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Do Governance Structure and Financial Performance Matter in CSR Reporting?

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ABSTRACT

The governance structure and financial performance of organizations have the potential to support the strategic direction of organizations in embedding social and environmental initiatives into their business activities. This is because CSR initiatives require top management commitment and support from stakeholders. In addition, the availability of financial resources could further enhance the CSR initiatives and influence strategic development. The aim of this study is to examine the influence of governance structure (specifically ownership and board structure) and financial performance on CSR reporting among Malaysian public-listed companies. The agency and signaling theories have been employed to underpin the theoretical perspectives of the study. The data for this research was sourced from content analyses of both the annual and sustainability reports of the top 100 public-listed Malaysian companies. The study reveals that board independence, board size, and the presence of women directors on the board significantly influence the reporting of CSR information. Nonetheless, government and foreign ownerships were not significant determinants of the reporting practice. In terms of financial performance, profitability was found to be significant in signaling the behavior of companies to disclose CSR information. Overall, the results of the study largely imply that board structure and profitability of organizations are critical towards the enhancement of CSR initiatives of companies. Social implications: Findings of this study indicate the positive role of women directors on the extent of CSR disclosure, which encourages diversity in the board of directors.

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INTRODUCTION

The corporate world today is increasingly embedding corporate social responsibility (CSR) practices into its daily business operations and such practices have become an important feature for most organizations to ensure the sustainability of their business. The concept of CSR is underlined by the idea that an organization can no longer act as an isolated business entity detached from the broader society and the environment. Organizations are increasingly aware of the critical need to engage in CSR initiatives and are taking serious initiatives to embark on CSR initiatives to ensure business sustainability due to the shifting social expectations globally for corporations to become responsible corporate citizen in the face of global corporate scandals and controversies. CSR is a fundamental notion that companies have a responsibility to work towards meeting the needs and essentials of a variety of stakeholders (Clarkson, 1995; Jamali & Mirshak, 2007). The Bursa Malaysia defines CSR as:

> *"... open and transparent business practices that are based on ethical values and respect for the community, employees, the environment, and shareholders. It is designed to deliver sustainable value to society at large." (Bursa, 2006)*

In essence, business organizations are expected to take care of the communities where they operate, their employees, their customers, the natural environment in executing their economic activities, and ensure the safety of the products that they offer. Such expectations are no longer viewed as 'nice to have' but form an integral part of doing business at present in order to ensure long-term business sustainability.

Despite the various financial and non-financial benefits that an organization can reap from good CSR practices as evidenced by prior literature (e.g., Louche, 2010; Nejati, Amran, & Ahmad, 2014; Nejati & Ghasemi, 2013; Othman, Darus, & Arshad, 2011), the underlying reasons for such engagements remain elusive. The influence of governance structure and financial performance on CSR activities remains debatable, especially in an emerging economy such as Malaysia. Hence, this study examines the influence of governance structure and financial performance on the extent of CSR disclosure among 100 top public-listed companies in Malaysia. Agency and signaling theories are used to underpin arguments leading to such CSR engagements.

In this study, the governance structures that are expected to encourage companies to engage in CSR disclosure are ownership structure and board structure. Ownership structure such as government or foreign ownership can influence the demands for information by investors and shareholders (Lakhal, 2005; Wang & Claiborne, 2008; White, 2012). On the other hand, stronger board structures such as board size, board independence, and gender diversity of board members will help to reduce agency conflict as well as agency cost. In addition to the governance structure, the influence of financial performance of the companies on CSR practices remains uncertain as evidenced from prior studies (Ghazali, 2007; Haniffa & Hudaib, 2007; Homayoun & Rahman, 2010; Joshi & Gao, 2009; Lucyanda & Siagian, 2012; Omar & Simon, 2011; Reverte, 2009). The signaling theory is a premise that profitable companies will tend to disclose more information to distinguish themselves from companies that have poor financial performance (Watts & Zimmerman, 1986; Healy & Palepu, 1993; Skinner, 1994). In addition, it is expected that the level of leverage and liquidity position of companies may have an influence on the amount of CSR information disclosed (Aly, Simon, and Hussainey (2010). To this end, the current study aims to answer the following questions in the context of public-listed companies in Malaysia:

1. Does the governance structure of companies influence the extent of CSR disclosure?
2. Does the financial performance including the leverage and liquidity position of companies influence the extent of CSR disclosure?

