

**STUDY ON THE LEVEL OF CORPORATE SOCIAL DISCLOSURE
PRACTICES IN MALAYSIA**

by

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ABSTRACT

This research examines the level of corporate social disclosure (CSD) among Malaysian companies. Content analysis technique, by way of a worksheet, is used to record the CSD level according to the different themes: environment, energy, products, community involvement, employee/human resource. The annual reports of 135 companies, listed on the Kuala Lumpur Stock Exchange (main and second board) for 1996, 1998 and 2000 were examined. The year 1998 was chosen as the financial crisis year, the year 1996 and 2000 as the pre and post financial crisis years, respectively. To ensure that comparison can be made, only the sampled companies that exist throughout the years 1996, 1998 and 2000 were chosen. The results show that the human resource theme was the most highly disclosed theme. The trading and services industry disclosed the highest level of CSD and also have the greatest number of companies disclosing CSD. The disclosures were found mainly in the chairman's report. The mode of disclosure was mainly qualitative. There was no significant difference in the level of CSD for 1996, 1998 and the year 2000 for companies of different sizes and leverage. In the level of CSD there was also no significant difference among industry type for 1998 and 2000, but there was a significant difference in 1996. The high profile industry type was found to have a higher level of CSD. It was also found that there was a significant difference between the level of CSD between the years 1996, 1998 and 2000. The year 1998, which is the financial crisis year, recorded the highest level of CSD.

KAJIAN TAHAP AMALAN PENZAHIRAN SOSIAL KORPORAT DI MALAYSIA

Abstrak

Kajian ini menghuraikan tahap penzahiran sosial korporat (PSK) dikalangan syarikat-syarikat di Malaysia. Teknik menganalisa kandungan menerusi kertas-kerja digunakan untuk merekodkan tahap PSK menerusi tema-tema yang berbeza: persekitaran, sumber tenaga, produk, penglibatan masyarakat, sumber tenaga kerja/manusia. Laporan tahunan dari 135 syarikat yang tersenarai di Bursa Saham Kuala Lumpur (papan utama dan yang kedua) bagi tahun 1996, 1998 dan 2000 telah dikaji untuk tujuan ini. Tahun 1998 dipilih sebagai tahun krisis kewangan dan 1996 dan 2000 sebagai tahun sebelum dan selepas tahun krisis kewangan masing-masing. Keputusan menunjukkan bahawa tema yang berkaitan dengan sumber manusia merupakan tema yang paling banyak menerima pendedahan. Industri perdagangan dan perkhidmatan telah mendedahkan tahap PSK yang tertinggi dan ia juga melibatkan jumlah syarikat yang terbanyak yang mendedahkan PSK. Pendedahan PSK kebanyakannya terkandung dalam laporan pengerusi. Cara pendedahan adalah berkaitan dengan kualiti. Tidak ada perbezaan signifikan di dalam tahap PSK bagi tahun 1996, 1998 dan 2000 bagi syarikat yang berlaianan saiz dan pengumpulan. Walaupun tidak terdapat perbezaan yang ketara diantara jenis-jenis industri yang terlibat dengan tahap PSK bagi tahun 1998 dan 2000, terdapat perbezaan yang jelas bagi tahun 1996. Didapati bahawa industri yang berprofil tinggi mempunyai tahap PSK yang sama tinggi. Juga telah didapati bahawa terdapat perbezaan yang ketara dalam penilaian tahap PSK dari tahun 1996, 1998 dan 2000. Tahun 1998, dimana berlakunya krisis kewangan, merupakan tahun yang mencatatkan tahap PSK yang tertinggi.

TABLE 5.5: Level and Number of disclosure by theme by industry

TABLE 5.6: Frequency of location of CSD

CHAPTER 1

1.1 INTRODUCTION

This chapter gives an overall and clear picture of how this thesis is organized and carried out. This chapter will highlight the important factors that affects the study. Among them are the problem statement, research objectives and the contribution of the study. The nature of disclosure that includes the type, form, location and the measurement tool is also discussed.

