mak and Kusnadi, 2005), citing that larger board size is ineffective in quick decision making and can easily be controlled by the executive directors (Lipton and Lorsch, 1992). However, other studies found evidence in favour for larger board size (Belkhir, 2009; Ahmed Sheikh and Wang, 2012), arguing that the firm can benefit from the increased pool of expertise.

Limited studies had been undertaken to assess the role of board size in corporate disclosures, particularly CSR information (Said et al., 2009; Esa and Mohd Ghazali, 2012; Ahmed Haji, 2013). While Said et al. (2009) found insignificant results, Esa and Mohd Ghazali (2012) and Ahmed Haji (2013) both reported significant positive association between CSR disclosures and board size of Malaysian listed companies. The extant literature did not specifically examine ShCCs, however.

The current study expects that the board of directors of ShCCs would be conscious of the Islamic values of a firm's social responsibilities and would therefore encourage CSR practices. The directors may do so because these activities will serve as good deeds (*ibadah*), which would be credited to their accounts favourably in the hereafter. The directors of ShCCs are also expected to prefer transparency over secrecy in an effort to become accountable to the community. Hence, the current study predicts a positive association between CSR disclosures and board size, particularly following the

revised code of corporate governance and the increased awareness on CSR practices in the Malaysian environment. Hence, the following hypothesis is formulated:

H2: *There is a significant positive association between the CSR disclosure practices of ShCCs and board size.*

Independent Non-executive directors

The corporate governance literature recommends an adequate representation of outside directors within the corporate boards (Jensen and Meckling, 1976; Fama and Jensen, 1983). Independent non-executive directors (INDs) represent the interests of minor shareholders and their presence is required to monitor and control the actions of executive directors (Jensen and Meckling, 1976), because they offer an independent opinion toward positive decisions, including CSR practices (Haniffa and Cooke, 2002). However, research questions the ability of outside directors to influence board decisions given their limited knowledge of inside operations and their restricted involvement of corporate operations (Baysinger and Butler, 1985; Patton and Baker, 1987). Their role of multiple other companies may also undermine the effectiveness of their functions.

The outside directors of ShCCs might be expected to serve as a check-and-balance that these companies are operating within the bounds of *Shari'ah* principles. It could also be anticipated that the outside directors in the boards of ShCCs have an understanding of the Islamic values such as helping the needy, accountability and transparency issues, thus, offering their independent opinion to key social decisions.

Albeit not specifically focusing on the ShCCs, a number of studies have documented mixed results on the association between CSR disclosures and INDs (Haniffa and Cooke, 2005; Said et al., 2009; Khan, 2010; Esa and Mohd Ghazali, 2012; Ahmed Haji, 2013). Khan (2010) documents positive association between INDs and CSR disclosures in Bangladesh. In Malaysia, While Esa and Mohd Ghazali (2012) reported negative association between CSR disclosures and INDs, other studies found no association (e.g., Haniffa and Cooke, 2002; Said et al., 2009; Ahmed Haji, 2013). This study expects a positive association between the CSR disclosures and INDs of ShCCs in developing the following hypothesis:

H3: *There is a significant positive association between the CSR disclosure practices of ShCCs and INDs.*

Board Meetings

The activities of the board, as signalled by the frequency of their meetings, are vital to the overall organizational performance (Nkundabanyanga et al., 2013). The underlining explanation is that meetings would allow board members to come together, share ideas and address arising organisational matters. Meetings are also an indication of the commitment of the board members and a signal of active and effective board (Khanchei, 2007; Nkundabanyanga et al., 2013).

Empirical studies show a positive association between board meetings and firm performance (e.g., Brown and Caylor, 2004). Very few studies have been undertaken to

examine the association between CSR disclosures and board meetings. For instance, albeit not explicitly focusing on the ShCCs, Ahmed Haji (2013) documented insignificant relationship between CSR disclosures and board meetings following the revised code of corporate governance in Malaysia. The motivation asserted in this present study is the lack of prior empirical study that had examined the relationship between frequency of board meetings and the CSR disclosures of ShCCs. Such undertaking is expected to serve as basis for future line of research investigating the role of governance attributes in the social of ShCCs.