Notably, the study's findings offer important knowledge regarding the capabilities and usefulness of the governance structure in promoting greater CSR reporting practices among Malaysian companies. The remainder of this paper is organized as follows. Next section discusses the literature review and hypotheses development. Then, further section discusses the research method. The research findings are reviewed next. The final section highlights the conclusion, implications of the results, and recommendations for future research.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The Cadbury (1992) defines corporate governance as "the system by which companies are directed and controlled' (p.15). According to Jensen and Meckling (1979), the central role in corporate governance relates to the agency cost and ownership structure. This study adopts the argument of the agency theory in explaining the relationship between corporate governance structure and CSR disclosure. Agency theory affirms that the agent (i.e. Board of Directors/ Managers) is expected to manage and act on behalf of the principal (shareholders). Relating this concept to corporate disclosure practice, a proactive CSR disclosure practice is expected to be part of the agent's role in convincing as well as enabling the shareholders to assess the company and directors' performance (Homayoun & Rahman, 2010). In view of that, agency conflict may be lessened and agency cost can be avoided (Laiho, 2011). Apart from that, the agents will strive to maximize the returns of their shareholders with appropriate and good governance structure, thus, safeguard the interest of the shareholders (Yau, 2003). Agency theory suggests that governance structures such as ownership structure and board structure play an important role in promoting disclosure of financial and non-financial information to their stakeholders (Hafsi & Turgut, 2013; Said, Zainuddin, & Haron, 2009). Ownership structure such as government or foreign ownership may influence the demands for information by investors and shareholders (Lakhal, 2005; Wang & Claiborne, 2008; White, 2012). According to Ghazali (2007), government ownership can influence CSR disclosure since such companies are more likely to be politically sensitive and these companies' activities are more likely to be scrutinized by the public.

Signaling theory also underpins the research investigation concerning the possible links between financial performance of companies and CSR disclosure practice. Signaling theory describes why companies prolifically report CSR information to the capital market, as it represents a necessary action for these companies to compete successfully in the market industry. The value of a company can be increased if it proactively reports (i.e. signals) private information about itself (i.e. CSR) that is credible, and this may greatly reduce external uncertainty (Roush *et al*, 2012). The theory advocates that companies voluntarily disclose more information upon experiencing good financial performance (Omar & Simon, 2011). The theory also asserts that high profitability level among businesses hints good news to corporate shareholders. Companies with a high profitability level have essential capital and resources to become successful. They tend to become more socially responsible and subsequently, more socially responsible form of investments will be made. Likewise, the level of leverage and high liquidity ratio will also influence the disclosure practice (Aly *et al*, 2010). High leverage will lead to high conflict of interest among stakeholders particularly creditors, shareholders, and the management (Lucyanda & Siagian, 2012).

The involvement of government in companies' management and practices is rather important. Such an involvement promotes CSR disclosure practices and provides encouragement for companies to be socially responsible in line with government aspirations (Amran & Devi, 2008; Ghazali, 2007; Nasir & Abdullah, 2004; Othman *et al*., 2011). The participation of government in public-listed companies will encourage them to be engaged in CSR reporting in order to gain high quality and more transparency in CSR reporting. Accordingly, companies with high percentages of shares owned by the government are expected to disclose more CSR information. Therefore, it is hypothesized that:

H1: There is a positive association between government ownership and the extent of CSR disclosure.

Foreign-owned companies are also more likely to disclose more non-financial information due to the demands by foreign investors. Prior literature suggests that the involvement of foreign shareholders encourages companies to disclose more social and environmental information (Chambers, Chapple, Moon, & Sullivan, 2003; Haniffa & Cooke, 2005; Samad, 2002; Wang & Claiborne, 2008; Xiao, Yang, & Chow, 2004). According to Chambers *et al*. (2003) who investigated CSR reporting across several countries in Asia, the participation of foreign shareholders in Malaysia had influenced and enhanced the extent of CSR disclosure. Wang and Claiborne (2008) found that the level of voluntary disclosure in Chinese listed companies is positively related to foreign shareholders. The finding is consistent with R. M. Haniffa and Cooke (2005) who found that foreign shareholders have a significant relationship with the extent of corporate social disclosure. This is because of the separation of ownership and the geographical location between management and foreign shareholders, which results in the demand for more information on social and environmental information (Craswell & Taylor, 1992; Haniffa & Cooke, 2005; Schipper, 1981).

