Board Independence, Ownership And CSR Of Malaysian Large Firms

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The purpose of this article is to determine whether board independence and ownership have any influence on the decision on CSR disclosure. Multiple regression and logistic regression analysis are employed to test the hypotheses. The paper finds that family owned firms are negatively associated with the level and the quality of CSR disclosure. The fact that board independence is not significant on CSR disclosure could be due to the fact that CSR initiatives are strategic in nature. Finally, firm's size, performance and leverage are found to have significant effects on CSR. Nevertheless, the generalizability of the findings of this study is limited to Malaysian large firms. One of the major findings of this study is the ineffectiveness of the board of directors in ensuring firms to discharge its social responsibility. Relevant authorities may need to come up with measures to ensure independent directors are effective.

1. Introduction

The importance of CSR is owing to the fact that people have begun to be concerned about the issue of environment and society, including the employees. Matthews (1997, p. 481) notes that "one of the major growth areas within accounting in the past five years has been 'accounting for the environment' which has generated interest well beyond the confines of accounting academics and professional accountants". Trend in recent management accounting text books confirms this point where a topic on environmental cost is usually covered. In fact, Nik-Ahmad (1999) reports though investors consider financial information to be important, they also take into consideration corporate social information in their decision-making process. Recognizing the importance of CSD, Ooi (1990) has even suggested that any activities undertaken by companies that involve the society be reported, disclosed and audited.

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Noting the importance of the society and environment, the Malaysian Report on Corporate Governance (Finance Committee, 1999, p. 10) in its definition of corporate governance states that "… towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long term shareholders value, whilst taking into account the interest of other stakeholders". Thus, good corporate governance should also promote corporate transparency and accountability to the shareholders and the society. This is consistent with the triple bottom line reporting concept which places need for reporting of business activities with respect to their impacts on the environment, social and profitability. This concept recommends firms to report three "bottom lines", namely the economic performance, the environmental performance and social performance. In essence, triple bottom line embraces the concept of sustainable development where Faux and O'Donovan (2001) argue that it is closely aligned with the concept of CSR.

This study examines whether a higher proportion of independent non-executive directors on corporate board is associated with more CSR. Our study also examines whether the domination of family members on corporate board has an impact on CSR because substantial number of Malaysian firms are family owned (Claessens et al. 2000). Because of firms in Malaysia are known for concentrated shareholdings, pyramidal ownership pattern which is typical in most East Asia countries and family control make the agency problems in these firms unique from the agency problems faced by US or UK firms. The agency conflicts in Malaysian firms and in other East Asia countries are between controlling owners (who are also managers) and other shareholders (i.e. minority shareholders). We also seek to determine the effect of government-linked companies (GLCs) on the disclosure of CSR. Further, non-GLCs, which are more likely family-owned, do not have the incentives to disclose voluntary information more readily (Ho and Wong, 2001).

2. Hypothesis Development

2.1 Board of Directors

Greater social expectations demand firms to react and attend to human, environmental and other social consequences (Heard & Bolce, 1981). The high social expectations on firms are noted by Tinker and Niemark (1987, p. 84) who claim society expect business to "…make outlays to repair or prevent damage to the physical environment, to ensure health and safety consumers, employees and those who reside in the communities where products are manufactured and wastes are dumped…". Issues on the environment are becoming a concern to the society because the public should not be burdened to bear the cost of cleaning the environment.

Gray, Owen and Adams (1996) contend that, with the presence of large multinational companies from developed countries in developing countries, the need for CSR is pressing. Nevertheless, the level of CSR in developed countries is still low, but the level is much less in developing countries, such as Malaysia. A study by Johl and Ishak (1998) shows that CSR among Malaysian listed firms was at about four percent. In fact, the CSD in Singapore, a nation considered as a developed country, is also low (Tsang, 1998). Research findings have shown that CSR disclosure is related to firm's size and industry type. Foo and Tan (1988), studying CSD in Singapore, find that large firms have higher incidence of CSR than smaller firms, confirming earlier evidence by Guthrie and Matthews (1985), using Australian companies. Foo and Tan (1988) also reveal that firms from finance sector have the highest incidence of CSD and the hotel sector, on the contrary, have the lowest CSD. Andrew et al. (1989), using Malaysian and Singaporean companies, also documents similar evidence with regard to the association between CSD and firm size and industry type. Nik-Ahmad and Sulaiman (2002) also confirm the influence of industry type on environmental disclosure with the highest disclosure coming from companies in the property sector. Several researchers have included firm's profitability in the CSR studies (e.g. Hackston & Milne, 1996; Singh & Ahuja, 1983).