Building on the recent governance restructuring, this study expects a positive association between board meetings and CSR disclosures of ShCCs, especially following the revised code of corporate governance in Malaysia. The following research hypothesis is therefore formulated:

H4: *There is a significant positive association between the CSR disclosure practices of ShCCs and board meetings.*

Family Members on the Board

Public listed companies in Malaysia including ShCCs must disclose in their annual reports the family relationship among the directors sitting in the board and any family relationship between the directors and the major shareholders of the company. According to the Malaysian Companies Act 1965, family relationship includes the spouse, parent, child, brother, sister and the spouse of such child brother or sister.

Family members in the board are a significant feature in most companies in Malaysia, holding substantial shares (Claessens et al., 2000; Mohd Ghazali and Weetman, 2006). It is contended that a high proportion of family directors in the board, which is an indication of a closely-held company, can be related to lower voluntary disclosures in the annual reports (Wallace and Naser, 1995). Consistent with this theoretical predictions, several prior studies documented significant negative association between family members on the board and voluntary disclosures (Haniffa and Cooke, 2002; Mohd Ghazali and Weetman, 2006). Limited evidence exists on the role of family members on the board in CSR disclosure practices.

This study argues that family members on the board of ShCCs may at least 'ideally' demonstrate a different scenario. The family members of ShCCs, with their decision to comply with the *Shari'ah* principles to avoid prohibited business practices in the Islamic law, may encourage socially friendly programs. The involvement of such CSR practices may in turn lead additional CSR disclosures in an attempt to appear as a role model to other companies in Malaysia. Hence, a high proportion of family directors in the board may reflect higher amount of CSR disclosure practices. The following hypothesis is developed in the alternative form:

H5: *There is a significant positive association between the CSR disclosure practices of ShCCs and proportion of family members on the board.*

Director Ownership

Owner-managed companies are a traditional business feature in the Malaysian context. Research shows a significant positive association between director ownership and firm performance (Daily and Dalton, 2004), suggesting that higher managerial ownership results in lower agency-principal conflicts and thus better performance (Jensen and Meckling, 1976).

From a CSR disclosure perspective, studies have shown a negative association between CSR disclosures and director ownership in the Malaysian context ((Mohd Ghazali, 2007; Ahmed Haji, 2013). Mohd Ghazali (2007) argues that owner-managed companies ignore CSR activities because the costs of such activities out-weight than the associated benefits such as access to capital and good image.

This study examines the relationship between director ownership and CSR disclosures of ShCCs, arguing that ShCCs may not have the conventional corporate attitude where directors make most of the corporate decisions solely based on material substance. The managerial owners of ShCCs are expected to represent a different worldview based on the Islamic values and promote CSR activities and related disclosures. Based on this argument, the following hypothesis is developed in the alternative form:

H6: *There is a significant positive association between the CSR disclosure practices of ShCCs and director ownership.*

Government Ownership

Governmental bodies hold a significant corporate ownership in the Malaysian corporate environment (Claessens et al., 2000; Mohd Ghazali, 2010). Prior CSR studies in Malaysia found significant positive association between government ownership and CSR disclosures (Mohd Ghazali, 2007; Amran and Devi, 2008; Said et al., 2009; Ahmed Haji, 2013). The positive relationship seems to imply that the government is accountable to the public at large, thus, the presence of governmental institutions in the business spheres leads extensive social disclosures in an attempt for the governmental entities to maintain legitimacy. In addition, the governmental bodies may be willing to set the right tone to other companies on matters related to community involvement and corporate transparency.

However, prior studies did not specifically examine the role of government ownership in the CSR disclosure practices of ShCCs. Hence, the present study addresses this gap in the literature and expects a positive relationship between government ownership and CSR disclosures of ShCCs in developing the following hypothesis:

H7: *There is a significant positive association between the CSR disclosure practices of ShCCs and government ownership.*

Control Variables

In line with previous CSR studies, the present study controls three firm-specific variables namely, company size, profitability and leverage (Hackston and Milne, 1996; Amran and Devi, 2008). Most prior studies documented a significant positive associa-

tion between CSR disclosures and company size (Hackston and Milne, 1996; Haniffa and Cooke, 2005; Ahmed Haji, 2013), due to their visibility and their economic ability to be able to involve higher amount of CSR practices and related disclosures. This study expects a similar positive association between firm size and CSR disclosures of ShCCs.

Profitability, on the other hand, had been widely associated with CSR disclosures (Haniffa and Cooke, 2005; Mohd Ghazali, 2007). Prior studies have shown the existence of a relationship between profitability and the extent of CSR disclosures, but the direction of the relationship is not conclusive. This study predicts a positive association between financial performance and CSR disclosures of the ShCCs based on the Islamic values of wealth distribution to the less fortunate following a profitable tenure.

