A Brief Survey of Corporate Social Responsibility in Malaysia

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Abstract

Over the years, the awareness of Corporate Social Responsibility (CSR) has been increasing and viewed as an integral part of business to cater to the increasing expectations for a wide spectrum of stakeholders in pursuing their trade responsibly. As a worldwide issue, CSR has resulted in the increasing number of studies done globally as well as in Malaysia. In general, this study aims to provide an overview of CSR research that has been conducted in Malaysia. Besides that, this study also evaluates the implementation of CSR among Malaysian companies. Based on the previous literature, most of the studies focused on the disclosure, determinants and perception towards CSR. Findings indicate that most of the studies in Malaysia mainly focused on the disclosure and less on awareness and perception. The findings of this study, in general, would benefit researchers, business entities, relevant authorities and policy makers in Malaysia in that they could focus more on the perception towards CSR, structure and plan the CSR activities and devise detailed and specific CSR requirements respectively so that the existing gap can be minimized.

Keywords: Corporate social responsibility; Corporate social responsibility disclosure; Awareness; Perception.

1 Introduction

In recent years across the world, particularly in Malaysia, there has been a significant rise in the awareness and practice of CSR. Nik Ahmad, Sulaiman and Siswantoro (2003) indicated that Corporate Social Responsibility (CSR) is important for developing countries such as Malaysia. CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with stakeholders on a voluntary basis (Commission of the European Communities, 2006). It also refers to open and transparent business practices that are based on ethical values and respect for communities, employees, environments, shareholders and other stakeholders (Bursa Malaysia, 2006). CSR expresses a fundamental morality in the way a company behaves toward society. It follows ethical behaviour toward stakeholders and recognizes the spirit of the legal and regulatory environment. In today’s emerging markets, companies are now expected to inculcate a wide spectrum of stakeholders encompassing societies, employees and the environment to take into consideration their social responsibility in their daily operations and not merely focus on increasing their financial position and performance. With the increasing studies on CSR and the many efforts
taken by companies, regulatory bodies and governments, CSR has become a global issue, that has changed the business landscape and this has been marked as an important area in business literature.

The idea of CSR gained momentum in the late 1950s and 1960s with the expansion of large conglomerate corporations. In the early writings on CSR, it was referred to more often as social responsibility (SR) rather than as CSR because of the low corporations' prominence and dominance in the business sector and it was also not noted in the business literature. SR typically refers to the responsibility of businesses on their decisions and actions to the society. Carroll (1999) also stated that Bowen is known as the “Father of CSR” for his contributions. Meanwhile, in the 1960s, the CSR literature developed considerably and most of this definitional literature was promulgated by academics. In 1970s, CSR definitions became more specific and the alternative term such as Corporate Social Responsiveness (CSP) became commonplace. Towards 1980s, there were fewer original definitions of CSR, but more attempts to measure and conduct research on CSR, and alternative thematic frameworks. Finally, in the 1990s, the CSR concept transitioned significantly to alternative themes such as stakeholder theory, business ethics theory, CSP, and corporate citizenship. During that period, it should be noted that the writers did not reject the CSR concept, but there were no new definitions added to the body of literature.

2 Concept of CSR

2.1 Carroll's Pyramid of CSR

Carroll (1999) deliberates four types of an entity's responsibilities towards defining the CSR. There are the economic responsibilities as a base, followed by legal responsibilities, ethical responsibilities and philanthropic responsibilities on the top. All the above mentioned responsibilities are expected by societies from companies. Each level of the pyramid as illustrated in Figure 1 needs to be achieved consequently before the upper dimension can be achieved. As a foundation, to support all the above levels, is the economic responsibilities of companies to generate revenue from selling products and rendering services. As economic units, companies provide job opportunities. The second dimension is legal responsibilities. Legal dimension refers to fulfilling the economic responsibilities according to the legal requirements, as well as laws and regulations set out by the government, such as environmental standards, health and safety standards, labour act and taxation act. Good companies will adhere to the laws and assimilate them into their operation and management and in this way perform their economic missions within the framework of legal requirements.

