

MALAYSIAN ACCOUNTING REVIEW

Volume 5 No. 1
May 2006

Sponsored by:

Universiti Teknologi MARA

**Malaysian Institute of Accountants
& Malaysian Accountancy Research and Education Foundation**

CORPORATE SOCIAL DISCLOSURE (CSD) OF CONSTRUCTION COMPANIES IN MALAYSIA

Mustaffa Mohamed Zain

Tamoi Janggu

Universiti Teknologi MARA

Dungun, Terengganu

Malaysia

This article examines the social and environmental disclosures of 37 construction companies listed on Malaysian Stock Exchange from 1998 to 2002. The main objective is to investigate the extent to which Malaysian construction companies disclose social and environmental information and to find out whether the amount of disclosure have relationship with the company's characteristics; size, profitability, leverage, and audit firm. The result provides strong evidence that total CSD is positively related to companies' size and profitability. This implies that larger and more profitable corporations disclose more social and environmental information signaling that they are responsible corporate citizens. Trend analysis of data further confirms that construction companies especially company majority owned by 'corporate owner' in Malaysia are aware of their social responsibility but still at low level. However, the result of the current study rejects the assumption that total CSD is related to audit firm. The test also reveals that there exists no strong evidence to support the relationship between total CSD and leverage.

Keywords: *Corporate social disclosure, voluntary disclosure, environmental reporting*

Introduction

Over the past few decades there has been an increasing concern over the relationship between business and society. Corporations have an impact on the social, environmental and political environments they operate in. Society therefore should be provided with the information necessary for evaluating each enterprise's net contribution to social welfare (Mohamed Zain, 1999). As a result, financial reporting should consider the impact of corporate decisions on community as a whole and not just profits. The growth of public awareness about corporate social responsibility has put pressure on corporations, profession and governments to disclose social information in corporate reports (Tilt and Symes, 1994). This can be seen from especially corporations operating

in the developed countries which expand their annual reports to include sections on social issues (Nafez, 2000). Corporate Social Disclosure (CSD) can be said as comprising information relating to a corporation's activities, whereby corporations have to acknowledge the effects of their business operations not only just upon the organization but also, upon its wider environment.

Consistent with an increase in social and environmental disclosures, the research interest in them also increased (see For example: Ernst and Ernst 1972; Arthur Anderson 1974; Freedman and Jaggi 1988; Belkaoui and Kapik 1999; Brockhoff 1979; Dierkes 1979; Stephien 1994). One of the areas that is of consistent interest is an attempt to explain this disclosure by reference to corporate characteristics – typically size, profit and industry affiliation (see for example (see; Spicer 1978; Watts and Zimmerman 1978; Trotman and Bradley 1981; Belksoui and Karpik 1989; Patten 1992; Mohamed Zain 1999 and Romlah et.al (2003).

Although researchers have drawn from a wide range of theoretical perspectives, they have consistently speculated that larger, more profitable firms, and those in more 'socially' and 'environmentally-sensitive' industries can be expected to make greater use of the disclosure of information about their social and environmental activities (see Mohamed Zain, 1999).

The number of research on corporate social disclosure in Malaysia too is on the increase (see Teoh and Thong 1984; Andrew Gul, Guthrie, and Teoh, 1989; Mohamed Zain, 1999; Abdul Rahman and Atan 2002; Romlah, Takiah and Jusoh, 2003). Despite these, there is still no research conducted specifically on the construction industry and on longitudinal basis.

This study focuses on construction companies listed on the Malaysian Stock Exchange for the period from 1998 to 2002 with the main objective of investigating the extent to which social information is disclosed by Malaysian construction companies in the annual report. Secondly, the type (hereafter referred to as theme) of social disclosure currently reported in the annual report and the relationship of disclosure with company characteristics will also be investigated. Lastly, the study will look at the trend of the disclosure from 1998 to 2002.

Literature Review

Companies' involvement in socially responsible activity has been discussed in the literature and has been a topic of academic study for decades (Ullmann, 1985). This is due to the fact that business carries out the economic functions of society (Wartick and Wood, 1998) and has some forms of responsibility to society. The annual report is seemed to be the most practical method to communicate the companies social commitment (Romlah et al., 2003), about measurement of economic income but also about discharging accountability (Mohamed Zain, 1999). Several researchers have investigated the effect of company characteristics on CSR disclosure. These characteristics such as size, profitability, leverage, size of audit firm, industry in which the company is identified and country of ownership influence corporate social disclosure practices.

Size

Generally, previous studies suggested a positive correlation between size and social disclosure (see; Trotman and Bradley 1981; Belkoui and Karpik 1989; Patten 1992;. Spicer (1978) suggests firm size as a factor influencing pollution control, as larger companies had a better record in this regard than smaller firms. Watts and Zimmerman (1978) argue that because political costs reduce management wealth, companies attempt to reduce costs by such devices as social disclosure campaigns. A more recent study by Mohamed Zain (1999) and Romlah et.al (2003) confirm companies' size as measured by total assets provides an explanation on the variability of environmental disclosure among Malaysian companies.

However, the findings of the above studies are contradicted with regard to environmental disclosure. Halme and Huse (1997) conducted a study on annual report for the year 1992 from Scandinavian countries (Sweden, Finland, Spain and Norway) and found no significant relationship between environmental reporting and companies' size. In the Malaysian context, Mohamad and Ahmad (2001) found that firm's size is not significant. Abdul Rahman and Atan, (2002) also found out that there is no association between company size and Environmental Management in Malaysia.

Profitability

The relationship between corporate profitability and CSR has also been investigated. However, it produces mixed results. Gray et al (1987) claim that profitability is not related to CSR in the same period, but may be related to lagged profits. Other earlier studies that failed to find any positive relationship between profitability and amount disclosed include Cowen et al., (1987); Hackston and Milne (1996); Freedman and Jaggi (1982); Pattern (1991). In Malaysia, it is also found that the relationship between social involvement and profitability is not significant (Mohamed Zain, 1999; Mohamad and Ahmad, 2001).

According to Ulmann (1985), the reason for these mixed results lies in the weakness in methodology of most of the studies; generally intervening variables are not taken into consideration for example, the effect of size and industry variables were not controlled. Holmes (1976) finds that profitability was not an important feature in the thinking of management in social involvement. He argues that corporate involvement in social responsibility is because of three main reasons; matching of social need to corporate skill, need or ability to help, the seriousness of the social need and the interest of top executives.

Leverage

There are only few studies conducted to find out the relationship between social responsibility and financial leverage of the corporation. Jensen and Meckling (1976) and Myers (1977) relate disclosures on social responsibility with agency theory that predicts the level of voluntary disclosure increases as the leverage of the firm grows. Letfwich et al.(1981) conclude that voluntary disclosure increase with shareholder-debt holder-manager conflicts. In addition, companies with high leverage may disclose more information to satisfy the needs of long term creditors (Malone, Fries and Jones, 1993) and to remove suspicious of debt holders regarding wealth transfer (Myers, 1997). Positive relationship has been found between financial leverage and the extent of voluntary disclosure (Trotman

and Bradley, 1981). However, Chow and Wong Boren (1987) and Ahmed and Nicolls (1994) found no statistical relationship between financial leverage and voluntary disclosure.

Audit Firm

Empirical evidence on relationship between size of audit firm and amount of disclosure are mixed. Craswell and Taylor, 1992; Hossain et al., 1994; Ng and Koh, 1993 and 1994 found a positive relationship between auditor and voluntary disclosure.

Some found no relationship between audit firm and disclosure. For example, Malone et al. (1993) found no relationship between auditor and disclosure in the United States oil and gas industry. A study by Tan, Kidman and Cheong (1990) also found no support to the audit firm and disclosure relationship in Malaysia. This is not consistent with recent study by Mohamad and Ahmad (2001) who found that environmental disclosure is negatively related to audit firm.

The Theoretical Foundations of Corporate Social Disclosure

The disclosure of social and environmental information attracts attention as the information itself involves the living quality despite the fact that its reporting is voluntary in nature (Mohamad and Ahmad, 2001). There are various theories cited in previous studies on why companies disclose social and environmental disclosure. For example, Lindblom (1984); and Pattern (1992) used the legitimacy theory, Gray et al, (1987) used the stakeholders theory. Others may argue that the companies disclosed social information because they need to do it (accountability theory by Carol A Adams, 2001), or social obligation (Shocker and Sethi, 1973); or to reduce costs (Hogner, 1982) or because the corporation believed that the information was useful for users (Decision Usefulness Theory).

Legitimacy Theory

Legitimacy theory relates the extent and types of corporate social disclosure in the annual report is likely to be directly related to management's perceptions about the concerns of the community. This implies that different managements or managers would have different ideas about what society expects and will adopt strategies (such as disclosure strategies) to show the community that the organization is attempting to comply with their expectations.