Finally, research shows mixed results with regards to the association between leverage and CSR disclosures (Haniffa and Cooke, 2005; Ahmed Haji, 2013). Highly leveraged companies could undertake limited CSR activities and thus provide lower CSR disclosures. Therefore, this study expects a negative association between leverage and CSR disclosures of ShCCs.

Research Methodology

Sample Selection

Bursa Malaysia classifies listed companies into nine sectors namely, plantation, mining, property, consumer products, industrial products, construction, trading/services, technology and finance. Consistent with prior studies in Malaysia (e.g., Mohd Ghazali, 2007; Said et al., 2009), the present study only selected non-finance companies due to differences in disclosure requirements between finance and non-finance companies. The companies were selected using systematic stratified random sampling whereby the population is divided into subpopulations. This sampling procedure which provides a better understanding of the various sectors had been adopted by prior CSR studies in Malaysia (Amran and Devi, 2008; Said et al., 2009). The initial sample of the present study consisted of 100 companies which represented both *Shari'ah* and non-*Shari'ah* compliant companies for the years 2006 and 2009. After excluding non-*Shari'ah* compliant companies and taking into account some missing data, the final sample consists of 76 ShCCs listed on Bursa Malaysia for the years 2006 and 2009.

This time-frame has been selected for two reasons. First, this period corresponds before and after the recent global financial crisis. Saleh et al. (2010) asserts that companies are able to involve to the community in a post-financial crisis periods as they have more resources. As underlined in the Islamic values of charity and benevolence of extending a helping hand to the needy, the involvement of the community in a post-financial crisis period might be so for ShCCs. Hence, the current study investigates the CSR practices undertaken by ShCCs in Malaysia soon after the recent financial turmoil. Secondly, the years 2006 and 2009 represent before and after a number of policy changes in the Malaysian corporate environment including the revised code of corporate governance in the year 2007, the introduction of the mandatory requirement of CSR information and a number of CSR awards. Recent studies in Malaysia have

shown that companies released higher amount of CSR disclosures following the changes in the Market place. However, this has not been extended to the CSR disclosure practices of ShCCs.

For the purpose of this study, annual reports were selected as the document of analyses. Corporate annual reports are considered as the most important mechanism used to provide voluntary disclosures including CSR information and possess a high degree of credibility (Tilt, 1994). For these reasons, annual reports were extensively used by prior CSR studies (e.g., Hackston and Milne, 1996; Amran and Devi, 2008; Saleh et al., 2010). Building on this line of research, the present study retrieved the annual reports from the individual websites of the selected companies for analyses.

The CSR Disclosure Checklist

The present study developed a CSR disclosure checklist in order to measure the extent as well as the quality of CSR disclosures in the annual reports of ShCCs. In constructing the checklist, several steps had been undertaken. First, the disclosure checklists of several prior studies had been reviewed (e.g., Gray et al., 1995; Hackston and Milne, 1996; Haniffa and Cooke, 2002; Maali et al., 2006; Mohd Ghazali and Weetman, 2006; Haniffa and Hudaib, 2007). Secondly, the annual reports of companies with reporting awards such as the “Most Outstanding Annual Report Award” were read in order to add some additional CSR items. Thirdly, the CSR disclosure index initially contained several items which prior studies called as “Islamic disclosure themes” such as *Zakat* and *Qard-Hassan* themes among others. A sub-sample of 15 companies' annual reports was read to test whether these items appear in the annual reports. However, none of the 15 companies used as experiment disclosed these items in their annual reports indicating that these items are less popular in the annual reports of the ShCCs in Malaysia. Thus, the items were excluded from the checklist to ensure relevance. The resulting final CSR disclosure checklist of the present study contains 23 items as shown in appendix I. Finally, Bursa Malaysia listing requirements were further checked in order to ensure that the items in the index are voluntary in nature.

In scoring the CSR items in the index, both the unweighted and the weighted scoring approaches were used. The extent of CSR disclosures is usually measured on a dichotomous basis (0, 1) where if an item appears in the annual reports, a score of one (1) is assigned and zero (0) otherwise, whereas the quality of CSR disclosures is measured in a detailed scoring scheme, depending on how a particular item is disclosed in the annual reports.