Boards composition and ownership structure determine the level of monitoring and thereby the level of voluntary and social disclosure. Resource dependence theory suggests that the selection of outside board members will provide more resources, information, and legitimacy to the board (Ayuso & Argandona, 2007). Likewise, MCCG (2000) prescribes the non-executive directors as a person who can bring a broader view to the company's activities. Hence, outside board members will be more likely than inside directors to oppose a narrow definition of organizational performance which focuses primarily on financial measures and will tend to be more sensitive to society's needs (Ibrahim et al., 2003). Some empirical support has been found for a better corporate social responsibility performance of firms with independent boards (Webb, 2004; Ibrahim et al. 2003).

Although most recommendations favor the role of independent directors, Said et. al (2009) find no relationship between the proportion of independent non-executive directors and CSR. This evidence suggests that the role of independent non-executive director on corporate boards is ineffective with regards to CSR. The contradict result may be explained by the relative lack of experience and knowledge or may due to societal indifference among independent non-executive directors. An inquiry into the role and effectiveness of independent non-executive directors of quoted companies in the UK found that independent non-executive directors are drawn from a small pool of city players (Ismail, 2005).

There is not much evidence on the association between family controlled firms and CSR, however, the owner-managed companies tend to disclose significantly less corporate social responsibility information (Mohd Ghazali, 2007). Malaysia has 57.5% of companies in family hands and 18.2% of companies is state held, at the 10% level of ultimate control distribution (Claessens et al. 2000). Research evidence show that government ownership has significant positive influence on CSR in Malaysia (Mohd Ghazali, 2007; Amran and Devi, 2008; Said et al., 2009).

2.2 Independent Directors' Dominated Boards

Outside directors are seen as expert in decision controls (Fama and Jensen, 1983). Disclosing information to the public is not only important to shareholders but also it helps to create positive image of the firm. The extent of outside directors on the board is predicted to encourage the firm to disclose more information, including social information, because they are not aligned to management. Outside directors are also viewed as "additional window on the world" (Tricker, 1984, p. 171). Inside directors who might focus more on shareholders; outside directors, on the other hand, might put more emphasis on other stakeholders. Given the fact that outside directors are external to the firm, they are expected to be more willing to meet the information demands of other stakeholders. Both stakeholder and legitimacy theory also predict the extent of outside directors to be associated positively with the decision to disclose CSR and the extent of CSR disclosure. Haniffa and Cooke (2005) however document that the extent of non-executive directors on the board is negatively associated with CSR. Their negative association could be attributed to the lack of knowledge of non-executive directors and their lack of on the knowledge on the role of non-executive directors. Perhaps, after several years of MCCG implementation in Malaysia, independent directors are expected to be more knowledgeable about their roles. Thus, the related hypothesis is as follows:

H_1: The proportion of independent directors is positively associated with CSR.

2.3 Family Dominated Boards

In Malaysia, a majority of listed companies started off as family businesses. Thus, the board of the firm is usually dominated by the family members and the CEO is also from the family itself. Hence, the conflict is always between the large (family) shareholders and the minority shareholders (Shleifer and Vishny, 1997). Ho and Wong (2001) argue that family shareholders would expropriate the minority shareholders' interest and enrich themselves via related party transactions. It is therefore predicted that family owned firms engage in less CSR activities. Thus, it is predicted that firms with higher proportion of family members control on board and CSR disclosure is negatively associated.

H_2: There is a negative association between proportion of family members on the board and CSR.

2.4 Government Ownership

In Malaysia, the government holds shares in certain strategic industries. In addition, companies which are controlled by investment institutions which have link with the government, such as Permodalan Nasional Berhad (PNB), Employees Provident Fund (EPF) and Pilgrimage Fund (Tabung Haji) are also indirectly controlled by the government. Consequently, firms which are controlled either directly by the government through Khazanah Holdings or indirectly through government-linked investment institutions are referred to as government linked companies (or GLCs), whose primary objective of existence goes beyond making profits. Studies by Amran and Devi (2008) and Mohd-Ghazali (2007) find a significant influence of government shareholding and the company that depends on the government with corporate social reporting practices. The government through GLCs plays two roles: investor and as a stakeholder. Thus, stakeholder theory would predict that GLCs would disclose more social information than non-GLCs. Further, it could also be argued that because the conflicting objectives of the government and the other shareholders of the GLCs, they are predicted to be more willing to disclose social information to resolve the conflict (Eng and Mak, 2003). Findings are supportive of higher voluntary disclosure levels among GLCs (Eng and Mak, 2003; Mohd-Nasir and Abdullah, 2004). Thus the hypotheses are as follows:

H_3: There is a positive association between government ownership and the extent of CSR.

