

**CORPORATE GOVERNANCE, CORPORATE SOCIAL
RESPONSIBILITY DISCLOSURE AND FINANCIAL
PERFORMANCE OF SHARIAH COMPLIANT PUBLIC
LISTED COMPANIES IN MALAYSIA**

BY

MUHAMAD FIKRI AZIZ

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degree of Doctor of Philosophy in Islamic Banking and
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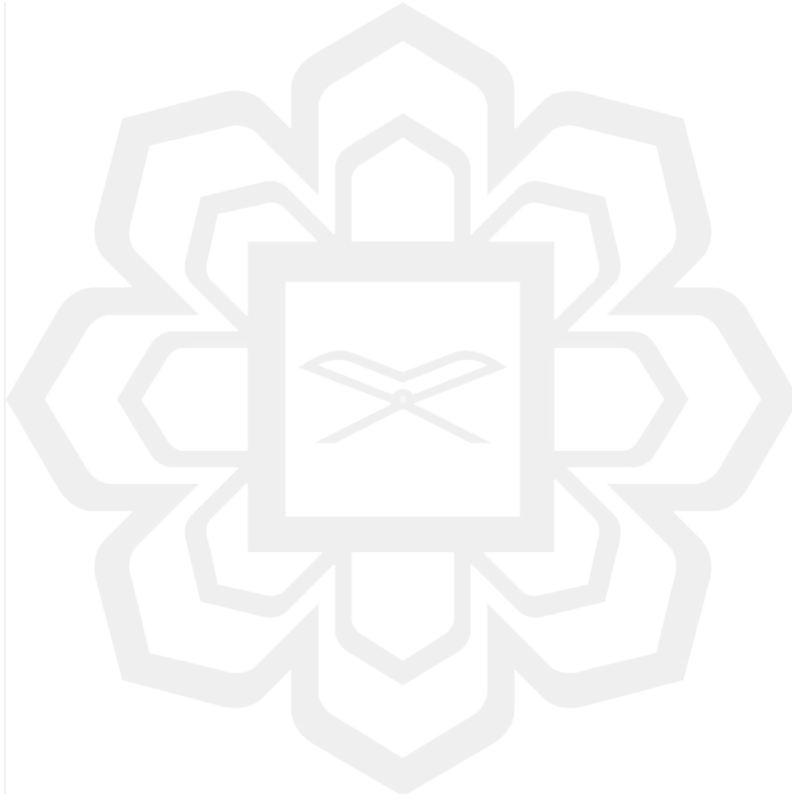
ABSTRACT

Corporate social responsibility disclosure (CSR) has become a critical issue, as evidenced by the increasing number of studies conducted in both developed and developing countries. As such, this research aims to develop a new CSR index for Shariah PLCs, investigate the level of CSR, examine the impact of corporate governance (CG) board attributes on CSR and examine the relationship between CSR and financial performance of Shariah PLCs in Malaysia. A total of 175 Shariah PLCs listed on Bursa Malaysia's Main Market were chosen as samples for this study from 2007 to 2017. This study chooses 2007 as the starting year since the implementation of the CSR framework by the Bursa Malaysia and most of the PLCs are still using BM CSR framework as their guidelines in disclosing the CSR information in their annual reports. An organization or business is classified as a Shariah PLC if they are not involved or offered products or services which is forbidden in Islam. It is expected that the Shariah PLCs in Malaysia to publish all information in their annual report because of their "Shariah" status. The relationship between CG board attributes and CSR is explained by the agency and resource dependence theories, while the relationship between CSR and the financial performance of Shariah PLCs in Malaysia is explained by the stakeholder theory. This study employs a content analysis technique to extract CSR items from the annual reports, as well as a two-step System GMM for analysis. The findings indicate that the level of CSR in Shariah PLCs in Malaysia remains low. "Community" is the most frequently disclosed theme, while "marketplace" is the least frequently disclosed. Additionally, the data indicated that the plantation industry reported the most CSR actions in their annual reports from 2007 to 2017, while the industrial products reported the least. The empirical analysis also indicates that the board size and Muslim director are positively significant with CSR practices among the Shariah PLCs in Malaysia, while there is a negatively significant relationship between board meetings and CSR. Moreover, three out of six CG board attributes tested in this study were not associated with the level of CSR among the Shariah PLCs in Malaysia which are: (i) board gender; (ii) board independence; and (iii) CEO duality. Additionally, the CSR is positively significant with financial performance (ROA, ROE and Tobin's Q). There is a need for additional efforts from the Malaysian government or regulatory bodies to encourage all PLCs to include CSR activities in their annual reports, particularly Shariah PLCs in Malaysia. Future research can therefore examine the determinants and extent of CSR in Shariah and non-Shariah PLCs in Malaysia or by industry or compare Shariah PLCs to other Shariah PLCs in ASEAN countries (Indonesia, Singapore, Brunei Darussalam, Thailand, Cambodia); and employ alternative financial performance measures (e.g., stock returns, market capitalization, or dividend yields).