1.2 BACKGROUND

Voluntary corporate social disclosure (CSD) gives information to the public regarding a company's activities that relates to the community. Companies that operate in a developed world have moved to include sections on social issues within their annual reports. These sections give information on their responsibility towards reducing hazardous impacts on the environment, improving waste management, showing compliance with Environmental Quality Regulation 1989, better efforts to protecting their employees and other social issues affecting the public. The disclosures were towards an increasing trend. However the level of disclosures itself are still low. (Teoh & Thong,1984; Foo & Tan,1988;Ho,1990 and Shireenjit & Zuaini 1998)

Developed companies have much to gain with CSD. Since in Malaysia, CSD is voluntary, the choice of social issues reflects the Government's priority or the particular

obligation which companies have. Therefore by having CSD, the company would have better reputation and this would increase its chances to secure contracts from the Government as it is seen as being socially responsible. Companies would be able to attract and retain good employees which would in turn benefit them financially in the long run. CSD may be able to strengthen stakeholder relations as reporting promotes corporate transparency and instills greater confidence and trust among stakeholders. CSD is an additional channel for engaging stakeholders in dialogue, and enables companies to identify and address key issues of concern to their stakeholders.

On the other hand the users of accounts also benefit as investors obtain an honest and clear snapshot of a company's true health when it accounts for all its impacts, costs and performance measures, whether economic, social or environmental. For example current or potential employees of companies are able to assess the companies objectives and plans for the human resource management within their companies. This information will definitely help in their decision making process.

Further reporting companies may gain an edge in capital, labour, supplier and customer markets, compared to their silent peers. Disclosure promotes specifically within CSD's themes for example an image of environmental responsibility and thus and improved access to clients and buyers with "green" procurement policies. Suppliers who share similar environmental values and openly disclose their impacts are more likely to achieve "preferred supplier" status with demanding "green" clients, which comprise developed export markets as well as multinationals operating globally. Socially

responsible investment, where companies are screened prior to investment, using social and environmental criteria, is growing exponentially. Finally, sufficient voluntary disclosures or effective self-regulation minimises the risk of regulatory intervention.

CSD includes several themes such as environment, energy, product, community involvement and human resource are now becoming more important to the public. Past studies (Parker, 1986) show that the emergence of the awareness has been as early as the 1970s.

However, in Malaysia the social awareness may have only emerged in the 1980s in line with the increase in living standards. There has been considerable growth in Malaysia in the corporate sector. This growth affects the companies structure, its obligations, its role and status. This has brought strong public concern about unfair business practice, quality goods and services and cleaner environment (Ooi, 1990). Specifically in Malaysia issues concerning the environment, waste management and pollution have become more important. The role of a company which includes both of an economic and social institution are being urged to become accountable to a wider audience than shareholder and creditor groups. Friedman's (1962) doctrine that the only social responsibility of business is to maximize profits is not universally accepted. Therefore their responsibility widens to the public's interest. The justification for a respond from companies is definitely present. Corporations have no choice but to be aware of this responsibility and take action. The most appropriate action will be by disclosure within the annual reports where they are most needed.

Its importance is growing as CSD is useful for decision making to the users of accounts. (Belkaoui (1984); Benjamin and Stanga (1977); Chanall and Juchau (1977); Buzby and Falk (1978) and Firth (1978, 1979, 1984) Specifically, users were asked whether they use the annual report, whether the CSD issues were material to the decisions they make regarding the company, whether they sought the CSD information in the annual report or elsewhere and the relative importance they placed on the categories of CSD.

Therefore CSD can be used by companies as a channel to provide this need.

The evidence of hazards caused by unethical behaviour in Malaysia are numerous. For example the hazards caused by logging in Tasik Kenyir's catchment area have caused serious environmental damage around the lake. Several areas along Sungai Galong had shown severe sedimentation and had become prone to landslides. Logging in the catchment areas near the dam was damaging to its hydroelectric capabilities due to the sedimentation produced. It will have a serious effect on ecotourism. Logging in the area would cause soil erosion, landslides, sedimentation, an impact on downstream activities and an increase in treatment costs for water (New Straits Times 11th March 2003). Further, impacts of waste management and pollution not only affect the society but also pose health threats. This is where better disclosure is vital. This can only be done if the CSD level is first ascertained.

