

# Ownership Structure and Islamic Corporate Social Responsibility Disclosure: Empirical Evidence from the Shari'ah Compliant Companies in Malaysia

Syahiza Arsad<sup>a</sup>, Roshima Said<sup>b</sup>, Haslinda Yusoff<sup>c</sup>, Rahayati Ahmad<sup>d</sup>,  
<sup>a,d</sup>Accounting Department, Kulliyah Muamalat and Management Sciences, Universiti Islam Antarabangsa Sultan Abdul Halim Mu'adzam Shah, 09300 Kuala Ketil, Kedah, Malaysia, <sup>b</sup>Accounting Department, Faculty of Accountancy, Universiti Teknologi MARA, 08400 Merbok, Sungai Petani, Kedah, Malaysia, <sup>c</sup>Accounting Department, Faculty of Accountancy, Universiti Teknologi MARA, 40450 Shah Alam, Selangor, Malaysia, Email: <sup>a\*</sup>[syahiza.arsad@unishams.edu.my](mailto:syahiza.arsad@unishams.edu.my)

The paper attempts to examine the effect of ownership structure on the Islamic corporate social responsibility (i-CSR) disclosure for Shari'ah Compliant Companies (ShCCs) in Malaysia. The Islamic corporate social responsibility (i-CSR) disclosure incorporated the five values of Maqasid Shari'ah and Maslahah. The content analysis was used to extract the i-CSR disclosure items from the ShCCs' annual reports. The sample of 1,122 annual reports of 187 ShCCs from 2018 until 2013 was used. The data was analysed using STATA, and the robust standard error of the panel corrected of standard errors (PCSEs) was used to examine the relationship between i-CSR disclosure and the ownership structure. Namely, foreign ownership (FO), government ownership (GO) and Muslim director ownership (MDO) after statistical control by firm size (proxy by total assets) and profitability (proxy by return on assets, net profit margin and return on equity). The result, based on the PCSEs, indicated that government ownership is positively and significantly correlated with the level of i-CSR disclosure. In contrast, foreign ownership and Muslim director ownership are negatively correlated with i-CSR disclosure. The finding implies the presence of a higher government ownership is able to enhance fulfilling the reporting principles of full disclosure and transparency.

**Keywords:** *Government Ownership, Foreign Ownership, Muslim Director Ownership, Islamic Corporate Social Responsibility, Shari'ah Complaint Companies.*

## **Introduction**

Corporate social responsibility (CSR) disclosure has become an important approach to evaluate and to be used in decision-making by stakeholders, including investors. In addition, it also important for companies to promote the economic stability and sustained level of high quality investment (Salehuddin & Mohamad Rosli, 2019). Since the introduction of the CSR framework by Bursa Malaysia in 2006, and other policies introduced by the Malaysian Government such as the silver book, fund for green technology development, tax incentive, state owned funds for CSR investment, business sustainability program, etc. (Yang & Yaacob, 2012), most companies in Malaysia are aware of the importance of disclosing CSR activities in the company's annual reports. However, there is no specific framework or policies for the public listed companies that are classified under Shari'ah securities, namely Shari'ah compliant companies (ShCCs). According to Arsad, Said, Yusoff, and Ahmad (2019), since ShCCs have been categorised as Islamic organisations and should be in line with Islamic principles and values in every activity undertaken, the companies should provide a greater amount of disclosure of company activities in the annual reports. In addition, ShCCs should also provide additional information that can portray the Islamic principles and values that constitute an Islamic organisation. Therefore, full disclosure of all activities and transactions undertaken would help the ShCCs to gain appreciation and trust from stakeholders, especially the owners. In the literature, ownership structure is one of the variables that were used to explain the CSR disclosure (Choi, 1999; Cormier & Gordon, 2001). Ownership represents the principal of a company that invests in public listed companies. Thus, the higher the number of ownership and stakeholders, the companies will face more pressure to disclose additional information about the company's activities. Hence, the objective of this paper is to examine the effect of ownership structure on the Islamic corporate social responsibility (i-CSR) disclosure for ShCCs in Malaysia.

