

## **Corporate Social Responsibility Reporting in Malaysia: A Comparison Between Shariah and Non-Shariah Approved Firms**

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**Abstract:** Bursa Malaysia is one of the largest bourses in Asia that mandated social responsibility disclosures in member firms' annual reports beginning in 2007. Since then, discussions of corporate social responsibility reporting (CSRR) in Malaysia have become essential. Shariah law influences the legal requirements in most Muslim countries including Malaysia. Shariah approved firms refer to those that conduct activities approved by two Shariah Advisory Councils (SACs) in Malaysia. While both Shariah and non-Shariah approved firms are required to include CSRR in their annual reports, Shariah approved firms are expected to release a higher level of CSRR. This assumption is made on the ground that the Shariah approved firms are subject to the principle of full disclosure other than the concept of social accountability. Therefore, this study aims at comparing the CSRR of Shariah and non-Shariah approved firms in terms of the quantity and quality of the disclosures in the annual reports. Sample data for the study is drawn from the top 300 firms (by market capitalisation) that are listed on the main board of Bursa Malaysia over a five-year period from 2005 to 2009. A common CSRR checklist is developed to enable comparisons to be made between the Shariah and non-Shariah approved firms. The analysis is done through a content analysis procedure on the firms' annual reports for the year 2005 to 2009. Findings from the t-tests revealed no significant difference in the overall quantity and quality of CSRR disclosed between the Shariah and non-Shariah approved firms over the five-year period, reflecting the voluntary (year 2005-2006) and mandatory (year 2007-2009) period of CSRR. However, when CSRR is further classified into five categories (environment, community, workplace, marketplace and others), there are several significant differences found between the two groups of firms, specifically in terms of the quality and quantity of environmental and community-related reporting. The introduction of the mandatory CSRR requirement by the Bursa Malaysia in 2007 also seems to have effect on the disclosure of CSRR between the Shariah and non-Shariah approved firms. Overall, this study signifies the importance of relating the aspects of religion with CSRR, especially with the Islamic religion, as most of the Islamic teaching is very much related to the concept of CSR. Evidence from this study offers valuable input for the regulators in their efforts to improve the CSRR disclosed by all types of firms. Further analysis could be done on the influence of religion on CSRR through regression analysis, using religion as one of the firm-specific characteristics that may influence the quantity and quality of CSRR disclosed by firms.

**Key words:** Corporate social responsibility reporting • Shariah approved firms • Comparative study

### **INTRODUCTION**

Corporate social responsibility reporting (CSRR) refers to the provision of information about a particular firm that may embrace any subject in any medium to any parties with the aim of providing a solution for improved accountability to a wide array of stakeholders on environmental and societal issues [1]. Prior literature has

demonstrated an upward trend of CSRR made by firms as a result of the growing public pressure and attention paid to various corporate social responsibility (CSR) issues in mass media [2]. These concerns among others involve pollution and environmental degradation issues including environmental protection, health protection and safety, as well as efforts in managing fragile ecosystems and land resources and combating deforestation [3].

Most of the extant literature on CSRR, particularly in the emerging markets, has looked into the nature and extent of CSRR and the motivation behind such reporting, from various perspectives [4]. Despite the extensive coverage done on these topics, research that examines the influence of religion on CSRR is rather limited [5]. To a certain extent, justifications underpinning social and environmental accounting in which CSRR is a part are parallel to Islamic accounting that is governed by Islamic values and its economic system [6]. In this respect and in particular for Malaysians' lives [7], it is of interest to examine the influence of Islamic values on CSRR in the country. This study focuses on the influence of Islamic values towards the improvement of CSRR, particularly in terms of its quality. While prior CSRR literature looked at CSRR from a Western and developed countries perspective, this study examines CSRR from one developing country with Islamic capital market that is Malaysia. Specifically, this study compares the quantity and quality of CSRR between Shariah and non-Shariah approved firms in Malaysia during the voluntary and mandatory period of CSRR. The increasing number of Shariah approved firms that are listed on the main board of Bursa Malaysia over the years indicates the importance of these firms as components of the overall capital market [8]. As Islamic teaching promotes social accountability concept and full disclosure principles [9], there could be some differences in CSRR disclosed between the two groups of firms.