خلاصة البحث

أصبح الإفصاح عن المسؤولية الاجتماعية للشركات (CSR) قضية حاسمة، كما يتضح من العدد المتزايد من الدراسات التي أجريت في كل من البلدان المتقدمة والنامية. على هذا النحو، يهدف هذا البحث إلى تطوير مؤشر جديد للإفصاح عن المسؤولية الاجتماعية للشركات (CSR) بالنسبة للشركات الشرعية العامة المحدودة (PLCs)، والتحقيق في مستوى الإفصاح عن المسؤولية الاجتماعية للشركات (CSR)، ودراسة تأثير سمات مجلس إدارة حوكمة الشركات (CG) على الإفصاح عن المسؤولية الاجتماعية للشركات (CSR) ودراسة العلاقة بين الإفصاح عن المسؤولية الاجتماعية للشركات (CSR) والأداء المالي للشركات الشرعية العامة المحدودة في ماليزيا. تم اختيار ما مجموعه 175 شركة شرعية عامة محدودة متوافقة مع أحكام الشريعة مدرجة في السوق الرئيسي لبورصة ماليزيا كعينات لهذه الدراسة من 2007 إلى 2017. اختارت هذه الدراسة عام 2007 باعتباره عام البداية منذ تنفيذ إطار المسؤولية الاجتماعية للشركات من قبل بورصة ماليزيا ومعظم المجتمعات المحلية العامة لا تزال تستخدم إطار المسؤولية الاجتماعية للشركات في بورصة ماليزيا (BM CSR) كإرشادات في الكشف عن معلومات المسؤولية الاجتماعية للشركات في تقاريرها السنوية. يتم تصنيف المؤسسة أو الأعمال التجارية على أنها شركة تابعة للشريعة الإسلامية إذا لم تكن متورطة أو تعرض منتجات أو خدمات محظورة في الإسلام. ومن المتوقع أن تنشر المجالس الشرعية في ماليزيا جميع المعلومات في تقريرها السنوي بسبب وضعها "الشرعي". يتم شرح العلاقة بين صفات مجلس إدارة الحوكمة والمسؤولية الاجتماعية للشركات من خلال الوكالة ونظريات الاعتماد على الموارد، في حين يتم شرح العلاقة بين المسؤولية الاجتماعية للشركات والأداء المالي للشركات الشرعية العامة المحدودة في ماليزيا من خلال نظرية أصحاب المصلحة. تستخدم هذه الدراسة تقنية تحليل المحتوى لاستخراج عناصر المسؤولية الاجتماعية للشركات من التقارير السنوية، بالإضافة إلى نظام (GMM) المكون من خطوتين للتحليل. تشير النتائج إلى أن مستوى الإفصاح عن المسؤولية الاجتماعية للشركات (CSR) في الشركات الشرعية العامة المحدودة في ماليزيا لا يزال منخفضاً. "المتجمع" هو أكثر موضوع يتم الكشف عنه بشكل متكرر، في حين أن "السوق" هو أقل موضوع يتم الكشف عنه بشكل متكرر. بالإضافة إلى ذلك، أشارت البيانات إلى أن صناعة المزارع أبلغت عن معظم إجراءات المسؤولية الاجتماعية للشركات في تقاريرها السنوية من 2007 إلى 2017، بينما سجلت المنتجات الصناعية أقلها. يشير التحليل التجريبي أيضاً إلى أن حجم مجلس الإدارة والمدير المسلم لهما أهمية إيجابية مع ممارسات المسؤولية الاجتماعية للشركات ضمن الشركات الشرعية الإسلامية في ماليزيا، في حين أن هناك علاقة ذات دلالة سلبية بين اجتماعات مجلس الإدارة والإفصاح عن المسؤولية الاجتماعية للشركات (CSR). علاوة على ذلك، ثلاثة من أصل ست سمات مجلس إدارة حوكمة الشركات التي تم اختبارها في هذه الدراسة لم تكن مرتبطة بمستوى المسؤولية الاجتماعية للشركات ضمن الشريعة في ماليزيا وهي: (1) نوع مجلس الإدارة؛ (2) استقلالية مجلس الإدارة؛ و (3) ازدواجية الرئيس التنفيذي. بالإضافة إلى ذلك، يعتبر الإفصاح عن المسؤولية الاجتماعية للشركات (CSR) مهماً بشكل إيجابي مع الأداء المالي (العائد على الأصول والعائد على حقوق الملكية وتوين كيو Tobin's Q). هناك حاجة لبذل جهود إضافية من الحكومة الماليزية أو الهيئات التنظيمية لتشجيع جميع الشركات الشرعية العامة المحدودة على تضمين أنشطة المسؤولية الاجتماعية للشركات في تقاريرها السنوية، ولا سيما للشركات الشرعية العامة المحدودة في ماليزيا. لذلك،