## **Literature Review**

### ***Islamic Corporate Social Responsibility (i-CSR) Disclosure***

SHCCs operate in different philosophical grounds of the economic system because they need to seriously consider the unlawful business activities, such as riba (interest), bribery, gambling, short weighing, short measuring and sales of al-gharar (uncertainty, risk, speculation). Therefore, Islamic CSR and conventional CSR have different values and aspiration, but the dimension and area of CSR, such as the workplace, marketplace, environment and community, have common objectives to achieve benefits and prevent harm

in society. Thus, the dimension as proposed by traditional theoreticians, as well as Bursa Malaysia, can be applied to Islamic business firms since it was consistent with the spirit and teaching of Islam (Arsad, Ahmad, Mohamed Fisol, Said, & Haji-othman, 2015). However, additional types of information, such as information on Shari'ah compliance, prohibited transaction or activities involved, the amount of zakat payable and beneficiaries, the contribution of the company towards the socioeconomic development of the community, information on the company's treatment of its employees, information on environment, etc., are required for disclosure by ShCCs in order to differentiate them from non-ShCCs and to be consistent with the objective of Islamic accounting (Hameed & Yaya, 2005; Haniffa & Hudaib, 2002). However, several studies found that CSR disclosure by ShCCs is still at a low level and is lacking of Islamic values and principles (Ahmed Haji & Mohd Ghazali, 2013; Arsad et al., 2019; Arsad, Said, Yusoff, Haji-Othman, & Ahmad, 2014; Othman & Md Thani, 2010; Ousama & Fatima, 2010). This will affect the stakeholders' judgment and perception about the ShCCs since the stakeholders, as well as the owners, are unable to judge whether the company is compliant with Shari'ah principles. Therefore, ShCCs should apply the concept of Maqasid Shari'ah, Maslahah, social accountability and full disclosure (Baydoun & Willett, 2000a; Haniffa, 2002; Haniffa & Hudaib, 2002). This is consistent with former Prime Minister, Datuk Seri Najib Razak, who suggested Malaysia establish a Maqasid al-Shari'ah index to measure the commitment in Islamic countries (Abas, 2014). Thus, this study uses the i-CSR disclosure that incorporates the five values of Maqasid Shari'ah and three levels of Maslahah (Arsad et al., 2014).

### ***Ownership Structure***

There are two types of ownership and control structure, namely outsider and insider systems (Kapopoulos & Lazaretou, 2007). In the outsider system, the owner of the firm is outside shareholders and controlled by managers. While the ownership and control in an insider system tends to be much more concentrated, and shareholders have the right to control in a firm. Claessens, Djankov, and Lang (2000) found that more than two thirds of listed firms in East Asia, including Malaysia, use the insider system. They also identified that more than half of East Asian firms, including in Malaysia, are extensively controlled by family members. Therefore, the owners may not demand highly on voluntary disclosure and they also may not be interested to disclose additional information since they can get the information themselves. Ownership concentration affects corporate transparency (Fan & Wong, 2002) and incurs high agency costs for a lack of transparency (Randøy & Goel, 2003). Thus, the firm theory on ownership and control suggests that the higher the outside ownership, the greater the monitoring over the board and the greater the disclosure. Therefore, this study introduces three types of ownership, namely foreign ownership, government ownership, and Muslim director ownership. The objective is to examine the

effect of ownership structure (foreign ownership, government ownership and Muslim director ownership) on the i-CSR disclosure of Shari'ah compliant companies in Malaysia.