**Literature Review:** The increasing trend of CSRR has been apparent, following the rising social and environmental challenges around the world. CSR Asia, an advocate of sustainable economical, social and environmental development across the Asia Pacific region, reports on ten major social and environmental issues: labour and human resources, corporate governance, environmental issues, climate change, partnerships with stakeholders, regulation and leadership from governments, bribery and corruption, community investment and pro-poor development, product responsibility and the professionalization of CSR [10]. In Malaysia, even though a similar pattern of reporting is apparent [11], a number of researchers have argued on the low level of CSRR among Malaysian firms and claimed that Malaysia is still in its infancy stage of CSRR [12]. This is in spite of a number of social and environmental problems evolved as a result of continuous rapid economic growth, as well as globalization and urbanization processes that occur in the country. For

example, Malaysia confronts with several environmental challenges such as climate change, environmental degradation, disruption of ecological diversity, depletion of non-renewable natural resources and extinction of wildlife species [13]. On the social side, there has been several corporate misconduct cases reported including Transmile Group Berhad and Megan Media Holdings Berhad [14], together with corruption issues [15]. All of these issues raised the importance of extending firms' accountability to all stakeholders and acting in a socially responsible way in all areas of business activity [16].

Several initiatives have been taken by the government to enhance the development of CSRR in Malaysia. For example, Bursa Malaysia provides a voluntary guidance on CSRR to its members in 2006 and later made CSRR mandatory for all public listed firms with effect from 31 December 2007. This action is in line with the efforts taken in several countries around the world, such as Spain, Denmark and Sweden, that enacted obligations for firms to include environmental issues in their financial statements [17].

The mandatory CSRR requirement has been incorporated into the Listing Requirements of Bursa Malaysia (Appendix 9C, Part A, Paragraph 29), which obligates all public listed firms to include a description of the CSR activities or practices undertaken by the listed firm and its subsidiaries or, if there are none, a statement to that effect. However, the lack of specific reporting requirements on the content and extent of CSRR has led to greater variability in terms of CSRR provided by listed firms. It also gives the firms ample opportunity to report CSR information the way they want and this in turn puts the stakeholders at a disadvantage. Instead of fulfilling the accountability and transparency functions, current regulatory efforts are found to be a significant mechanism in promoting CSR reputations [12]. This is consistent with the arguments provided in prior works on the use of CSRR as a mean to legitimise firms' behaviours to the stakeholders and influence external perceptions of reputations [18].

From the Islamic point of view, firms should disclose CSRR regardless of the mandatory CSRR requirement as they are accountable to God and the community for all their actions [19]. Although all main religions in Malaysia preach ethics, good conduct and responsibility, the main argument for focusing on the Islamic worldview is that there is a clear integration of the religion as part of a Muslim's life, be it private or public and consequently affecting his business dealings [7]. Islam is not simply a personal religion, but also an organization for society and

its institutions, as well as the guide for conduct of individuals within that institutional and social context [20]. In this regard, together with the provision of a set of business ethics, accounting practices and policies are directly affected by certain Islamic economic and financial principles [19].

Many principles in Islamic teachings (*Shariah*) are related to the concepts of CSR, for examples trust (*amanah*) and justice (*adl'*). The earth should be looked after by human beings as it is a trust from God and they will ultimately be accountable to God for their actions [19]. Under the Islamic economic system, people live in a fair and profitable way without exploiting others [19]. Islam is also concerned with the development of the community (*Umma*); promoting its wellbeing, social justice (*adl'*), social welfare and countering for oppression [19] with knowledge (*ilm*) being the key in such development [20].

Following the integration of the Islamic teaching in the concept of CSR, the Shariah approved firms are expected to be more actively involved in CSR-related activities as compared to the non-Shariah approved firms. A similar trend is expected in terms of their disclosures or reporting, as the Islamic perspective highlighted the principle of full disclosure and social accountability [9]. Since the public has the right to be informed on the operational effects of a firm on its wellbeing, the firm is urged to fulfill its social accountability through proper disclosure of CSR for the eyes of the public.

Several works has been undertaken on Islamic corporate reporting [21, 22, 23, 24], most of which indicated a minimal level of disclosure in the annual reports. Prior research has also dictated the influence of Islamic religion and values on corporate performance and disclosure [5, 7]. There were significant differences in the level and the extent of the disclosures between the Islamic financial institutions (IFIs) and conventional financial institutions (CFIs) that operate in the Gulf region are largely due to the disclosures made by the IFIs, which are religious related themes such as Shariah supervisory board reports, *Zakah* (charitable practice), charity donations and free interest loans [5]. In examining differences in social and environmental performance between Shariah and non-Shariah approved firms in Malaysia, the Shariah approved firms were seen only marginally better than those of non-Shariah approved firms [7]. However, these findings were derived from two CSR performance measures only; ISO 14001 and OHSAS 18001 certification. Therefore, while other studies [5, 7] also observed CSRR, this study examines the reporting using a comprehensive checklist that encompassed both conventional and Islamic aspects of CSR.