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1Howard R. Bowen was among the first scholar who wrote a manuscript on Social Responsibilities of the Businessman.
The third dimension is ethical responsibilities. Companies are responsible to be good which extend beyond obedience to the law or beyond the level of acceptable behaviour. Society’s preference and ethical acceptance need to be put as a priority after laws before companies carry out their economic responsibilities. Supporting green products or engaging in only ethical procurement practices, and raising the standards of Corporate Governance (CG) within the company are examples of ethical responsibilities of the companies. Determination ethic has depended on the norms and culture. Thus, it has led to the difficulties for companies to seek the boundaries between what is right and wrong in different societies due to the different references and different sets of ethical rules. As good corporate citizens, companies need to uphold high ethical principles and compliance with the laws and economic responsibilities. Philanthropy which is the last level and at the top of the pyramid is paramount. Corporate Philanthropy is the act of corporations or businesses promoting the welfare of others, generally via charitable donations of funds or time. It also covers the actions of the corporations towards improving the quality of life of the societies. Charitable donations like sponsorship for excellent students from low income families, health campaigns, and giving donations to help natural disaster victims are among the examples.

2.2 Definition

CSR falls under Social Accounting that focuses on the measurement and communication of information concerning the effect of business and its activity towards society and environment (Belkaoui, 2000) and has grown over the last fifty years (Corrall, 1999). One of the important aspects of CSR is reporting. Gurthrie and Mathews (1989) defined CSR as ‘the provision of financial and non-financial information relating to an organisation’s interaction with the physical and social environment’. CSR is also related to the business’s commitment to contribute to sustainable economic development, including employees, communities and the public (Holme & Watts, 2000). To Holme and Watts (2000), CSR is a commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life. Meanwhile, Joyner, Payne, and Raiborn (2002) noted that CSR are categories of economic, legal, ethical and discretionary
activities of a business entity as adapted to the values and expectations from society. They also added that, CSR is the basic expectation of the company regarding initiatives that take the form of protection of public health, public safety, and the environment. With this concept, they explained that values and ethics influence the extent of a corporation's perceived social responsibility that is influenced by societal activities, norms or standard.

Adam (2002) justified that the origin of CSR information is in environmental reporting. CSR typically argues on how companies manage the business processes to produce an overall positive impact on society. The business processes include market place (comprising shareholders, customers and financial analysts); work place (comprising unions and employees); community (local communities); and environment (comprising government and non-governmental organizations (NGOs) (Baker, 2004). Although there are many definitions of CSR available, we centre our attention on the more recent definition of CSR, particularly the regulatory body in Malaysia, which is Bursa Malaysia. Bursa Malaysia CSR Framework (2006) framed CSR definition as an open and transparent business practice that is based on ethical values and respect for communities, employees, environments, shareholders and other stakeholders. During the presentation of Malaysian Government Budget year 2007/2008, Abdullah Badawi, former Malaysia 5th Prime Minister, announced the requirements for Public Listed Companies (PLCs) to report on their CSR initiatives in the companies' annual reports. It is about companies going beyond the minimum legal requirements and obligations stemming from collective agreements in order to address societal needs. As evidence suggests, CSR is increasingly important to the competitiveness of businesses.

3 Overview of Malaysian Corporate Social Responsibility

3.1 CSR Framework

Malaysia has been an avid proponent of the CSR. The awareness of CSR in Malaysia had been prompted by high-profile Malaysian cases, such as the collapse of the Highland Towers and the 1997 widespread haze which induced a higher degree of expectation on Malaysian companies to be more responsible to the environment (Smith, Yahya & Amiruddin, 2007). The effort of the Government began in 1974 with the introduction of the Environmental Quality Act. This activity was to legislate issues on environmental safety and pollution. Therefore, any construction and development of housing or any other projects undertaken are required to comply with the Environmental Impact Assessment (EIA). The Malaysian Government is continuously promoting and underlining the crucial role of CSR as a contributing factor in the country’s growth. The Malaysian government is also promoting CSR practice by incorporating CSR practices in the Malaysia Plan, the Capital Market Master plan, and the national budget, Hence, the CSR agenda has been set up as an integral part of Malaysia’s vision 2020 and the National Integrity Plan (NIP) (Malaysian 10th Plan; Malaysian 9th Plan). It is believed that strong corporate governance, transparency and responsible business practices as a means of differentiating business investment climate in Malaysia and positioning it as a leader in the region is important. Thus, to promote the practice of ethical principles, good values and integrity among public and private companies, the Malaysian Institute of Integrity (IIM) was established under NIP with the main responsibility to promote the practice of ethical principles, good values and integrity (Goi & Yong, 2009).