### ***Foreign Ownership and Islamic Corporate Social Responsibility (i-CSR) Disclosure***

The involvement of a foreign economic network, including investors from Saudi Arabia and the United Arab Emirates, has become one of the significant attributions to the growth of the Malaysian economy. Thus, it motivates this study to choose foreign ownership. Currently, no empirical evidence exists of the relationship between foreign ownership and i-CSR disclosure, but many studies have examined and been concerned with CSR or voluntary disclosure. Abdul Hamid and Atan (2011) conducted a study to examine whether ownership structure is related to the CSR disclosure of three Malaysian telecommunication firms, namely Telekom Malaysia (controlled by government), Maxis Communication (controlled by local shareholders), and Digi Communication (controlled by foreign shareholders). The finding demonstrated that Digi Communication, which is controlled by foreign shareholders, had a significant increase in the number of pages of CSR reporting, from eight pages in 2002 into 21 pages in 2005. This study was supported by the Bursa Malaysia Chairman (The Star, 2008), and consistent with many previous studies (Ali, Frynas, & Mahmood, 2017; Ezhilarasi & Kabra, 2017; R. M. Haniffa & Cooke, 2005; Huafang & Jianguo, 2007; Jamali & Mirshak, 2007; Muttakin, Mohammad Badrul Subramanian, 2015). Most of these studies revealed that the higher the number of foreign ownership, the higher the level of information disclosed by the organisation. It shows that companies use CSR disclosure as a legitimacy mechanism to attract foreign ownership (Haniffa & Cooke, 2005). Additionally, Huafang and Jianguo (2007) found that companies with more foreign ownership have a more effective corporate governance mechanism, as the companies will ensure that minority shareholders receive reliable information about the companies' performance and activities. Hence, this study hypothesises that:

H1: There is a positive association between foreign ownership and i-CSR disclosure in ShCCs.

### ***Government Ownership and Islamic Corporate Social Responsibility (i-CSR) Disclosure***

The Malaysian Government strongly emphasises about CSR. According to the Listing Requirement (Appendix 9C, Part A (29), it states that the requirement to all public listed companies in Bursa Malaysia is to disclose the information about CSR. This has motivated the study to examine the presence of government ownership. Al-Janadi, Abdul Rahman, and Omar, (2013), Eng and Mak (2003), and Nasir and Abdullah (2004) found that government ownership influences the amount of voluntary disclosure. Muttakin and Subramanian (2015) investigated the effect of government ownership on CSR and the result revealed that there is

a positive association. Another study on 250 main board of Malaysian listed companies in 2006 also revealed that government ownership is positively correlated with the level of CSR disclosure (Said, Hj Zainuddin, & Haron, 2009). Amran and Devi (2008) investigated the association between companies listed on Bursa Malaysia that have a proportion of government shareholding and companies that depend on government contract and corporate social responsibility. They revealed that government shareholdings and dependence on government are significant at a one per cent level. This implies that, companies in Malaysia that receive government intervention are under pressure to disclose additional information. This was due to the government being a body that is highly trusted by the public. Akrouf and Othman (2016) also found the presence of government ownership is positively and highly significant to influence environmental reporting practices. Thus, it is hypothesised that:

H2: There is a positive association between government ownership and i-CSR disclosure in SHCCs.

### ***Muslim Director Ownership and Islamic Corporate Social Responsibility (i-CSR) Disclosure***

Since Malaysia wishes to become a world Islamic hub, ShCCs need to disclose information required by current and potential shareholders. The presence of higher Muslim director ownership could place pressure on the management to demonstrate accountability and transparency. This study is also motivated from the previous studies undertaken (Haniffa & Cooke, 2005; Haniffa & Cooke, 2002) which found a significant relationship between Malay directors and Malay shareholders and corporate social disclosure practices in the Malaysian companies' annual reports. Haniffa and Cooke (2005) relate the significant result of their study to the fact that most Malays are Muslim and the Malays are the largest ethnic group in Malaysia (Ahmed Haji & Mohd Ghazali, 2013). Furthermore, its attributes to the Islamic business ethics that encourage the transparency and full disclosure concept in business. Moreover, the presence of the Malay Muslims ethnic group would promote to be involved with social welfare programmes that are in line with the Islamic value of benevolence (Ahmed Haji & Mohd Ghazali, 2013). Abd-Mutalib, Yahya, and Taib (2017) also found the presence of Muslim directors on the board positively influences the CSR reporting of Malaysian companies.

However, in contrast, the study by Mohamed Zain (2009) found many Muslim directors were reluctant to disclose social information because they fear being perceived as boasting, projecting the company's image, and consequently being branded as only interested in the pursuit of worldly wealth and fear that their good deeds would not accepted by Allah (Mohamed Zain & Mohammad, 2006). This is similar with the study by Rosli, Mohammed,

and Sanusi (2017) that found Muslim directors do not provide any contribution towards voluntary disclosure.

