

CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE AND COST OF EQUITY CAPITAL IN INDUSTRIAL PRODUCT INDUSTRY

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Abstract: nowadays, corporate social responsibility (CSR) disclosure is becoming increasingly popular and being discussed by all walks of life. Through a strategic approach to CSR, companies are able to boost its competitiveness while gaining other benefits from risk management, reducing cost, and better access to capital, innovation and development. The main objective of the study is to investigate the CSR disclosure by companies listed under industrial product industry toward cost of equity capital. The CSR disclosure score is measured the extent of CSR disclose in the annual report. A total of 59 samples of annual reports listed companies for the period of 2012 to 2014 were obtained and examined. After controlling such as company size, liquidity, and board independence, the regression results showed CSR disclosure, and other control variables such as company size, liquidity, and board independence had negative relationship with cost of equity capital. However, only company size has positive relationship with the cost of equity capital. The results revealed that the CSR disclosure in the annual reports reduces the cost of equity capital by reduce the information asymmetry and reduce companies' risk. For future research, this paper recommend study being expand using other CSR index and measurement of cost of equity.

Keyword: Corporate Social Responsibility, Cost of Equity, Cost of Capital

1. INTRODUCTION

The trending of present globalization and demand increase in the sense of expectations of stakeholders toward companies to implement corporate social responsibility (CSR) practices that motivates the participation in CSR activities (Chapple & Moon, 2005). The CSR Framework 2007 is only a guideline for companies to implement CSR, it is also does not stated how much details and items should be disclose. In Malaysia, the authorities such as Security Commission (SC) give support to encourage CSR activities development. Assistancess in kind provided by SC will increase the participation of Malaysian companies in CSR activities. Malaysia companies have increase CSR recently, for example Petronas. Petronas has integrated business with the environment and contributing to the well-being of the people and the nation wherever they operate. They invest CSR by propose corporate social investment (CSI) initiatives in three main area; education, community well-being and development, and environment.

Over the eras, the CSR concept has grown continuously in its importance and implication. CSR will benefits the companies with better public image. According to a survey, 90% of the consumers would