



The Relationship Between Ownership Structure (OS) and the Quality of Corporate Social and Environmental Responsibility Disclosure (CSERD) with the Moderating Effect of the Industry Type

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Abstract. In this study, the association between ownership structure (OS) and the quality of CSERD is examined with industry type as a moderator variable in Malaysian public listed companies (PLCs)' annual reports. Only two of the four variables, government ownership and foreign ownership, are found to be positively associated with the quality of CSERD by this study's findings. There is a significant association between managerial ownership and the quality of CSERD, it is important to note that this relationship is inverse in nature. While Bumiputera Muslim ownership is found to be insignificant. This study also confirmed that the industry type variable moderates the relationship for two of the variables namely government ownership and Bumiputera Muslim ownership.

Keywords: The Quality CSERD · Ownership structure · Annual reports

1 Introduction

Corporate Social Environmental Responsibilities (CSER) programs have recently received increased attention from stakeholders due to the growth of social activities in business world (Ahmad et al., 2023). Effective CSER practice and function, according to authors like Lin et al. (2019) and Wang et al. (2018), may lessen the reduce the incidence of fraudulent financial practises and increase the dependability of financial reporting. Transparency, information asymmetry, and managerial interests will all be reduced by improved CSER processes (Choi et al., 2020). Additionally, CSER initiatives assist efficient corporate governance (Rahman and Masdupi, 2021), build corporate image, fit with market and investor expectations, and enhance environmental sustainability (Wang et al., 2018; Ahmad et al., 2023).

The execution of CSER and Corporate Social Environmental Responsibilities Disclosures (CSERD) practices is thus significantly influenced by OS as part of corporate

governance mechanisms (Ashfaq and Rui, 2019; Lin and Nguyen, 2022; Zaid et al., 2020). According to a number of researchers, different ownership structures may have an impact on how and where a company invests in society (Ahmad et al., 2023; Barnhart and Rosenstein, 1998; Baysinger et al., 1991), which may then affect decisions about CSER and CSERD engagement (Lee, 2009; Lin and Nguyen, 2022). Therefore, it is crucial for Malaysian enterprises to place a high priority on a good CSER performance. The link between OS and CSER performance is crucial for accomplishing this goal (Al Amosh and Khatib, 2021; Lee, 2009; Lin and Nguyen, 2022).

The objective of this study is to ascertain the impact of four OS variables (managerial ownership, foreign ownership, government ownership, and Bumiputera Muslim ownership) on the quality of CSERD in Malaysian PLCs. Despite the increasing significance of both OS and CSERD, less scholarly attention has been devoted to investigating their relationship (Ahmad et al., 2023; Dakhli, 2021; Lin and Nguyen, 2022; Zaid et al., 2020). In addition, this paper adds new knowledge to the body of existing literature by shedding light on how industry type influences the links between OS and CSERD quality.

The following section of this article is presented in the subsequent manner. The research commences with a literature review and the subsequent development of a hypothesis, followed by the research methodologies employed. Subsequently, the findings of the research are disclosed. In conclusion, this paper ultimately reaches its last point.

2 Literature Review and Hypothesis Development

2.1 CSER and CSER Disclosure

The World Business Council for Sustainable Development (WBCSD) defined CSER as a business commitment to raise the standard of living for its stakeholders, including employees and society, by integrating sustainable economic development into business operations. In other words, CSER stands for a business strategy that took into account how its operations will affect society at large and the environment (Hussin et al., 2021). CSERD is described by Gray et al. (2001) as the dissemination of information reflecting social accountability through a variety of venues, including annual reports. It is the way a company creates and communicates to the public its public image (Neu et al., 1998). A previous study revealed a positive association between CSER and CSERD. Simply put, companies who participate in CSER activities typically disclose CSER information in greater detail than companies that do not. This is motivated by their desire to openly communicate the impact of their socially responsible initiatives to stakeholders (Gelb and Strawser, 2001).

2.2 OS and CSERD

Government Ownership (Govown)

Government ownership (Govown) is another well-known aspect of corporate environment in Malaysia (Ghazali, 2010). However, prior research has shown conflicted findings concerning the connection between Govown and disclosure practices. Studies by several authors such as Albawwat and Basah (2015), Al Amosh and Khatib (2021), Eng

and Mak (2003), Nasir and Abdullah (2004) found a positive link between Govown and CSERD. However, Al-Janadi et al. (2016) indicated a negative effect of Govown on disclosure levels. While Lagasio and Cucari (2019) stated that there is still insufficient of comprehensive evidence to establish the link between Govown and disclosure in firms. Thus, the first hypothesis is proposed as:

H1: Govown has a positive effect on the quality of CSERD.