In Malaysia, there are presently no accounting standards for disclosing CSR information. However, in 2006, CSR development received a significant milestone. Based on the speech of former Prime Minister (PM) Tun Abdullah Badawi in the Malaysian Government Budget of 2007/2008, Public Listed Companies (PLCs) were required to report on their CSR initiatives in
their companies' annual reports. This was followed by the issuance of the CSR framework for the Malaysian PLCs and the directive to the PLCs to adopt CSR reporting by Bursa Malaysia (Bursa Malaysia CSR Framework, 2006). This report refers to the Corporate Social Responsibility Disclosure (CSRD). This CSRD in Malaysia is voluntary in nature. Table 1 shows four dimensions of the CSR framework, namely environment, community, marketplace, and workplace. This framework helps PLCs in the practice of CSR. However, the organisation has confessed that it neither provides the complete story about CSR nor the answer. It has been called as “a one size fits all”. The dimensions provided do not uniformly apply to all PLCs. A company could choose either to complete all dimensions or on the one relevant to its field of business in order to gain competitive advantage.

Table 1. Summary of CSR dimensions (Bursa Malaysia CSR Framework, 2006)

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Activity</th>
</tr>
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<tbody>
<tr>
<td>Community</td>
<td>Employee Volunteerism, Education (Schools Adoption Scheme), Youth Development, Underprivileged, Graduate Employment and Children.</td>
</tr>
<tr>
<td>Marketplace</td>
<td>Green Products, Stakeholder Engagement, Ethical Procurement, Supplier Management, Vendor Development, Social Branding and Corporate Governance.</td>
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In the same year of 2006, Khazanah Nasional Berhad\(^2\), as a Government-Linked Company's (GLC)\(^3\) Transformation Plan released the Silver Book, which contains CSR guidelines for the GLCs. This is a set of principles and guidelines to be implemented by GLCs so they can proactively contribute to society while still creating value for their shareholders. The silver book also guides GLCs on how they can clarify and manage any social obligations. These initiatives are timely as we seek to position Malaysian companies in the global market using the CSR platform.

### 3.2 Previous Malaysian Studies on CSR

The Corporate Social Responsibility Disclosure (CSRD) has been the interest among researchers and most of the studies in Malaysia mainly focused on the disclosure (Rosli, Said & Fauzi, 2015; Rosli & Mohd, 2015; Rajandran & Taib, 2014; Amran, Zain, Sulaiman, Sarker & Ooi, 2013; Hassan, Yusoff & Yatim, 2012; Abdul Hamid & Atan, 2011; Sumiani, Haslinda & Lehman, 2007; Zulkifli & Amran, 2006; Amran & Devi, 2007; Janggu, Joseph & Madi, 2007; Zain, 2004; Zain & Mohammad, 2007; Ghazali, 2007; Ramasamy, Ling & Ting, 2007; Ahmad & Sulaiman, 2004; Thompson & Zakaria, 2004; Ahmad, Sulaiman & Siswantoro, 2003; Jamil, Alwi & Mohamed, 2002; Teoh & Thong, 1984). Most of the studies examined CSR among

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2 Khazanah Nasional Berhad is the strategic investment fund of the Government of Malaysia are entrusted to hold and manage the commercial assets of the Government, and to undertake strategic investments on behalf of the nation.

3 GLC is company in receipt of a grant or loan from the government where the government holds 50% or more of its paid-up share capital. GLCs are the companies controlled by the Malaysian government via the Federal Government-Linked Investment Companies (GLICs).
Malaysian PLCs. Studies conducted by Teoh et al. (1984) was the first study in CSR in Malaysia using questionnaire. This study focused on CSR concept, the nature and extent of involvement among the companies in socially responsible activities and corporate social reporting through four levels of social objective hierarchy, namely, social awareness, social involvement, social reporting and social audit. Teoh et al. (1984) found that top management philosophies are the determinant of CSRD and the disclosure focused on human resources issues and product and service. They also indicated that the large public listed companies with major foreign ownership highly disclosed on CSRD particularly on social aspects.

Prior to the issuance of the CSR framework by Bursa Malaysia, the CSRD was reported at a minimal level (Jamil et al., 2002). They found that there was a low disclosure level of less than 30% of companies providing disclosure every year based on their longitudinal study on 100 companies listed on the KLSE Main Board as at 31 December 1999. The highest CSRD were among hotel, finance and construction sectors. They indicated that the disclosure was in the form of narrative information in the Chairman’s Statement, Financial Statement and Director’s Report and was the most preferred. In addition, the most popular themes disclosed were human resources, community involvement, and environment. Similarly, a study conducted by Ahmad et al. (2003) indicated that the human resource was the most popular theme and there was a high tendency for companies to disclose 'good news' type of disclosures rather than quantitative or monetary as well as 'bad news' disclosures to be seen as responsible corporate citizens. The CSR landscape in Malaysia changed in 2006 with the introduction of CSR framework. Researchers used this framework to access CSRD among companies. Studies conducted by Rosli et al. (2015), Hassan et al. (2012), Abdul Hamid et al. (2011) and Zulkifli et al. (2006) found higher CSRD in regards to community involvement. Zulkifli et al. (2006) indicated that CSR activity trends in Malaysian companies are usually carried out in fields similar to their business activities.