McKinsey and Co. reported the Gulf Corporation Council (GCC) has about USD 3.5 trillion in funds to be invested in the global capital market between 2008 and 2020. Meanwhile, Muslim people living in Western countries also highly demand Shari'ah compliant products (Farooq, 2014). Therefore, ShCCs should take this opportunity to provide extensive additional information to demonstrate the company's accountability to the shareholders and the whole Ummah. Hence, it is hypothesised that:

H3: There is a positive association between Muslim director ownership and i-CSR disclosure in SHCCs.

## Methodology

### *Sample selection*

This study selected the ShCCs that maintained in the top 500 firms based on the 2008 market capitalisation. This study included all of the sectors in Bursa Malaysia, excluding the financial sector due to different regulatory and statutory requirements. In addition, ShCCs that did not consistently publish their annual reports from 2008 until 2013 were excluded. Thus, the final sample comprised 187 ShCCs, resulting over a six year period from 2008–2013 in a total of 1,122 companies. Table 1 shows the industrial sectors that represented the sample of 187 ShCCs listed in Bursa Malaysia.

**Table 1:** Industrial Sector Representation of Sample Shari'ah Compliant Companies

<b>Sector</b>	<b>Number of sampled companies</b>	<b>Percentage of sampled companies</b>
Consumer product	24	12.83
Industrial product	58	31.02
Construction	21	11.23
Trading/Services	40	21.39
Properties	23	12.30
Plantation	12	6.42
Technology	9	4.81
<b>Total</b>	<b>187</b>	<b>100.00</b>

## ***Measurement of Variables***

### ***Dependent Variable***

The dependent variable, i-CSR disclosure, was measured using the content analysis of the annual reports of the ShCCs listed in Bursa Malaysia for the year ending 2008 and until 2013. Therefore, the i-CSR disclosure index constructed by Arsad et al. (2014) and that is based on the four themes of marketplace, workplace, environment and community, was used in this study. The items from the four themes were classified into five dimensions of Maqasid Shari'ah. The nominal score of an un-weighted approach was used to record the presence (represented by "1") or the absence (represented by "0") of an item listed in the i-CSR disclosure index. In the next step, a weighted method that incorporated the three levels of ordinal values was used to determine the presence items to the three levels of Maslahah. A score for each of the presence items in the checklist is computed by multiplying with the scale of the Maslahah. Lastly, the process will add all the scores and be equally weighted.

### ***Independent Variables***

The independent variables in this study were the three ownership structures of foreign ownership, government ownership and Muslim director ownership. The following is the summary of the measurement of each independent variable, along with its data sources.

**Table 2:** Measurement of the Independent Variables

<b>Independent Variables</b>	<b>Measurement</b>	<b>Preliminary Literature</b>	<b>Data Sources</b>
Foreign ownership	Percentage of shares owned by foreign shareholders to total number of shares issued.	(Huafang & Jianguo, 2007; Said et al., 2009b; Wan Abdullah et al., 2012)	Company annual report
Government ownership	Percentage of shares owned by government to total number of shares issued.	(Said et al., 2009)	Company annual report
Muslim director ownership	Percentage of shares owned by Muslim directors to total number of shares issued.	(Haniffa & Cooke, 2005)	Company annual report

### ***Control Variables***

The control variables of this study were the corporate characteristics as they are predominantly considered as being important determinants of voluntary disclosure.

The control variables in this study were financial variables, namely firm size (proxy by total asset) and profitability (proxy by return on equity, return on assets and net profit margin), which were obtained from the Data Stream database. A total asset was used to measure the size of the companies. Larger companies tend to be actively involved in many operating and social activities. Therefore, extensive information on every activity undertaken needs to be disclosed as it would help to mitigate agency conflict and to attract more investors.

Profitability (proxy by return on equity, return on assets and net profit margin) was used to measure the ability of a company to generate profits. The higher profitability indicates strong performance, efficient and effective. Thus, profitable companies should disclose more information about their operation, as well as social activities, in order to address a wider interest and demand of their diverse stakeholders. The following is the summary of the measurement of each control variable, along with its data sources.