In measuring the extent of CSR disclosures, the present study assigns “1” if the item in the index is disclosed and “0” otherwise. However, in gauging the quality of CSR disclosures, the items in the index obtain zero (0) should the companies do not disclose a given item, one (1) was assigned to information disclosed qualitatively or in general terms, two (2) if the company provided quantitative or monetary disclosures, and the highest value of three (3) was assigned when the company provides both qualitative

and quantitative disclosures. This approach had been used by prior studies (e.g., Wiseman, 1982; Al-Tuwaijri et al., 2004; Ahmed Haji, 2013).

Independent Variables Measurement

There are two categories of independent variables in the present study, independent variables and control variables. The independent variables which represent four corporate governance variables and two ownership structure patterns as well as three control variables are outlined in Table 1. The table also presents the measures and operationalisation of the variables of the study, both dependent and independent variables.

Table 1: Variables, Operationalization, Measurements and Data Sources

Variable Name	Variable Acronym	Variable Type	Operationalisation	Data Source
Extent of Corporate Social Disclosures	ECSR	Dependent	A measure of the extent of CSR. Disclosed = 1, 0 otherwise.	Annual Reports
Quality of Corporate Social Disclosures	QCSR	Dependent	A measure of the quality of CSR. Total disclosure score, "0-3"	Annual Reports
Board Size	BSize	Independent	Number of directors on the board	Annual Reports
Independent Non-Executive Directors	INDs	Independent	Number of INDs to total number of directors	Annual Reports
Board Meetings	BMeetings	Independent	Total number of board meetings in the year	Annual Reports
Family Members on the board	FMB	Independent	Proportion of family members on the board	Annual Reports
Director Ownership	DirOwn	Independent	Proportion of shares held by executive and non-independent directors including their deemed interests to total shares issued	Annual Reports
Government Ownership	GovOwn	Independent	Ratio of shares held by governmental bodies	Annual Reports
Company Size	Size	Control Variable	Total assets	Annual Reports
Profitability	ROA	Control Variable	ROA (Return on Assets)	Annual Reports
Leverage	Lev	Control Variable	Total debt to total assets	Annual Reports

The resulting multiple regression model of the study contains nine (9) independent variables. The model also captures both the extent and quality of CSR disclosures for the years 2006 and 2009 as dependent variables. The regression model is as follows:

$$\text{ECSR}/\text{QCSR} = b_0 + b_1 \text{BodSize} + b_2 \text{INDs} + b_3 \text{BMeetings} + b_4 \text{FMB} \\ + b_5 \text{DirOwn} + b_6 \text{GovOwn} + b_7 \text{Size} + b_8 \text{Prof} + b_9 \\ \text{Lev} + e$$

Data Analyses

A number of statistical tests were performed to examine the CSR disclosures of the ShCCs for the years 2006 and 2009. First, descriptive statistics were conducted to compute the minimum, maximum and mean scores of the dependent and independent variables as well as the overall distribution of the data. Second, in order to assess the CSR disclosures before and after the recent changes in Malaysia, the non-parametric test of Wilcoxon Signed Rank Test as well as the alternative parametric technique, paired sample T-test, were performed. Finally, correlation and multiple regression analyses were conducted to investigate the relationship between governance attributes and the CSR disclosures before and after the changes. The correlation analyses determine the existence of multicollinearity problem between any given two independent variables while the multiple regressions show how a set of independent variables explain the dependent variable. The correlation results, which are not tabulated in the study due to limited space, indicate that there is no multicollinearity problem between the independent variables.

Research Finding

Descriptive Result

The descriptive statistics of the CSR disclosures of ShCCs for the years 2006 and 2009 are tabulated in Table 2 below. The results indicate that the extent of CSR disclosures in the year 2006 ranged from 4.35% to 60.87%, with a mean score of 17.51% while the quality of CSR disclosures shows a range from 1.45% to 50.72%, with an average score of 9.48%.

In the year 2009, Table 2 shows that the CSR disclosures ranged from 0.00 to 86.96% whilst the quality of CSR information ranged from 0.00 to 57.97%, with mean scores of 31.24% and 14.45%, respectively. The results show that the CSR disclosures of the ShCCs are low as indicated by the average scores of the sample firms. However, there is an increase from 17.51% in 2006 to 31.24% in 2009 for the extent of CSR disclosures as well as in the quality of CSR information from 9.48% in 2006 to 14.45%.

Despite the increase in both the extent and quality of the CSR disclosures between 2006 and 2009, further analyses show that the disclosures were largely in declarative form, consistent with prior studies in Malaysia (e.g., Teoh and Thong, 1984; Saleh et al., 2010; Ahmed Haji, 2013) and elsewhere (Hackston and Milne, 1996).