The business enterprise's annual financial report is its most significant communication vehicle (Stagliano & Walden, 1998). The companies are expected to disclose some form of disclosure to fulfill public social concerns regarding their activities that specifically relate to the society for example how waste is managed, whether the company has long term plans to manage and reduce pollution etc .

This clear call for CSD should receive a respond. However previous studies revealed that CSD in Malaysia is still generally low (Teoh & Thong,1984; Foo & Tan,1988;Ho,1990 and Shireenjit & Zuaini 1998) although the users of accounts use them in their decision making process. (Belkaoui (1984);Benjamin and Stanga (1977); Chanall and Juchau (1977); Buzby and Falk (1978)and Firth (1978, 1979, 1984). This study intends to capture a more up to date level of CSD. Further action can only be taken if knowledge of the level of existence of disclosure is known.

This study focuses on the year 1996(pre-recession) , 1998(during recession) and 2000(post recession) because the study suspects that companies disclose CSD to fulfill their social responsibilities and to legitimize their social activities. The results of the study of that year is then compared to 1996 which reflects a pre-recessionary period and the year 2000 which reflects a post recession period. The results should differ. The themes that make up CSD is important because the level of disclosure differ by themes. The CSD is expected to increase in this recession year as companies normally would want to prove their worthiness especially during bad times . This level during recession is

then compared with the other two years being pre and post recession times. The socio-economic conditions at the time especially in 1998 were where the government was encouraging companies to increase productivity to by one way overcome the economic downturn at the time. The study also examines the influence of the type of industry, size and debt ratio on CSD because there is evidence from previous studies that these factors influence the level of CSD. Although there are many other factors these are most significant in determining the level of CSD.

1.3 NATURE OF DISCLOSURE

1.3.1 TYPE OF DISCLOSURE

The type of disclosure that is captured is classified into whether the disclosure is positive or negative. Previous studies show that the disclosures are bias (Deegan & Rankin 1996a). Disclosures are made to protect the interest of the company without considering the accuracy if the disclosure. Further previous studies also show that more disclosures were positive in nature (Brown & Deegan, 1996;Deegan & Rankin, 1996a)

Gray et al. (1995c:99) defines positive and negative disclosures as follows:

Good: Statements beyond the minimum which include (for example) specific details where these details have creditable or neutral reflection on a company; any statements which reflect credit on the company; upbeat analysis/discussion/statement.

Bad: any statements which reflects/might reflect discredit on the company. Include, for example, numbers made redundant (if redundancy is spoken of as a human rather than a economic act),and any increase in accidents.

The type of disclosure is examined in this study to enable to check the usefulness and the accuracy of the disclosure.

1.3.2 LOCATION

The location of the disclosures are also recorded. Some studies (Hackston, 1996) have omitted this dimension because the literature is unclear and the difficulty of the location of the disclosure of the to be factored into any formal statistical testing of CSD content analysis data. This study however takes it into consideration as it seems that information on location was significant in conveying the relative importance of the disclosure. The location of the disclosure does show the importance placed by the company on its choice of disclosure (Unerman 1996). The voluntary and mandatory format also differs in the financial statement. Therefore the areas in the financial report that does not fall within the required statutory format, the choice of location for disclosure is at the company's discretion.

From the view point of the authors of the annual report and the many readers of the report, it seems that CSD contained in the Chairman's statement is likely to carry more weight than that contained in the detailed note to accounts (Lee & Tweedie, 1976). This study also only discloses the result of the study of the location of the information in a

descriptive way i.e. the frequency of a disclosure in a particular location, thereby avoiding the statistical problems mentioned. This is because it is believed that ignoring altogether such data in any qualitative analysis as this risks losing part of the richness of any CSD practices.