According to the legitimacy theory, the disclosures might be made to show that the organization is conforming with community expectations, or alternatively, they might be made to alter societal expectations (Deegan, Rankin, and Tobin, 2002). Another researcher, Pattern (1992) cited the reason for the rise in environmental disclosure particularly in the petroleum industry as a concern with legitimization. In other words, social disclosures are made to please the readers or users of the financial statements. Mohamed Zain (1999) regards legitimacy as an attempt to attract the attention of users of information to a particular issue while diverting attention from the major issue. This is because, by disclosing social information, the corporations can maintain their freedom, status and reputation (Hogner, 1982) and project an image to the society that the corporations are socially responsible (Abbot and Monson, 1979; Pattern 1992).

Stakeholders Theory

The stakeholder theory assumes that disclosure on social and environmental information by an organisation is as a result of the pressure from stakeholders. These stakeholders consist of groups and individuals who can affect and are affected by the performance of an organisation.

The theory implies that stakeholder groups differ from one company and industry to another. It also implies that the stakes of different stakeholders differs from one stakeholder to another. For example, if a company operates in a highly sensitive environment, that company would have an additional stakeholder group; *'environmental stakeholders'* compared to other industry. Environmental stakeholder group here may refer to those stakeholders whose particular interest is the environmental activity of an organisation concerned.

Previous studies relate stakeholder theory to the amount of disclosure. For example, Watts and Zimmerman (1978); Trotman and Bradley (1981); Belkaoui and Karpik (1989) and Deegan and Gordon (1996) relate social disclosure to company size. Stakeholders theory implies that the larger the company in size, it is expected to have more number of stakeholder groups. The argument for this may be larger companies would have been said to have for example more sales (therefore, more customers), more capital (therefore, may be more shareholders and investors) and this would lead to the company to interact with its stakeholder more. Therefore, it would be expected from the larger company to disclose more social and environmental information in the annual reports.

Accountability Theory

Carol A Adams (2001) defines accountability as;

“the ‘giving of an account’ encompassing both the ‘account’ itself and the process followed in providing that account to stakeholders. It is generally taken to mean the ‘giving of an ethical, social, environmental or sustainability account’ rather than a financial account. Accountability demonstrates corporate acceptance of its ethical, social and environmental responsibility. As such the ‘account’ given should reflect corporate ethical, social and environmental performance.”

Accountability theory implies that corporate social and environmental disclosure is the a result of the corporation’s obligation to provide the information needed by the users. However, according to Mohamed Zain (1999), the company should furnish information when and only when needed by users and should not go beyond the scope of requirement, otherwise it becomes legitimacy.

Methodology

This study is designed to explore the extent and trend of corporate social disclosure in the annual report of construction companies listed on Malaysian Stock Exchange (MSE) for the period from 1 January 1998 to 31 December 2002 and addresses three research objectives. The first objective examines social disclosure issues from a descriptive standpoint that is

the extent of corporate social reporting of construction companies in Malaysia; what is disclosed and how much is disclosed. The second objective is to determine the factors that influence corporate social reporting practices such as size, profitability, leverage, ownership and the size of audit firm. The final objective is to find out whether the amount of disclosure varies over time. The first objective is to be achieved by content analysis. The second and third objectives are accomplished by using the Statistical Package for Social Science (SPSS) in order to investigate the influence of key variables on disclosure patterns.

The dependent variable is the total CSD in the annual reports as measured by number of sentences. There are five independent variables to be tested that may motivate the voluntary disclosure of corporate social disclosure information. The independent variables are the company's characteristics; size, profitability, leverage, audit firm and ownership. In this study, independent variables are tested for their relationship with total CSD. The nature and expected effect of these variables have been explained and discussed in the previous section.

Five research questions are then advanced to assess the influence of these variables. These questions are based primarily on prior research and are designed to reconcile the findings of prior research.

- H1 The total CSD in the annual reports is positively related to firms' size
- H2 The total CSD in the annual reports is positively related to firms' profitability
- H3 The total CSD in the annual reports is negatively related to firms' financial leverage
- H4 The total CSD in the annual reports is positively related to the size of audit firm

The population for this study consists of all construction companies listed on the Malaysian Stock Exchange (MSE) (Formerly known as Kuala Lumpur Stock Exchange). As at 31 December 2002, there were 58 construction companies listed on MSE. This study is proposed to examine all companies' annual reports from 1 January 1998 to 31 December 2002 (five years). Companies, which do not have all the five years annual report, will be excluded from the sample resulting in 37 companies as a sample.

In this study, the quantity of social and environment disclosure was measured on the basis of number of sentences. The assumption was that each sentence of disclosure is a grammatically self-contained speech unit expressing an idea, claim or assertion. It seems logical that a number of ideas, claims or assertion would be more significant than the number of lines (Mohamed Zain, 1999). The use of the number of sentences and page length was justified on the basis that more accuracy can be attributed to the counting of sentences than words (Hackston and Milne, 1996; Tilts, 1998, Unerman, undated)

The data gathered from the annual reports from 1998 to 2002 for 37 construction companies listed on MSE is analysed using the SPSS version 12.0. The analysis was divided into two parts; the descriptive statistics, and inferential statistics. Descriptive statistics is used to describe the extent of social disclosures. Inferential statistics is used to draw conclusions about the relationship of the variables and is used to test hypotheses one to hypothesis four. The variables are in nominal scale. The audit firm is classified as "Big Four" and "Non- Big Four", while the total CSD are grouped into four as follows:

Group	Total CSD (number of sentences)
1	1 to 20
2	21 to 40
3	41 to 60
4	More than 60

Analysis of Data

Table 1 below provides an overview of the disclosures made during the year under review. The incidence of some information disclosure appears fairly high, with all (100%) companies providing at least one item of social information. Human resource is the most favourite theme of disclosure with all (except for 1999) companies disclosing human resource information during the year under review with the environment as the least favoured.

Table 1: Number and Percentage of Companies Making Corporate Social Disclosure Over Time

Year	Human Resource		Community		Product		Environmental	
	No	%	No	%	No	%	No	%
1998	37	100	8	21.6	5	13.5	6	16.2
1999	36	97.3	8	21.6	5	13.5	6	16.2
2000	37	100	11	29.7	8	21.6	4	10.8
2001	37	100	9	24.3	7	18.9	6	16.2
2002	37	100	9	24.3	8	21.6	8	21.6

Amount of Disclosure

It is assumed that the incidence and amount of disclosure are related to the importance placed on a certain issues, that is the greater the incidence and amount of disclosure the greater the perceived importance. Hackston and Milne (1996) pointed out that the problem with relying on incidence rates is that they may be misleading in the sense that they treat companies reporting with one sentence as equal to those including many sentences. Consistent with other studies by Mohamed Zain (1999), Ingram and Frazier (1980), and Hackston and Milne (1996), this study focus on the amount of disclosure.

The amount of social and environment disclosure is relatively small; it varies from a low of 0.2 for products and environment to a high of 52.4 for human resource disclosure. However, there is some variability in the amount of information provided by different companies; standards deviation figures are large relative to their means and the gap between the maximum and minimum values are, in some instances (for example human resource), quite large. Maximum disclosure by a single company is by Intria Berhad in 2001 with 116 sentences. Year 2001 also had the highest average number of sentences of disclosure (17.8 sentences per company).

Themes of Disclosure

The themes of disclosure were divided into four categories; human resource, community, product and environment (Gray et al., 1995b). Table 4.4 and Figure 4.1 show the amount and percentage of disclosure over time. Disclosure on human resource is the most favourite with total of 1,885 sentences or average of 377 sentences per year. This is followed by disclosure on community with an average of 82 sentences per year. Disclosure on products is the least popular amongst the companies under study. This may be due to the nature of the construction companies that do not have much information about their product to be disclosed.