Managerial Ownership (Mgmown)

Previous research found varied findings concerning the association between Managerial ownership (Mgmown) and disclosure practices. Coffey and Wang (1998), Leung and Horwitz (2004), Li et al. (2018) and Nasir and Abdullah (2004) reported that Mgmown has significantly and positively linked with voluntary disclosure. In contrast, other studies, such as Al Amosh and Khatib (2021), Eng and Mak (2003), Hossain et al. (1994), Huafang and Jianguo (2007), found a negative relationship. Additionally, some studies, such as Juhmani (2013) and Lagasio and Cucari (2019), found no significant impact. This led to the following hypothesis:

H2: Mgmown has a positive effect on the quality of CSERD.

Foreign Ownership (Forown)

Foreign ownership (Forown) is seen as important contributors enhance the credibility and reliability of a company's disclosures. (Al Amosh and Khatib 2021; Ghazali, 2010). Previous CSER research has documented mixed findings regarding the relationship between Forown and CSERD. Some studies found positive associations (Alhazaimeh et al. (2014); Guo and Zheng (2021); Haniffa and Cooke 2005), while others found no association (Amran and Devi, 2008; Said et al., 2009), or a negative relationship (Abu Qa'dan and Suwaidan, 2019; Saini and Singhania, 2019). As a result, we suggest the following hypothesis:

H3: Forown has a positive effect on the quality of CSERD.

Bumiputera Muslim Ownership (BPMown)

The ethnicity of a company's majority owners can significantly impact its disclosure practices. When Bumiputera Muslim shareholders dominate a company, they tend to adopt strategies to enhance their legitimacy, directing attention towards issues they consider important. Bumiputera Muslims are primarily Muslims, guided by Islamic principles that influence their ethical values. Consequently, matters related to Islam, such as ensuring business operations align with Islamic principles (e.g., providing Halal products or prayer facilities for employees), become priorities for Bumiputera Muslim shareholders (Haniffa and Cooke, 2005). This emphasis on ethical conduct is inherent to Islamic business ethics, suggesting that Bumiputera Muslim -majority companies, driven by their Islamic values, are expected to exhibit greater transparency in their disclosure practices (Haniffa and Cooke, 2002). Consequently, the following is our next hypothesis that:

H4: BPMown has a positive effect on the quality of CSERD.

2.3 The Moderating Role of Industry Type (IT)

As mentioned above most of the studies on OS and CSERD is inconclusive or mixed findings. Therefore, the second aspect of this research is in relation to the ability of Industry type (IT) in triggering the relationship between OS and CSERD. Companies operating in different industries have varying impacts on the social and environment of the country. This impact is influenced by the nature of their operations and activities within those industries (Buniamin, 2010). Companies in industries with a higher social and environmental impact are more inclined to disclose CSER information. This suggests that industry type plays a significant role in shaping a company's approach to CSERD. (Buniamin, 2010; Jaffar and Buniamin, 2004). Based on the information, these hypotheses have been proposed:

H5: IT moderates the relationship between Govown and the quality of CSERD.

H6: IT moderates the relationship between Mgmown and the quality of CSERD.

H7: IT moderates the relationship between Forown and the quality of CSERD.

H8: IT moderates the relationship between BPMown and the quality of CSERD.

3 Research Methodology

This study focuses on Malaysian PLCs, explicitly analysing 347 PLCs on Bursa Malaysia. The primary source of data utilised in this study predominantly consists of pre-existing secondary sources. In line with established methods in past research CSER disclosures. A content analysis approach is applied as shown in studies like Abbott and Monsen (1979), Al Amosh and Khatib (2021), Belal (2001), Fuadah et al. (2022), and Imam (2000). In the realm of CSER research and studies on voluntary disclosure, the use of content analysis in the assessment of annual reports is a generally acknowledged and empirically approved method. This assertion is substantiated by the works of Abbott and Monsen (1979), Al Amosh and Khatib (2021), Fuadah et al. (2022), Gray et al. (1995), Guthrie and Parker (1990), and Guthrie et al. (2004).

