

# Corporate Social Responsibility Disclosure and Firm Performance of Malaysian Public Listed Firms

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## Abstract

Corporate Social Responsibility (CSR) disclosure has become a rising concern for the public listed firms worldwide due to its ability to enhance firm's market performance and financial performance. The main objective of this study is to investigate the relationship between CSR disclosure and firm performance of Bursa Malaysia's listed companies based on their market value added (MVA), return on equity (ROE) and return on assets (ROA). 324 samples of public listed companies' annual report for the period of 2014 to 2016 were obtained from Bursa Malaysia and examined. The extent of their CSR disclosure were measured and analyzed. After accounting for control variables such as firm size, firm age, firm leverage and firm liquidity, the result shows that there is a positive significant relationship between CSR disclosure and firm performance in terms of ROA and ROE. This reveals that high level of CSR disclosure helps firms to achieve optimum performance through increased competitiveness, improved firm's image amongst society, and creates new opportunities in the marketplace. The findings also showed mix results among the control variables towards firm performance. For future research, this paper recommends to extend the study by using different CSR disclosure measurement, different firm performance measurement such as return on investments (ROI) and Tobin's Q and different samples.

**Keywords:** corporate social responsibility disclosure, firm performance, market value added

## 1. Introduction

For many years, there has been a significant growth in the awareness and practices of Corporate Social Responsibility (CSR) disclosure worldwide. CSR disclosure has been a rising concern for the public listed companies as Malaysia is one of the emerging capital markets. On 14<sup>th</sup> December 2006, Bursa Malaysia requires all listed companies to report their CSR actions in their annual report (Bursa Malaysia Securities Berhad, 2015). Bursa Malaysia has prepared a CSR framework in 2006 that acts as a guideline for listed companies to report their CSR activities and practices. Although the practice of CSR in Malaysia is completely voluntary and not mandatory, the disclosure of CSR activities is known to provide better transparency. As a result many companies in Malaysia are actively engaging themselves with CSR activities not only to meet the requirement, but also to gain corporate image and competitive advantage. For example, DiGi Telecommunications Sdn. Bhd. as one of the mobile communication firms in Malaysia has well practice CSR disclosure. DiGi had been awarded the "Best overall CSR Programme" in Prime Minister's CSR Awards in 2007 for its efforts and contributions to the society through CSR activities (Wahari, 2007).

The inclusion of CSR activities in annual report is believed to encourage more investors to invest in the firms due to the notion of responsible business conduct has the potential of influencing customers' purchasing behavior which leads to increase in sales of products and customers' loyalty to the brand and hence enable the firms to survive and have better firms' performance in the competitive market. Although all listed companies in Malaysia has disclosed their CSR activities and practices in the annual report, a generic conclusion can be made that these organizations are only focused on certain aspects of CSR especially those that provides them with the highest visibility such as philanthropy and public relation part of CSR that concerns the community and society. Thus, it is crucial to discover the relationship between CSR disclosure and firm performance in term of market and accounting performance to encourage more firms in Malaysia to practice CSR disclosure. It is because the efforts