

Corporate Internet Reporting, Corporate Social Responsibility, and Cost of Equity: Insight from Malaysia

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Keyword

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ABSTRACT

This paper deals with the moderating role of corporate internet reporting (abbreviated as CIR) on the relationship between corporate social responsibilities (abbreviated as CSR) on the cost of equity (abbreviated as CoE) covering 690 Malaysian public listed companies in 2014. This paper examines the accuracy of agency theory and contingency theory in explicating CoE in Malaysia. Our results show that CSR has a significant effect on the CoE. However, it shows unexpected sign between CoE and CSR. The result shows negative significant on moderating role of CIR between relationship CSR and CoE. This research implies two important contributions. First, the CSR practice may induce the cost of equity as an investor may see it as the extra cost for the firm. Second, to reduce the cost of CSR disclosure, company should report the activities on the internet, as our result show that after CSR interacts with CIR, it reduces the COE.

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1. INTRODUCTION

The corporate social responsibilities (hereafter CSR) issue in Malaysia has been continuously studied due to its importance to community. In fact, many organization, governmental or non-governmental, in Malaysia such as The Malaysia Institute of Integrity (IIM), The Institute of Corporate Social Responsibility Malaysia (ICRM), World Wide Fund and Nature (WWF) Malaysia, Federation of Malaysia Consumer Association, Consumer Association of Penang, Association Certified Chartered Accountant (ACCA), “Sahabat Alam Malaysia” (Environment Friends of Malaysia) and Business Ethnic Malaysia are promoting, encouraging, and acting in creating CSR awareness and providing initiatives amid public listed and private companies to support their business objectives.

In general, CSR information is important to be disclosed to the public, organizational and society because its ethical concerns related to the marketplace, environment, workplace, and community. The CSR disclosure reveals the information to reduce the asymmetry information. It is also used as a device that allows companies to be able to communicate their social and environment work with stakeholders