يمكن أن تدرس الأبحاث المستقبلية محددات ومدى الإفصاح عن المسؤولية الاجتماعية للشركات الشرعية العامة المحدودة والشركات العامة المحدودة غير الشرعية في ماليزيا أو حسب الصناعة أو مقارنة الشركات الشرعية العامة المحدودة بالشركات الشرعية العامة المحدودة في دول الآسيان (إندونيسيا، سنغافورة، بروناي دار السلام وتايلاند وكمبوديا) ؛ واستخدام مقاييس أداء مالي بديلة (على سبيل المثال ، عوائد الأسهم أو القيمة السوقية أو عوائد الأرباح).



APPROVAL PAGE

The thesis of Muhamad Fikri Aziz has been approved by the following:

Razali Haron

Razali Haron
Supervisor

Romzie Rosman
Internal Examiner

Zatul Karamah Ahmad Baharul Ulum
External Examiner

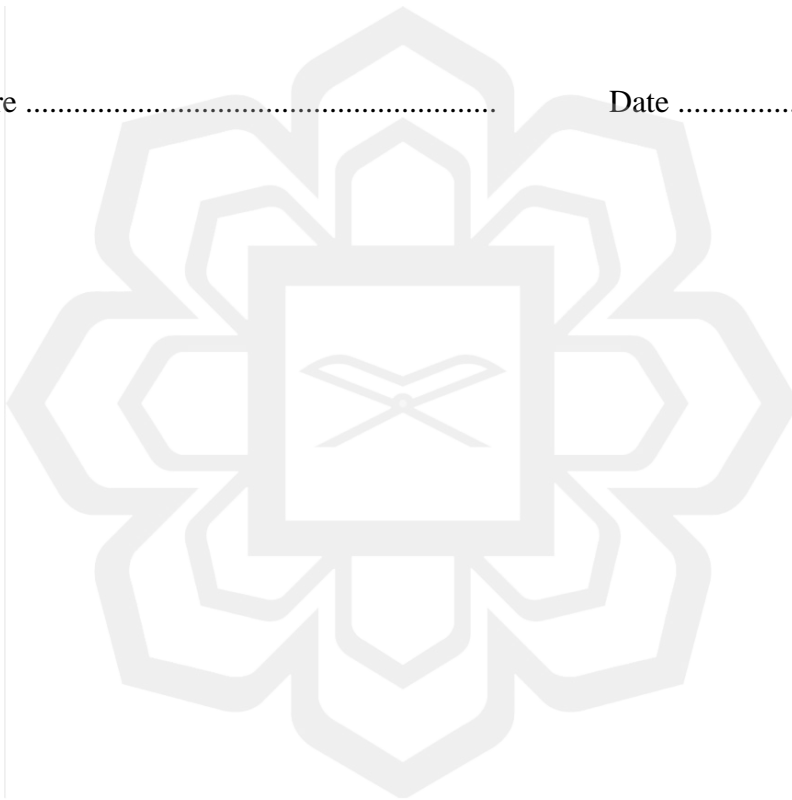
Mohamad Naqib Eishan
Chairman

DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Muhamad Fikri Aziz

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This thesis is dedicated to:

My late father Haji Aziz Haji Taib and my mother Faridah Ismail

My late father-in-law Haji Ab Rahim Haji Ismail and my mother-in-law Hajah

Faridah Tahir

My beloved wife Jannah Ab Rahim and my wonderful children Faqeehah, Faseehah,

Fareehah, Faqeeh and Areenah

My Sisters Aina, Atifah, Athirah and Asilah

For their unwavering love, support and encouragement

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CHAPTER ONE

INTRODUCTION

1.1 OVERVIEW

Corporate Social Responsibility (CSR) has received much attention among the academicians, corporations, and business world in understanding the functions, benefits deeply and affects the economy, society and world. The topic of CSR was started to grow at the beginning of the early 1930s (Berle and Means, 1932; Carroll, 1999). It has become an important element in the corporate world, such as business survival and business development. It is considered as a useful tool in explaining corporate relationships and business management to achieve business goals. CSR is a part of corporate strategy to build a good connection and relationship with their stakeholder. Kuokkanen and Sun (2020) stated that CSR is a practical framework for strategic management and business relationship among various stakeholders.

CSR has become a hot topic and widely discussed in academia. Prior studies showed that different techniques (qualitative or quantitative), countries (developed or developing countries), subjects (corporate governance, economics, strategic management, accounting or finance) and dimensions (the CSR themes) have been used as a means to clarify the CSR behaviors (Clarkson et al., 2011; Deegan et al., 2002; Deegan and Gordon, 1996; Guthrie et al., 2012; Mathews, 1997; Murthy, 2008; Uhlig et al., 2020). In general, CSR is designed as the way firms integrate social, environmental and economic concerns into their values, culture, decision making strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society (Jamali, 2006; Uhlig et al., 2020). The relevance of CSR to the business and society has been shown by many researchers and it can benefit them, such as profitability, image, credibility, confidence, understanding, cost-saving, employee engagement and future recruits (Fatma et al., 2020; Sadou et al., 2017).

Corporate social responsibility disclosure (CSR) can best be described as the information that a company discloses about its environmental impact and its relationship with its stakeholders through relevant communication channels (Ali et al., 2017; Campbell, 2004; Gamerschlag et al., 2011; Gray et al., 2001; Rashid, 2020). Prior studies have shown that the determinants, roles and implications of the CSR subject are explored in several studies such as economics, corporate governance, accounting, management or finance, but most of the studies are more concerned with developed countries rather than developing countries and the findings of the studies are not reliable, contradictory and mixed (Ali et al., 2017; Fifka, 2011; Inekwe et al., 2020).

Corporate governance (CG) is critical when it comes to CSR practices (Tapver, 2020). According to Habbash (2016), the purpose of CG is to incorporate and enforce company practice using various tools, such as audit committees, auditors, and directors that are directly responsible for monitoring administrative and involving in decision making processes as well as activities that impact the environment and society. Prior studies showed that, to a certain extent, CG board attributes are necessary in order to determine the level and quality of CSR (Abu Qa'dan and Suwaidan, 2019; Adel et al., 2019; Ali et al., 2017; El-Bassiouny and El-Bassiouny, 2019; Esa and Mohd Ghazali, 2012; Habbash, 2016; Khan et al., 2013; Lone et al., 2016; Mohamed Adnan et al., 2018; Rashid, 2018; Zaid et al., 2019). However, prior studies tend to focus more on developed countries rather than developing countries (Gallego-Álvarez and Pucheta-Martínez, 2020; Jizi et al., 2014; Michelon and Parbonetti, 2012). Therefore, this study will examine the impact of CG board attributes on the CSR of Malaysian PLCs especially for Shariah PLCs in order to fulfil the gap of the study.