Table 2: Descriptive Statistics on the Dependent Variables – Extent and Quality of CSRDs

Extent of CSR Disclosures			
	Year 2006		Year 2009
Minimum (%)	4.35	Minimum (%)	0.00
Maximum (%)	60.87	Maximum (%)	86.96
Mean (%)	17.51	Mean (%)	31.24
Std. Deviation	15.54	Std. Deviation	17.12
Skewness	1.582	Skewness	0.611
Kurtosis	1.371	Kurtosis	0.439

Quality of CSR Disclosures			
	Year 2006		Year 2009
Minimum (%)	1.45	Minimum (%)	0.00
Maximum (%)	50.72	Maximum (%)	57.97
Mean (%)	9.48	Mean (%)	14.45
Std. Deviation	9.72	Std. Deviation	11.34
Skewness	2.085	Skewness	1.542
Kurtosis	4.542	Kurtosis	2.559

CSR Disclosures Overtime

In order to assess the trend of the CSR disclosures by the ShCCs between the two-year period, Wilcoxon Signed Rank Test and the alternative parametric test of Paired Samples T-tests were performed. Table 3 reports Wilcoxon Signed Rank Test and the results show a significant increasing trend in both the extent and quality of the CSR disclosures overtime. The increase in the extent of the CSR disclosures is statistically significant at the 1 percent level ($z = -6.566$, $P = 0.000$). Similarly, the quality of the CSR disclosures increased at the 1 percent level ($z = -5.121$, $P = 0.000$). The results are consistent with recent studies in Malaysia (Esa and Mohd Ghazali, 2012; Ahmed Haji, 2013) and confirm to the first hypothesis (H1).

The increasing trend of the CSR disclosures by ShCCs in Malaysia seems to suggest that the companies responded to the recent changes occurring in the Malaysian business environment. The financial crisis, the mandatory requirement of CSR reporting, the revised code of corporate governance, and the CSR specific awards are among a number of recent possible incidents that can be attributed to the simultaneous increase in both the extent and quality of CSR information. The results imply that companies have involved higher amount of CSR practices and related disclosures following the changes in the market place. This is inline with the Islamic social values of benevolence and also the conjecture of legitimacy theory that companies would adopt different social disclosure strategies following changes in the market place in an endeavour to avoid legitimacy gap. The results lend further support to prior studies that documented increased CSR disclosures following changes in the market place, both in Ma-

¹The Paired Sample T-test shows similar results for both the extent and quality of the CSR disclosures.

aysia ((Esa and Mohd Ghazali, 2012; Ahmed Haji, 2013) and elsewhere (Deegan et al. 2000; Chua et al., 2013) from the perspective of ShCCs.

Table 3: The Trend of CSR Disclosures between 2006 and 2009

		Extent of CSR Disclosures			Z	Asymp. Sig. (2-tailed)
		N	Mean Rank	Sum of Ranks		
Extent 2009 –Extent 2006	Negative Ranks	10	19.50	195.00		
	Positive Ranks	66	41.38	2731.00		
	Ties	0				
	Total	76			-6.566	0.000***
		Quality of CSR Disclosures			Z	Asymp. Sig. (2-tailed)
		N	Mean Rank	Sum of Ranks		
Quality 2009 – Quality 2006	Negative Ranks	17	27.88	474.00		
	Positive Ranks	59	41.56	2452.00		
	Ties	0				
	Total	76			-5.121	0.000***

*** The increase is statistically significant at the 1% level.

Descriptive Statistics of Independent Variables

Table 4 presents the descriptive results of the independent variables for the years 2006 and 2009, respectively. The results show that some of the ShCCs did not comply with the mandatory requirement of the one-third independent director board representation, even after the revised code of corporate governance in Malaysia as indicated by the minimum scores of independent directors in both years (25% in 2006 and 28.57% in 2009). However, the mean scores of IND show an improvement in the percentage of INDs from 41.62% in 2006 to 44.47% in the year 2009. With regards to board meetings, the number of board meetings held slightly increased to an average score of 5.57 in the year 2009 from 5.01 in 2006, implying the surrounding regulatory and the ongoing financial crisis might have required more board activities. Consistent with previous studies, the results indicate that family members on the board have a significant representation in corporate boards of ShCCs as shown by the mean scores of 25.34% in 2006 and 22.71% in 2009. However, the family members on the board slightly decreased to 22.71% in the year 2009. In terms of the ownership structure of the ShCCs, director and government ownership is substantial shareholders of the ShCCs with average scores of 29.59% and 5.13% in 2006, respectively. The extent of the director and government ownership remained almost the same in the year 2009, with 29.89% and 5.43%, respectively. The financial performance of the companies decreased from 4.19% in 2006 to 2.16% in 2009 as indicated by the ROA average scores. This could be due to the unfolding recent global financial crisis in the year 2009 in which listed

Malaysian companies notably experienced.