1.3.3 QUANTITATIVE AND QUALITATIVE

The disclosure is also classified as quantitative or qualitative. Quantitative disclosures are those that include values and

1.3.4 MEASUREMENT TOOL

In regards to the amount of disclosure earlier studies have used number of pages, number of sentences, number of documents, proportion of a page proportion of total disclosure and number of words. This study will use study the proportion of pages devoted to different categories (or themes) of social disclosures over the total pages (disclosure) in the annual report. The CSD disclosures were enumerated in terms of the proportion of a page taken up by each disclosure. A grid of 20 rows of equal height and five columns of equal width was laid across each CSD disclosure. The volume is counted as the number of cells on the grid taken up by a disclosure. Allowances are made for blank parts of a page. These are counted as part of the communication as they could have been used for other forms of communication. This overcomes the problems faced by other studies that measured in terms of numbers of characters, words or sentences as any non narrative

CSD disclosures (for example photographs or charts are ignored). This is mainly because these methods are known to omit potentially powerful and highly effective methods of communication (Beattie and Jones, 1992;1994; Preston et al.,1996). This study will use the proportion of pages to prevent these problems and to capture the data as complete as possible.

Ng (1985) in his study used number of words because he is of the opinion that studies that use the portion of pages may not be very accurate because of print sizes, column sizes and page sizes that may differ from one annual report to the other. However, in the use of words the decision of the meaning of the words that fall within CSD definition is difficult, because there is a question of whether a word can be categorized as CSD without the meaning of the whole sentence being taken into consideration.

The use of sentences in the study of David Hackston (1996) in New Zealand may overcome the problem of portion of pages and avoid the need to account or standardize the number of words. However, two sentences can still be identical and have different font sizes

1.4 PROBLEM STATEMENT

The CSD awareness that set in Malaysia in the 1980s led to increase in pressures from a variety of sources on the private sector to accept responsibility for impacts on society from business activities. This could be related to the voluntary nature of the disclosure as there is still no requirement to report CSD as yet. The low disclosure level revealed by

past studies is one reason why this study is being done to examine a more recent CSD level. The companies are expected to disclose some form of CSD to fulfill its social responsibility. The need for companies to legitimize their activities and show to the public that they indeed disclose CSD is unavoidable.

1.4 RESEARCH QUESTIONS

Specifically the research objectives of the study are:

(1) To determine the level of CSD as at 1996, 1998 and 2000

What is the level of disclosure by theme for each company for the three years?

Which are the industries that disclose CSD?

Which theme does the different industries disclose?

Where is CSD primarily disclosed at?

What type of CSD information is disclosed?

(2) To determine the factors that affect the level of CSD

2.1 Does size affect the level of CSD?

2.2 Does leverage affect the level of CSD?

2.3 Does industry type affect the level of CSD?

1.5 CONTRIBUTION OF STUDY

This study is seen to be important information to be used by relevant authorities specifically to gauge the CSD level in Malaysia. The absence of clear regulation in Malaysia regarding CSD leads to the emphasis on voluntary disclosures. The first step will be to create where necessary and increase the existing awareness about CSD issues. There are several contributions in terms of the methodology of this study. Firstly, one of the drawbacks of some of the existing studies with a few exceptions (e.g Gray et al., 1995; Guthrie and Parker, 1989; Hogner, 1982), are cross-sectional in nature. This makes it difficult to trace the development of the CSD practices. Although this study is not a longitudinal study it examines the companies annual reports for disclosure over three periods in time 1996 (pre-recession), 1998 (during recession) and 2000 (post-recession). This is because this study is an exploratory study and the three years studied are pertinent to capturing the CSD level even without the longitudinal study. Further the companies that consistently makes disclosure are identified together with their profiles.

The study uses the method of the proportion of pages devoted to different categories (or themes) of social disclosures over the total pages (disclosure) in the annual report. The CSD disclosures were enumerated in terms of the proportion of a page taken up by each disclosure. This overcomes the problems faced by other studies that measured in terms of numbers of characters, words or sentences as any non narrative CSD disclosures (for example photographs or charts are ignored). This is mainly because these methods are known to omit potentially powerful and highly effective methods of communication (Beattie and Jones, 1992;1994; Preston et al.,1996)

Further the data reported is analyzed into the type of disclosures within the themes of CSD. The type of disclosure will enlighten professional bodies on the characteristics of CSD within annual reports and to users and preparers themselves on the extent to which the information within annual reports can be used for their purpose of decision making.

1.6 ORGANISATION OF THESIS

This study includes five chapters. The first chapter explains the background of CSD and its form. Further, it explains the problem statement, the study's objectives and its contribution.

Chapter two will explain the studies done by previous researchers in this area. The chapter begins with the relevant definitions. Further the chapter also outlines specifically the previous work on methods used in this study for example the content analysis method of collection of data that is used etc.