Table 2: Amount and Percentage of Disclosure by General Themes

Year	Human Resource		Community		Product		Environment		Total
	No	%	No	%	No	%	No	%	
1998	307	77.3	51	12.8	16	4.0	23	5.8	397
1999	270	72.6	73	19.6	7	1.9	22	5.9	372
2000	381	67.6	124	22.0	14	2.5	45	8.0	564
2001	488	74.3	91	13.9	33	5.0	45	6.8	657
2002	439	76.7	69	12.1	18	3.1	46	8.0	572
Total	1,885	368.5	408	80.4	88	16.5	181	34.5	2,562
Average	377	73.6	82	15.9	18	3.5	36	7	512

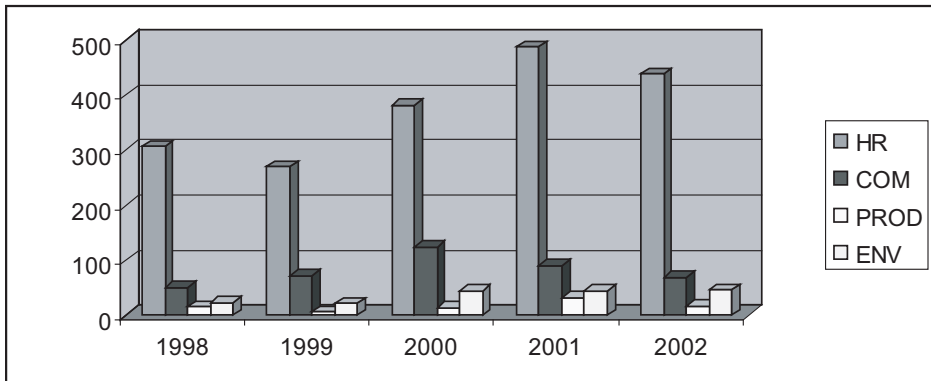


Figure 1: Amount of CSD by General Themes

Human Resource

Human resource is the most popular theme disclosed by most companies with a minimum total of 270 sentences in 1999 and maximum of 439 in 2002 (Table 2 above). Since most companies regard the human resource as their most valuable asset, it is not surprising that the incidence of disclosure is high. All companies except in 1999 with 36 or 97.3% disclosed human resource. Good management of human resource is essential to the company if it is to maximize profit.

Table 3 describes the amount of human resource disclosure since 1998 to 2002. The maximum number of sentences disclosed by a single company was 74 by Renong Berhad in 2001.

Table 3: Total Amount of Human Resource Disclosure Over Time

Year	Total Sentences	Average	Minimum	Maximum	Incidence	
					No	%
1998	307	8.3	1	70	37	100
1999	270	7.5	1	36	36	97.3
2000	381	10.3	1	53	37	100
2001	488	13.2	1	74	37	100
2002	439	11.9	1	46	37	100

Table 4 and Figure 2 summarize the total and major sub-categories of human resources disclosure made about employee related matters from 1998 to 2002. The table shows the total amount of human resource disclosure dropped from 307 in 1998 to 270 in 1999 (or dropped by 12.1%). This decrease was mainly contributed by a decrease in the amount of disclosure on appreciation and awards (decrease from 167 to 145) and a decrease in Training and Development by 18 sentences. In year 2000, the amounts of human resource disclosure increased significantly compared to 1999 (increased by 111 sentences or 41.1%) contributed mainly by an increased in ESOS while appreciation and awards remain the same. Significant increase in ESOS is as a result of the introduction of profit sharing by the Malaysian Government in mid 1999 when economic is at its peaks. Later in year 2000, the Malaysian government particularly the Science, Technology and Environment Ministry highlighted the importance of good corporate governance (Akauntan Nasional, July 2000). These definitely would have a great impact on the amount of disclosure. The amount of disclosure however, decreases again in year 2002 by 49 sentences. This is mainly contributed by a decrease in disclosure of appreciation and awards by 40 sentences (decrease from 184 in 2001 to 144 in 2002).

Table 4: Amount of Sub-Categories of Human Resource Disclosure

Sub-Categories	1998	1999	2000	2001	2002	Total
Appreciation & Awards	167	145	183	184	144	823
Employee Share Option	91	96	132	155	156	630
Training & Development	45	27	37	72	52	233
Staff Cost	1	0	12	18	32	63
No of employees	0	0	9	19	18	46
Employees Welfare	3	1	7	25	18	54
Employee safety	0	1	1	15	19	36
Total	307	270	381	488	439	1,885

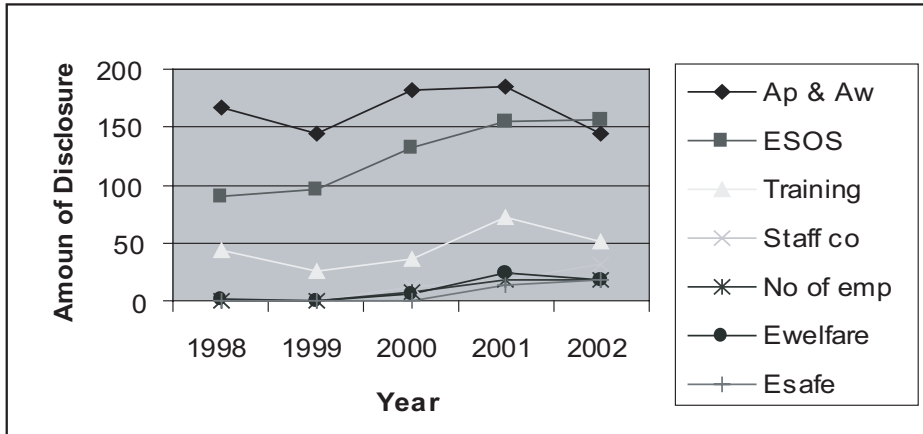


Figure 2: Histogram Presents the Amount of Sub-Categories of Human Resource Disclosure

The Table and the Chart also show that the majority of companies disclosing social information conveyed their thanks and appreciation to the employees. This is consistent with the study by Mohamed Zain (1999) which discovered that 100% of companies in Malaysia disclosed conveyed of thanks and appreciation to their employees. Another favourite sub-category of disclosure is the employees' share option scheme (ESOS). Training and development also show consistent interest among construction companies since 1998. However, this is mainly of a descriptive nature of information. Surprisingly, information on employees' safety is not a great concern of construction companies prior to 2001. Disclosure on employees' safety is merely a general policy or general statement.

Human Resource – Disclosure Practice

Human resource disclosure as mentioned before is mostly in the narrative form except for the ESOS, where the number of employees and staff cost with most companies provide actual figures. The ESOS is normally mentioned in detail in the Directors, Report with all the number of shares already exercised and also number of shares available.

Employee Appreciation and Awards

Disclosure on employees' appreciation and awards as shown in Table 4 and Figure 1 are most popular theme of disclosure. However, this is merely passing a general statement of which majority in one paragraph or a sentence or even just a phrase. This statement emphasized mainly aspects of employee support, dedication and commitment. One good example where the company expresses and appreciates their employees are as follows;

“It takes a synergistic relationship between the management, workforce, business partners, shareholders and clients to create a winning environment for all. In this regard, we recognize the valuable contributions made by our staff, partners and clients, who all played a significant role in our Company's progress.

The Company's staff in particular, have been commendable in their commitment and loyalty, providing a solid foundation for us to move ahead even in these challenging times. Thanks to our staff, we have been able to stand fast and face the difficult business environment as a united team to pursue our dream of being a recognised leader in IFM.

Last but not least, let me thank the members of the Board who have always been supportive and optimistic of PROPEL's business growth. While we face greater uncertainties in the global environment, we believe our growth prospects remain positive. Our vision to become an IFM recognised leader remains as clear as ever. It is a beacon for our progress.

With each obstacle surmounted, PROPEL can only grow from strength to strength. With your support we believe our goal is well within reach."

PROPEL BHD, Annual Report 2002

Some of the companies also presented awards to their long service employees. Hock Seng Lee Berhad, for example reported on long service awards and also the number of employees receiving this award:

"For the year 2000, we had ten recipients of ten years service awards. These remarkable staff members have shown exemplary dedication. Their loyalty is also a reflection of the sound HR policies that HSL has adopted to retain and appropriately reward top performers. These special long service awards were presented at the company's Annual Dinner together with Incentive Awards for the children of staff who excel in their government examinations."

Hock Seng Lee Berhad, Annual Report 2000

Employees Shares Option Scheme (ESOS)

Next to appreciation of the employees, ESOS is the most popular sub-category disclosed by companies in terms of number of sentences. Table 4 shows that the amount of disclosure on ESOS keep on increasing since 1998. One reason is because, ESOS is seen as one way the company distributes its wealth. Information disclosed by most companies is normally a passing statement by the chairman stating the existence of an employee share option scheme, number of shares granted, and conditions of eligibility of employees to exercise their rights

Training and Development

Staff training and development is the third popular theme of disclosure by construction companies in Malaysia with a total of 233 sentences or an average of 46.6 sentences per year (Table 4). Normally companies would disclose information about the need for training, types of training conducted and sometimes the amount spent and number of staff involved. Intria Berhad for example assigned a section on training and development issues;

"During the year under review, our personnel attended 89 training programmes (396 training days) in a variety of seminars, conferences, short and long term courses, to help them acquire new talents and add desirable layers of expertise to the skills pool. For fiscal

2003, the company has budgeted RM230,000.00 for staff development and targeted 80 percent of its employees to attend at least two days of training during the year.”

Some companies devoted an entire section to training and development. It includes justifying the reason or objectives of the training and development, types of training conducted, amount spent and also their achievement.

Staff Cost

Not many companies disclose information on staff cost especially before 2000 (Table 4). Information on staff cost is normally found in the Notes to Accounts and normally involves just one line showing the amount paid.