With regards to the distribution of the data, the results show that some of the variables are not normally distributed. As a result, the variables have been transformed into normal scores before correlation and multiple regression analyses were performed. The transformation method produces a normally distributed data and provides a more meaningful statistical analysis. This approach has been adopted by several prior empirical CSR studies (e.g., Amran and Devi, 2008).

Table 4: Descriptive Statistics of Continuous Independent Variables – 2006 and 2009

Variables	2006					2009				
	Min	Max	Mean	Skewness	Kurtosis	Min	Max	Mean	Skewness	Kurtosis
Board Size	4.00	14.00	7.74	0.615	0.249	5.00	14.00	7.84	1.038	0.685
INDs (%)	25.00	75.00	41.62	0.809	0.370	28.57	71.43	44.47	0.773	-0.109
BMeetings	2.00	9.00	5.01	0.900	0.790	2.00	27.00	5.57	5.373	37.887
FMB (%)	0.00	66.67	25.34	0.053	-1.317	0.00	75.00	22.71	0.219	-1.018
Dir Own (%)	0.00	74.73	29.59	-0.093	-1.115	0.00	74.72	29.89	-0.026	-1.056
Gov Own (%)	0.00	64.97	5.13	4.145	23.662	0.00	75.46	5.43	3.930	17.309
Size (RM)*	27	26534	1224	6.214	44.360	55	36757	1764	5.594	36.115
ROA (%)	-18.00	24.00	4.19	-0.378	2.559	-26.25	17.04	2.16	-1.140	2.685
Lev (%)	1.57	93.49	40.70	0.338	-0.626	2.41	88.64	40.87	0.192	-0.442

* In Millions (Malaysian Ringgit)

Multivariate Result

The multiple regression analyses were performed after transforming the variables into normal scores. Table 5 provides the results of multiple regression analyses for the extent and quality of CSR disclosures of ShCCs in the year 2006. The multiple regression models for the extent and quality of CSR disclosures are statistically significant at 0.000, with adjusted R^2 of 33.10% and 30.80%, respectively. The results show that board size is positive and marginally significant at the 10% level in explaining the extent of CSR disclosures in the year 2006. Government ownership is also shown to be positive and significant at the 10% and 5% levels in determining the extent and quality of CSR disclosures in the year 2006, respectively. Profitability, as a control variable, have a significant positive association with the extent and quality of CSR disclosures of the ShCCs at the 5% level, while firm size is positive and marginally significant in determining the extent of CSR disclosures. None of the other governance attributes show a significant association with the extent and quality of CSR disclosures in the year 2006.

Table 6 presents the multiple regression results in the year 2009. The regression models are statistically significant, with adjusted R^2 of 21.10% and 30.60% for the extent and quality of CSR disclosures, respectively. The results reveal that board size is positive and significant at the 10% level in explaining both the extent and quality of CSR disclosures. Unlike the results in the year 2006, family members on the board became significant at the 10% level and show a negative association with both the extent and quality of CSR disclosures. Firm size shows a strong positive relationship with both the extent and quality of CSR disclosures. However, profitability is no longer significant in the year 2009. None of the other variables such as independent directors, board meetings, director ownership, government ownership and leverage are significant in explaining the CSR disclosure practices of the ShCCs, even following the revised code.