Based on these arguments and evidences gathered from previous studies, this study predicts that the involvement of foreign shareholders will lead to greater CSR disclosures by the Malaysian public-listed companies. Thus, the second hypothesis for the study is as follows:

H2: There is a positive association between foreign ownership and the extent of CSR disclosure.

Agency theory argues that in order to mitigate agency conflict and to reduce agency cost, a company needs to have an efficient and effective board structure. The board structure such as the board size, board independence, and gender diversity of board members can improve shareholders' monitoring mechanisms on corporate performance leading to higher disclosure of information (Hafsi & Turgut, 2013; Said *et al*., 2009).

The existence of independent non-executive directors on the board could serve as a balancing and checking strategy, as they play the roles of advisor and assistant for companies in presenting their activities and performance (Haniffa & Cooke, 2005).

This is because non-executive directors not only act in the best interest of shareholders and companies, but also other groups of stakeholders. As such, independent non-executive directors have significant influence on the extent of social disclosure in Malaysian companies (Haniffa & Cooke, 2005). The existence of independent directors on the board is expected to help companies in monitoring shareholders' rights and interest (Esa & Ghazali, 2012). Thus, board independence is significantly associated with the extent of CSR disclosures. This finding is consistent with the agency theory, which suggests that independent directors would give better supervision in protecting shareholders' rights. According to a study by Dunn and Sainty (2009), board independence is significantly associated with social performance, indicating that independent directors have the capability to enhance corporate social performance. Based on these literature arguments, it is therefore expected that the involvement of independent non-executive directors will stimulate greater disclosure of CSR information by public-listed companies in Malaysia. Thus, it is hypothesized that:

H3: There is a positive association between board independence and the extent of CSR disclosure.

Agency theory suggests that a large number of board members are suitable for larger firms. Rationally, more members are needed in order to effectively monitor and control the management's activities and firm's performance (Homayoun & Rahman, 2010). Greater number of members on the board will support companies to mitigate agency-related problems (Buniamin, Alrazi, Johari, & Rahman, 2011; Esa & Ghazali, 2012; Homayoun & Rahman, 2010). Board size is seen to be the central mechanism for shareholders in monitoring corporate performance. Larger board size is more likely to be aware of the agency problem, as a large number of members will review the management's performance and company activities (García-Sánchez, 2010; Hafsi & Turgut, 2013; Homayoun & Rahman, 2010). Prior studies also found that board size has a significant influence on CSR activities and that such companies tend to disclose more CSR information (Buniamin *et al*., 2011; Esa & Ghazali, 2012). Yet, there are studies that have revealed an insignificant link between board size and the level of CSR disclosure (Ghabayen, 2012; Hafsi & Turgut, 2013; Kader, Cigdem, & Aygun, 2011). Based on these mixed findings, it is hypothesized that:

H4: There is a positive association between board size and the extent of CSR disclosure.

Board diversity focuses on the board's gender distribution. Nowadays, more companies tend to appoint women directors as part of their board members. The number of women directors is generally still insignificant (see Grosvold, 2011). A review of prior literature suggests that the presence of women directors on the board brings about different attitudes, norms, and perspectives as well as beliefs to the board (Hafsi & Turgut, 2013; Hillman, Shropshire, & Cannella, 2007), which can influence CSR disclosure. These prior studies indicate that women directors have an impact on firm's performance and may positively influence business engagement in social responsibility (Bear, Rahman, & Post, 2010; Fernandez-Feijoo, Romero, & Ruiz, 2012; Hafsi & Turgut, 2013; Larkin, Bernardi, & Bosco, 2012; Williams, 2003). Some studies, however, discovered an insignificant link between the presence of women directors on the board and CSR disclosure practices (e.g., Coffey & Wang, 1998; Singh, Terjesen, & Vinnicombe, 2008).