## MATERIALS AND METHODS

**Sampling:** The population of interest in this study includes all firms listed on the Main Board of Bursa Malaysia. The sample firms are chosen based on firms that have maintained their positions in the top 300 firms (by market capitalisation) for the five-year period from 2005 to 2009. The reason for choosing the larger firms is that these firms tend to have greater public visibility and impact on society [25]. Therefore, these firms are more likely to use CSRR to respond to the public pressures. The selection of the sample, which is based on market capitalisation, is consistent with prior CSRR research [26]. The representative sample for each year from 2005 to 2009 is more than 75% of the market capitalisation of all firms listed in the Main Board of Bursa Malaysia, similar to the sample size used in prior CSRR research [27]. Table 1 describes the detailed sampling procedure for the final sample of firms.

**Data Collection: Content Analysis:** In this study, content analysis is used to examine CSRR in the annual reports. This method has been used in many prior studies that examined CSRR [26, 28, 29, 30, 31]. It is a method of codifying the content of a piece of writing into various categories [32], which involves codifying qualitative information in anecdotal and literary forms into categories to derive quantitative scales of varying levels of complexity [33]. It relies on the assumption that the extent of disclosure provides some indication of the importance of an issue to the reporting entity and to derive an indication of the meanings, motivations and intentions of the communicator [29]. Data collected using content analysis techniques should be 1) objective (the ability of independent parties to identify similarly what is and what is not a CSRR), 2) systematic (a set of exhaustive rules that define CSRR in a mutually exclusive and all-embracing manner) and 3) reliable (the extent to which identical results would be obtained if the same process was undertaken either by the analyst on a different sample or by a different analyst). It should also have a high level of external validity and permit analysis of large volumes of data, which can be coded by several individuals if necessary [29].

**Research Instrument:** Different categories of CSRR have been used in different studies. The variety of CSRR categories used reflects the different agendas set in different countries [34] and changes in CSR focus over time [1]. Therefore, to measure the level of CSRR in the context of Malaysia, a preliminary research instrument

Table 1: Sampling Procedure

Sampling procedures	No. of firm-year observations
Firms that are positioned in top 300 companies (by market capitalisation) for the five-year period from 2005 to 2009.	1500
Firms that have not maintained their position in top 300 companies (by market capitalisation) for the five-year period from 2005 to 2009.	600
Final Sample	900

that includes 5 categories of CSRR (environmental, community, workplace, marketplace and others) was developed.

The construction of the CSRR checklist, consisting of 40 items, was based on the checklists employed by previous research on CSRR and taking into account both conventional and Islamic corporate reporting instruments. Reference was also made to the Global Reporting Initiatives (GRI) and recent CSR Framework for Malaysian firms that was developed by the Bursa Malaysia following the continuous development of corporate governance and CSR in Malaysia. This checklist is to capture the new CSR agenda items that are considered important, particularly in the context of Malaysia.

The preliminary checklist was sent to several CSRR experts for a face validation process. Further refinements were made to the preliminary checklist to incorporate experts' opinions and suggestions. The refined CSRR checklist was then reviewed by two accounting academics specialising in the area of financial reporting and disclosure. The refined checklist has also been checked to ensure that each component in the checklist is applicable to all firms, regardless of industry and types of firms (e.g. Shariah approved firms and non-Shariah approved firms). This is important to avoid research penalising the non-reporting firms. For example, a few CSRR components such as "Muslim employees are allowed to perform their obligatory prayers during specific times and fasting during Ramadhan on their working day" [21] and "disclosure of Shariah supervisory board opinion" [22] are applicable to selected firm types (e.g. Shariah approved firms) and industries (e.g. finance industry) only; and therefore must be excluded from the final checklist.

The final CSRR checklist was then pilot tested on a sample of 30 annual reports to ensure that there is some variability in disclosures between different firms and to capture the items not yet included in the existing checklist before being tested on the larger sample. Out of 30 annual reports, 10 of them were coded independently by two coders. Any discrepancies were reanalysed and resolved.

In testing the larger sample, only one researcher coded all of the annual reports based on a set of

basic coding rules that was constructed to ensure reliability and validity [30]. Manual searches were conducted throughout all sections of the annual reports. Table 2 presents the components of the final CSRR checklist.