Employees' Welfares

Information on employees' welfares includes recreation, working environment, sports and accommodation. Most information disclosed is in qualitative form;

“At PROPEL, we make sure that a strong staff welfare policy and structured recreational programmes for employees become a vital part of HRAD's functions. Via the recreation of such healthy organizational environment, we see to it that employees perform productively in their work and at the same time are given a balanced opportunity to socialize, interact and compete in sports.

Three major staff welfare events that took place in 2002 were the PROPEL Family day, the “Berbuka Puasa” and the “Hari Raya Gatherings.”

PROPEL Berhad, Annual Report 2002 page 73

Number of Employees

Not many companies disclose information on the number of employees. Information on number of employees is normally found in the operational review under human resource and development. Only one or two sentences or even just a one line of information is dedicated towards this information. Some companies disclosed this information under Notes to Accounts.

“...This year also saw repatriation of substantial number of foreign general workers due to the expiry of their permits. Overall, As 31 December 2000, HSL had 560 staff of whom some 80 are office-based. This is down from a total of 673 as at 31 December 1999.” Hock Seng Lee Berhad, Annual Report 2000 page 7

Employee Safety

Disclosure about employee safety is not common. Most companies disclosed this information in narrative form as, uninformative data and only disclosed good news. One exceptional and more transparent is a report by PROPEL in 2001. PROPEL reported that there was an accident at their workplace and how the company helped the deceased family;

“PROPEL is ever responsible in its work ethics. Hearing upon the unfortunate accident of Encik Amir Keling, a sub-contractor attached to the company, PROPEL did its part to assist by extending a worthy donation to the victim’s family.”

PROPEL, Annual Report 2001 page 65

Policy on how the company protect its employees is also provided by some of the companies. Intria Berhad, for example, included its policy to protect their female staff;

“..... Mindful of the fact that 36% per cent of the staff is female, including 40 per cent of senior management, the Company introduced a Sexual Harassment Policy in 2000 to ensure non-discriminatory practices. This policy is carefully monitored and was included in the training allocation for the period under review with two staff attending a training session to update their knowledge.” Intria Berhad, Annual Report 2001 page 45

Community

Next to human resource data, community information is another favourite theme of disclosure by about 8 (21.6%) to 11 (29.7%) of construction companies in Malaysia (see Table 1). High disclosure in this area might be due to the introduction of the “Caring Society Policy” and “Vision 2020” by the government in the early nineties. The disclosing companies might want their readers to know that they are a good corporate citizen, adhering to the government’s policy and they are accountable to the wider public (Mohamed Zain, 1999).

Table 5 below shows the amount of disclosure made on community activities since 1998 to 2002 of 37 companies under study. The average number of sentences disclosed by construction companies is as low as 6.4 in 1998 and highest of 11.3 in 2000. This is far higher compared to the latest study by Mohamed Zain (1999), which found that only 3 sentences of community information were disclosed.

Table 5: Total Amount of Community Disclosure Over Time

Year	Total Sentences	Average	Minimum	Maximum	Incidence	
					No	%
1998	51	6.4	1	19	8	21.6
1999	73	9.1	1	34	8	21.6
2000	124	11.3	1	41	11	29.7
2001	91	10.1	1	33	9	24.3
2002	69	7.7	1	26	9	24.3

Table 5 summarises the disclosure made for sub-categories of community information. Information on education (34.3% or total of 140 sentences) and eradicating poverty, and community health and safety (29.4% or 120 sentences) are the two most favourites themes of disclosures by construction companies since 1998 to 2002.

Table 6: Sub-Categories of Community Disclosure Over Time

Sub-Categories	1998	1999	2000	2001	2002	Total
Education	26	40	47	23	4	140
Poor, Health and Safety	13	13	28	41	25	120
Charity	3	14	36	16	25	94
Sports and Culture	9	6	13	11	15	54
Total	51	73	124	91	69	408

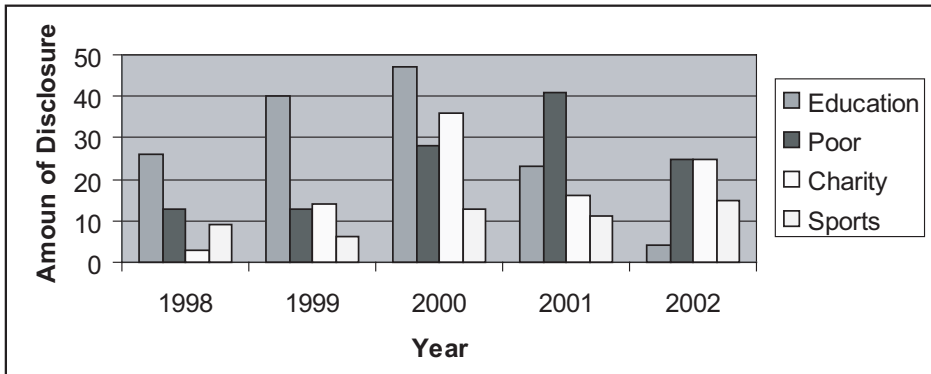


Figure 3: Histogram Presents the Amount of Sub-Categories of Community Disclosure

Table 6 and Figure 3 above show the time series of amount of community and its sub-categories disclosure. It was noted that total amount disclosed increased from 51 sentences in 1998 to the highest of 124 sentences in 2000 before dropped in year 2001 and 2002. High amount of disclosure in 2000 is mainly contributed by disclosure on sub-category of poor, health and safety.

Community – Disclosure Practice

The most common sub-category disclosure under community activities as shown in Table 6 is education with a total of 140 sentences and followed by helping the poor, community health and ensuring public safety with total of 120 sentences. Most companies disclosed their participation in government projects to assist the poor, especially in rural areas by providing low cost housing. The third most popular is disclosure on charity or donations and followed by disclosure on involvement of companies in sports and culture.

Community Disclosure Practice – Education

The disclosure on community education is expected as the most popular disclosure under community. One reason might be because companies wanted to show their support of the government policy in promoting Malaysia to become the region's education centre introduced in mid-nineties. Initial study reveals that high amount of disclosure is mainly

contributed by disclosure made in 1998 to 2000 which later reduced significantly (Table 6) to as low as 4 sentences in 2002. The significant reduction in the amount of disclosure in 2002 is contributed by one of the companies which decided to exclude a section on education in their annual report. Detailed analysis of data shows that the same company suffered a great loss of RM1,548,620,000 in 2001 that may result in the cutting of cost the following year. The disclosure in year 1998 to 2001, shows that the company sponsor save donations to a number of students overseas as well as locally.

Typically, the disclosure concentrates on giving scholarships and grants to the needy, awards and sponsoring student activities to students ranging from primary schools to institutes of higher learning. Disclosures are mostly in narrative form such as;

“Nonetheless, one of the most rewarding and satisfying charity drives by us was Dewan Bahasa dan Pustaka’s Projek Semai Budi. Under the program, PROPEL had the honour of providing and distributing books to two rural schools, namely Sekolah Kebangsaan Seri Yong Peng, Johor and Sekolah Kebangsaan Pos Bersih, an orang asli school in Slim River, Perak. Under this program, an understanding between PROPEL and the management of Sekolah Kebangsaan Seri Yong Peng was fostered. The company is now committed to assist the school in meeting its objective of having an extensive library of 10,000 books by 2005.”

PROPEL, Annual Report 2001 page 65

Community Disclosure Practice – Poor, Health and Safety

Information on this area was mainly descriptive in nature. Most companies that disclosed information in this area mentioned their participation in the government project to assist the poor by providing low cost housing.

Community Disclosure Practice – Charity and Other Community Services

Charity contribution and other services to community are normally in the operational review and corporate calendar sections. Most companies disclosed this information by inserting a picture such as, a ‘mock cheque’ presentation. For example;

“..... another significant financial contribution was the donation of RM10,000 towards the ‘Celebrity Run’ event in Penang, organized to raise money for charity”.

Intria Berhad, Annual Report 2002 page 48

Community Disclosure Practice – Sports and Culture

The disclosures on this area normally focus on the sponsoring of big events, for example, the Malaysian Premier League (football), SUKMA, SEA Games and Thomas Cup (Badminton). The disclosure is mainly narrative in nature and is commonly found in the operational review in one or two sentences.

“.....As a company that believes in fostering the determination to win, we are also active in the sports arena, enthusiastically sponsoring, for example, the development and training programmes, competition and other activities of the Malaysian Judo Federation.

We are equally committed to developing the rich cultural life of Penang through our sponsorship of the performing arts, and especially classical music and opera events.

In all these way, we seek to give something back to the community from which we spring.”