**Table 3:** Measurement of the Control Variables

<b>Control Variables</b>	<b>Measurement</b>	<b>Preliminary Literature</b>	<b>Data Source</b>
Firm Size	(TA) Log Total Asset	(Ahmed Haji & Mohd Ghazali, 2013; Al-Janadi et al., 2016; Arshad et al., 2012b; Eng & Mak, 2003; Haniffa & Cooke, 2005; Haniffa & Cooke, 2002)	Data Stream database
Firm Profitability	Return on equity (ROE), Return on Assets (ROA) Net Profit Margin (NPM)	(Abu Qa'dan & Suwaidan, 2018; Arshad et al., 2012; Eng & Mak, 2003; R. M. Haniffa & Cooke, 2005; Muhammad & Rashid, 2017; Rahman & Widiasari, 2008; Said et al., 2009)	Data Stream database

## Results and Findings

In this study, for the purpose of the data analysis and hypothesis testing, the Statistical Package, STATA 13 was used. By using the STATA 13, the descriptive statistics, correlation, and Ordinary Least Squares (OLS) multiple regression were conducted. Additionally, to further test the research hypotheses and to attest to the reliability of the main OLS regression results, the General Least Squares (GLS) was undertaken. Finally, the sensitivity analysis

using the OLS pooled regression with robust standard error was carried out to check the sensitivity and hence, the robustness of the main regression analysis. The following is the model that was developed to measure the relationship between ownership structure and i-CSR disclosure:

$$i\text{-CSR}_{Dit} = \beta_{0it} + \beta_{1FOit} + \beta_{2GOit} + \beta_{3MDOit} + \beta_{4ROAit} + \beta_{5NPMit} + \beta_{6ROEit} + \beta_{7TAit} + \bar{\epsilon}_{it}$$

Where:

$i\text{-CSR}_{Dit}$	= Islamic Corporate Social Responsibility Disclosure
$\beta_{0it}$	= Intercept
$B1FOit$	= Foreign Ownership
$B2GOit$	= Government Ownership
$B3MDOit$	= Muslim Director Ownership
$B4ROAit$	= Return on Assets
$B5NPMit$	= Net Profit Margin
$B6ROEit$	= Return on Equity
$B7TAit$	= Total Assets
$\bar{\epsilon}_{it}$	= Error term
$It$	= Subscript for Panel Data

### ***Descriptive Statistics***

The descriptive statistics included statistics such as the minimum, maximum, mean and standard deviation for i-CSR disclosure index, ownerships structure and control variables. Table 4 provides the results of descriptive statistics of the variables in this study. From the sample of 187 ShCCs, the i-CSR disclosure for the six year period showed that the range of scores was from 0 to 0.418 with a mean of 20 per cent and standard deviation of 0.107. The descriptive statistics for the independent variables showed that the mean of the foreign ownership was 6.57 per cent with a standard deviation of 10.870, government ownership was 2.55 per cent with a standard deviation of 7.347, and Muslim director ownership was 1.362 per cent with a standard deviation of 5.212. This indicates that ShCCs had a higher proportion of foreign ownership compared to other ownerships.

**Table 4:** Descriptive Statistics

Themes	Minimum	Maximum	Mean	Std. Deviation
Total <i>i</i> -CSR Disclosure	0.000	0.418	0.201	0.107
Foreign Ownership	0.000	73.030	6.566	10.870
Government Ownership	0.000	72.770	2.546	7.347
Muslim Director Ownership	0.000	58.410	1.362	5.212
Return on Assets (ROA)	-76.457	44.657	4.447	7.075
Net Profit Margin (NPM)	-736.750	685.780	9.139	45.079
Return on Equity (ROE)	-172.980	93.12	7.550	14.280
Total Assets (LgTA)	4.415	7.996	5.822	0.615

### Correlational Analysis

The correlation analysis was carried out to detect any autocorrelation between *i*-CSR disclosure and the ownership structure, corporate characteristics and amongst the independent in order to check the multicollinearity problem. Table 5 shows the degree of correlation between each of the variables used in this study.