2.5 Blockholder Ownership

The extent of outside blockholder ownership is found to be important in a firm's decision on the amount of voluntary disclosure (McKinnon and Dalimunthe, 1993; Mitchell, Chia and Loh, 1995; Schadewitz and Blevins, 1998). However, Eng and Mak (2003) do not find a significant association between the proportion of ordinary shares owned by substantial shareholders and voluntary disclosure among firms in Singapore. In Malaysia, Mohd-Nasir and Abdullah (2004) reveal that the extent of substantial shareholders is associated with higher voluntary disclosure. Stakeholder theory argues that a firm is more willing to fulfill the requirements for information of the powerful stakeholder. Further, with increased public awareness on social reporting, blockholders are also expected to be concerned on the public requirement of more information on the firm's CSR. It should be noted that unsatisfactory environmental performance could result in costly sanctions (Cormier and Magnan, 1997). These sanctions could lead to negative publicity and thus the firm's bottomline. This would affect the value of the shares of the firm. Thus, outside blockholders would ensure that firm's implement proper policies that help to boost the firm's image. Thus:

H_4: The proportion of shares held by outside substantial shareholders is positively associated with the extent of CSR.

3. Research Methodology

3.1 Measurement of CSR

CSR was measured by the amount (or extent) of disclosure and quality (or depth) of disclosure. Firstly, the method used to capture the extent of CSR was based on the proportion of pages in an annual report devoted to CSR. This method justifies the assumption of content analysis in that quantity of disclosure signifies the importance of the item being disclosed (Krippendorff, 1980; Unerman, 2000). Furthermore, Haron et al. (2006) suggest that this method overcomes the problems faced by other studies that measured in terms of number of characters, words or sentences and which therefore ignored potentially highly informative non-narrative corporate social reporting such as photographs and charts because those methods could omit potentially powerful and highly effective methods of communication (Beattie and Jones, 1992, 1994). The proportion of pages devoted to CSR was determined by apportioning an annual report page to the nearest hundredth of a page. Page measurement is undertaken using a transparent plastic sheet of A4 size, which is divided into a grid of 100 rectangles. The grid is laid over each highlighted sentence in the annual report and the number of hundredths were then determined. These hundredths were subsequently totaled up to produce the CSR for each sample firm (Haron et. al., 2006).

To assess the quality of corporate social responsibility, a checklist containing 24 items of CSR was constructed. The original version of the checklist developed by Mohd-Ghazali (2007) was used on 30 companies as a pilot. It was found that the checklist failed to capture some of the information provided in the CSR, particularly on the variations in the environmental information. Therefore, some changes have been made to the original checklist made by Mohd-Ghazali (2007) by adding some of the items suggested by Hackstone and Milne (1996) and reclassifying CSR items according to the Bursa Malaysia classification. The modified checklist is as per the items in Panel B of Table 3. CSR scores were based on an unweighted method which means that all information was equally valued regardless of their importance or relevance to any particular user group (Cooke, 1989; Chau and Gray, 2002). The unweighted method was previously used in CSR research in Malaysia by Haniffa and Cooke (2005) and Mohd Ghazali (2007). A value “1” is given to a particular item if it is disclosed and “0” if it is not disclosed. Accordingly, the CSR disclosure index was derived by computing the ratio of the actual scores obtained to the maximum possible score (i.e. 24) by a particular company. In sum, the extent of CSR disclosure and the CSR index (QUALCSR) are measured as follows:

EXTCSR = the proportions of annual report page to the nearest hundredth of a page.

$$QUALCSR = \frac{\sum_{t=1}^{nj} Xij}{nj}$$

Where
QUALCSR = corporate social and environmental disclosure index
nj = number of items expected for *j*th firm,
Xij = 1 if *i*th item disclosed
0 if *i*th item not disclosed
So that 0 <= *ij*<= 1

3.2 Regression Model And Definition Of Variables

Our study focuses on two areas: the extent of disclosure and the quality of CSR disclosure. Thus, to test the hypotheses, multiple regression and logistic regression models are employed. The models are as follow:

$EXTCSR = \alpha + \beta_1.FAM + \beta_2.GLC + \beta_3.OUTBLK + \beta_4.BIND + \beta_5.TA + \beta_6.TOBQ + \beta^7.GRG + \beta_8.SC1 + \beta_9.SC2 + \beta_{10}.SC3 + \varepsilon.$ Model 1

$QUALCSR= \alpha + \beta_1.FAM + \beta_2.GLC + \beta_3.OUTBLK + \beta_4.BIND + \beta_5.TA + \beta_6.TOBQ + \beta^7.GRG + \beta_8.SC1 + \beta_9.SC2 + \beta_{10}.SC3 + \varepsilon.$ Model 2

Where:
EXTCSR: the extent of CSR,
QUALCSR: quality of CSR,
FAM : proportion of family members on the board of directors,
GLC: 1 if the government is a substantial shareholder (i.e. owns at least 5%); 0 otherwise,
OUTBLK: cumulative percentages of shares owned by outside shareholders with ownership 5 percent or more,
BIND: ratio of independent directors on the board over the total board size,
TA: log natural of total assets,
TOBQ: Tobin's Q, a sum of MV of shares and BV of debts divided by BV of total assets,
GRG: debt to equity ratio,
SC1: a binary variable, "1" for Consumer firm or "0" otherwise,
SC2: a binary variable, "1" for Trading/services firm or "0" otherwise,
SC3: a binary variable, "1" for Industrial firm or "0" otherwise,
ε: error term.

Top 100 non-financial companies listed on the Bursa Malaysia for 2007 financial year were selected. The 2007 financial year has been chosen because of the publication of the Silver Book by the Prime Minister of Malaysia in 2005, which is applicable to the GLCs. The Osiris database is the primary source of data for this research. Top 100 firms were chosen because they represent the largest listed firms and thus they are more likely to report corporate social disclosure activities than the smaller firms.

4. Findings and Discussion

Out of 100 companies, 5 firms did not report any corporate social activities. Table 1 presents the descriptive statistics of the sample firms.

Table 1: Descriptive statistics (n=100)

Variable	Min	Max	Mean	Standard deviation	Skewness
EXTCSR	0	1117	182.1	213.16	2.07
QUALCSR	0	0.79	0.28	0.21	0.63
FAM (%)	0	63	11	18	1.43
OUTBLK (%)	0	99.16	52.95	19.55	-0.67
BIND (%)	0	67	38.95	10.27	-0.07
TA (in RM '000)	216,922	67,724,600	5,750,935	9,988,794	3.79
TOBQ (ratio)	0.04	2.36	0.47	0.28	2.90
GRG (ratio)	0.04	5.58	1.22	1.12	1.69

Results in Table 1 suggest that three variables, namely extent of CSR disclosure, total assets and Tobin's *q* are extremely skewed and thus are not normally distributed. Thus, these three variables and the quality of CSR disclosure variable are transformed when performing multivariate analyses. A total of 15 GLCs were found in the sample. As for the extent of CSR disclosure, the average score is 182.34 grids which is equivalent to 1.82 pages. These average pages of CSR are slightly higher than was reported in 2000 (1.4 pages) by Thompson and Zakaria (2004). The average score for disclosure index is 0.28 (or 6.7 items) indicating an average of 6 to 7 CSR items are normally reported by companies. Table 2 presents the disclosure of CSR.

Table 2: Descriptive statistics for corporate social measures

Panel A: CSR disclosure index and page proportion

Industry	0	<10 (<100)	10-20 (101-200)	20-30 (201-300)	30-40 (301-400)	40-50 (401-500)	50-60 (501-600)	60-70 (601-700)	>70 (>700)	Total
Hotels							1 (1)			1
Finance		1 (1)								1
IPC			2 (2)				1 (1)	1 (1)	1 (1)	5
Construction	1 (1)	2 (4)	2 (1)	1			(1)	1	1 (1)	8
Properties		3 (5)	2 (2)	2 (3)	3 (1)		1			11
Plantation	1 (1)	1 (5)	3 (2)	2 (2)	2	1 (2)	1		1	12
Consumer Products		(5)	3 (3)	5 (2)	2	2 (3)	1	1	(1)	14
Industrial Products		4 (8)	2 (6)	7 (2)	1		1	1		16
Trading and Services	3 (3)	5 (13)	5 (7)	6 (4)	1	5 (1)	5 (2)	1 (1)	1 (1)	32
TOTAL	5 (5)	16 (43)	19 (21)	23 (15)	9 (1)	8 (7)	11 (3)	5 (1)	4 (4)	100

* Figures in brackets are the page proportion.

