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**ISLAMIC CORPORATE SOCIAL RESPONSIBILITY
DISCLOSURE IN ORGANIZATION OF ISLAMIC
COOPERATION COUNTRIES**

SARTINI WARDIWIYONO

A thesis submitted to the University of Huddersfield in partial fulfilment of the requirements
for the degree of Doctor of Philosophy

The University of Huddersfield

August 2017

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Abstract

As Islam does not recognize the separation between sacred and secular matters, it requires all economics activities to be carried out in accordance to shariah. As a result, the need for shariah approved companies (SACs) becomes undeniable. Similar to the Western setting, Islamic CSR disclosure has also become an important issue for SACs. Nevertheless, studies on Islamic CSR disclosure are limited. Most of the prior studies focus on CSR disclosure by Islamic financial institution. They also tend to utilize the concept of CSR disclosure from the West, leading to the need for understanding CSR and its disclosure from an Islamic perspective.

The aim of this study is to investigate Islamic corporate social responsibility disclosure by SACs in Organization Islamic Cooperation (OIC) countries. Particularly, it is intended to achieve four specific objectives: firstly, to develop an Islamic CSR disclosure instrument that can measure the level of Islamic CSR disclosure; secondly, to document the content and level of Islamic CSR disclosure in the sample of OIC countries; thirdly, to identify the differences in Islamic CSR disclosure across OIC countries; and fourthly, to determine factors influencing Islamic CSR disclosure level in OIC countries.

This study applied deductive reasoning based on the concept of *tawhid* and *maqasid ash-shari'ah* as well as current literature on CSR disclosure to develop Islamic CSR disclosure instrument. Then, the instrument was used as a benchmark for documenting the content and level of Islamic CSR disclosure in annual reports of SACs through content analysis. A total of 90 SACs from Indonesia, Malaysia, and Pakistan were selected as the sample of the study. Next, qualitative comparison analysis was applied to identify the differences in the content of Islamic CSR disclosure across OIC countries. Additionally, quantitative comparison using analysis of variance (ANOVA) and Kruskal Wallis test were also applied to identify whether there was any difference in the level of Islamic CSR disclosure across countries. Lastly, this study performed regression analyses to test six hypotheses formulated based on prior studies and the existing theories. In turn, the findings of the analyses were used to identify the determinants of Islamic CSR disclosure level in the sample of OIC countries.

The empirical investigation observed several findings. Firstly, the results of the content analysis show that SACs in the sample countries disclosed 34% of the benchmark, on average. Employee category was considered as the most disclosed category followed by shareholder, community, environment, customer, government, debtor, supplier and other

business partners. Secondly, there were noticeable differences in Islamic CSR disclosure by SACs from Indonesia, Malaysia, and Pakistan. In general, Indonesian SACs tended to focus their disclosure on social and environmental issues, whereas Malaysian SACs tended to focus on economical issues. For Pakistani SACs, their disclosure was more religious. Thirdly, the regression analyses found state-ownership, company size, and country variable as significant variables in determining Islamic CSR disclosure. In more specific analyses conducted by category, the results provided evidence for state-ownership, company size, country, profitability, industry sensitivity and media exposure as significant determinants of Islamic CSR disclosure level. All regression models observed in this study can be considered good as the values of adjusted R^2 ranged from 37% to 59%.

This study may have contribution for knowledge, methodological, theoretical and practical. In term of knowledge contribution, this study introduces the notion of dual responsibilities, Islamic CSR pyramid and Islamic CSR disclosure instrument. For methodological contribution, this study offers three different measurements to gauge the quality of Islamic CSR disclosure, which are quantitative index, comprehensiveness index, and Islamic index. With regard to the theoretical contribution, this study may provide an opportunity to understand CSR disclosure in a well-defined and different cultural that happens to be driven by religion. Additionally, it provides an initial conclusion that CSR from the West has a potential to bridge Islamic accounting and accounting from the mainstream theory. Lastly, the practical contribution of this study is that it may help Islamic capital market regulator in enhancing the screening process of SACs. Additionally, it may guide manager and business practitioners how to operate their business in accordance to shari'ah if they want to remain acceptable in Islamic countries or Muslim majority countries.