**Table 5:** Correlation coefficients Matrix of variables

	<i>i</i> -CSR	FO	GO	MDO	ROA	NPM	ROE	LgTA
<i>i</i> -CSR	1							
FO	-0.0247	1						
GO	0.0943***	0.0459	1					
MDO	-0.1694***	-0.0040	0.0197	1				
ROA	-0.0053	0.0054	-0.0240	-0.0601**	1			
NPM	0.0616**	-0.0414	0.0019	-0.0457	0.3032***	1		
ROE	-0.0155	0.0257	0.0287	-0.0383	0.6420***	0.3909***	1	
LgTA	0.1881***	0.1536***	0.2375***	-0.0541*	-0.0476	0.0075	0.0164	1

\* $p \leq 0.10$ , \*\* $p \leq 0.05$ , \*\*\* $p \leq 0.01$

*i*-CSR: Islamic Corporate Social Responsibility Disclosure; FO: Foreign Ownership; GO: Government Ownership; MDO: Muslim Director Ownership; ROA: Return on Assets (Profitability); NPM: Net Profit Margin (Profitability); ROE: Return on Equity (Profitability); LgTA: Total Assets (Company Size).

The results from Table 5 reveal a weak positive correlation between *i*-CSR disclosure and government ownership ( $r=0.094$ ,  $p < 0.01$ ), profitability proxy by net profit margin ( $r=0.062$ ,  $p < 0.05$ ) and company size proxy by total assets ( $r=0.188$ ,  $p < 0.01$ ). Meanwhile, there was a negative correlation between *i*-CSR disclosure and foreign ownership, Muslim director ownership and profitability (proxy by ROA and ROE). In addition, the analysis also suggests

that there is no multicollinearity problem among the independent variables because they did not exceed 0.80 or 0.90. According to Gujarati (2004), multicollinearity is likely to exist when the correlation coefficient is 0.80 and above. Whilst Hair Jnr, Black, Babin, and Anderson (2010) suggested that 0.90 and above is an indicator for the existence of multicollinearity. This is also confirmed by the variance inflation factor (VIF) result which shows a mean VIF for GO is 1.06, 1.03 for FO, and 1.01 for MDO. The result indicates the absence of multicollinearity because all are below the threshold value of 10, because according to Gujarati (2004), and Pallant (2011), the VIF of higher than 10 indicates the possibility of multicollinearity. Thus, the results of the Pearson correlation coefficient and VIF confirm that there was no issue of multicollinearity.

### ***Regression Analysis***

In this study, the result from the Breusch and Pagan Lagrange multiplier (LM) test indicated that random effect generalised least square (GLS) regression was appropriate compared to pooled regression. In the next step, a Hausman test was conducted to select between the random effect model and fixed effect model. The result shows that the chi-square 26.20 is significant with the p-value of 0.001 ( $p < 0.01$ ). Thus, the result suggests that the fixed effect estimation technique was the best model. Further testing for heteroskedasticity and autocorrelation was conducted. The results of the modified Wald test and Wooldridge test indicate that the probability values ( $P < 0.01$ ) show the presence of autocorrelation and heteroskedasticity problems. Thus, the robust standard error was applied to adjust the problem of autocorrelation and heteroskedasticity.

The independent variables were included in the model together with the control variables. The results showed that firm size (proxy by total assets) and profitability (proxy by net profit margin) were positive and significantly correlated with i-CSR disclosure. Meanwhile, the result for the first hypothesis which stated there is a positive association between foreign ownership and i-CSR disclosure in ShCCs, showed that it was statistically significant with a Beta ( $\beta$ ) value of -0.001 and p-value = 0.020 but it was negatively correlated. Even though the results were significant at  $p < 0.05$ , this contradicted the predicted sign of the hypotheses which indicates that hypothesis H1 was not supported. This implies that the higher the number of foreign ownership, the lower the i-CSR disclosure in ShCCs. The result contradicts with Haniffa and Cooke (2005), Huafang and Jianguo (2007), and Wan Abdullah et al. (2012). However, these past studies did not specifically examine the association between foreign ownership and voluntary disclosure of ShCCs. The negative influence of foreign ownership might be explained by the countries that invested in Malaysia. According to the Bank Negara Malaysia, Singapore is the largest investor, followed by Japan, the Netherlands, and Hong Kong. The Malaysian Investment Development Authority (MIDA, 2014) reported that US investors had a significant investment in Malaysia's manufacturing,

oil and gas, financial services and consumer products sectors. Most of these countries are ideologically secular, even though some of the population are Buddhists, Christians, or even atheists. Since the largest investors were mostly from non-Islamic countries, Malaysian companies tended to focus not on voluntary Islamic information disclosure. However, Haniffa (2002) mentioned that Islamic social reporting is important to show accountability to Allah, the community and to provide to the spiritual needs of the Muslim decision makers, as well as to show that the organisation is compliant with the Islamic principles since the company was listed under Shari'ah compliant securities.