Panel B: Disclosure based on four CSR dimensions

	Disclosure items	No. of disclosing company (percent)	Rank
A.	Workplace		
1	Employee profiles	13	19
2	Employees' appreciation	35	7
3	Employee training	56	3
4	Employee morale (i.e. management relationship)	16	15
5	Employment of minorities/woman/disabled	4	23
6	Employees' welfare/assistance/benefits	23	13
7	Employee Health and Safety	47	5
B.	Marketplace		
8	Product development	11	22
9	Product quality	12	21
10	Product safety	14	18
11	Customer service improvement/awards/ratings	21	14
12	Product link social contribution activities	15	16
13	Ethical principle/stakeholder engagement	13	20
C.	Environment		
14	Commitment to minimize/avoid environmental pollution	52	4
15	Commitment to Aesthetics	1	24
16	Environmental impact studies/monitoring program	15	17
17	Conservation of natural environment & biodiversity	27	12
18	Environmental management programme/system	28	10
19	Energy related commitment	32	8
D.	Community		
20	Donations cash/products/employee services	82	1
21	Participation in government or non-governmental organization’s social campaign	36	6
22	Commitment/sponsoring public health project	31	9
23	Sponsoring educational related project	72	2
24	Sponsoring sports project	28	11

Panel A of Table 2 shows the distribution of CSR indices in bands of 10 per cent and the proportion of pages devoted to corporate social responsibility. As for the disclosure index, the highest score is 79 percent representing 19 out of 24 CSR items while the lowest score is four percent representing only one item. The variation in this result is consistent with Mohd Ghazali (2007) suggesting considerable variability in the amount of CSR information disclosed in corporate annual reports among the larger companies on the Bursa Malaysia. The number of larger companies on Bursa Malaysia making CSR in their annual reports is increasing to 95 percent in year 2007 as compared to 81.3 percent in year 2000 (Thompson and Zakaria, 2004). In addition, 43 percent of companies reported between one to two pages of CSR in their annual reports, only four percent provide reports between 7 to 12 pages.

Panel B of Table 2 presents detailed disclosure for each of the dimensions of CSR, namely workplace, marketplace, environment and community. The community dimension contributes the highest frequency of CSR items disclosed and one of its items is ranked top (86.3 percent). The rankings of CSR disclosure in this study are thus slightly different from the previous study by Mohd Ghazali, (2007). Interestingly, the commitment to minimize and/or to avoid environment pollution has gained prominence among the CSR items in Malaysia. It is ranked number four after donations, sponsoring educational projects and employee training items as compared to number eight in year 2001 (Mohd Ghazali, 2007).

Results from multivariate analyses are presented in Table 3.

Table 3

: Regression Results

Variable	Model 1#		Model 2#		Model 3#		Model 4#	
	coeff.	t-value	coeff.	t-value	coeff.	t-value	coeff.	t-value
Intercept	-3.56	-3.29*	-2.44	-4.15*	-0.11	-0.28	-1.15	-5.84*
FAM	-1.86	-3.88*	-0.84	-3.25*	-1.41	-2.86*	-0.72	-2.85*
GLC	0.13	0.58	0.05	0.41	0.25	1.03	0.06	0.46
OUTBLK	0.00	0.10	-0.00	-0.30	-0.00	-0.61	-0.00	-0.87
BIND	0.02	0.02	-0.25	-0.61	-0.43	-0.52	-0.38	-0.92
TA	0.25	3.71*	0.09	2.64**	-	-	-	-
TOBQ	0.39	2.49**	0.12	1.41	-	-	-	-
GRG	-0.32	-2.31**	-0.16	-2.11**	-	-	-	-
SECT1	0.29	1.24	0.11	0.84	-	-	-	-
SECT2	-0.43	-2.22**	-0.14	-1.35	-	-	-	-
SECT3	-0.01	-0.06	-0.06	-0.53	-	-	-	-
Adj. R^2		0.25		0.14		0.08		0.065
F value		4.29*		2.52**		3.02**		2.72**
Sample size		100		100		100		100

*/**/*** significant at 0.01/0.05/0.10 levels

- Three variables, namely EXTCSR, QUALCSR and TOBQ are normalized using Van der Waerden's formula available in SPSS.