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List of abbreviations

AA1000	Accountability Assurance 1000 Guideline
ANOVA	Analysis of Variance
AT	Agency Theory
Bhd	Berhad (Limited Company)
BIMB	Bank Islam Malaysia Berhad
COM	Complimentary
CSR	Corporate Social Responsibility
CSRD	Corporate Social Responsibility Disclosure
EMB	Embellishment
ESS	Essential
ESOS	Employee Share Options Scheme
GRI	Global Reporting Initiative
IFIs	Islamic financial institutions
Ina	Indonesia
JII	Jakarta Islamic Index
KLSE	Kuala Lumpur Stock Exchange
LT	Legitimacy Theory
MA	Management Approach
May	Malaysia
NGOs	Non-Governmental Organizations
OECD	Organisation for Economic Cooperation and Development
OIC	Organization of Islamic Cooperation
Pak	Pakistan
PET	Political Economy Theory
PI	Performance Indicator
PLCs	Private Limited Companies
PT	Perseroan Terbatas (Limited Companies)
ROA	Return on Asset
ROE	Return on Equity
SAC	<i>Shariah</i> Approved Company
SCP	Supplier Conduct Principles
SEEDS	Stakeholders Engagement and Enrichment Drives for Sustainability.
SET	Shariah Enterprise Theory

SPSS	Statistical Program for Social Science
ST	Stakeholder Theory
Tbk.	Terbuka (go public)
TDI	Total number of disclosed items
	Total number of disclosed items related to complementary
TDIcom	responsibilities
	Total number of disclosed items related to embellishment
TDIemb	responsibilities
TDIess	Total number of disclosed items related to essential responsibilities
TDImon	Total number of disclosed items in monetary form
TDInon	Total number of disclosed items in quantitative non-monetary form
	Total number of disclosed item containing information related to
TIDma	management approach
	Total number of disclosed item containing information related to
TIDpi	performance indicator
	Total number of disclosed item containing information related to
TIDvg	vision and goal
TMS:	Theoretical maximum score (114)
	Theoretical maximum comprehensiveness score
TMScompre	$(1 \times 114) + (2 \times 114) + (3 \times 114) = 684$
TMSislam	Theoretical maximum Islamic score $(3 \times 34) + (2 \times 47) + (1 \times 33) = 189$
TMSquan	Theoretical maximum quantitative score $(1 \times 114) + (2 \times 114) = 342$
UNGC	United Nation Global Compact
USAID	United State Agency for International Development
VG	Vision and Goal
VIF	Variance Inflation Factor

Glossary of Arabic Words

<i>Afdhol</i>	Preferable
<i>Akhlak</i>	Moral virtues
<i>Al adillah as shar'iyah</i>	The sources of Islamic knowledge
<i>Amanah</i>	Upholding trust
<i>Aqidah</i>	Faith and Belief
<i>Aql</i>	Intellect
<i>Barakah</i>	Blessing
<i>Basmalah</i>	The name of Islamic phrase " <i>Bismillahi r-rahmani r-rahimi</i> "
<i>Berhad</i>	In the name of God most gracious most merciful.
<i>Birr</i>	Limited
<i>Daf al dharar</i>	Righteousness
<i>Falah</i>	Preventing Harm
<i>Fardh 'ain</i>	Sustainable success in the world and in the Hereafter
<i>Fardh kifaya</i>	Personally obligatory
<i>Fasting</i>	Communally Obligatory
<i>Fiqh</i>	To abstain from eating and drinking during daylight hours
<i>Fiqh al Awlawiyat</i>	Islamic Jurisprudence
<i>Fiqh al-mua'malat</i>	The science of priority jurisprudence
<i>Gharar</i>	Islamic commercial jurisprudence, or the rules of transacting in a <i>Shari'ah</i> compliant manner
<i>Hadits</i>	Excessive uncertainty
<i>Hajj</i>	The teaching from Prophet Muhammad SAW both oral and action
<i>Halal</i>	Pilgrimage
<i>Haram</i>	Permissible, lawful; said of a deed which is not prohibited by Allah, opposite of haram.
<i>Ibadah</i>	Impermissible, unlawful, opposite of halal.
<i>Ihsan</i>	Obedience to Allah
<i>Ihya Ulumuddin</i>	Perfection or excellence in worship
<i>Ijara</i>	The Revival of the Religious Sciences is an authoritative piece of writing written by Imam Al Ghazali at the eleventh century
<i>Ijarah</i>	<i>Ijarah</i> is a form of leasing in which there is a transfer of ownership of a service for a specified period for an agreed upon lawful consideration.
<i>Ijarah Sukuk</i>	To employ the services of a person on wages given to him as a consideration for his hired services.
<i>Ijma'</i>	Leasing based agreement that involves transactions with certificates or entitlement scripts that confer ownership of leased assets or rentals obtained from leasing assets.
<i>Ikhtikar</i>	Consensus among reputable Muslim jurists/scholars
<i>Infak</i>	Hoarding; the prohibited practice of purchasing essential commodities, such as food and storing them in anticipation of an increase in price
<i>Istitsna'</i>	Charity
	A contract of sale of specified goods to be manufactured, with an obligation on the manufacturer to deliver them upon completion.