Texchem Resources, Annual Report 2002

Product

The average sentences disclosed on product information is as low as 1.2 in 1998 and as high as 6.4 sentences in 2002 by only 5 to 8 companies (see Table 7). Maximum amount of disclosure were 34 sentences in 2002 by Intria Berhad.

Table 7: Total Amount of Product Disclosure Over Time

Year	Total Sentences	Average	Minimum	Maximum	Incidence	
					No	%
1998	16	2.2	1	10	5	13.5
1999	10	2.0	1	2	5	13.5
2000	14	1.8	1	3	8	21.6
2001	33	4.7	1	20	7	18.9
2002	51	6.4	1	34	8	21.6

Table 8: Amount of Sub-Categories of Product Disclosure Over Time

Sub-Categories	1998	1999	2000	2001	2002	Total
Product Quality	16	7	10	23	45	101
General Statement	0	1	2	8	5	16
Research and Design	0	2	2	2	1	7
Total	16	10	14	33	51	124

Products were classified under three sub-categories; product quality, research and design and general statement. The general statement disclosure includes awards and other product-related disclosures. Table 8 shows that product quality is the most popular sub-category by the companies in term of amount disclosed. Trend analysis of amount disclosed shows that the amount of disclosure dropped from 16 in 1998 to only 7 in 1999 which later shows an increasing trend.

Product – Disclosure Practice

Disclosure on products and services, normally found in the operational review section of the annual report, mainly concentrates on the safety of products, environmental friendliness, after sales service, awards received and research and development. Majority of the companies that disclose product information only mentioned good news. However,

the rate of companies disclosing this area is very low (ranging from only 13.5% or 5 companies to 21.6% or 8 companies)(see Table 7), other companies have no disclosure at all.

Product Disclosure Practice – Product Quality

Product quality is the most popular of sub-category disclosure under product by only 5 to 8 companies in 1998 to 2002. Disclosure is normally in the operational review section of the annual report. Some of the disclosures only mentioned the good news in a very general and uninformative manner. Among the exceptions is Intria Berhad who reported how their product or services offered benefits to customers;

“..... PBSB is proposing to integrate a loyalty/flexi-pricing programme to the existing toll system. Loyalty discounts will benefits the day-to-day commuters, while flexi-pricing discounts will profit other users through pre-determined seasonal discounts. This initiative has dual benefits. In additional to providing the customer with welcomed cost savings, a significant control in traffic flow can be achieved especially during the daily morning and evening peak periods and the ever popular holiday seasons.”

Intria Berhad, Annual Report 2002 page 35

Product Disclosure Practice – Research and Design

Research and development is not a popular theme of disclosure among the companies with only a total of 7 sentences for the five years under review. This might be due to the fact research culture is new in Malaysia; therefore less emphasis is placed on this area. Disclosure among the companies disclosed this information is in narrative form;

“YTL e-solutions’ R&D activities are focused on system integration which involves a package of total IT solutions consisting of a combination of IT services and products tailored to specific requirements, driven almost entirely by the requirements of its incubates. The exception to this is the ICIS Project, which requires extensive programming and integration with SPYTL’s existing internal processes and IT platforms, to enable a wholly integrated solution capable of managing a wide range of functions, including tenders, design, invoicing, inventory control and monitoring, quantity surveying, and management accounting and information monitoring systems. The integration of these existing systems and processes is essential to enable each one to be able to transfer data and information to other, for analysis, presentation and delivery to users.”

YTL, Annual Report 2002 page 60

Environment

The degree of involvement by construction companies in Malaysia in environment activities is very limited. The amount of disclosure on environment issue also is low. On average, only 6 out of 37 companies disclosed environment information with an average of 36.2 sentences per year or about 6 sentences per company every year. The maximum amount of disclosure was noted in 2000 by PROPEL Berhad with 32 sentences.

The lower amount of disclosure of environmental issues does not go in line with correct effort made by the Government in 2000 (Akauntan Nasional, July 2000) to promote awareness with regard to the environment and to address issues and recognize efforts towards its preservation. In stressing these issues, Datuk Lee Lam Thye suggests that companies should improve their environmental accounting and provide annual reports on the impact of their economic activities on environment. This in addition, is considered a timely and certainly appropriate by Lam Kee Soon (the Chairman of the Organising Committee of the National Annual Corporate Reports Awards, NACRA). In addition, Lam said;

“The reporting of environmental issues are of strategic value and importance to the public in general and to parties associated with it. In tandem with active developments and growing awareness, NACRA has introduced a new award for NACRA in the new millennium. It is named the “Environmental Reporting Awards Green and Fair View”

(Akauntan Nasional, July 2000)

Another effort by the Government on environmental issues is the implementation of Environmental Management System (EMS) quoted as follows;

“The ability of a business to manage the environmental impact of its product is now becoming a strategic issue. Managers today are not only expected to become more environmentally responsible. Implementing formal environmental management system (EMS) has the potential to help companies improve its environmental performance and at the same time it enhances economic performance.

Consequently, as accountants, we should be proactive and assist our organizations to address environmental issues by instituting a formal EMS. A strong EMS is essential to assist companies in systematically identifying and managing their environmental obligations and risks.”

Sulaiman and Nik Ahmad (2002)

Despite the Government’s effort to promote awareness amongst corporations, the amount of environmental disclosure in annual reports is still very limited (as indicated in Table 4.9). One possible reason may be that the corporation reacts positively to this effort but they may choose to disclose in other media which is not under the scope of this study. There is also a possibility that companies may cover the effect of their economic activity

Table 4.9: Total Amount of Environment Disclosure Over Time

Year	Total Sentences	Average	Minimum	Maximum	Incidence	
					No	%
1998	23	3.8	1	10	6	16.2
1999	22	3.7	1	10	6	16.2
2000	45	11.3	1	32	4	10.8
2001	45	7.5	1	21	6	16.2
2002	46	5.8	1	11	8	21.6

on environment by disclosing more on other things, i.e to legitimize the impact of their business activities on environments. Disclosing more on human resource and community involvement is perceived as trying to show that they are good and responsible corporations.

Environment – Disclosure Practice

The environmental disclosure was classified under four sub-categories: Pollution, waste, Policy and general environmental. The general environmental disclosure includes information on landscaping, general statement of what the company will do, environmental education. The maximum number of sentences disclosed per year is 46 in 2002 and the lowest is 22 sentences in 1999 (See Table 4.10).

Table 4.10: Sub-Categories of Environment Disclosure Over Time

Sub-Categories	1998	1999	2000	2001	2002	Total
Pollution	1	0	4	3	3	11
Waste	11	12	8	13	21	65
Policy	0	1	2	4	1	8
General	11	9	31	25	21	97
Total	23	22	45	45	46	181

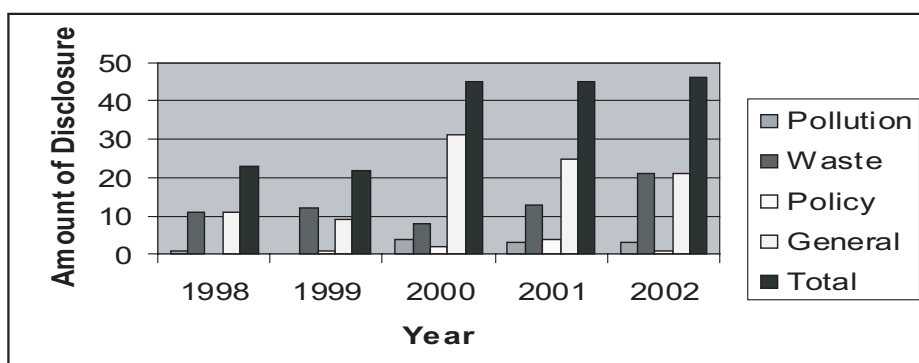


Figure 4: Histogram Presents the Amount of Sub-Categories of Environment Disclosure

Environment Disclosure Practice – Waste

The disclosure on waste management is mainly narrative in nature and expressed in general statement such as;

“HSL’s motto is “We’re building your future today” and in creating new urban environment for our future and our future generations, a balanced approach to development and industrialization is essential. Fortunately, the Sarawak government has shown exceptional leadership in this regard. As such, we adhere to the requirements set down by our contracts and the relevant agencies pertaining to environmental protection issues. We also hope to

further contribute our expertise in implementing the plans of the government with regard to improved waste management and sewerage.”

Hock Seng Lee Berhad, Annual Report 2000 page 7

Environment Disclosure Practice – Pollution

The disclosures of environmental particularly on pollution by most companies are in general statements with an exception of Intria Berhad which explain what they had done to reduce the pollution as follows;

“..... Wherever we operate, our goal is to be a respected neighbour, friend and employer, held in high esteem for the excellence of our work practices. As an illustration, Intria has initiated a study on the Penang Bridge to gauge the noise levels and environmental lead exposure. This is to ensure that our employees and members of the public are not unduly exposed to any potential health hazards. Intria is pleased to note that the results of the study did not reveal any cause for concern. Nonetheless, we shall continue to monitor the situation and take remedial steps proactively.”