3.1 The Variables

The information revealed in annual reports of a corporation can be quantified using a selection of approaches, including words, phrases, paragraphs, images, and pages counting. Prior research, however, had a propensity to overemphasise the volume and variety of disclosures while ignoring the assessment of their quality. The disclosure index approach is utilised in this research to assess the quality of CSERD. The instrument employed in this study to is based on the disclosure index developed by Ghazali (2007). All variables with their measurement are shown in Table 1.

Table 1. All the variables and its definition

Name	Description
Government ownership (Govown)	The ratio of government ownership to total shareholders
Managerial ownership (Mgmown)	The ratio of managerial directors' shareholders to total shareholders
Foreign ownership (Forown)	The ratio of foreign shareholders to total shareholders
Bumiputera Muslim ownership (BPMown)	The ratio of Bumiputera Muslim shareholders to total shareholders
Industry type (IT)	If a company is a Social and environmental sensitive or not - Dichotomous
CSERD	22 points checklist (Ghazali, 2007)

4 Results and Discussion

The results of the regression analysis for our CSERD model are shown in Table 2 below. The F-test result shows that the model is sufficiently reliable (F-test = 46.643, p 0.001). The model's R-squared, at 35.4% R-squared indicates that it has sufficiently explanatory power. Since none of the VIF values exceed 10, interpreting the regression findings does not seem to be impacted by multicollinearity.

Table 2. Regression results

Variables	Predicted Sign	Coefficient	t-value	p-value	VIF
(Constant)		0.342	22.088	0.000	
Independent Variable					
Govown	+	0.376	9.941	0.000	1.322
Mgmown	+	-0.096	-2.736	0.004	1.288
Forown	+	0.118	3.209	0.001	1.027
BPMown	+	0.001	0.806	0.211	1.026
Moderating variable					
IT	+	-0.030	-1.891	0.060	1.067
ITxGovown	±	-0.382	-3.562	0.000	2.435
ITxMgmown	±	0.074	1.087	0.278	3.751
ITxForown	±	0.034	0.464	0.643	2.018
ITxBPMown	±	0.348	5.126	0.000	2.376
R ²	0.354				

(continued)

Table 2. (continued)

Variables	Predicted Sign	Coefficient	t-value	p-value	VIF
F-value	46.643				
N	347				

The results for both empirical models are shown in Table 2. With the exception of BPMown, all the variables have a significant association with CSERD quality. However, Mgmown variable is negatively linked to CESRD. The results imply that better CSER information sharing will not result from increasing managerial ownership levels in Malaysian PLCs.

The results from Table 2 confirm that IT variable moderates two of the independent variables, Govown and BPMown. Both variables’ coefficients are significant at 1%. So, industry type moderates the relationship between Govown and BPMown variables with the quality of CSERD. Thus, H5 and H8 are accepted and the other hypotheses H6 and H7 are rejected.

Table 3 shows the result of hypothesis testing. From the analysis it was found five out of eight hypotheses are accepted. Three hypotheses are, however, rejected.

Table 3. Hypothesis Testing Result

Hypotheses	Findings
H1: Govown has a positive effect on the quality of CSERD	Accepted
H2: Mgmown has a positive effect on the quality of CSERD	Rejected
H3: Forown has a positive effect on the quality of CSERD	Accepted
H4: BPMown has a positive effect on the quality of CSERD	Rejected
H5: IT moderates the relationship between Govown and the quality of CSERD	Accepted
H6: IT moderates the relationship between Mgmown and the quality of CSERD	Rejected
H7: IT moderates the relationship between Forown and the quality of CSERD	Rejected
H8: IT type moderates the relationship between BPMown and the quality of CSERD	Accepted

5 Conclusion

In this study, we explored the relationship between four ownership variables (Govown, Mgmown, Forown and BPMown) and the quality of CSERD in annual reports of Malaysian PLCs. We also considered the variable IT as a moderating factor. The results from the full regression model showed that only Govown and Forown variables are significantly and positively associated with CSERD quality. Unexpectedly, Mgmown variable is significant but not as per our predicted direction. Among the four moderation hypotheses, only the moderation effect of IT on the relationship between Govown and BPMown on CSERD quality are significant.

Our study does, however, have several limitations that could guide future research. Firstly, we analysed data for only one year, suggesting the need for longitudinal analyses to track CSERD trends over time. Secondly, our study focused primarily on government ownership, managerial ownership, foreign ownership, and Bumiputera Muslims ownership. Future research could broaden its scope by exploring different ownership variables, for instance family ownership, institutional ownership, and ownership concentration.

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