<i>Ithm</i>	Sin
<i>Khalifah</i>	Vicegerent
<i>Khayr</i>	Goodness
<i>Ma'ruf</i>	What is good
<i>Makrooh</i>	Disliked
<i>Mandoob</i>	Commendable
<i>Maqasid ash-shari'ah</i>	The objective of <i>shariah</i>
<i>Maqasid darurriyyat</i>	Essential objective
<i>Maqasid hajiyyat</i>	Complimentary objective
<i>Maqasid tahsiniyyat</i>	Embellishment objective
<i>Maqasid</i>	The general objectives of Islamic law
<i>Maslahah</i>	Preservation of the wellbeing of mankind
<i>Maysir</i>	Speculative activities like gambling
<i>Muamalah</i>	Procedure or series of action between human in all aspect
<i>Mubah</i>	Permissible; an action for which people will neither be rewarded nor punished. A special kind of partnership where one partner gives money to another for investing it in a commercial enterprise.
<i>Mudharabah</i>	
<i>Munkar</i>	Evil Originally a term describing any sale in which the seller sells his merchandise for more than the price at which he acquired
<i>Murabahah</i>	A cost plus financing based on trading contract in which the issuer of certificate is the seller of <i>murabahah</i> commodity, the subscriber is the buyer of that commodity, and they are entitled to its final sale price upon the re-sale commodity
Murabahah Sukuk	A profit sharing partnership in which company as <i>sukuk</i> issuer forms a committee from the investor or <i>sukuk</i> holders who can be referred to for investment decision
Musyarakah sukuk	
Qard hasan	Loan without interest
<i>Qiyas</i>	Analogical reasoning made by reputable Muslim jurists/scholars
<i>Qur'an</i>	The words of God
<i>Riba</i>	Interest
<i>Saddu' dara'i</i>	Harm is repelled Islamic law as revealed in the Quran and through the example of Prophet Muhammad (PBUH)
<i>Shariah</i>	Ritual prayer; the second pillar of Islam after the <i>shahadah</i> .
<i>Sholat</i>	
<i>Sodaqoh</i>	Charitable giving.
<i>Sukuk</i>	Islamic equivalent of bond
<i>Sunnah</i>	The actions, deeds, affirmations and characteristics of the Prophet Muhammad.
<i>Syakhsiyah hukumiyah</i>	Juridical personality
<i>Tawhid</i>	Oneness of God
<i>Tawhid asma wa sifat</i>	The oneness of name and attributes
<i>Tawhid rububiyah</i>	The oneness of Lordship of God

<i>Tawhidulhiyyah</i>	The oneness of worship of God
<i>Ukhuwwah</i>	Brotherhood
<i>Ulil amri</i>	The general state of affairs
<i>Ushul fiqh</i>	Principle of Islamic Jurisprudence
<i>Wajib</i>	Compulsory
<i>Wakaf</i>	An endowment by a Muslim to a religious, educational or charitable cause.
<i>Zakat</i>	It is an obligation in respect of funds paid for a specified type of purpose and for specified categories

Chapter One: Introduction

1.1. Introduction

The chapter is to explain and justify the focus of the current research. In general, the research is intended to investigate the practice of corporate social responsibility (CSR henceforth) disclosure in the Organisation of Islamic Cooperation (OIC hereafter) countries, especially CSR disclosure by companies listed in Islamic capital market. Such company will be regarded as a *shariah*-approved company (SAC hereafter). Islamic capital market is a *shariah* compliant capital market. The transactions and activities in this market must be in line with *shariah*, which is an Islamic system of ethics, values, and principles (Sardar, 2003). *Shariah* provides guidelines for Muslims on how to do action and activities in all aspects of their life including worship to God as well as interaction with the other creatures.