Various studies had examined the CSR in Malaysia (Abd Rahman et al., 2011; Abdul Hamid and Atan, 2011; Amran et al., 2017; Esa and Mohd Ghazali, 2012; Esa and Zahari, 2017; Hamid, 2004; Handayati et al., 2017; Ibañez, 2013; Latif et al., 2020; Lui et al., 2021; Mohamed and Sawandi, 2007; Norhayati and Siti-Nabiha, 2009; Rahim et al., 2016; Yusoff et al., 2018). These studies may seem different, but the findings of these research were quite similar. Prior studies on CSR in Malaysia are mostly focused on various type of companies and area rather than Shariah PLCs, see for example Malaysian Government Linked Companies (Abd Rahman et al., 2019; Esa and Mohd

Ghazali, 2012; Esa and Zahari, 2017; Hamid et al., 2014; Norhayati and Siti-Nabiha, 2009; Wan Abd Rahman et al., 2011), financial institutions (Amran et al., 2017; Hamid, 2004; Handayati et al., 2017; Lui et al., 2021; Yusoff et al., 2018) and telecommunication (Abdul Hamid and Atan, 2011; Ibañez, 2013; Mohamed and Sawandi, 2007; Zhang et al., 2020).

There are a few studies that provide a good image of CSR reporting practice with respect to Shariah PLCs in Malaysia, and the closest studies to the current study are either limited to the level of disclosure for a single year or less than ten years of observations, business or type of industry (Lui et al., 2021; Mazri et al., 2018; Ousama and Fatima, 2010; Rosli et al., 2017; Said et al., 2018; Zainal et al., 2013; Zainon et al., 2014), where this current study involved eleven years data from 2007 to 2017 of 175 Shariah PLCs in Malaysia. In an environment where the company is classified as Shariah-compliant, it should adhere to the Islamic concept in its communication (Latif et al., 2020; Lui et al., 2021). Furthermore, there is a need for additional research into the issues of transparency and accountability among Shariah PLCs (Afifuddin and Siti-Nabiha, 2010; Mohd et al., 2020). The “Shariah” status is expected to be the determining factor in Shariah PLCs disclosing all information in the annual report (Albawwat and Basah, 2015; Aziz and Haron, 2021). Therefore, in order to fulfil the gap, this study will examine the level of CSR reporting of 175 Shariah PLCs in Malaysia using the Bursa Malaysia (BM) CSR framework, which may provide a better insight of CSR practices in that area.

Content analysis is one of the most frequently used research methods in assessing social and environmental disclosures (Ali et al., 2017; Bidari and Djajadikerta, 2020; Ehsan et al., 2018). The data collected through content analysis is used to calculate CSR by translating textual information about the firm’s social activities that appear in various media including annual reports, sustainability reports, media, newspapers, and mail or letters to shareholders into quantitative form to draw conclusions about social results (Ehsan et al., 2018). A large number of the studies on CSR in Malaysia have concentrated on content analysis but have overlooked essential CSR items in the index and applicable for non-Shariah PLCs (Abd Rahman et al., 2011; Abdul Hamid and Atan, 2011; Amran et al., 2017; Esa and Mohd Ghazali, 2012; Esa

and Zahari, 2017; Hamid, 2004; Handayati et al., 2017; Ibañez, 2013; Latif et al., 2020; Lui et al., 2021; Rahim et al., 2016; Yusoff et al., 2018). Therefore, in order to fill the gap, this study will establish a new CSRD index based on the BM CSR framework, which is suitable for Shariah PLCs in Malaysia. This study chooses 2007 as the starting year since the implementation of the CSR framework by the Bursa Malaysia and most of the PLCs are still using BM CSR framework as their guidelines in disclosing the CSR information in the annual report.

Bursa Malaysia (2014) highlighted that there are four dimensions or elements in the BM CSR framework, which are:

- i. Community is a supporting involvement in community issues enriches the community and company.
- ii. Marketplace is promoting ethical marketplace and where the company finds its important stakeholders such as shareholders, suppliers, and customers.
- iii. Workplace is the requirement for the companies to be socially responsible for the sake of their employees, whether dealings with basic human rights or gender issues.
- iv. In environment aspects, CSR can focus on a variety of issues such as energy, biofuels, biodiversity and protecting flora and fauna.

Malaysia is notable in providing products or services which is based on the Shariah principle, for example, Islamic Banking and Finance, Halal Products, Islamic Entrepreneurship and many more (Akram Laldin, 2008; Dahlan and Palil, 2018; Rudnyckyj, 2014; Thani and Ibrahim, 2020). According to Saba et al. (2020), the success of the development of Shariah services and products in Malaysia has influenced the academicians, scholars, practitioners, and world to learn, as a reference or guidance and study about the development or implementation of Shariah's product and services in Malaysia.