Intria Berhad, Annual Report 2000 page 47

Environment Disclosure Practice – General

This is mainly a general statement on environment disclosure such as;

“As a company that cares for the preservation and conservation of the environment, we participated in the nationwide ‘Malaysian Environmental Week 2002’ campaign. Our concern for the environment was testified with the official launching of the ‘Tree Planting’ ceremony by the Penang State EXCO for the Environment & traffic Management on October 28, 2002 at our toll plaza.”

Intria Berhad, annual Report 2002 page 49

Some companies mentioned their activities to maintain an environmental. For example;

“..... Mindful its responsibility to provide and maintain an environment suitable for one of South East Asia’s most impressive infrastructures, PBSB carried out pavement works at Jalan Udini (Gelugor) in Penang and Jalan Tun Hussein Onn (Seberang Perai. In its effort to beautify the surroundings of the Penang Bridge concession area, PBSB instigated landscaping upgrading activities at the Penang Bridge interchange Line J (Penang Bound), Jalan Tunku Kudin/Jalan Udini (part of the protocol route for the state) as well as the highway heading towards the Bayan Lepas Expressway at Batu Uban, Penang.”

Intria Berhad, Annual Report 2002 page 33

Relationship Between Total CSD and Company Size

Previous studies by Trotman and Bradley, (1981), Hackston and Milne, (1996), Mohamed Zain, (1999) and Gray (2001) used total assets as measurement of size. This study, however, use turnover and total paid up share capital as a proxy for size. The relationship between

total CSD and size as measured by turnover and capital has never been tested in prior research.

Company size was hypothesized as to have positive relationship with the total CSD in the annual report. Table 4.11 shows the Spearman rank correlation results between total CSD, and company size for each of five years. The statistical results show that both turnover and paid up capital are significantly related. This implies that the larger the company in this industry, the more disclosure is made. This is expected because larger companies generally have greater impact to the society. This is consistent with the evidence found in Cowan, Ferreri and Parker (1987); Trotman and Bradley (1981) and in Malaysia by Mohamed Zain (1999) and Romlah et. al (2003) which found that there is a positive relationship between total CSD and company size. Therefore, it can be concluded that H1 is supported by both turnover and paid up share capital.

Table 4.11: Correlation Between Total CSD and Company Size

	TURNOVER		CAPITAL	
	Spearman's rho	Significance	Spearman's rho	Significance
1998	0.433**	0.007	0.399*	0.015
1999	0.402*	0.015	0.385*	0.020
2000	0.684**	0.000	0.542*	0.000
2001	0.657**	0.000	0.431**	0.008
2002	0.686**	0.000	0.518**	0.001

** Correlation is significant at the 0.01 level (2 tailed)

* Correlation is significant at the 0.05 level (2 tailed)

Relationship Between Total CSD and Profitability

It was hypothesized that profit has positive relationship with the total CSD in the annual report. Table 4.12 below shows the statistical result of correlation between total CSD and profitability for a five. Year period. The hypothesis strongly supported in three of the five-year period. Therefore, it confirms the relationship between total CSD and profitability. This is consistent with Cowen et al, (1992). However, no relationship is found by Hackston and Milne (1996); Robert (1992) and Mohamed Zain (1999).

Table 4.12: Correlation Between Total CSD and Profitability

Year	Spearman rank-order correlation coefficient	Significance
1998	0.120	0.479
1999	0.236	0.165
2000	0.530**	0.001
2001	0.435**	0.007
2002	0.585**	0.000

** Correlation is significant at the 0.01 level (2 tailed)

* Correlation is significant at the 0.05 level (2 tailed)

Relationship Between Total CSD and Financial Leverage

Financial leverage is hypothesized as having negative relationship with the total CSD in the annual report. The test result rejects this relationship. The relationship is only significant in year 1998 and 2000 but not for the other three years. This is consistent with the results found by Chow and Wong-Boren (1987) and Ahmed and Nicholls (1994), which found no statistical relation between financial leverage and disclosures. However, the result contradicts the studies by Trotman and Bradley (1981) and Mohamad and Ahmad (2001).

Relationship Between Total CSD and Audit Firm

It was hypothesized that the size of audit firm is positively related to the disclosure of corporate social information in the annual reports. Although initial analysis of data seems to show that social disclosure was mostly disclosed by companies audited by 'Non-Big Four' auditing firm for five years period from 1998 to 2002, further testing demonstrated that there is no significant difference. The relationship between total CSD and audit firm is further tested using Chi-Square test.

The test reveals that audit firm has no significance at 0.05 for all the five years period of study. Therefore, the hypothesis is rejected and it can be concluded that there is no significant association between corporate social disclosure and audit firm. This is similar to that of Cowen et al (1987) and previous studies in Malaysia by Tan, Kidman and Cheong, (1990); Mohamad and Ahmad, (2001).

Longitudinal Analysis of Corporate Social Disclosure

Previous longitudinal studies which examined social and environmental disclosure within annual reports concluded a steady rise across time, both in number of companies making disclosures and in the amount of information being disclosed (Harte and Owen, 1991; Gray et. al., 1995a; Patten, 1995; Deegan and Gordon, 1996 and Gray, 2001). Similar to previous studies, initial analysis reveals that there is a general trend of increasing total social and five major themes of disclosure over time as seen in Figure 5.

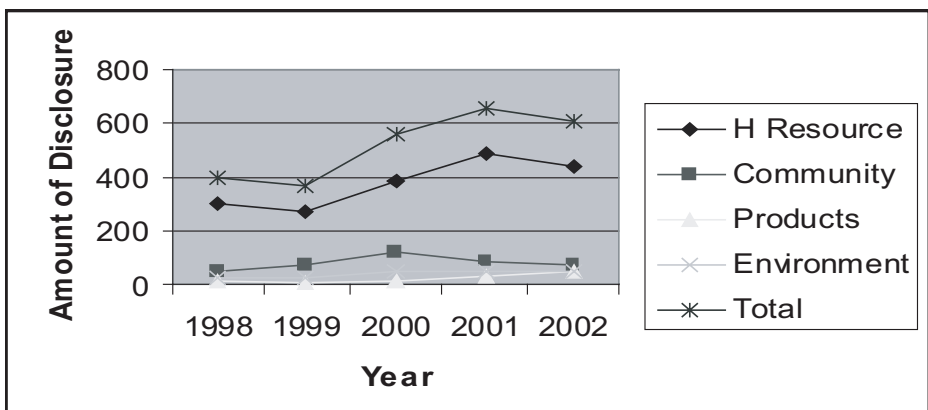


Figure 5: Total Amount of Corporate Social Disclosure Over Time

An analysis of Figure 5 shows that, total CSD decreased from 397 in 1998 to 372 in 1999 before increasing to 564 and 657 in years 2000 and 2001 respectively. Total CSD later dropped to 605 or by 52 sentences in 2002. Significant decreases in both 1999 and 2002 may be best explained by relating them to the economic situation. Years 1998 and 1999 were tough years for the nation as a result of the effects of the Asian economic financial crisis in 1997. The most severely affected sector in the economy was the construction sector which registered a negative growth of 24.5% in 1998 as reported by Bank Negara. The fiscal year 2002 is another very challenging year for Malaysia. Malaysia was again greatly affected by greater than expected worldwide economic downturn, particularly in the United States (US). Uncertainty after the September 11, 2001 terrorist attacks in the US further served to dampen prospects of any immediate economic recovery.

In relation to total CSD, low disclosure of social information during hard times may be because the corporation is trying to minimize cost. This also may be due to organization perception that social information has no value to users during hard times, therefore they choose not to disclose (according to usefulness theory).

Discussion and Conclusion

The descriptive analysis indicates that all or 100% companies disclosed at least one sentence or item of social and environmental information. The only exception is in 1999 where only one of the companies did not include any social or environmental information in the annual report. In addition, the amount of disclosure also shows an increasing trend but still very low. This implies that the level of social and environment awareness amongst construction companies are already in place but is still in the infancy stage. The result is consistent with the study by Romlah et al. (2003); which found that the amount of social and environmental disclosure by Malaysian companies to be limited but growing.

A review of amount of CSD reveals that human resource is the most popular theme of disclosure with all or 100% companies disclosed at an average of 10 sentences per company per year or a total of 1,885 sentences for five years. The second most popular theme of disclosure is the community involvement with a total of 408 sentences or an average of 2.2 sentences per company per year. This is not surprising as greater awareness, greater social commitment and introduction of 'a caring society' in mid 1990s could explain the increasing trend of disclosure (Mohamed Zain, 1999). Previous studies found out that only 48 percent (Theo and Thong, 1994) of Malaysian listed companies (not specifically for construction industry) discloses at least one item of social information. On construction sector, Mohamed Zain, (1999), found that 66.7 percent of Malaysian construction companies disclosed at least one item of social information.