A SAC must pass through *shariah* screening process for it can be listed in an Islamic capital market. The screening process is conducted based on criteria made by an authority board. The board has a responsibility to monitor and evaluate that what have been developed for the market are truly compliant with *shariah* (Mcmillen, 2006). It is usually called as *shariah* advisory committee. The fundamental criterion that must be met by SAC to be included in Islamic capital market is that its operation must not violate any Islamic economics principles as governed by *shariah*. Islam prohibits Muslim, both individually and collectively, to deal with *riba* (interest), *gharar*¹, *maysir*², and other prohibited activities with any activities such as producing or distributing non-halal products. (Chapra, 2000).

This chapter aims at providing the foundation for the research reported in this current thesis. It discusses the background and motivation for the study, the aim and objectives as well as the summary of methodology to carry out the research. Additionally, this chapter discusses an overview of Islamic capital market in the OIC context to provide a better understanding of the research context. Next, key findings and research contributions are also summarized. Lastly, it presents the structure of the thesis for ease of reference.

1.2. Literature Background and Research Motivation

Following the growing public awareness of the role of companies in society, CSR has become an important issue. Companies have been increasingly urged to be accountable not only to their shareholders but also to wider stakeholders including employees and society by acting in a responsible way toward society and environment (Reverte, 2009). This fact has also been followed by the increasing demand for CSR disclosure. As a way to communicate

¹ Trade where details concerning the sale item are unknown or uncertain

² Transaction that is based on zero sum game or one party's gain and another's loss

companies' CSR policies and activities, CSR disclosure provides information to discharge company's accountability toward stakeholders, society and environment (Gray, 2007; Guthrie & Parker 1990). Through CSR disclosure, media and society can monitor and assure that company are rendered accountable for the consequences of their actions (Epstein, 2006). Sometimes CSR disclosure is also called as social and environmental reporting (Brown & Fraser, 2006; Gray, Kouhy, & Lavers, 1995; Mathews, 1997; Owen, Swift, & Hunt, 2001), CSR reporting (Azim, Ahmed, & Islam, 2009; Chen & Bouvain, 2009; Radiah Othman & Ameer, 2009; Zubairu, Sakariyau, & Dauda, 2011), as well as sustainability reporting (Laine, 2009); Owen, 2006). The term of CSR disclosure its self is used by a lot more previous studies (Gamerschlag, Möller, & Verbeeten, 2011; Ghazali, 2007; Guthrie & Parker, 1989; Hackston & Milne, 1996; Holder-Webb, Cohen, Nath, & Wood, 2009; Wanderley, Rafael, Francisca, & Filho, 2008).

As CSR has become an important issue not only in the developed countries but also in the developing ones, CSR disclosure has also become imperative in both regions. At first, empirical research on CSR disclosure are mostly based on the Western context. (Belkaoui & Karpik, 1989; Deegan & Rankin, 1997; Gamerschlag *et al.*, 2011; Gray *et al.*, 1995; Hackston & Milne, 1996; Holder-Webb *et al.*, 2009; Reverte, 2009). However, research on CSR disclosure is now no longer limited in the Western context. They have also been conducted in the developing countries including these following countries:

- Bangladesh (Belal, 2001; Belal & Owen, 2007; Khan, Muttakin, & Siddiqui, 2013; Saleh, Zulkifli, & Muhamad, 2010),
- Egypt (Rizk, Dixon, & Woodhead, 2008),
- India (Sandhu & Kapoor, 2010; Tewari, 2011)
- Indonesia (Mirfazli, 2008; Setyorini & Ishak, 2012; Sutantoputra, 2009),
- Lebanon (Jamali, 2008),
- Libya (Elmogla, Cowton, & Downs, 2011; Pratten & Mashat, 2009),
- Malaysia (Ahmad, Sulaiman, & Siswanto, 2003; Amran & Devi, 2008; Esa & Ghazali, 2012; Ghazali, 2007; Haji, 2013; Haniffa & Cooke, 2005; Othman & Ameer, 2009)
- Pakistan (Sharif & Rashid, 2014)
- Qatar (Hossain & Hammami, 2009)
- Thailand (Suttipun & Stanton, 2012),
- Turkey (Altintas, Adiloglu, & Altintas, 2007),
- Across several developing countries (Wanderley *et al.*, 2008).

