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A Longitudinal Examination Corporate Social Responsibility Reporting Practices among Top Banks in Malaysia

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Abstract

This study examines the corporate social responsibility (CSR) content of top 5 Malaysian public listed banks' annual and sustainability reports over a 10 years period from 2005 to 2014 using content analysis. Motivated by the gap among prior CSR reporting studies in respect of banking industry as well as longitudinal sample, this study sets out to note the ways in which corporate reports have changed over the years in response to Malaysia government initiatives on CSR. The study finds an upward trend of CSR reporting after the launched of Bursa Malaysia CSR framework as well as the Bursa Malaysia mandatory requirement to disclose CSR information. Whilst determining the exact factors leading to these changes is beyond the scope of this study, it can be concluded that the increase reporting of CSR information provides an indication that the 5 banks are working on legitimizing its position in the society by disclosing information consistent with the requirement by the regulators.

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Keywords: Corporate Social Responsibility; Banks; Reporting; Malaysia

1. Introduction

Corporate social responsibility (CSR) can be defined as the social responsibilities of companies compassing the economic, legal, ethical and other discretionary expectations that the society has on organizations (Caroll, 1991). In the context of Malaysia, most of the country's public listed companies are perceived to have lack of consideration

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towards the CSR issue such as preservation and protection of the environment and the social welfare of the communities in which they operate (Mustafa, Othman, and Perumal, 2012). Nonetheless, for the past few years, the social responsibility concept in Malaysia had prompted significant interests (Mustafa et al, 2012). As stated by Wu and Shen (2013), companies are expected to engage in CSR activities to gain benefit from both the macro performance perspective which includes environmental performance as well as micro performances which includes the enhancement of reputations. This means CSR is an important part of an organization attempting to promote to the public that the company is not only focusing on making profit but also concern and contribute to the public interest. In addition, Mustafa et al (2012) claim that the CSR activities conducted by companies will provide a huge impact to the society which in return resulted in a stronger connection between the companies and the society.

In the context of Malaysia, it is expected that all public listed companies to be involved in CSR activities as it is part of their listing requirement to disclose information on their CSR activities. In year 2006, the Bursa Malaysia CSR framework for public listed companies was launched with the aim to provide guideline to Malaysian public listed companies in developing their CSR strategies as well as to communicate them effectively to their stakeholders. The framework outlined four main focal areas of CSR practices namely environment, workplace, marketplace, and community. To further inculcate public listed companies' involvement in CSR activities, year 2007 has seen an amendment was made to the Bursa Malaysia listing requirement imposing a new obligation on listed issuers to disclose their CSR activities in their annual reports.

With the growing focus on CSR, extensive literatures on CSR have been produced focusing on its reporting (see for example Michelon, Pilonato, and Ricceri, 2014; Bouten, Everaerta, Van Liedekerke, De Moord, and Christiaens, 2011; Hammon and Miles, 2004). As companies are now expected to include CSR as part of their strategies, companies are at risk of facing a legitimacy threats if they do not communicate or disclose changes that they have made particularly to the legitimacy-conferring stakeholders group (De Villiers and Van Staden, 2006). In accordance with legitimacy theory, if a company perceives it has breached the contract or its legitimacy is in question, a number of combative strategies can be applied (Lindblom, 1994). First, a company can seek to make appropriate internal adjustments to close the legitimacy gap and communicate these changes to shift the relevant members of the public‘s expectations; Second, a company makes no attempt to make any internal adjustment and instead seeks to demonstrate the appropriateness of the company‘s behaviour through educating the public; Third, instead of making internal adjustment or changing public expectations, the company seeks to manipulate the public‘s perceptions by deflecting attention from the issue of concern to other issues; Finally, a company can seek to adjust societal expectations of its performance rather than making internal adjustment to close the legitimacy gap. Regardless whether the strategy is to educate the public or to communicate the changes that have been made, one of the means to implement each of the above strategies is to use the public disclosure of information, which is often achieved through the medium of company reports (Guthrie, Petty, and Ricceri, 2006).

Despite the growing literature on CSR reporting, there has been little attention being made to the CSR disclosure practices of the banking industry. It is perceived that their impact on the environment is indirect, through financial intermeiation, rather than direct, through some production process (Andrikopoulos, Samitas, and Bekiaris, 2014). Sobhani, Arman, and Zainuddin (2012) assert that although banks are not directly involved in socially disastrous activities, such as environmental pollution, different types of project financed by the banks are likely to be involved with social and environmental pollution. Therefore, public will also expect the financial community to play a very crucial role in the development and promotion of corporate social and environmental sustainability (Sobhani et al, 2012). In addition, banking industry's investment in CSR activities has also being perceived as a tool to develop a positive image and attract new customers (Mocan, Rus, Draghici, and Ivascu, 2015).

Therefore, this study is motivated to conduct a longitudinal study on the extent of CSR reporting practices in the reports produced by the Malaysian banks. This objective will be answered through a longitudinal review of the quantity of CSR information being disclosed by the banks. The outcome of this study may show that over a length of time period, external changes such as government initiative may have driven changes in the company reporting patterns on CSR based information. This objective also fit with a larger stream of CSR reporting literature as it