Based on these arguments and evidences gathered from previous studies, this study proposes that women directors play an important role in public-listed companies in disclosing more information on CSR. Thus, it is hypothesized that:

H5: There is a positive association between women directors on the board and the extent of CSR disclosure.

Signaling theory suggests that companies voluntarily disclose more information when they experience good financial performance (Omar & Simon, 2011). According to the signaling theory, high profitability indicates that companies have good news for their shareholders, thus companies attempt to distinguish themselves from other companies within the same industry. Prior studies have found that profitability is positively linked to the extent of CSR disclosure (Ghazali, 2007; Haniffa & Cooke, 2005; Joshi & Gao, 2009; Lucyanda & Siagian, 2012; Reverte, 2009). Profitable companies would have the essential capital and ingredient to become a successful company hence, it is expected that they would become more socially responsible. Additionally, Reverte, (2009) argues that the behavior of profitable companies in producing detailed information is consistent with their concern over the business position and compensation. Numerous empirical studies have documented the relationship between companies' profitability and the extent of CSR disclosure. Some studies have found a positive relationship between profitability and the extent of CSR disclosure (see for example: R. M. Haniffa & Cooke, 2005; Homayoun & Rahman, 2010; Othman *et al*., 2011), while other studies evidenced a negative relationship between profitability and the extent of CSR disclosures (Amran & Devi, 2008; Hackston & Milne, 1996).

Therefore, based on these arguments and evidence gathered from the previous studies, this study predicts that profitability plays an important role in public-listed companies in disclosing more on CSR. Thus, it is hypothesized that:

H6: There is a positive association between profitability and the extent of CSR disclosure.

Similarly, the level of leverage has the potential to influence the disclosure practice (Aly *et al*., 2010). High leverage will cause high conflicts of interest among stakeholders particularly creditors, shareholders, and the management (Lucyanda & Siagian, 2012). As such, companies with high leverage will have the tendency to disclose more information. In line with the signaling theory, firms with high levels of leverage tend to disclose more financial and non-financial information (Homayoun & Rahman, 2010). Such behavior relates to satisfying the creditors' demands, so that they will be more assured with the ability of the firms towards repayment of their debts. There are several studies that provide empirical evidences indicating leverage as one of the determinants of CSR disclosure (Belkaoui & Karpik, 1989; Esa & Ghazali, 2012; R. M. Haniffa & Cooke, 2005; Homayoun & Rahman, 2010; Lucyanda & Siagian, 2012; Murcia & Souza, 2012; Uwuigbe & Egbide, 2012). There are also studies that have failed to establish any significant link between leverage and the level of CSR disclosure (Haniffa & Cooke, 2005; Lucyanda & Siagian, 2012). For this study, we hypothesize that:

H7: There is a positive association between leverage and the extent of CSR disclosure.

Additionally, Aly *et al*. (2010) contend that companies with high liquidity ratio tend to disclose more information in order to distinguish themselves from other companies of low liquidity. A company is liquid when its assets can be converted into cash without changing the asset's value (Homayoun & Rahman, 2010). Some empirical studies have proven that liquidity is an influencing factor for voluntarily disclosing information (e.g., Homayoun & Rahman, 2010; Wallace & Naser, 1996). These previous studies support the signaling theory, which suggests that high corporate disclosures are the result of high company liquidity. Such an act by firms seeks to differentiate themselves from others with lower liquidity ratio. Therefore, this study attempts to investigate the influence of liquidity on CSR disclosure. Thus, it is hypothesized that:

H8: There is a positive association between liquidity and the extent of CSR disclosure.

RESEARCH METHODOLOGY

The data for this study was sourced from selected companies' annual and sustainability reports. The selection of this medium of CSR reporting was predicated on the notion that the reports possess a degree of credibility and that the contents are not subject to the risk of other interpretations and distortions (Guthrie & Parker, 1989; Neu, Warsame, & Pedwell, 1998; Van der Laan Smith, Adhikari, & Tondkar, 2005). The sample of this study consists of the top 100 companies listed on Bursa Malaysia for the year 2011 based on market capitalization as on 31st. December 2011. The focus was on the top 100 companies because such companies are actively and highly committed in voluntarily disclosing sustainable information. Moreover, large companies are often scrutinized by the public (Ghazali, 2007; Hackston & Milne, 1996).