The Shariah compliant can be best described as all Shariah related activities are forbidden to involve, such as *riba* and the consumptions of alcohol. An organization or business could be classified as a Shariah PLC if they are not involved or offered

products or services which is forbidden in Islam. In Malaysia, the Shariah compliant status can be found or classified from Bursa Malaysia. The determination of Shariah PLC is done or monitored by the Shariah Advisory Council (SAC) of the Securities Commission of Malaysia (SCM). The SAC conducted the screening process based on the following methods (SAC, 2007):

- i. Extraction of relevant financial information from the audited report and other material information.
- ii. Undertaking the Shariah compliance review process in order to identify the contribution from non-permissible activities.
- iii. Compare with Shariah financial benchmark.
- iv. Tabulate the result to SAC for final consideration or decision based on a quantitative method (financial benchmark) and/or qualitative method.
- v. Compile the result and issue list of Shariah-compliant.

The Shariah compliant securities were introduced in June 1997. The total companies that comply with the Shariah criteria in 1997, which are monitored by SAC were 478 companies. The number of Shariah PLCs has grown rapidly to reach 686 companies (76% of the total number of companies listed on Bursa Malaysia) as of November 2017 (SCM, 2017). The list is fundamental to promoting development in the Islamic capital market since it provides reference and direction to the investing public, and for the improvement of the corporation (SCM, 2020).

1.2 THE NEED OF CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE

The CSR concept has been utilized since the twentieth century (Gray, 2000; Guthrie and Parker, 1989; Sarkar et al., 2021). The period from the 1970s to 1990s could be regarded as an excellent point in the development of CSR (Andrew and Baker, 2020; Mathews, 1997). Seemingly, the characteristics and the area of CSR kept changing between different countries (Bhatia and Makkar, 2019; Gray, 2000). There is a proof that companies domiciled in developed countries reported more extensively about their CSR activities than they do in the developing countries in which they also operated (Ali

et al., 2017; Bhatia and Makkar, 2019; Douglas et al., 2004). Vitolla et al. (2019) stated that differences in nationality and culture may influence the accounting practices, and CSR reporting practices.

The recent development of CSR has played a significant role in business and became an expanding area in accounting research (Aribi and Gao, 2010; Gunawan, 2019; Radhakrishnan et al., 2018; Uhlig et al., 2020). Currently, firms and organizations are not only focused on generating income or profit for their shareholder, but they also need to be more accountable and concerned with CSR issues in their business activities (Boubakary and Moskolai, 2016; David and Adrian, 2017; Morsing and Perrini, 2009; Ramakrishnan, 2020). Firms tend to disclose their CSR information due to the firm characteristics, stakeholders and external forces such as consumer association, media and international regulatory body (Ali et al., 2017; Andrew and Baker, 2020; De Villiers and Alexander, 2014).

In Malaysia, CSR had started to give attention in 2006 when the Prime Minister of Malaysia said that all PLCs are required to disclose their CSR activities in the annual report. BM has emphasized the four-dimensions of CSR, which encompasses disclosure on communities, environment, workplace and marketplace. Bursa Malaysia (2006) defined CSR as open and transparent business practices that are based on ethical values and respect for the community, employees, the environment, shareholders and other stakeholders. BM issued a CSR's framework that was designed to encourage Malaysian public listed corporations to become more engaged in being socially responsible (Bursa Malaysia, 2006). Bursa Malaysia has also continuously taken a proactive role in driving the promotion of CSR in the Malaysian business environment.

Even though empirical studies have demonstrated an increase of CSR in Malaysia (Abdul Wahab et al., 2017; Ahmed Haji, 2013; Esa and Mohd Ghazali, 2012; Hamid, 2004; Lui et al., 2021), CSR practices in Malaysia may be seen to be in their infancy level with a low level of reporting (Abdul Wahab et al., 2017; Ahmed Haji, 2013; Lui et al., 2021; Othman et al., 2011; Thompson and Zakaria, 2004; Yang and Yaacob, 2012; Zainal et al., 2013; Zainon et al., 2014). The seeming low level of CSR is attributable to a lack of government and public pressure, a lack of perceived benefits,

and a commonly held assumption that corporations have a negligible impact on the environment (Thompson and Zakaria, 2004; Esa and Mohd Ghazali, 2012; Hamid, 2004; Lui et al., 2021). Therefore, this study will assess the CSRD level, as well as identifying the key factors associated with the CSRD level of Shariah PLCs in Malaysia. There is a significant matter at stake for Shariah PLCs, who can assist and help them in building their public image and establishing a competitive edge, which differentiates them from the non-Shariah PLCs in Malaysia.