Table 5: Multiple Regression Results for the Extent and Quality of CSRDs: Year

2006								
Panel 1: Extent					Panel 2: Quality			
Variables	Beta	t-value	Sig.	VIF	Beta	t-value	Sig.	VIF
Constant		-1.871	0.066			-1.515	0.135	
Board Size	0.194	1.691	0.095*	1.479	0.146	1.246	0.217	1.479
INDs	0.075	0.709	0.481	1.255	0.013	0.122	0.903	1.255
BMeetings	-0.014	-0.132	0.895	1.176	-0.041	-0.398	0.692	1.176
FMB	-0.091	-0.819	0.416	1.372	-0.096	-0.856	0.395	1.372
Dir Own	-0.143	-1.284	0.204	1.395	-0.163	-1.434	0.156	1.395
Gov Own	0.211	1.756	0.084*	1.617	0.281	2.301	0.025**	1.617
LSize	0.242	1.876	0.065*	1.872	0.199	1.516	0.134	1.872
ROA	0.231	2.078	0.042**	1.383	0.232	2.053	0.044**	1.383
Leverage	0.098	0.883	0.380	1.382	0.044	0.391	0.697	1.382
Adjusted R² (%)		33.1	* Sig at 10% level ** Sig at 5% level		Adjusted R² (%)		30.8	
F Statistic		5.114	***Sig at 1% level		F Statistic		4.710	
Significance		0.000			Significance		0.000	

Table 6: Multiple Regression Results for the Extent and Quality of CSRDs: Year

2009								
Panel 1: Extent					Panel 2: Quality			
Variables	Beta	t-value	Sig.	VIF	Beta	t-value	Sig.	VIF
Constant		-2.319	0.024			-2.781	0.007	
Board Size	0.222	1.811	0.075*	1.435	0.213	1.850	0.069*	1.435
INDs	-0.082	-0.680	0.499	1.396	-0.111	-0.979	0.331	1.396
BMeetings	-0.009	-0.078	0.938	1.238	0.063	0.585	0.561	1.238
FMB	-0.225	-1.719	0.090*	1.632	-0.217	-1.765	0.082*	1.632
Dir Own	0.029	0.229	0.820	1.574	0.012	0.097	0.923	1.574
Gov Own	0.079	0.636	0.527	1.451	0.079	0.678	0.500	1.451
LSize	0.303	2.317	0.024*	1.627	0.341	2.779	0.007*	1.627
ROA	0.060	0.494	0.623	1.411	0.137	1.197	0.236	1.411
Leverage	0.079	0.629	0.531	1.497	0.108	0.914	0.364	1.497
Adjusted R² (%)		21.10	* Sig at 10% level		Adjusted R² (%)			30.6
F Statistic		3.226	** Sig at 5% level		F Statistic			4.660
Significance		0.003	***Sig at 1% level		Significance			0.000

Discussion

Mindful to a plethora of recent changes encompassing regulatory, financial turmoil and recent CSR developments within the Malaysian business environment, this study predicted an increase in the CSR disclosures of ShCCs following the changes. Consistent with this expectation, the results show a significant increasing trend in both the extent and quality of the CSR disclosures of the sample companies following the recent changes in Malaysia. Hence, the first hypothesis is supported.

Building on the recent revision to the corporate governance code and the Islamic values of accountability and benevolence, a positive association between CSR disclosures and several governance attributes was expected following the revised code. The second hypothesis predicted a positive association between CSR disclosures and board size following the revised code. The results, which show slight improvement of the relationship between CSR disclosure and board size following the revised code, provide support to the second hypothesis (H2). However, the results of the study do not provide support to hypotheses three (H3), four (H4) and five (H5) with regards to independent directors, board meetings and family members on the board, respectively. The results show that independent directors and board meetings are not significant even after the revised code, with family members on the board having a negative association with the CSR disclosures in the year 2009.

Government ownership showed a positive association with the CSR disclosures only in the year 2006, but the association disappeared in the year 2009. Hence, hypothesis six (H6) is partially supported. Director ownership showed no sign of association with the CSR disclosure practices of ShCC thus hypothesis seven (H7) is rejected.

Conclusion

In tandem with the growing dominance of *Shari'ah* compliant companies along with an increasing awareness toward CSR practices in the Malaysian business environment, this study examined the CSR disclosure practices of *Shari'ah* complaint companies before and after a number of significant changes including the recent global financial downturn, the revised code of corporate governance, the mandatory requirement of the CSR information and the many recent CSR specific awards. The study also investigated the role of corporate governance attributes in the CSR disclosures of the sample firms. The results revealed that the extent and quality of the CSR disclosures in the annual reports of ShCCs is in overall low, with narrative disclosures being dominant than verifiable CSR information. However, the results showed a significant increasing trend in both the extent and quality of CSR disclosures between 2006 and 2009, echoing several recent studies in Malaysia. Whilst the increasing trend of the CSR disclosures could indicate that the changes had encouraged firms to undertake higher amount of CSR practices to perhaps maintain their legitimacy given the surrounding attention from regulators and the public toward corporate involvement, the dominance of qualitative CSR disclosures seems to suggest that the firms adopted a symbolic rather than a substantive approach in addressing the public.