A large number of studies on CSR disclosure both in developed and developing countries, however, still have shortcomings. In term of theoretical paradigm, Aribi & Gao (2011)

argues that the theoretical paradigm used in current studies is still mainly based on the capitalism and liberal markets in the West, in which the concept of CSR and CSR disclosure was born. Several models or frameworks for CSR disclosure developed in previous studies (Hackston & Milne, 1996; Spiller, 2000; Zubairu *et al.*, 2011) are based on Western context. Even, for the most of CSR disclosure frameworks that are developed as an international benchmark by non-governmental organisations (NGOs) such as GRI Sustainability Reporting Guideline, Accountability Assurance Standard 1000 and 1000s Guideline, ISO 14001 as well as United Nations Global Compact are also based on the Western setting.

In fact, as argued by Maali, Casson, & Napier (2003), there is a problem in the nature of responsibility concept in the West. Maali *et al.* state that ethical codes as the basis for CSR in Western society seen to be relativistic, which means that a particular practice may be acceptable to an individual or group but not accepted by the others, and there is no agreed way to determine whose view is valid. This statement is in line with the argument of Gray, Owen, Maunders (1987) in the Western context, which states that responsibilities of organization change over time and from place to another, and there is no agreement on who determines what responsibilities are.

The concept of CSR from Western perspective also remains open to criticism for its inherent problems including justification, conceptual clarity, and possible inconsistency especially when it comes to its implementation and operational on the ground (Dusuki & Abdullah, 2007). Parallel to Dusuki & Abdullah (2007), Epstein (2006) also opines that CSR and its disclosure frameworks as developed by the international NGOs mentioned earlier are often quite general and have no enforcement mechanism. Hence, it is more aspirational precepts than operational standards (Epstein, 2006).

The other shortcoming of current research on CSR disclosure is that it also tends to ignore the contribution of religion to a foundation in enlightening why organizations should engage in CSR and disclose CSR information (Aribi & Gao, 2011). As it might have already been known, CSR and CSR disclosure closely relate to ethical and moral whose guidance is easy to be found in religious teachings. Empirical studies have shown that religion could have a possibility in explaining CSR and CSR disclosure. Brammer, Williams, & Zinkin (2007) found that religious individual has a broader conception of CSR than the non-religious one. Graafland, Mazereeuw, & Yahia (2006) also observed that there is a positive relationship between religious awareness and the level of socially responsible behaviour in business. Based on the discussion, taking religion in discussing CSR and CSR disclosure might be useful to provide new insight for CSR and CSR disclosure.

One religion that could provide a contribution in explaining CSR and CSR disclosure is Islam. Islam is not only a religion, but it is also a way of life that has a complete code of life (Hassan & Siwar, 2009). In Tinker's term, Islam is regarded as both religion as well as a social construction that instructs Muslims in both how to worship and how they should interact with others in term of individuals, group, family, nation (Tinker, 2004). Many aspects of the Islamic code of life could contribute to the theoretical development of CSR and CSR disclosure. Islam provides a clear definition of responsibility concept including social responsibility together with its reporting and enforcement mechanism. Maali *et al.* (2003) opine that responsibilities of members of society both individual as well as the organization in Islam do not change over time, and are not affected by different theoretical framework regardless different schools of thought in Islam. It is because they are well defined by religion, are not imposed by secular law that is changeable, nor subject to personal views (Maali *et al.*, 2003). Responsibility concept in Islam is directly derived from the very basic philosophical foundation of Islam which is *tawhid*, the core of Islamic faith that is most precisely expressed by the formula of "there is no God but Allah". It is considered as one of the basic matters in Islam, and there is an agreement on basic matters principle among the different schools of thought in Islam (Hamid, Craig, & Clarke, 1993).

Islam also has a rather holistic approach to CSR and its disclosure by offering an integral spiritual view based on the Qur'an and *Hadith* (Dusuki & Abdullah, 2007). As stated by Gambling & Karim (1986), Chapra (2000) as well as Tinker (2004), Islam does not recognize the separation between the secular and the non-secular or the material and the spiritual, a concept that has been long marginalized in classical and neoclassical economics. In relation to accounting, this concept allows accounting to emphasize the religious as well as financial, be accountable to society and environment as well as providers of finance, and report on the non-measurable as well as the measurable (Kamla, 2009).