1.3 PROBLEM STATEMENT

Transparency issues in the disclosure have turned out to be an influential agenda to the company; especially during the preparation of the annual report. Nair et al. (2019) stated that disclosure is the key to making the company transparent and allow investors to have access to better information. Higher transparency in disclosure could reduce the information asymmetry between company and stakeholder (Cui et al., 2018; Patel et al., 2002; Romito and Vurro, 2020). Transparency and disclosure are related to each other. Greater transparency and better disclosure keep corporate stakeholders better informed about the way a company is being managed and give a positive impact on the efficient functioning of capital markets (Sandeep and Dallas, 2002; Romito and Vurro, 2020).

According to Mamun et al. (2017) and Lui et al. (2021), in Malaysia, a number of campaigns and initiatives were implemented in order to create high standards of corporate governance, transparency, and disclosure in the corporations such as National Annual Corporate Report Awards (NACRA) and The Kuala Lumpur Stock Exchange Corporate Awards. Nevertheless, despite these more recent forms of encouragement, there is a general sense that corporations in Malaysia are reluctant to report their CSR activities in the annual report (Abdul Wahab et al., 2017; Ahmed Haji, 2013b; Mamun et al., 2017; Sadiq et al., 2020; Tee et al., 2007; Zainal et al., 2013; Zainon et al., 2014). The term “full disclosure” implies that companies must provide all information necessary to assist Muslim shareholders in making investment decisions (Mazri et al., 2018). Additionally, Muslim stakeholders today seek additional information to assist them in meeting their spiritual demands (Mazri et al., 2018; Othman and Thani, 2010).

As a result, it is anticipated that Shariah PLCs will embrace more transparent reporting practices. In an environment where the company is classified as Shariah-compliant, it should adhere to the Islamic concept in its communication (Latif et al., 2020; Lui et al., 2021).

As a company which has been classified as a Shariah PLC, they should disclose all information in the company due to its “Shariah” status (Latif et al., 2020; Lui et al., 2021). Baydoun and Willet (1997) states that the main objective of corporate reporting from an Islamic perspective is to allow all Islamic institutions to show their compliance with Shariah. In addition, further study is needed on the issues pertaining to transparency and accountability in Shariah PLCs (Mohd et al., 2020). It is believed that the compliance of disclosing all non-financials and financials information in the annual report as a key to the Shariah PLCs to demonstrate their transparency and accountability. Yet, the problem surface in Malaysia corporate entity was the lack of transparency and commitment towards CSR (Abdul Wahab et al., 2017; Abdullah et al., 2015; Abdullah, 2013; Lui et al., 2021). Therefore, this study will further investigate the level of transparency of CSRD of Shariah PLCs in Malaysia.

Moreover, prior studies exposed that, despite the awareness level of CSR is high among managers, but they preferred not to disclose the CSR activities in the annual report (Ahmad and Abdul Rahim, 2005; Lui et al., 2021; Mamun et al., 2017). Nevertheless, the level of disclosure of CSR activities in the Malaysian PLCs is still low and needs further encouragement (Abdul Wahab et al., 2017; Ahmed Haji, 2013; Mamun et al., 2017; Sadiq et al., 2020; Tee et al., 2007; Zainal et al., 2013; Zainon et al., 2014). Therefore, the main objective of this study is to address this research gap by looking at the CSRD’s reporting level, specifically for Shariah PLCs in Malaysia, based on the eleven years (2007 to 2017) data. This study also will investigate the link between CG board attributes and CSRD; and CSRD and firm financial performance of Shariah PLCs due to the limited number of prior studies as mentioned by Said et al. (2018).

Content analysis is one of the most frequently used research methods in assessing social and environmental disclosures (Ali et al., 2017; Bidari and Djajadikerta, 2020; Ehsan et al., 2018). The first step in constructing the disclosure