Table 1 presents the composition of the samples according to the industry sector. The trading and services industry has the highest number of companies in the sample, with a total of 34 companies (34%). This is followed by the consumer product and finance industries, both with 14 companies (14%) each. The lowest number of representation is from the technology industry, which has only 1 company (1%).

Table 1: Composition of sample according to industry

Sector	No. of Observations
Construction	4
Consumer product	14
Finance	14
Industrial Product	10
Plantation	11
Properties	8
Trading & Services	34
Infrastructure	4
Technology	1
Total	100

Variables Measurement

The dependent variable, i.e. the extent of CSR disclosure, was measured using a CSR Disclosure Index covering four themes based on the CSR framework issued by Bursa Malaysia. The four themes comprise the Environment, Workplace, Community, and Marketplace. A pilot test was carried out on a sample of top 10 companies to refine the disclosure index and to confirm that there is some variability in disclosures among different companies. During the pilot test, the researchers scrutinized and captured items not yet included in the index and excluded the items that were not disclosed by any of the companies. The references for developing the index were mainly based and modified by the CSR disclosure index study by Othman *et al*. (2011), S&P/Hawkamah ESG Pan Arab Index (2011), International Federation of Accountants (IFAC), Balatbat, Siew, and Carmichael (2012) and the Emerging Market Disclosure Project (EMDP) Korean Team Baseline (2010).

The CSR disclosure was then assessed using an equal-weighted index. A dichotomous method was applied whereby each company was given a score of one (1) if the item is present in the CSR disclosure index and a score of zero (0) if it is undisclosed. The CSR Disclosure Index for each dimension is constructed as follows:

$$\sum_{i=1}^{m_j} \frac{d_j}{N}$$

The index indicates the extent of CSR disclosure of a company for each dimension, where N is the maximum number of relevant items a company may disclose and d_i is equivalent to 1 if the item is disclosed and 0 if otherwise. The maximum score for CSR Disclosure Index is 60, comprising the Environment, Workplace, Community, and Marketplace. The score for each of the four dimensions were totalled and then averaged, yielding a CSR disclosure score for a company.

Table 2: CSR dimensions and the maximum score for CSR disclosure index

No.	Dimensions	Score
1	Community	12
2	Workplace	19
3	Marketplace	7
4	Environment	22
	Total Scores	60

Table 2 presents the maximum score for the CSR Disclosure Index categorized into four dimensions while Table 3 presents a summary of the independent variables and their measurements.

Table 3: Summary of the independent and control variables and their measurements

Variables	Measurement	Sources
Government Ownership (GOV)	Percentage of shares owned by the government institutions (statutory bodies, government institutions and agencies) listed in the top 30 shareholdings to the total number of shares issued	Eng and Mak (2003) Othman *et al.* (2011)
Foreign Ownership (FOREIGN)	Percentage of shares owned by foreign institutions listed in the top 30 shareholdings to the total number of shares issued	Chambers *et al.* (2003)
Board size (BD SIZE)	The number of directors sitting on the board	Said *et al.* (2009) Darus *et al.* (2015)
Independent non-executive directors (BD INED)	The percentage of independent non-executive directors to the total directors of the board	Said *et al.* (2009)
Women on board (BD DIVERSITY)	The percentage of women as directors listed on the board to the total directors of the board	Hafsi and Turgut (2013) Yusoff, *et al.* (2015)
Profit (ROE)	Return on Asset (EBIT/total assets)	Homayoun and Rahman (2010) Murcia and Souza (2012) Omar and Simon (2011)
Leverage (LEVERAGE)	Total debt to the total assets	Omar and Simon (2011)
Liquidity (LIQUIDITY)	Current assets to the current liabilities	Omar and Simon (2011)
Control Variables		
Size of company (TA)	Total assets	Lassaad and Khamoussi (2012) Murcia and Souza (2012) Othman *et al.* (2011)
Industry Classification (INDUSTRY)	1 for companies classified under the high-profile industry (companies with high impact activities on the natural environment) 0 for companies classified under the low-profile industry (companies with low effect activities on the natural environment)	Hackston Milne (1996) Roberts (1992)