**Measurement of CSRR:** This study uses two types of measures to capture the level of CSRR made in the sample firms. For quality, the number of CSRR items is expressed as an index based on a weighted procedure. For quantity, the length of CSRR items is expressed in terms of the number of sentences. While the former captures the 'variety' and 'quality' of disclosure, the latter captures the 'extent' of disclosure [30].

**CSRR Quality (CSRRQL):** Using a weighting procedure, the value of each item disclosed is measured by assigning a value of 3 (if there is quantitative disclosure = highest weight); 2 (if there is qualitative specific information); and 1 (if there is general qualitative disclosure = lowest weight). The procedure is considered appropriate as it can overcome the problem of failing to reflect the emphasis attached (the level of importance) to each CSRR disclosed [28] if using the dichotomous procedure. Accordingly, the CSRRQL index is derived by computing the ratio of actual scores awarded (based on the weighted scoring approach) to the maximum score attainable by the company.

Therefore, the final CSRRQL index formula is:

$$CSRRQL_j = \frac{\sum_{i=1}^n X_{ij}}{n_j}$$

where:

$CSRRQL_j$  = Corporate social responsibility reporting index for  $j^{th}$  company;

$n_j$  = Total number of items expected for  $j^{th}$  firm with the maximum score assigned; and

$X_{ij}$  = 3 if  $i^{th}$  item is quantitative disclosed, 2 if  $i^{th}$  item is qualitative specific information disclosed, 1 if  $i^{th}$  item is general qualitative disclosed and 0 if  $i^{th}$  item does not disclose any information.

Table 2: CSRR Checklists

No	CSRR	CODE
	Environment	
1	Pollution control / abatement	E1
2	Environmental conservation and repairs	E2
3	Energy conservation	E3
4	Resource conservation and waste management	E4
5	ISO 14001 / 14004 (Environmental Management System) certification	E5
6	Environmental awards	E6
7	Other commitments towards environmental protection / sustainability	E7
	Community	
1	Education	C1
2	Charity	C2
3	Art, culture and heritage	C3
4	Equality in community	C4
5	Youth development and graduate employment programme	C5
6	Employees participation in community service	C6
7	Community health and safety	C7
8	Community and infrastructure support	C8
9	Community awards	C9
10	Community engagement	C10
11	Support for national pride / government sponsored campaigns	C11
	Workplace	
1	Employee health and safety (H&S)	W1
2	Human capital development	W2
3	Workplace diversity and equal opportunity	W3
4	Employee appreciation	W4
5	OHSAS 18001 (Occupational Health and Safety Management Systems) certification	W5
6	Employee relation / engagement	W6
7	Workplace awards	W7
8	Employee remuneration, benefit and assistance	W8
9	Work-life balance	W9
10	Industrial relations	W10
	Marketplace	
1	Product development	M1
2	Product / service quality	M2
3	Product / service safety	M3
4	Corporate governance	M4
5	Supplier relation / engagement	M5
6	Customer relation / satisfaction	M6
7	Stakeholder engagement	M7
8	Other stakeholders' matters	M8
9	Marketplace awards	M9
	Others	
1	CSR reporting standard / quality	O1
2	CSR committee	O2
3	Other commitment statements to CSR	O3

**CSRR Quantity (CSRRQN):** Using the same research instrument, the number of sentences related to each item in the checklist is counted. The number of sentences is chosen over the other methods because it is easily identified and is less subject to inter-judge variation than other measures such as themes, words and pages. It also overcomes the problems related to font, margin or page size, word standardization and reliability of inter-rater

coding and more detailed analysis of specific issues and themes [35]. However, using the number of sentences as a CSRR measure was also criticised for not capturing pictures and graphics [36], which are potentially powerful and highly effective methods of communication and for causing difficulties due to different styles of writing [37]. In order to overcome these weaknesses, the application of both measures (CSRR quality and CSRR quantity) is

considered appropriate. Items relating to graphical presentation in the checklist were excluded from the sentence count as this was considered in the CSRR Index. The number of sentences related to each item under the five themes was added together to compute the CSRRQL. There have been several mediums used to communicate CSRR, for example, annual reports, stand-alone reports, web sites, newsletter and bulletins [28]. Despite the variety of mediums used for reporting, annual reports have been recognised as the main avenue for CSRR. There have been claims about the failure of annual reports to capture all CSRR [38] and the increasing popularity of stand-alone and internet CSRR. However, such observations may not hold in the context of emerging economies but might be valid in the context of Western developed economies [39], as the level of socio-economic [40] and technological development [41] between these two groups of countries are different. Therefore, this study focuses on corporate social responsibility reporting made in the firms' annual reports only.