Besides disclosure, researchers also examined the factors and determinants that lead to the disclosure. Amran et al. (2007) and Janggu et al. (2007) discovered that factors such as expanded economic, political and societal activities, increased the group’s pressure, and the demand for ethical investors. On the other hand, Janggu et al. (2007) stated that CSRD was positively associated with profitability. Rosli et al. (2015) conducted a study to measure the concentration level of CSRD in the annual reports of 60 public listed companies particularly in the consumer, plantation and technology industries on Bursa Malaysia for the year 2013, and found that company size and profitability were positively associated with the CSRD. Hamid (2004) showed that the highest CSRD is due to the listing status and age of a bank that significantly influences the disclosure practice. Interview with a group of financial analysts, revealed that they believed that companies are disclosing social information largely as promotional tools and to be visible in the eye of the public (Zain, 2004). In addition, Amran et al. (2007) indicated that the government has the potential to play a significant role in spearheading CSR practice more intensively, especially for Government-linked companies (GLCs) based on their study on 201 annual reports of PLCs in the Main and Second board of Bursa Malaysia from various sectors. The most popular themes were on employees and environment.

Besides disclosure and factors that lead to CSR and CSRD, another research scope is on the awareness and perception towards CSR in Malaysia, Abdul and Ibrahim (2002) indicated that companies are not only fulfilling their economic aspirations (maximize the company’s profits), but also giving attention to another level such as philanthropic level. Even though the managers and executives in Malaysia have a positive view towards CSR, their involvement in CSR was lower. Ramasamy et al. (2004), however, contemplated that economic development could contribute to the difference in CSR awareness based on their study on the stakeholders’ perception on CSR dimensions by using Malaysian and Singaporean employees. On the other
hand, awareness and perception level of the accounting professionals on the concepts of CSR were not consistent, even though the current CSR activities were admittedly commendable (Thompson et al., 2007). This was perhaps due to the role of accounting professionals in changing people’s culture and mind-set that may hamper their involvement with CSR. Dusuku et al. (2008) found that Malaysian stakeholders ranked the economic dimension as the most important dimension, followed by ethical, legal and philanthropic dimensions. The ranking slightly differed from the Carroll’s model of CSR dimensions, which could be attributed by cultural factors. Said, Sulaiman and Ahmad (2013) stressed that economic factors have become a major concern on reporting CSR in Malaysia since the environmental disclosure will affect a firm’s future performance and will influence shareholders. Furthermore, level of role, economic orientation and competency of CSR managers are significant to CSRD (Ismail et al., 2014). He also discovered that attitude did not really affect the reporting of CSR. Abaeian, Yeoh and Khong (2014) found that organizational drivers and drivers of change were motivational factors to CSR.

4 Conclusion

Malaysia is in the middle of achieving developed nation status in 2020. To be a developed nation, Malaysia is expected to promote high accountability, integrity, transparency and sustainable economic growth. Therefore, CSR viewed as a booster could help and shape Malaysia to achieve this mission. Most studies on CSR in Malaysia mainly focused on the disclosure and factors that influence CSRD and limited studies were found that focused on awareness and perception. The CSRD has been increasing over the years and it would indirectly benefit companies in terms of financial performance and business sustainability. From previous research in Malaysia across industries, sectors and respondents, it can be concluded that CSR could be able to promote higher accountability, transparency and sustainability. Thus, by integrating the CSR as part of the business can definitely benefit companies in the long run where sustainability is concerned. Since limited studies have looked into the awareness and perception factors, this gives ample space for future research that can close the gap in the CSR literature especially for Malaysian studies. On top of that, the regulatory body also needs to revise and tighten the framework to help companies in reporting the disclosure as this will definitely give more relevant and reliable information to various stakeholders. The formulation of new policies on CSR in Malaysia is important for long-term social development, particularly in achieving developed nation status by 2020.

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