The following regression model was developed to test H1 to H8.

$$\text{CSR Score} = \beta 0 + \beta 1\ (\text{GOV}) + \beta 2\ (\text{FOREIGN}) + \beta 3\ (\text{BDSIZE}) + \beta 4\ (\text{BDINED}) + \beta 5\ (\text{BDFEMALE}) + \beta 6\ (\text{ROE}) + \beta 7\ (\text{LEVERAGE}) + \beta 8\ (\text{LIQUIDITY}) + \beta 9\ (\text{TA}) + \beta 10\ (\text{INDUSTRY}) + \varepsilon$$

Where,

CSR Score = CSR disclosure scores
GOV = government ownership
FOREIGN = foreign ownership
BDSIZE = the number of members on the board
BDINED = board independent non-executive directors
BDFEMALE = woman as a director
ROE = return on equity for the year
LEVERAGE = leverage for the year
LIQUIDITY = liquidity for the year
TA = total assets for the year
INDUSTRY = industry classification; 1 for high-profile industry, 2 for low-profile industry
ε = error

RESULTS AND DISCUSSION

Table 4 summarizes the descriptive statistics for the dependent, independent, and control variables employed for the study. The results reveal that the minimum amount of CSR disclosure score for 100 companies ranges from a minimum of 6 to a maximum of 54 with a mean score of 30.95. This indicates the disparity of CSR disclosure practices among the top Malaysian companies where there are still companies having low CSR disclosures, yet, there are also companies in the top 100 that disclosed a significant amount of CSR information.

Table 4: Descriptive statistics for dependent, independent, and control variables (N=100)

	N	Minimum	Maximum	Mean	Std. Deviation
CSR Score	100	6	54	30.95	9.88
GOV	100	0	72.99	15.6	20.10
FOREIGN	100	0	72.61	4.32	13.96
BDINED	100	25	75.00	45.71	10.96
BDSIZE	100	5	15	8.98	2.06
BDFEMALE	100	0	60.00	7.62	11.57
ROE	100	1	96.0	4.85	27.85
LEVERAGE	100	0	68.89	17.33	1.68
LIQUIDITY	100	0	1.23	0.29	0.27
TA	100	6.03	8.98	7.03	0.74
INDUSTRY	100	0	1	0.45	0.50

The mean score of 30.95 suggests that there is still room for improvement as generally most companies only practice approximately 50 percent of their total possible disclosures. A very low presence of foreign ownership is also found in the companies, with a mean score of only 4.32. Government ownership resulted in a mean score of 15.60 with a maximum score of 72.99, suggesting a considerable presence of this type of ownership among the companies.

Table 4 reveals that the mean score for board independence of non-executive directors is 45.71. Such a score implies that most of the companies comply with Bursa Malaysia's listing requirements, which require all listed companies to have at least one-third (33%) of independent board members. The board size of the companies ranges from a minimum of 5 members to a maximum of 15 members with a mean score of 8. Meanwhile, the presence of women directors on these boards is minimal, with a mean score of only 7.62 (a maximum of 60.0).

Concerning the financial performance variables, generally, it is found that companies have high profit levels, showing a mean score of 4.85 for the return on equity (ROE). Moreover, the companies' leverage shows a mean score of 17.33. This finding suggests that on average about 17 percent of the companies' financing comes from debt financing. The mean score for the liquidity ratio of the companies, which is measured by the current assets to current liabilities of the companies, indicates a mean score of 0.29. Thus, this result suggests the existence of liquidity issues among a majority of the companies studied.