In addition to Maali *et al.* (2003) and Dusuki & Abdullah (2007), Williams & Zinkin (2010) also reports that Islam often goes further and has the advantage of clearer codification of ethical standards and a set of clear enforcement mechanisms for both individual and collective (a group of individuals). Clear codification of ethical standards and specific enforcement mechanism is essential for the implementation and operational of CSR.

Another reason why Islam could provide a contribution in explaining CSR and CSR disclosure from the religious background is that Islam with its Islamic economic system requires the existence of Islamic business institution including *shariah*-approved companies (SAC). Following the Islamic resurgence in which Muslims tried to implement *shariah* in every aspect of their life and to find a possible solution for socioeconomic problems from

Islam (Al-Attas, 1996; Al-Faruqi, 1988), the number of SAC is increasing. At first, SAC was limited on Islamic financial institutions (IFIs). However, countries including Indonesia, Malaysia, Iran, Bahrain, Turkey, Pakistan, Jordan and Sudan have already accommodated many SACs other than IFIs in their Islamic capital market. The existence of these companies is crucial for the Muslim community to facilitate any kinds of economic transactions that do not contradict with *shariah*. Most importantly, they play a major role in promoting *falah* (sustainable success in the world and the Hereafter) not only for its stakeholders but also for the whole of society, not only for the current generation but also for the next generation.

Although Islam has many concepts related to CSR and CSR disclosure, no formalized Islamic CSR disclosure instrument is suitable for SAC across industries. Current Islamic CSR disclosure instrument is only provided for Islamic financial institutions (AAOIFI, 2011). Studies on Islamic CSR disclosure are limited to those of Islamic financial institutions, primarily Islamic banks (Abdul-Rahman & Bukair, 2013; Abdul-Rahman, Hashim, & Bakar, 2010; Aribi & Gao, 2011; El-Halaby & Hussainey, 2015; Haniffa & Hudaib, 2007; Hassan & Harahap, 2010; Maali *et al.*, 2003; Zubairu *et al.*, 2011), whereas those of SAC other than Islamic financial institution is minuscule in number (Othman & Thani, 2010; Othman, Thani, & Ghani, 2009; Ousama & Hamid, 2010). Additionally, instead of using concepts of Islam in developing CSR disclosure instrument, studies on SAC still utilize the Western concept of CSR disclosure instrument. As argued by Kamla (2009), Islam represents a significant departure from capitalism and liberal markets economies. Therefore, if research on CSR and CSR disclosure by companies that are operated based on *shariah* utilises Western theoretical paradigm, the finding might not be able to provide an appropriate picture of CSR and CSR disclosure in Islam.

CSR disclosure also helps to elevate the quality of companies to become good companies³. As stated by Epstein (2006), the ethical norms and aspects on CSR and CSR communication (disclosure) could stimulate companies to strive for better companies. Making an analogy with Compliance with Statute concept of Gray, Owen, & Adam (1996), compliance to *shariah* such as avoiding interest, gambling, uncertainty, hoarding and other prohibited transactions is a minimum standard that must be achieved by companies in Islam if they want to remain as SAC. It is very true that Islam encourages companies to go beyond narrow compliance. The concept of *maqasid al shariah* (the objective of *shariah*) states that the ultimate objective of *shariah* is to achieve *maslahah* or preservation of the well-being of mankind. (Al Ghazali and Al Shatibi as quoted by Dusuki & Abdullah (2007), Jalil (2006),

³ Good companies are good employers, good sellers, and steward of their communities and environment that perform their economics function for which society relies in them in a way that optimizes the firm's utility to the diverse stakeholders and minimizes the price of externalities.(Epstein, 2006; Bassi, Frauenheim & McMurrer, 2011).

Kamali (2008), and Shibbir (2000)). Qaradawi (2013) in his *Fiqh al Awlawiyat* (the science of priority jurisprudence) explains that Islam prioritises the achievement of objective rather than the appearance of being compliant. Being compliant is mandatory, but it is not an objective. The requirement to comply *shariah* is intended to achieve *maslahah* or preservation of the well-being of mankind. Therefore, to go beyond compliance is something that is preferable (*afdhol*) in Islam. It supports Stigson (2012)'s concern on CSR and CSR disclosure in the future. Stigson states that although various disclosure standards and hundred indicators have been resulted at the moment, CSR still lacks of result. It could be seen from the fact that serious social problems, environmental degradation and other negative externalities of businesses still become major issues in the current world. Therefore, he recommends that future CSR should go beyond compliance. It is not because of the external pressure but because of the need for doing the right things.