The second hypothesis stated that there is a positive association between government ownership and i-CSR disclosure in ShCCs. The result showed that it positively and significantly affects the i-CSR disclosure in ShCCs with a Beta ( $\beta$ ) value of 0.001 and p-value = 0.000. These results were statistically significant, even at a  $p < 0.01$  significance level. Thus, the research hypothesis H2 was supported. The result showed if there was the existence of a higher number of government ownership in the ShCCs, the level of i-CSR disclosure would be higher. This finding was consistent with the effort and initiatives by the Malaysian Government, which introduced a variety of frameworks and policies related to CSR such as the Bursa Malaysia CSR framework, the silver book, tax incentive, business sustainability programme, the Prime Minister Hibiscus Awards, the launching of two ethical funds or social responsibility investment funds in 2004, etc., in a way to encourage Malaysian companies to report their CSR activities. In addition, the result was also consistent with numerous past studies that found government ownership significantly influences the level of CSR disclosure (Amran & Devi, 2008; Eng & Mak, 2003; Ghazali, 2007; Nasir & Abdullah, 2004; Said et al., 2009).

The third hypothesis stated that there is a positive association between Muslim director ownership and i-CSR disclosure in ShCCs. The result showed that it was statistically significant with a Beta ( $\beta$ ) value of -0.003 and p-value = 0.020 but it was negatively correlated. Even though the results were significant at  $p < 0.01$ , it was contrary with the predicted sign of the hypotheses. Thus, the research hypothesis H3 was not supported. The result indicated that the presence of a higher number of Muslim director ownership, the lower the level of i-CSR disclosure. The result contradicts with the study by Haniffa and Cooke (2002), but is consistent with Mohamed Zain (2009). A possible reason for this finding could be an attitude of fear that Allah would not accept all their good deeds. This is in line with the study by Mohamed Zain and Mohammad (2006) that found Muslim owned companies were reluctant to disclose their CSR activities because they were afraid that their good deeds would not be rewarded. However, from the Islamic perspective and values, the finding of this study is not in line with the Islamic concept of transparency and full disclosure.

## Conclusion

The purpose of this study is to examine the effect of ownership structure on i-CSR disclosure of ShCCs in Malaysia. By using a sample of 187 ShCCs' annual reports for the year ending 2008 and until 2013, the finding found that ownership structure, namely foreign ownership, government ownership and Muslim director ownership, has a significant effect on the i-CSR disclosure. The highest ownership structure holding a proportion of share in the ShCCs was foreign ownership with a mean score 6.57 per cent. However, the finding found that foreign ownership was significant but negatively correlated the relationship. A negative influence was because the largest investors were mostly not from Islamic countries, such as Singapore, Japan, the Netherlands and Hong Kong.

Since Malaysia aims to become a global hub for the Islamic capital market, this would attract more foreign investors, especially from Islamic countries, as well as Muslim director ownership and government ownership to invest in the Shari'ah securities. Therefore, the i-CSR disclosure index that was used in this study is able to help ShCCs to report in a way that portrays an Islamic image and values. This would enable ShCCs in Malaysia that are consistently listed under Shari'ah securities and are in line with the Malaysian Capital Market Master plan in making Malaysia a global hub for Islamic Capital Market (Securities Commission, 2001; Securities Commission, 2017). In addition to the variety of frameworks and policies related to CSR that had been introduced by the Malaysian Government in order to encourage Malaysian companies report their CSR activities, the Malaysian Government regulatory also should emphasise on the importance of Islamic principles and values in every activity undertaken and reporting since the companies were listed under Shari'ah securities.

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