Table 5: Descriptive statistics for CSR disclosures according to dimensions

	N	Minimum	Maximum	Mean	Std. Deviation
Environment	100	0	22	10.25	4.384
Workplace	100	0	18	9.99	4.384
Community	100	2	12	7.32	2.014
Marketplace	100	0	7	3.59	1.664

Table 5 presents the descriptive statistics for CSR disclosures according to the four primary dimensions. Interestingly, the results demonstrate that the highest mean score relates to the environment dimension, with a mean score of 10.25. This is followed by workplace with a mean score of 9.99. The third rank is community, with a mean score of 7.32 and the lowest rank is marketplace, with a mean score of 3.59. The emphasis on the environment dimension by the companies in this study is contrary to most prior studies in Malaysia that reported the community dimension as the focus of Malaysian companies (Othman *et al*., 2011). However, the findings are consistent with Siwar and Harizan (2009) who examined the extent of CSR disclosure among different types of organizations. The increasing concern towards the environment by public-listed companies in Malaysia signifies a positive move towards sustainable development. It is also consistent with the government's aspiration for companies in Malaysia to be more sensitive towards preserving the natural environment in conducting their business operations. The low mean score for the marketplace dimension suggests that companies practice minimal engagement with their stakeholders and have less support for green-related products or practices.

Table 6: Multiple regression results for factors affecting CSR disclosure

Dependent Variable: CSR Disclosure
R Square=.373, Adjusted R^2 =.303, F =5.304, Sig. = 0.000

Variables	Beta	T	Sig.
(Constant)	-10.868	-1.096	.276
Control Variables			
TA	1.674	1.449	.151
INDUSTRY	9.881	5.387	.000***
Independent variables			
GOV	.008	.170	.865
FOREIG	2.589	1.392	.167
BD INED	.201	2.477	.015**
BD SIZE	1.251	2.811	.006**
BD FEMALE	.161	1.994	.049*
ROE	.057	1.868	.065*
LEVERAGE	-.007	-.125	.901
LIQUIDITY	.408	1.069	.288

Coefficient for each variable is shown with *t* – statistics in parentheses
*Significant at 10% level, **Significant at 5% level, ***Significant at 1% level

Correlation analysis for all study variables shows a result of less than 0.8, hence, it is confirmed that no multicollinearity problem exists. Table 6 presents the results of the multiple regression analysis. The results indicate that the F-statistics for the model is 5.304 and is significant (p=0.000) and the adjusted R^2 is 0.303 suggesting that 30.3% of the variation in the CSR disclosures could be explained by the 10 variables specified in the model.

The results from Table 6 reveal that concerning the governance structure, ownership structure, i.e. government ownership (p-value 0.865) and foreign ownership (p-value 0.167), are not significant predictors of CSR disclosures. Nevertheless, it is found that board structures, which include board independence (p-value 0.015), board size (p-value 0.006), and women directors on the board (p-value 0.49) have a significant positive influence on the extent of CSR disclosure practices. For the performance variables, only profitability (ROE) is found to be positively linked with CSR disclosures (p-value 0.065), while among the control variables, only industry classification is a significant predictor of the extent of CSR disclosures (p-value 0.000).

H1 proposed that government ownership has a significant association with the extent of CSR disclosure, however, the results do not support the hypothesis developed earlier. There are insignificant associations between government ownership and the extent of CSR disclosures. This finding suggests that the presence of government's influence in the shareholdings of public-listed companies is not a stimuli for better CSR disclosure practices (Mohd Ghazali & Weetman, 2006). Nonetheless, this finding is in contrast with the findings of prior studies (Amran & Devi, 2008; Eng & Mak, 2003; Ghazali, 2007; Othman *et al*., 2011; Said *et al*., 2009), which claimed that the presence of government ownership has a significant influence towards CSR disclosure. Hence, H1 is rejected.

Next, H2 proposed that there is a significant association between foreign ownership and the level of CSR disclosure. The results obtained from this study indicate an insignificant relationship between foreign ownership and CSR disclosure, which suggests that the percentage of foreign shareholdings does not influence the disclosure of CSR information among the studied Malaysian companies (Amran & Devi, 2008); Said *et al*., 2009). Hence, H2 is rejected.

This study hypothesized that board independence has a significant association with the extent of CSR disclosure (H3). The results reveal that board independence has a significant association with CSR disclosure; thus, it indicates that the presence of independent non-executive directors is relevant in promoting greater CSR disclosure. This finding also reveals that in addition to being concerned about the economic business activities of companies, the non-executive directors also take steps towards improving the social responsibilities of the organization (Dunn & Sainty, 2009; Haniffa & Cooke, 2005; Kelton & Yang, 2008; Krüger, 2009). As highlighted by the agency theory, the presence of independent board members may assist companies in reducing and eliminating the legitimacy gap (Haniffa & Cooke, 2005). Hence, H3 is accepted.