Chapter three explains the regulatory framework in Malaysia highlighting its key players in the structure. Further, it will shed some information on the background of CSD in Malaysia within its themes specifically environment, energy, etc.

Chapter four explains clearly the theoretical framework and research methodology used in the study. It explains how the data was collected, the population sample, the unit of analysis etc.

Chapter five will lay out the findings of the study. It gives an indication of how important companies perceive the CSD. The profiles of the companies in terms of their turnover and the debt ratio is also linked with the CSD.

Chapter six finally will conclude on the findings, the limitations and give suggestions on further improvements on the study on this area.

1.7 SUMMARY

The first chapter includes important issues that relates to the CSD practices among companies in Malaysia. It explains the background of CSD in Malaysia, the benefits obtained from disclosure and the need for disclosure. Further the chapter explains the problem statement which shows the need for the study, the research objectives and the contribution of the study.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter will discuss the work done by previous researchers in this area. It begins with the work done in Malaysia and then followed by work in other countries. It also supports the methods used in this study by work done by previous work in this area for example content analysis.

2.2 VOLUNTARY AND MANDATORY DISCLOSURE

The aim of financial disclosure is to communicate information about a company's profitability, capital, liabilities and other relevant information. These disclosures are used by users of accounts in making an assessment about the performance of a company.

Financial disclosure however can be divided into two types: mandatory and voluntary disclosure (Penman,1988). Any financial disclosure that complies with the accounting standards and theory and/or with the Stock Exchange rules and the Companies Acts comes within mandatory disclosure.

On the other hand disclosures that appear in the financial statement that do not conform to these regulation and instead involves discretion and ex-gratia action on the part of management can be defined as voluntary disclosure.

Corporate social disclosures is considered voluntary disclosure as they are not required by any accounting regulation in Malaysia. These represents an expression of the corporation's social responsibilities.

2.3 DEFINITION OF CSD

CSD provides information regarding a company's activities in relation to environment, energy, human resource, product and community involvement. Corporate social disclosures includes details of the physical environment, energy, human resources, products and community involvement matters (David Hackston,1996). This goes to show the elements of CSD.

Corporate social disclosure (CSD) has been can be defined as the provision of financial and non-financial information relating to an organization's interaction with its physical and social environment, as stated in corporate annual reports or separate social reports. (Guthrie and Matthews,1985). The definition shows that CSD includes quantitative and qualitative information and is represented in the annual reports of companies.

Gray et al.(1987) defined socialand environmental accounting as:

....the process of communicating the social and environmental effects of organization's economic action to particular interest groups within society and to society at large. As such it involves extending the accountability of organizations (particular companies), beyond the traditional role of providing a financial account to the owners of capital, in particular shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders.

This implies that CSD is a means whereby the management can discharge its social responsibility beyond its fundamental role.

In Malaysia there is no specific definition of CSD. The researchers have defined CSD in many ways particularly based on previous work such as the above. The definition that is chosen for this study is the definition by David Hackston,1996, because it captures the areas that form the themes within CSD which is applicable in Malaysia and have been used in many previous studies here and overseas (Mohamed Zain,1999;Shireenjit & Zuaini,1998,Pang,1982;Ernst and Ernst,1978). The definition states that:

Corporate social disclosures includes details of the physical environment, energy, human resources, products and community involvement matters.

2.4 THEMES OF CSD

Many studies have been conducted both in Malaysia, Singapore, United States, United Kingdom, Australia, New Zealand to investigate the themes that fall under CSD. In a study done by Nabil & March(1975) they found that the environment, employment opportunities , product safety, educational aid, donations ,employee benefits and community involvement were frequently mentioned areas. These areas normally were defined into several themes which are the environment, human resource, energy, community involvement and products (Ernst & Ernst,1978). These were the themes that were adopted in this

study because these themes captures the areas that fall under CSD. CSD therefore is made up of and defined by these themes.

Pang(1982) found from his study that the highest disclosures were by the human resource theme followed by the community involvement and environmental theme. The same results were also found by Shireenjit & Zuaini (1998) in their study of 159 companies in 1994. The similar themes of community involvement, human resource, product improvement, energy and environment were found in a study by Ho (1990).