Model 1: $EXTCSR = \alpha + \beta_1.FOWN + \beta_2.GLC + \beta_3.OUTBLK + \beta_4.BIND + \beta_5.TA + \beta_6.TOBQ + \beta^7.GRG + \beta_8.SC1 + \beta_9.SC2 + \beta_{10}.SC3 + \varepsilon.$

Model 2: $QUALCSR= \alpha + \beta_1.FOWN + \beta_2.GLC + \beta_3.OUTBLK + \beta_4.BIND + \beta_5.TA + \beta_6.TOBQ + \beta^7.GRG + \beta_8.SC1 + \beta_9.SC2 + \beta_{10}.SC3 + \varepsilon.$

Model 3: $EXTCSR = \alpha + \beta_1.FOWN + \beta_2.GLC + \beta_3.OUTBLK + \beta_4.BIND + \varepsilon.$

Model 4: $QUALCSR = \alpha + \beta_1.FOWN + \beta_2.GLC + \beta_3.OUTBLK + \beta_4.BIND + \varepsilon.$

Results in Table 3 show that only family ownership which has a significant influence on CSR. Thus, as hypothesized, the higher the proportion of family directors, a proxy for family ownership, the lower the level of CSR disclosure. This finding remains consistent even when the dependent variable is defined as the quality of CSR disclosure. This evidence supports the finding on the negative association between family shareholding and voluntary disclosure in Hong Kong (Ho and Wong, 2001). Therefore, family owned firms tend to disclose less voluntary information, both voluntary non-financial and CSR information.

The other three test variables are found to have insignificant association with the extent of CSR and the quality of CSR disclosures. The fact that board independence plays insignificant role in the decision of CSR disclosure is not surprising. Abdullah (2004) also finds that board independence is not related to firm's performance. Similarly Mohd-Saleh, Mohd-Iskandar and Rahmat (2005), Abdullah and Mohd-Nasir (2004) and Abdul-Rahman and Ali (2006) who studied in the Malaysian environment also show that board independence is not associated with earnings management. Thus, it does appear that independent directors in Malaysia, under normal circumstances, are not effective in discharging their duties, let alone to go against the other members of the board. Independent directors are not seen to be effective in protecting or promoting shareholders and stakeholders interests. One explanation is that independent directors are chosen from those who are in the same circle as the firm's CEOs or the phenomenon called "cut from the same cloth" (Grady, 1999).

Three control variables, namely firm's size, firm's performance and leverage are associated significantly with the level and quality of CSR disclosures as found in earlier studies (e.g. Andrew et al., 1989; Malone, Fries and Jones, 1993; Haniffa and Cook, 2005). Large and profitable firms are therefore more likely to engage in social activities compared to small and less profitable firms because they have the resources to do so. With regard to firm's classification, only firms which are categorized under the Trading/Services sector disclose significantly less amount of CSR. This contradicts the findings by Haniffa and Cooke (2005) who find that firms in Trading/Services sector tend to disclose greater CSR information. The contradictory finding could be owing to the fact that the present data are for 2007 financial year 2007 while the data for Haniffa and Cooke (2005) are for 1996 financial year. In today's environment, reporting CSR activities is not limited to the annual report; there are many other ways to disclose CSR activities. Hence, in today's information age, Trading/Services firms may use other stand-alone media to disclose their CSR activities which is more readily available compared to in 1996. However, taken together, it does suggest that core economic activities do not have any significant effect on the decision on the amount and quality of CSR disclosure, which is consistent with the findings by Haniffa and Cooke (2005).

5. Conclusion

This study examined the effects of ownership and board independence on the CSR. CSR was measured on two dimensions: the extent and the quality. Among the CSR items, environmental commitment is notably more frequently disclosed in the annual reports of the sample firms. Malaysian listed companies seem to be more environmentally conscious, perhaps in line with the global environmental awareness. Our multivariate analyses show that only family shareholdings, proxied by the percentage of family directors on a board, are associated negatively with CSR, both the extent and the quality. This present findings seem to be consistent with other research which found that family firms are more interested in protecting their own interests (Morck and Yeung, 2004). This scenario is more prevalent in less developed countries because family firms could easily undermine the public good (Dyer and Whetten, 2006).

GLC firms and outside blockholdings do not have any significant influence on CSR disclosure. Similarly, board independence also plays insignificant role in CSR disclosure. Hence, GLCs, outside blockholders and board independence pay less attention on CSR. However, GLCs do appear to engage in CSR, as evidenced by its positive and significant correlation with the extent of CSR. Only that with the presence of other variables in the multivariate analysis, GLC's influence becomes insignificant. The fact that firm's size plays significant roles in CSR disclosure confirms that CSR is used as a tool to boost public image, getting awards and a bandwagon effect, as argued by Haniffa and Cooke (2005).

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