It is surprising to note that environment related information is not a main concern of construction companies. Environmental related information is the third most popular theme of disclosures with average 9 (or 24%) companies making environment disclosures per year and average of 4.0 sentences per company per year (an average over the number of company disclosed).

Previous studies suggest that there is a significant relationship between total CSD and company size, profitability, leverage and size of audit firm. However, current studies found only size and profitability to be strongly associated with total CSD. The strong relationship between total CSD and company's size as measured by the turnover and total

paid up share capital may best be explained in referring to the legitimacy theory. The higher the company's turnover, it is believed that the company would have more stakeholders (i.e. customers) and high paid up share capital also implies that company have more stakeholders who have a stake in the company. With more stakeholders, the company would have high pressure and therefore disclose more social and environmental information. A cross-sectional analysis of the study further reveals that most of the companies making social disclosure are those own by 'corporate'. This further provides strong support for our assumption that a company making social disclosure is because of pressure from their stakeholder even though there is no demand for it. The corporate shareowners are the most influential stakeholders as they have direct control over the company.

The current study found that there is no relationship between total CSD and audit firm. Therefore, this rejects the assumption that audit firm can influence levels of social disclosures. Other studies have found mixed results on this relationship, for example Hossain et al. (1994); and Ng and Koh (1993) found a positive relationship between audit firm and total CSD while Mohamad and Ahmad (2001) found a negative relationship. A recent study by Abdul Rahman and Atan (2003) also concludes that there is an association between accountants' involvement and companies adopting Environmental Management. However, previous studies were generalized based on overall industry and were not specific to construction companies. Furthermore, the studies were only based on one year data.

There is no strong evidence to support that total CSD is related to level of debt. Only two of five years results shows that there is a relationship between total CSD and leverage, but it is not so strong. Three of the five years results show no relationship at all, therefore we conclude that there is no strong evidence to conclude that total CSD is related with levels of leverage. This finding contradicts the findings by Aziz et al. (1997) and Mohamad and Ahmad (2001), which a found negative relationship.

In general, the evidence on the state of CSD in Malaysian construction companies suggests that it is still of low quantity but it appears to be improving. The relationship between total CSD and other variables in this study and other previous studies also show mixed findings. Therefore, it is interesting to find out the reasons behind it. This paper however, does not wish to dwell on these rather to find out the extent and the nature of the relationship. From previous studies, there are a number of possible reasons as to why CSD is still very low in Malaysia.

The reason could be that companies are socially responsible but they are reluctant to disclose. For example, there are good stories to tell but companies do not want to tell them. In environmental specific issues, Perry and Teng (1998) found that there are three main reasons. There are; a lack of government pressure; lack of perceived benefit in status with consumers or within the business community; and a perception that their organization does not have bad impact on environment. In addition, Paul Thomson (2002) states that

"It should, therefore, come as no great surprise to find it lagging in the area of CSER where disclosures are purely voluntary. Local companies usually do what is required of them and no more. There are no mandatory environmental reporting requirements so CSER is either non-existent or negligible". Page 16

Another possible reason for low disclosure could be that there is little or nothing to report. They presume that if companies say little about a particular issue then this suggests that they are not doing very much and so do not have a story to tell. This may tell us why companies in Malaysia tend to only disclose good news. This also may explain why construction companies in Malaysia disclose certain categories of social information, mostly just be general statements.

The main objective of this study is to examine the extent of corporate social disclosure in the annual reports by construction companies in Malaysia. The second objective is to find out whether there is any relationship between total CSD and company's characteristics; such as size, profitability, leverage, size of audit firm and ownership of the company. The third objective is to examine whether the amount of disclosure vary over time.

Consistent with previous Malaysian studies by Teoh and Thong (1984); Andrew et al. (1989); Mohamed Zain (1999) and Romlah et al. (2003), the statistical results reveal that the firm's size as measured by both turnover and issued and paid up share capital is significant. The result indicates that the bigger, in terms of turnover and capitalization, what company has, it is likely that the company disclose more social and environmental information.

The results also reveal that there is association between corporate social disclosure and profitability. This implies that more profitable company would disclose more social and environmental information and vice versa. This is true in three of five years under study. This finding is not consistent with previous studies by Aziz et al. (1997); Hossain et al. (1994), Ng and Koh (1993) and (1994) and Hackston and Milne, (1996) which argue that companies enjoying steady growth do not necessarily disclose more social information. Another argument by Mohamed Zain (1999) is that profitability companies may be highly involved in social responsibility actions but may choose not to disclose such actions in the annual report.

However, no significant relationship was found between the amount of disclosure and financial leverage and size of audit firm. This rejects the assumption that the level of voluntary disclosure increases as the leverage of firms grows. Therefore, this rejects the concept of the agency theory that states that CSD is seen as an important element in the corporation to maintain its status and reputation with relevant public. No relation between total CSD and audit firm simply means that size of audit firm does not influence the level of social information disclosure.

As mentioned in the previous section, this study is an analysis content of an annual report to measure the corporate social disclosures. Companies may use other medium to channel the information, such as the media, separate environmental and social reporting and interim financial statements. However, such forms of information disclosure are not within in the scope of this study.

The current study focused only on 37 construction companies listed on the Malaysian Stock Exchange, therefore a pattern of social disclosure could not be generalized to other different types of companies. Therefore, this area offers future similar research for other types of companies. Another useful topic for future research would be to compare the management or accountants' perception on social disclosure and the actual corporate social disclosure.

References

- Abdul Rahman, R, and Atan, P. (2002). “*Malaysian Accountants And Environmental Management*” UiTM Shah Alam.
- Abbot, W.F.and Monson, R.J. (1979). “On the measurement of corporate social responsibility:self-reported disclosure as a method of measuring corporate social involvement”, *Academy of Management Journal*, Vol. 22, No.3, pp. 501-515.
- Adams C.A. (2001). “A critique of reporting on ethical, social and environmental issues: the case of ICI”, University of Glasgow.
- Ahmed, K., and Nicholls, D. (1994). “The impact of non-financial company characteristics on mandatory disclosure compliance in developing countries: The case of Bangladesh”. *The International Journal of Accounting*. 29(1), 62-77.
- Akauntan Nasional July 2000, Vol.13, No. 6, pp. 44-45.
- Anderson, Arthur and Co. (1974). “*Public Accounting in Transition*”, AAC, Houston.
- Andrew, B.H., Gul, F.A., Guthrie, J.E., and Teoh, H.Y. (1989). “A Note on Corporate Social Disclosure Practices in Developing Countries: The Case of Malaysia and Singapore”, *British Accounting Review*, Vol. 21, pp, 377-380.
- Aziz, M. A., Theo, C & Islam, A. (1997). “Determinants of highlights Statements Presentation in Singapore” *Asian Review of Accounting*, 5(1).
- Belkoui, A. and Karpik, P.G. (1989). “Determinants of the corporate decision to disclose social information”. *Accounting, Auditing and Accountability*, Vol. 2, pp. 36-51.
- Brockoff, K. (1979). “A Note on External Reporting by German Companies: A Survey of 1973 Company Reports”. *Accounting, Organization and Society*. Vol4, No.1/2, pp 77-85.
- Chow, C.W., and Wong-Boren, A. (1987). “Voluntary Financial Disclosure by Mexican Corporations”. *The Accounting Review*, LXII (3), 533-541.
- Craswell, A.T., and Taylor, S.L. (1992). “*Discretionary Disclosure of Reserves by Oil and Gas Companies – An Economic Analysis*”. *Journal of Business Finance and Accounting*, 19(2), 295-308.
- Deegan. C., Rankin.M., and Tobin.J. (2002). “An Examination of The Corporate Social and Environmental Discloaures of BHP from 1983-1997; A Test of Legitimacy Theory”. *Accountign, Auditing & Accountancy Journal* Vol.15 Issue 3. School of Accounting and Law, RMIT University, Melbourne, Australia.
- Deegan C. and B.Gordon. (1996). “A study of environmental disclosure practices of Australian Corporations”. *Accounting and Business Research* No. 26 (3) Summer. Pp.187-199.
- Dierkes, M. (1979). “Corporate Social Reporting in Germany – Conceptual Developments and Practical Experience”. *Accounting, Organization and Society*. Vol. 4 No.1/2 pp 87-107.