Mohamed Zain (1999) found in his study of 100 leading Malaysian companies that the highest disclosure were in the human resource theme followed by product and community involvement.

The first theme is the environment which is defined as information about the environmental impact and efforts in terms of their relationship with the reporting entity. For example indications that the company's operations are non-polluting or expressing compliance with pollution laws and regulations (eg. Environmental Quality Regulations 1989), conducting regular monitoring and audit of all possible sources of pollution.

The second theme is the energy theme which captures information such as the efficient and prudent use of energy in the course of operation, recycling waste products to generate electricity, reporting on energy policies of the company .

The third theme deals with human resource which includes matters affecting the employee and employee health & safety. Examples of disclosure include providing training and development for human resources i.e. to acquire new skills for both existing or new employees, provides hands-on training, seminars, conferences and courses to employees, launching of streamlining exercise.

The next theme deals with product information statements. These includes statements such as whether products meet safety standards, achievement and commitment to ISO 9001/9002 award and environmental friendly use of products.

The final theme deals with the community involvement which includes disclosures such as cash donations, community outreach programs, building homes for the children and the elderly etc.

2.5 Previous work by countries

For the purpose of discussion, the literature is divided into studies done in different countries at different time frames. It needs to be noted that the past research on CSD lacks a consistent approach whether in terms of research method, the sample selection or the period of study. This does pose problems of accuracy for a comparison to be done between research conducted. These differences needs to be taken into account when making comparisons.

Even as early as the late 1960s, work has been written on the amount of social disclosures within the annual reports of companies (see Ernst & Ernst 1978;

Trotman and Bradley, 1981; Parker, 1986). The past work in the social accounting field indicates that there is a gradual increase in the amount of social disclosure appearing in company annual reports (Trotman and Bradley, 1981; Parker, 1986; Gray et al., 1987; Cowen, et al., 1987; Guthrie and Parker, 1990; Gray et al., 1995). The reasons for their increase are related to many factors such as the increase in living standards leading to the increase in awareness in social areas. Further, there has been a wide and increasing coverage of academic research within corporate social reporting for more than two decades which also might contribute to better understanding of the social areas.

The majority of empirical studies have focused in the USA, the UK and Australia. The work done in other countries for example in Canada, Germany, Japan, New Zealand, Malaysia and Singapore are to a lesser extent. (Hackston & J. Milne, 1996) In the US, the survey done by Ernst & Ernst (1978) is quite extensive. In 1990, Guthrie & Parker provided a more recent survey. In the UK, Gray et al. (1987, 1995a) produced some survey evidence, followed by studies for the years 1979-1991. In Australia, the work was conducted by Trotman (1979) and Guthrie (1983). In New Zealand, Davey (1982) and Ng (1985) produced some evidence of disclosures.

2.5.1 Malaysia

In Malaysia, Shireenjit & Zuaini (1998) studied the general level of social responsibility disclosure by the corporations listed on the KLSE. Their study

observed 159 annual reports of companies in 1994. The findings revealed that the overall social responsibility reporting status for Malaysia was very low, i.e 3.9%. The low level of CSD may be due to the fact that to disclose such form of social responsibility is voluntary and not mandatory. Most of the companies studied disclosed the CSD on a voluntary basis. However, corporations need to be aware that they play a significant role in society and therefore, they must have some awareness that any activity involving society must be disclosed and audited (Ooi,1990)

Andrew et al. (1989) studied 119 annual reports of publicly-listed companies in Malaysia and Singapore for the year ending 31st December, 1983. The overall number of companies that disclosed was only 31 (26 percent). In terms of industrial sectors, the banking and finance industry had the biggest proportion of CSD disclosing companies. The high disclosures for the banking sector could be due to the fact that the government is the majority shareholder of the Development Bank of Singapore (DBS) for the banks under their study. This public status may have led the management of DBS to disclose more social information. This result is consistent with this study that also finds companies under the finance industry to disclose higher CSD. The results also aligned with Foo and Tan's study that higher proportion of large and medium sized companies disclosed social information compared with the small companies.