## RESULTS AND DISCUSSION

This study compares the quantity and quality of CSRR disclosed in the firms' annual reports between the Shariah and non-Shariah approved firms over a five-year period from 2005 to 2009. Out of 180 sample firms included in the study, 70 percent of the sample represents the Shariah approved firms, while the remaining 30 per cent is the non-Shariah approved firms. The descriptive analysis of the quantity and quality of CSRR disclosed in firms' annual reports over the five-year period is presented in Table 3 and Table 4 respectively.

In general, the five-year analysis of CSRR indicated an increasing trend of both quantity and quality of CSRR disclosed by firms. The highest mean difference for every component of CSRR appear to be in year 2007 that is the first year CSRR was made mandatory in Malaysia. Instead of reporting all components of CSRR, firms were seen to be selective in choosing the CSRR's components of interest. For example, there were firms who chose not to report their environment- and community-related activities or information to the stakeholders, in spite of the introduction of the mandatory CSRR requirement.

Perhaps, this scenario explains the use of CSRR as a mechanism for firms to legitimise their existence and maintain good reputation in the eyes of the society. However, all sample-firms did provide minimum reporting for workplace-related and marketplace-related information

Table 3: Descriptive Statistics of CSRR Quantity

CSRR	Year	Mean	Mean Diff	Max	Min
Environment	2005	6.367		109	0
	2006	8.556	2.189	109	0
	2007	12.144	3.588	148	0
	2008	14.561	2.417	134	0
	2009	17.578	3.017	179	0
Community	2005	10.422		101	0
	2006	14.778	4.356	140	0
	2007	20.661	5.883	150	0
	2008	24.994	4.333	206	0
	2009	25.933	0.939	134	0
Work place	2005	14.478		130	1
	2006	16.617	2.139	143	1
	2007	22.394	5.777	224	1
	2008	27.061	4.667	232	1
	2009	28.967	1.906	242	1
Market place	2005	23.283		246	4
	2006	25.761	2.478	226	5
	2007	29.639	3.878	286	5
	2008	34.528	4.889	287	5
	2009	35.867	1.339	302	5
Others	2005	2.061		32	0
	2006	3.922	1.861	55	0
	2007	7.278	3.356	115	0
	2008	7.806	0.528	136	0
	2009	7.956	0.150	133	0
Total CSRR	2005	56.611		396	5
	2006	69.633	13.022	562	6
	2007	92.117	22.484	716	6
	2008	108.950	16.833	714	9
	2009	116.300	7.350	758	9

over the five-year period. This may partly signify the greater importance paid by firms on employee and market players rather than community and environment. Rather than addressing all stakeholders' demand, firms were seen to manage the demand of selected stakeholders' group that directly impacted the firms' operations.

The five-year analysis of the differences in CSRR between the Shariah and non-Shariah approved firms is presented in Tables 5 through 9, with one for each year from 2005 to 2009. Generally, findings from the t-tests revealed no significant difference in the overall quantity and quality of CSRR disclosed between the Shariah and non-Shariah approved firms over the five-year period. However, when CSRR is further classified into five categories (environment, community, workplace, marketplace and others), there are several significant differences found between the two groups of firms, specifically in terms of the quality and quantity of environmental and community-related reporting.

Table 4: Descriptive Statistics of CSRR Quality

CSRR	Year	Mean	Mean Diff	Max	Min
Environment	2005	0.073		0.524	0.000
	2006	0.097	0.024	0.714	0.000
	2007	0.140	0.043	0.571	0.000
	2008	0.174	0.034	0.571	0.000
	2009	0.194	0.020	0.762	0.000
Community	2005	0.109		0.576	0.000
	2006	0.147	0.038	0.667	0.000
	2007	0.188	0.041	0.636	0.000
	2008	0.210	0.022	0.636	0.000
	2009	0.215	0.005	0.727	0.000
Work place	2005	0.133		0.567	0.033
	2006	0.146	0.013	0.633	0.033
	2007	0.180	0.034	0.633	0.033
	2008	0.204	0.024	0.700	0.033
	2009	0.211	0.007	0.733	0.033
Market place	2005	0.145		0.519	0.037
	2006	0.156	0.011	0.667	0.074
	2007	0.166	0.010	0.481	0.074
	2008	0.181	0.015	0.481	0.074
	2009	0.187	0.006	0.815	0.074
Others	2005	0.066		0.444	0.000
	2006	0.081	0.015	0.444	0.000
	2007	0.130	0.049	0.556	0.000
	2008	0.149	0.019	0.556	0.000
	2009	0.148	-0.001	0.667	0.000
Total CSRR	2005	0.105		0.401	0.014
	2006	0.125	0.020	0.472	0.021
	2007	0.161	0.036	0.452	0.021
	2008	0.184	0.023	0.498	0.021
	2009	0.191	0.007	0.597	0.040