Based on the explanation above, researching CSR disclosure from Islamic perspective might be able to fill the literature gap on CSR disclosure. It would also positively contribute to the existing literature, especially to portray CSR and CSR disclosure from different socio-economic context. Though research on CSR disclosure has been conducted in both developed and developing countries as stated earlier, how they are different is not entirely clear cut; and not all developed countries and their cultures are identical in any case. However, the context of this current research may provide an opportunity to study CSR disclosure in a well-defined and different cultural driven by religion. Therefore, the primary objectives of this research are twofold.

Firstly, it is intended to explore and to synthesise the concept of CSR and CSR disclosure in Islam to come out with an Islamic CSR disclosure instrument. It is a list of items representing several dimensions of CSR from an Islamic perspective and their possible measurements that may lead to the availability of common CSR language. It could also be regarded as a systematic instrument with an explicit notion of an Islamic CSR that is applicable for SACs from different industries. The instrument will be likely useful in helping CSR concept downs to earth. Most importantly, the availability of Islamic CSR disclosure instrument would be beneficial for providing a tool to measure the extent and the quality of SAC in fulfilling their responsibility to promote *falah* for stakeholders and the whole of society as well as to measure the goodness level of SAC.

Secondly, this research is determined to conduct empirical research on Islamic CSR disclosure by SACs through documenting the content and level of Islamic CSR disclosure as well as to identify determinants of Islamic CSR disclosure in a sample of Organisation of Islamic Cooperation (OIC) countries. The interest to investigate Islamic CSR disclosure

rather than other type of disclosure is driven by several reason as discussed earlier, which are: researches on CSR disclosure are flourishing but they tend to ignore the contribution of religion; research on Islamic CSR disclosure across industries is lacking; the increasing number of SACs requires the existence of guideline for fulfilling their responsibilities in accordance with *shariah*. Therefore, the empirical part of this research is expected to have a contribution in explaining CSR disclosure activism in different socioeconomic and filling the gap in the literature on CSR disclosure from religious perspective, especially Islam. It is expected that the findings of this research could be useful for Muslim businessmen/businesswomen, Islamic capital market authority as well as future researcher in the area of CSR disclosure.

Three member countries of OIC consisting of Indonesia, Malaysia and Pakistan are chosen as the sample countries for the empirical investigation. Initially, this study planned to investigate all of the eight OIC countries that have Islamic capital market. But, Indonesia, Malaysia and Pakistan are the only OIC countries providing clear lists of SACs listed in their Islamic capital market. The lists allow a rigor sampling process in choosing the right SACs to be investigated. Moreover, the use of SACs may provide different context of this current research if compared to prior studies on CSR disclosure. While prior studies tend to investigate companies with Western background, this current research investigate companies with Islamic background. Moreover, Indonesia, Malaysia and Pakistan could be classified as countries with Islamic values embedded in their culture and economics activities. It would certainly broaden the current classification of studies on CSR disclosure that previously only be classified into studies within developed countries and or developing countries. The interest to look at Indonesia, Malaysia and Pakistan is also driven by the fact that, though the three countries share similar Islamic background, they also represent countries with different stage of Islamic economic development as well as different social and political structure. From Islamic economic development point of view, Malaysia is considered as country with more advanced Islamic economic development, followed by Indonesia and Pakistan. From social and political perspective, Indonesia is considered as freedom country whereas Malaysia and Pakistan are partly free in which Malaysia is slightly freer than Pakistan.

Lastly, in addition to providing empirical evidence on Islamic CSR disclosure by SAC, this current research is also aiming to provide a CSR disclosure instrument. This instrument could be useful for Islamic Capital Market in screening SAC. As implied in the introduction section of this chapter, the screening process of SAC is only based on negative consideration. A company can be classified as SAC if the company does not violate any rules set by the capital market. Such screening process can be considered as a minimum

standard of being compliant. As Islam encourages Muslim to go beyond compliance to achieve *maslahah*, it is recommended and preferable for SAC to go beyond the status of compliance. Additionally, the current screening process does not include any requirement of what should be done by SACs to remain *shariah* compliant such as the obligation to pay *zakah*, the obligation to treat employee fairly and others.