In terms of the role of corporate governance attributes in the CSR disclosures of ShCCs, the results reveal that the relationship between governance attributes and CSR disclosures remained largely the same before and after the revised code of corporate governance in Malaysia, with key indicators of governance such as independent directors and board meetings showing no sign of association with the CSR disclosures before and after the governance restructuring. The unfolding financial turmoil might have undermined the role of the governance indicators in influencing the CSR disclosure practices. The implications of the financial crisis are indicated by a decrease in the financial performance of the sample companies following the financial downturn.

The results of this study offer a number of interesting insights to both policy makers and academicians with regards to the CSR disclosure practices of ShCCs. First, whilst the findings reveal a significant increasing trend of CSR information subsequent to the policy changes and the recent financial crisis, the CSR information was however not systematically provided, with most of the disclosures being stated in a narrative form. Hence, the policy makers in Malaysia may want to re-enforce the mandatory requirement of CSR information and provide a detailed CSR framework for the companies to follow such as "what" and "how" the CSR information should be disclosed. On the one hand, this could help listed companies to precisely report CSR information, and on the other hand, can allow the relevant publics to substantiate and verify the rather symbolic CSR disclosures. Second, the results of the current study seem to imply that

despite the *Shari'ah* complaint status of the sample firms, the general business environment sets the tone for the *Shari'ah* companies in undertaking and communicating their CSR practices. For instance, the absence of specific religious items such as *Zakat* and *Qard-Hassan* in the annual reports of the sample firms suggests that the ShCCs follow the reporting practices of the general market. Hence, the *Shari'ah* Advisory Council of the Malaysian Securities Commission should look into the CSR disclosure practices of the ShCCs and consider whether to provide further specific details for the *Shari'ah* classification. This can encourage firms to report their hidden CSR practices and could result in a new CSR endeavours within the corporate environment thus promoting the overall social welfare of the community. Third, the role of corporate governance attributes in the social disclosures of the ShCCs did not improve following the revised code. Albeit the examination of a single year data in assessing the implications of the revised code on CSR disclosure practices may not capture the long-term effects of the revised code on CSR practices, the results of this study provide a foundation for future line of inquiry to longitudinally investigate whether the revised code had improved the association between governance attributes and CSR disclosures of the ShCCs.

Notwithstanding the contributions and implications of this study, the evidence asserted in this study should be interpreted within the scope of several limitations. First, this study analysed the annual reports of the sample firms alone. However, the annual reports are not the only information channel used to disseminate CSR disclosures. The *Shari'ah* companies may have used other corporate channels to elaborate their CSR disclosures. Hence, future studies may wish to examine other information channels such as CSR standalone reports, corporate websites and newsletters among others. Second, the study examined only two years (2006 and 2009) to assess the trend as well as the implications of the recent changes on CSR disclosure practices of ShCCs. An extended timeframe would allow more observations and therefore can give a clear picture of the trend of the CSR disclosures thereby validating whether the changes in CSR disclosures were caused by the recent changes. Finally, this study did not take into consideration both *Shari'ah* and non-*Shari'ah* companies. This would have allowed comparisons between the two groups which are listed on Bursa Malaysia. Future studies may attempt to select a matched sample consisting of *Shari'ah* and non-*Shari'ah* companies in drawing conclusions of the CSR disclosure practices of ShCCs in Malaysia.

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Appendix: The CSR Index

No	CSR Information Items
1	Awards received by the company that relate to social, environmental and best practices
2	Number of Employees
3	Breakdown of Employees by Origin
4	Breakdown of Employees by Gender
5	Information on Employee Redundancy
6	Employees' Appreciation
7	Employees Training
8	Amount Spent on Employees Training
9	Number of Employees Trained
10	Discussion of Employees' Welfare
11	Information on Safety of Employees
12	Information on Accidents
13	Equal Opportunity Policy Statement
14	Reporting on the Company's Relationship with Trade Union and/ or Workers
15	Reporting on any Strikes, Industrial Actions/Activities and the Resultant Losses in Terms of Time and Productivity
16	Information on Safety of Products
17	Environmental Protection Programs
18	Donations to Charity
19	Community Development (Health and Education)
20	Internship Programs for graduating students
21	Sports Activities
22	Employee Involvement on community programs (Charity)
23	Value Added Statement