In 2005 and 2006 that marked the voluntary period of CSRR, there is a significant difference in the environment-related reporting between the Shariah and non-Shariah approved firms, whereby significantly more reporting is observed in the Shariah approved firms as compared to the non-Shariah approved firms.

However, there is no significant difference found in the environment-related reporting between the two groups of firms after CSRR is made mandatory from 2007 onwards, with an exception in the quantity of environment-related reporting in 2007. The results might be interpreted as compliance of the non-Shariah approved firms with the CSRR regulations mandated by Bursa Malaysia in 2007. Prior to the regulation mandate, the Shariah-approved firms tended to disclose more environment-related reporting than their counterparts. This might be explained by the Shariah firms' accountability to safeguard the environment as stated in the prior literature [19].

With regards to the community-related reporting, there is a significant difference revealed between the Shariah and non-Shariah approved firms in 2008. The non-Shariah approved firms tended to disclose more community-related reporting as compared to the Shariah approved firms during those two years (after CSRR was made mandatory in 2007). The introduction of CSRR regulations might have motivated the non-Shariah approved firms to disclose more CSRR, so as to be seen as legitimate in the eyes of the society. The Shariah-approved firms may have already adhered to the social accountability and full disclosure concepts, regardless of the existence of new regulations.

Overall, the findings of the study are comparable to the findings described in prior literature. For example, Ibrahim et al. [7] documented that the Shariah approved firms are only marginally better than the non-Shariah approved firms in terms of their social and environmental performance. Their study was based on a limited CSR performance measure.

Since this study is based on a comprehensive CSRR checklist, the insignificant differences in CSRR disclosed between the Shariah and non-Shariah approved firms documented in these results is less surprising. Other than that, the fact that the non-Shariah approved firms are also influenced by their morals and ethics, as well as their accountability to their shareholders [7] may also have contributed to the lack of differences in CSRR between the two groups of firms. Both Shariah and non-Shariah approved firms have their own motives for disclosing their CSRR in annual reports, especially to maintain their legitimacy in the eyes of the public or society at large.

The insignificant differences in CSRR disclosed between these two types of firms could also be explained by the common CSRR checklist used in the study. As noted in the literature review, Aribi and Gao [5] attributed significant differences in the level and the extent of the CSR disclosures between the CFIs and IFIs to the disclosures made by the IFIs.

The use of the common CSRR checklist applicable to both Shariah and non-Shariah approved firms may account for the insignificant difference in CSRR disclosed between these two types of firms. In other words, the differences in CSRR between these two groups of firms could be in terms of the Islamic religion related themes as highlighted in prior literature. This range of studies mostly promotes the importance of Islamic corporate reporting that includes social and environmental disclosure.

Table 5: Differences in CSRR between Shariah and non-Shariah approved firms for 2005 (S:127 firms; NS: 53 firms)

CSRR	Mean difference	T-value	Sig.	Mean
<i>Overall</i>				
Quality	0.00347	0.242	0.809	S: 0.1062; NS: 0.1027
Quantity	2.81830	0.238	0.812	S: 57.4409; NS: 54.6226
<i>Environmental</i>				
Quality	0.04236	2.917	0.004**	S: 0.0855; NS: 0.0431
Quantity	6.05527	3.699	0.000**	S: 8.1496; NS: 2.0943
<i>Community</i>				
Quality	-0.03572	-1.589	0.114	S: 0.0981; NS: 0.1338
Quantity	-2.61061	-0.944	0.347	S: 9.6535; NS: 12.2642
<i>Workplace</i>				
Quality	0.00608	0.298	0.766	S: 0.1344; NS: 0.1283
Quantity	3.96642	1.031	0.304	S: 15.6457; NS: 11.6792
<i>Marketplace</i>				
Quality	0.00314	0.247	0.805	S: 0.1464; NS: 0.1433
Quantity	4.67939	-0.989	0.324	S: 21.9055; NS: 26.5849
<i>Others</i>				
Quality	0.00150	0.102	0.919	S: 0.0665; NS: 0.0650
Quantity	0.08661	0.117	0.907	S: 2.0866; NS: 2.0000