2.5.2 Singapore

In Singapore, Foo and Tan (1988) found that 299 of 305 Malaysian and Singapore companies listed on the Stock Exchange of Singapore at year ended 1985. The study found higher corporate social reporting in Singapore companies compared to Malaysian companies. This can be linked to the extensive industrialization program Singapore has embarked on and attaining the highest per capita gross national product in Asia. Since 1980s, CSD in Singapore has obtained greater importance due to their higher living standards. The authors also found large Malaysian and Singapore companies were found to have higher CSD than their smaller counterparts, regardless of whether company size was measured in terms of market capitalisation, asset value, paid-up capital, profit before tax, or turnover. This finding of the relationship between firm, size and CSR confirms that of Guthrie and Mathews (1985). However this result is not consistent with this study where no relationship is found between CSD and size of company. Again the Singapore finance sector had the highest incidence of CSR, while the hotel sector had the lowest.

2.5.3 New Zealand

In New Zealand, David Hackston and Markus J. Milne conducted a research on the determinants of social and environmental disclosures in New Zealand companies. The sample includes the largest 50 companies listed on the New Zealand Stock Exchange at 31 December 1992. The method chosen to conduct

the research was content analysis. It was found that most disclosures were on human resources, with environment and community themes also receiving significant attention. The nature of the disclosures made appear to be declarative and giving positive information. The amount of disclosure made averaged about three quarters of an annual report page.

2.5.4 United Kingdom

In the UK, the analysis of CSD will be affected by the fact that there is some regulation to report CSD in their annual reports. A review of annual reports for social and environmental disclosure over the years 1979 to 1982 was conducted in the UK (Gray et al.,1985).

A summary of the results shows a general rise in the proportions of companies disclosing CSD. This can be linked to the increase in the mandatory disclosure in the UK and a stable disclosure within the voluntary disclosures as there may not be a motive to disclose more than what they have disclosed. There are some mandatory requirements for certain CSD disclosures in the UK. Further, by the end of the 1970s, the corporate social disclosure could be specifically classified within a page of employee-related disclosure plus charitable donations. Towards the early 1990s, although the employee-related disclosure still comprised the

majority of the UK corporate social disclosures, the disclosure did cover a wider range of employee related matters. Further, community and environmental disclosure had grown significantly.

In general between 1979 and 1991, the CSD rose by 4 times. Some of the reasons for this increase again could be due to the changes in disclosure regulations which made some themes mandatory. Further the size of the sample is also different. Employee-related disclosure dropped from approximately 90 per cent of total to about 78 per cent, and community and environmental reporting rose from approximately 10 per cent to 32 per cent of total disclosure. Something that had not been identified previously in the literature is the increase in health and safety disclosures. This seems to be associated with the general rise in environmental concern and the increase in major widely published accident involving loss of life (Smith 1993). Although there is a need for economic use of energy efficiently, a very low level of energy and customer information is also seen.

2.5.5 Australia

In Australia, a more recent study of the environmental disclosure practices of Australian corporations was conducted 1991 by Craig Deegan and Ben Gordon. The review was conducted on 197 company's annual reports obtained from the Australian Graduate School of Management (AGSM) annual report file. The disclosure levels were determined using content analysis, individual words being

the basic unit of measurement. The results showed that the disclosures were largely qualitative in nature. The location of the disclosures were typically within the companies' chairman's report, managing director's report or equivalent.

Although the negative results reported were low, it is still higher than previous research by Guthrie and Parker (1990). The maximum number of negative disclosure is 85 words or about five lines. Only 14 companies out of the entire sample disclose any negative environmental disclosure. Further the overall difference between the extent of positive and negative disclosures found that of the 71 firms that disclose environmental information, 70 firms provide significantly more positive than negative information. The maximum level of environmental information is 1049 words or about two pages. In Malaysia the maximum level of environmental information for a company was about one and a half pages. In their study there does appear to be a significant increase in disclosure practices in the period from 1988 to 1991. The increase in reporting was positively associated with the increase in environmental group membership in the study.(Lehmann, 1983 & 1992). Further the highest levels of reporting seem to relate to the time frame where the mining, steel and oil industries was criticised by environmental groups. The disclosures were made as a reaction to these criticisms.

2.5.6 United States Of America