- Ernst and Ernst (1978). "Social responsibility disclosure. Survey of 500 annual reports (1972-1078)". *Ernst and Ernst, Cleveland, OH.*
- Freedman, M. and Jaggi, B. (1982). "Pollution disclosures, pollution performance and economic performance", *Omega*, Vol.10, pp. 167-176.
- Freedman, M and Jaggi, B. (1988). "An analysis of the impact of corporate pollution disclosure: a reply", *Advances in Public Interest Accounting*, Vol. 2, pp. 193-197.
- G. Wordsworth. (2003). "Praising Employees" *Akauntan Nasional* March 2003.
- Gray, R., Owen, D.L. and ounders, K. (1987). "Corporate Social Reporting: Accounting and Accountability", *Prentice Hall International*, London.
- Gray, R. (2001). "Social and Environmental Responsibility, Sustainability and Accountability: Can the Corporate Sector Deliver?" Centre for Social and Environmental Accounting University of Glasgow, Scotland.
- Gray, R., Kouhy, R. Lavers, S. (1995b). "Methodological themes-construction research database of social and environmental reporting by UK companies".
- Gray,R. (2002), "Of messiness, systems and sustainability: Towards a more social and environmental finance and accounting, working Paper 2002/6, published by Department of Accounting and Financing, University of Glasgow.
- Gray, R., Owen, D.L., and Adams, C. (1996). "Accounting and Accountability" Prentice Hall, Europe.
- Hactston, D. and Milne, M.J. (1996). "Some determinants of social and environmental disclosures in New Zealand companies, Accounting, *Auditing and Accountability Journal*, 9 (1): 77-108.
- Hines, R.D. (1988). "Financial Accounting: in communicating reality, we construct reality", *Accounting, Organisation and Society*, Vol. 13, No. 3, pp. 251-261.
- Halme, M., and Huse, M. (1997). "The Influence of Corporate Governance, Industry and Country Factors on Environmental Reporting". *Scandinavian Journal of Management*, 13(2), 137-157.
- Harte, G. and Owen, D. (1991). "Environmental disclosure in the annual report of British companies: a research note", *Accounting, Auditing and Accountability*, Vol. 4, No. 3, pp. 51-60.
- Hossain, M., Tan L.M, and Adams, M. (1994). "Voluntary Disclosure in an Emerging Capital Market: Some Emphirical Evidence from Companies Listed on Kuala Lumpur Stock Exchange". *International Journal of Accounting*. 29, 334-351.
- Hogner, R.H. (1982). "Corporate social reporting: eight decades of developments at US steel", *Research in Corporate Performance and Policy*, Vol. 4.
- Holmes, S.L. (1976). "Executive Perceptions of Corporate Social Responsibility". *Business Horizons* 19.

- Ingram, R. and Frazier, K. (1980). "Environmental performances and corporate disclosure", *Journal of Accounting Research, Autumn*, pp. 614-622.
- Jensen, M.C., and Meckling, W.H. (1976). "Theory of the firm: Managerial behaviour, Agency Costs and Ownership Structure", *Journal of Financial Economics*, 3, October, 305-60.
- Letfwich, R.W., Watts, R.L., and Zimmerman J.L. (1981). "Voluntary Corporate Disclosure: The Case of Interim Reporting". Studies on Standardization on Accounting Practice. *Journal of Accounting Research*, 19.
- Lindblom, C.K. (1984). "The Implications of organizational Legitimacy for Corporate Social Performance and Disclosure", *Paper Presented at the Critical Perspectives on Accounting Conference*, New York.
- Maliah, S and Nik Nazli, N.A. (2002). "Environmental Management Systems: Perceptions of ISO 14001 certified sites" *Akauntan Nasional* June 2002.
- Malone, D., Fries, C., and Jones, T. (1993). An Empirical Investigation of the Extent of Corporate Financial Disclosure in Oil and Gas Industry, *Journal of Accounting, Auditing and Finance*, 8(3), 249-273.
- Mohamad, J and Ahmad, Z (undated). "*Determinants of Environmental Reporting in Malaysia, A Positive Accounting Approach*" Multimedia University, Malaysia.
- Mohamed Zain, M. (1999). "Corporate Social Reporting in Malaysia: The Current State of The Art and Future Prospects", Dissertation for the Degree of Doctor of Philosophy, University of Sheffield.
- Myers, S.C. (1977). "Determinants of Corporate Borrowing". *Journal of Financial Economics*. 5, November, 147-175.
- Nafez, A.B. (2000). "Empirical evidence on corporate social disclosure (CSD) practices in Jordan" *International Journal of Commerce & Management*, Vol.10 Issue ¾.
- Ng, E.J., and Koh, H.C. (1993). "Companies with non-mandatory accounting pronouncements: the Singapore experience," *Singapore Management Review*, 15(1), 41-55.
- Ng, E.J., and Koh, H.C. (1994). "An agency theory and profit analytical approach to Corporate non-mandatory disclosure compliance. *Asia-Pacific Journal of Accounting*, 1(1), 29-44.
- Patten, D.M. (1991). "Exposure, Legitimacy, and Social Disclosure, *Journal of Accounting and Public Policy*, 10 (Winter): pp. 297-308.
- Patten, D.M. (1992). "Intra-industry environmental disclosure in response to the Alaska oil spill: a note on legitimacy theory", *Accounting, Organisation and Society*, Vol.17, No. 5, pp. 471-475.
- Patten, D. (1995). "Variability in social disclosure: A Legitimacy-based analysis", *Advances in Public Interest Accounting* Vol. 6. pp. 273-285.

- Perry, M. & Teng, T.S. (1998). "An overview of trends related to environmental reporting in Singapore", *Environmental Management reporting and Health*, Vol.10 No. 5 pp. 310-320.
- Romlah, J., Takiah, M.I., and Jusoh, M. (2003). "An Investigation of Environmental Disclosure in Malaysia", National University of Malaysia.
- Shaari, A.L, Nik Ahmad, N.N and Sulaiman, M. (2004). "Environmental Reporting in Malaysia – A Survey of Accountants' Perception" *Accountants Today*, May 2004, pp. 24-27.
- Shocker, A.D. and Sethi, S.P. (1973). "An Approach to incorporating societal preferences in Developing corporate social action", *California Management Review, Summer*, pp. 97-105.
- Spicer, B.H. (1978). "Accounting for Corporate Social Performance: Some Problems and Issues, *Journal of Contemporary Business*, Winter, pp.151-170.
- Sulaiman, M and Nik Ahmad, N.N. (2002). "Environmental Management Systems: Perceptions of ISO 14001 certified sites" *IIUM, Akauntan Nasional*, June 2002, Vol.15. No. 5, pp. 22-25.
- Syed Musa Alhabshi, Sharifah Khadijah Alhaddad, and Mahfudzah Mohamed (2003). "A Study on Accounting Theory and Practice", UiTM.
- Tan, L.T., Kidman, Z.A., and Cheong, P.W. (1990). "Information Needs of Users and Voluntary Disclosure Practices of Malaysian Listed Companies." *The Malaysian Accountant*, April, 2-6.
- Teoh, H.Y. and Thong, G. (1984). "Another Look at Corporate Social Responsibility and Reporting: an empirical study in a developing country", *Accounting, Organisation and Society*, Vol. 9, No. 2, pp. 189-206.
- Tilt, C.A & Symes, C.F. (2000). "Environmental disclosure by Australian mining companies: environmental conscience or commercial reality", *Accounting Forum* Vol. 23 No. 2 June 1999.
- Thomson, P. (2002). "Corporate Environmental Reporting in Singapore and Malaysia: Progress and Prospects", *The University of Nottingham, CEABuR* No.11.
- Trotman, K.T., and Bradley, G.W. (1981). "Association Between Social Responsibility Disclosure and Characteristics of Companies." *Accounting Organizations and Society*, 6, 355-362.
- Ulmann, A.A. (1979). "Corporate Social Reporting: Political Interests and Conflict in Germany", *Accounting, Organization and Society*, Vol. 4, No. 1/2 pp. 123-133.
- Ulmann, A.A. (1985). "Data in Search of a Theory: A Critical Examination of The Relationships Among Social Performance, Social Disclosure, and Economic Performance of US Firms", *Academy of Management Review*,

- Unerman, J. (undated). "Assessing Theoretical Explanations of Corporate Social reporting: Evidence from the Early Years of Shell, 1897 to 1914.
- Unerman, J. (2000). "Reflection on Quantification in Corporate Reporting Content Analysis" *Accounting, Auditing and Accountability Journal*. Vol. 13, No. 5. pp. 667-680.
- Wartick, S.L., and Wood, D.J. (1998). "*International Business and Society*", edn.Maiden: Blackwell Publishers Ind.
- Watts, R.L. and Zimmerman, J. (1978). "Towards a theory of the determination of accounting standards", *The Accounting Review*, Vol. 53, pp. 112-134.
- Watts, R.L. and Zimmerman, J. (1986). *Positive Accounting Theory*", Englewood Cliffs, NJ: Prentice Hall.