Notes: S: Shariah firms; NS: Non-Shariah firms

\*Significant at the 0.05 level

\*\* Significant at the 0.01 level

Table 6: Differences in CSRR between Shariah and non-Shariah approved firms for 2006 (S:127 firms; NS: 53 firms)

CSRR	Mean difference	T-value	Sig.	Mean
<i>Overall</i>				
Quality	0.0067	0.426	0.671	S: 0.1276; NS: 0.1209
Quantity	7.0483	0.482	0.630	S: 71.7087; NS: 64.6604
<i>Environmental</i>				
Quality	0.0459	2.728	0.007**	S: 0.1106; NS: 0.0647
Quantity	7.2055	3.677	0.000**	S: 10.6770; NS: 3.4717
<i>Community</i>				
Quality	-0.0356	-1.433	0.154	S: 0.1365; NS: 0.1721
Quantity	-1.4916	-0.420	0.675	S: 14.3386; NS: 15.8302
<i>Workplace</i>				
Quality	0.0038	-0.252	0.801	S: 0.1549; NS: 0.1586
Quantity	-2.6384	-0.494	0.622	S: 24.9843; NS: 27.6226
<i>Marketplace</i>				
Quality	0.00314	0.247	0.805	S: 0.1464; NS: 0.1433
Quantity	-0.989	-0.989	0.324	S: 21.9055; NS: 26.5849
<i>Others</i>				
Quality	0.0145	0.915	0.361	S: 0.0857; NS: 0.0713
Quantity	0.9060	0.748	0.455	S: 4.1890; NS: 3.2830

Notes: S: Shariah firms; NS: Non-Shariah firms

\*Significant at the 0.05 level

\*\* Significant at the 0.01 level



Table 7: Differences in CSRR between Shariah and non-Shariah approved firms for 2007 (S:127 firms; NS: 53 firms)

CSRR	Mean difference	T-value	Sig.	Mean
<i>Overall</i>				
Quality	-0.00640	-0.408	0.684	S: 0.1590; NS: 0.1654
Quantity	0.51300	0.030	0.976	S: 92.2677; NS: 91.7547
<i>Environmental</i>				
Quality	0.00771	0.360	0.720	S: 0.1425; NS: 0.1348
Quantity	6.16818	2.461	0.015*	S: 13.9606; NS: 7.7925
<i>Community</i>				
Quality	-0.04132	-1.692	0.092	S: 0.1754; NS: 0.2167
Quantity	-4.14396	-1.048	0.296	S: 19.4409; NS: 23.5849
<i>Workplace</i>				
Quality	0.00133	0.063	0.950	S: 0.1806; NS: 0.1792
Quantity	1.54851	0.295	0.769	S: 22.8504; NS: 21.3019
<i>Marketplace</i>				
Quality	-0.00900	-0.605	0.546	S: 0.1636; NS: 0.1726
Quantity	-3.53365	-0.598	0.550	S: 28.5984; NS: 32.1321
<i>Others</i>				
Quality	0.00929	0.551	0.582	S: 0.1330; NS: 0.1237
Quantity	0.47393	0.229	0.819	S: 7.4173; NS: 6.9434

Notes: S: Shariah firms; NS: Non-Shariah firms

\*Significant at the 0.05 level

\*\* Significant at the 0.01 level

Table 8: Differences in CSRR between Shariah and non-Shariah approved firms for 2008 (S:128 firms; NS: 52 firms)

CSRR	Mean difference	T-value	Sig.	Mean
<i>Overall</i>				
Quality	-0.02161	-1.376	0.171	S: 0.1776; NS: 0.1992
Quantity	-17.59435	-0.865	0.388	S: 1.0387E2; NS: 1.2146E2
<i>Environmental</i>				
Quality	0.01428	0.633	0.528	S: 0.1782; NS: 0.1639
Quantity	4.92668	1.364	0.174	S: 15.9844; NS: 11.0577
<i>Community</i>				
Quality	-0.07694	-3.233	0.001**	S: 0.1882; NS: 0.2652
Quantity	-9.90565	-2.037	0.043*	S: 22.1328; NS: 32.0385
<i>Workplace</i>				
Quality	-0.01230	-0.551	0.582	S: 0.2005; NS: 0.2128
Quantity	-3.67308	-0.562	0.575	S: 26.0000; NS: 29.6731
<i>Marketplace</i>				
Quality	0.01480	-0.984	0.326	S: 0.1768; NS: 0.1916
Quantity	-8.77704	-1.266	0.207	S: 31.9922; NS: 40.7692
<i>Others</i>				
Quality	-0.01830	-1.064	0.289	S: 0.1441; NS: 0.1624
Quantity	-0.16526	-0.079	0.937	S: 7.7578; NS: 7.9231