H4 proposed that board size has a significant association with the extent of CSR disclosure. This study discovers a significant positive relationship between the size of the board and the extent of CSR disclosure. The finding puts forward an idea that a larger board with differing opinions and background of member has high capabilities to influence CSR disclosure practices. The result suggests that in order to reduce agency problems, companies need more board members to monitor and control their management practices (see Yusoff *et al*., 2015). This finding is consistent with prior findings by Buniamin *et al*. (2011), Esa and Ghazali (2012), Homayoun and Rahman (2010), and Darus, *et al*., (2013). Hence, H4 is accepted.

This study also predicted that the presence of women directors on the board would improve CSR disclosure (H5). A significant positive relationship between the presence of women directors on the board and CSR disclosure was discovered. This finding is consistent with the findings from previous studies (e.g., Bear *et al*., 2010; Fernandez-Feijoo *et al*., 2012; Hafsi & Turgut, 2013; Krüger, 2009; Larkin *et al*., 2012; Williams, 2003), which claim that the involvement of women as directors leads to a more active involvement of companies in social activities. Hence, H5 is accepted.

H6 proposed that profitability has a significant positive association with the extent of CSR disclosure. The findings show that ROE (profitability) has a significant positive association with CSR disclosure. Similarly, the prevailing literature suggests that profitable companies tend to be actively involved in CSR matters including CSR reporting (Homayoun & Rahman, 2010; Murcia & Souza, 2012; Tagesson, Blank, Broberg, & Collin, 2009). The key reason for such corporate behavior is due to the profitable companies owning excess funds to invest in CSR activities. The finding is consistent with arguments by the signaling theory, where profitable companies tend to disclose more information to signal and distinguish themselves from the less profitable companies (Lucyanda & Siagian, 2012; Marston & Polei, 2004). Hence, H6 is accepted.

H7 stated that leverage has a significant association with the extent of CSR disclosures. The insignificant link discovered between the two study variables suggests that public-listed companies in Malaysia do not view CSR disclosure to be a strategic factor in depicting positive representation to creditors concerning their repayment ability (Haniffa & Cooke, 2005; Lucyanda & Siagian, 2012). On the contrary, Murcia and Souza (2012) argued that a high level of leverage is a key factor for companies to disclose social and environmental information. Hence, H7 is rejected.

It is also hypothesized that the liquidity level of companies has a significant association with the extent of CSR disclosures (H8). The insignificant association found between these variables signifies that Malaysian companies with high liquidity ratio are not inclined to disclose more CSR information (Homayoun & Rahman, 2010). This finding may be interpreted as such that the companies do not regard CSR disclosure as a signaling factor for their favorable position. This might be due to their confidence that investors are pleased with the financial information prepared. Hence, H8 is rejected.

CONCLUSION

The results of the study indicate that the extent of CSR disclosures among the top 100 Malaysian companies relate highly to environmental-related concerns. The increasing concern towards the environment by these companies reflects a positive move and is consistent with the government's aspiration and support towards the sustainability of the country. The overall findings indicate that governance aspects pertaining to board structure such as board independence, board size, and board diversity in terms of women representation have the potential to promote greater CSR disclosure practices among business corporations. The results also support the agency theory, which suggests that larger companies have greater agency problems, thus requiring a bigger board size to mitigate agency problems. This theory also suggests that the presence of independent directors helps to monitor the firms' overall performance including their social responsibilities. Board diversity in terms of the presence of women directors on board apparently facilitates the provision of CSR information. The involvement and existence of women directors on the board have an influence on corporate engagement with social and environmental activities. In terms of the signaling theory, the profitability of the companies influences them to disclose more CSR information, in addition to differentiating themselves from others. Primarily, the results of this study offer insights for possible corporate strategies through proper governance structures that may stimulate worthy implementation of CSR disclosure practices amongst companies in Malaysia.

It is recommended that future research may explore the link of other potential factors that may influence CSR disclosure practices. Additionally, this study could be extended by investigating the corporate settings in other countries, especially those from the Asia-Pacific region.

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