Notes: S: Shariah firms; NS: Non-Shariah firms

\*Significant at the 0.05 level

\*\* Significant at the 0.01 level

Table 9: Differences in CSRR between Shariah and non-Shariah approved firms for 2009 (S:128 firms; NS: 52 firms)

CSRR	Mean difference	T-value	Sig.	Mean
<i>Overall</i>				
Quality	-0.02498	-1.465	0.145	S: 0.1838; NS: 0.2088
Quantity	-12.64002	-0.573	0.567	S: 1.1265E2; NS: 1.2529E2
<i>Environmental</i>				
Quality	0.00189	0.081	0.936	S: 0.1942; NS: 0.1923
Quantity	5.05829	1.124	0.262	S: 19.0391; NS: 13.9808
<i>Community</i>				
Quality	-0.06024	-2.481	0.014**	S: 0.1979; NS: 0.2582
Quantity	-6.88161	-1.543	0.125	S: 23.9453; NS: 30.8269
<i>Workplace</i>				
Quality	-0.02636	-1.117	0.266	S: 0.2031; NS: 0.2295
Quantity	-1.26382	-0.176	0.860	S: 28.6016; NS: 29.8654
<i>Marketplace</i>				
Quality	-0.00812	-0.465	0.642	S: 0.1849; NS: 0.1930
Quantity	-10.40986	-1.220	0.226	S: 32.8594; NS: 43.2692
<i>Others</i>				
Quality	-0.03205	-1.552	0.125	S: 0.1389; NS: 0.1709
Quantity	0.85697	0.397	0.692	S: 8.2031; NS: 7.3462

Notes: S: Shariah firms; NS: Non-Shariah firms

\*Significant at the 0.05 level

\*\* Significant at the 0.01 level

In a study on Islamic social reporting (ISR) in Malaysia, Othman and Thani [23] concluded that the extent of ISR was considered minimal, thus indicating a lack of transparency in the disclosures with respect to Islamic values. This is despite the fact that the concept of social accountability in Islam is related to the principle of full disclosure.

## CONCLUSION

This study compares the quantity and quality of CSRR disclosed in the annual reports between the Shariah and non-Shariah approved firms in Malaysia. Findings from the t-test analysis revealed insignificant differences of both quantity and quality of CSRR disclosed between the Shariah and non-Shariah approved firms based on a common CSRR checklist developed for the purpose of this study. Perhaps the few differences in CSRR disclosed between these two groups of firms could be explained in terms of the Islamic religion related themes that were purposely excluded from the final checklist for all firms.

These Islamic religion related disclosures that have been highlighted in Islamic corporate reporting needs to be promoted to a higher level, in line with the concept of social accountability and principle of full disclosure. Islamic corporate reporting includes the aspects of social and environment, as part of fulfilling the firms' accountability to God, the environment and the

community. With the minimal level of Islamic social reporting in Malaysia as reported by prior studies, more efforts are needed to promote it.

Findings of the study also revealed interesting results on the influence of mandatory CSRR requirements that took mandatory effect from 2007 onwards, particularly on two categories of CSRR for environment and community-related reporting. This calls for further investigation on the impact of the mandatory requirements on the CSRR disclosed by firms. While the introduction of such regulation is seen to motivate the non-Shariah approved firms to disclose more CSRR, the regulation seems to have less or no effect to the Shariah approved firms. Probably, the Shariah approved firms have previously adhered to the concept of social accountability and the principle of full disclosure even before the introduction of the CSRR regulation.

The study also signifies the importance of relating the aspects of religion with CSRR, especially with the Islamic religion, as most of the Islamic teaching is very much related to the concept of CSR. Evidence from the study offer valuable input for the regulators in their efforts to improve the CSRR disclosed by all types of firms. Further analysis could be done on the influence of religion on CSRR through regression analysis, using religion as one of the firm-specific characteristics that may influence the quantity and quality of CSRR disclosed by firms.

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