As for the conclusion of the introduction part, an initial definition of CSR disclosure from Western perspective and Islamic CSR disclosure needs to be explicitly stated. It is important to provide a clear explanation of the two constructs through the rest of this thesis. Referring to the definition of CSR disclosure as made by studies like Gray, Owen, & Maunders (1987), Mathews (1987), Gray, Kouhy, & Lavers (1995), and Brown & Fraser (2006), CSR disclosure from Western perspective could be defined as a way to communicate company's concern in addressing social and environmental effect of their operation to different stakeholders. Islamic CSR disclosure shares a similar definition with the Western perspective. However, unlike Western perspective in which the purpose of the disclosure is mostly intended to show company's responsibilities toward its stakeholders including society, the primary objective of Islamic CSR disclosure is to demonstrate the accountability of Islamic business institutions' to God and to show the compliance of Islamic business institution (IBI) with *shariah*. This is because there is a universally accepted concept in Islam stating that as a juridical personality, business institution in Islam is expected to behave in accordance to *shariah* like any other member of society. As a group of individual, IBIs may also have similar responsibilities to human being which are responsibilities to God, responsibilities to other human being and responsibilities to other creatures (environment).

1.3. Research Aim, Objectives, and Questions

In line with the explanation in the introduction section, the aim of this research is to investigate the practice of Islamic CSR disclosure by SAC in OIC countries. This aim is further divided into four distinct objectives. Those objectives are:

1. To develop an Islamic CSR disclosure instrument that can measure the level of CSR disclosure by *shariah*-approved companies.
2. To document the content and level of Islamic CSR disclosure by *shariah*-approved companies in a sample of OIC countries.
3. To identify the difference of Islamic CSR disclosure across countries member of OIC.
4. To determine the determinants of Islamic CSR disclosure by *shariah*-approved companies in a sample of OIC countries.

After stating the aim and the objectives of this research, the objectives are reiterated in research questions form to list explicitly the questions that this study intends to investigate and answer. The research questions are:

1. How Islamic CSR disclosure instrument for SACs could be developed?
2. To what extent Islamic CSR disclosure is made by SAC in a sample of OIC countries?
3. Is there any difference in the level of Islamic CSR disclosure among countries in OIC?
4. What are the determinants of Islamic CSR disclosure by SAC in a sample of OIC countries?

1.4. Research Methodology

This research project was divided into two stages, which are theoretical and empirical stages. At the theoretical stage, the researcher developed an Islamic CSR disclosure instrument that can measure the extent of CSR disclosure by SAC. A deductive reasoning was employed to develop the instrument. It was derived from the concept of *tawhid*, *maqasid ash-shariah*, and the current literature on CSR disclosure. To ensure the validity and reliability of the instrument, tests of reliability and validity were performed.

For the empirical stage, three empirical investigations were conducted by the researcher at the second stage. Firstly, a content analysis was conducted to document the content and level of Islamic CSR disclosure by SAC in a sample of OIC companies. The content analysis was conducted on companies' annual reports. Secondly, a comparison analysis was performed to identify the differences in the level of Islamic CSR disclosure across sample countries. Thirdly, a number of multiple regression analyses were conducted to identify the determinants of Islamic CSR disclosure by SAC in a sample of OIC countries. The analysis focused on the impact of several variables on the level of Islamic CSR disclosure. The dependent variable was CSR disclosure level whereas the independent variables will be variables associated with the company context (micro level), industrial context (meso level) and social/country context (macro level).

About the data and sample of the study, at the second stage, secondary data were gathered from the website of SACs in the sample of OIC countries and consisted of annual reports in the year 2013. The countries sample was chosen using purposive sampling method from OIC countries member's Stock Exchange forum. It is an OIC countries member forum whose aim is to provide a dedicated platform and communication channel for the members to discuss international cooperation activities and share their experiences (OIC Exchange Organisation, 2012).

1.5. Islamic Capital Market in the OIC Context

Islamic capital market is an important component of Islamic financial system that allows the transfer of fund from surplus to deficit unit of the economy (Maiyaki, 2013). It is the capital market where all transactions, operations, and activities are carried according to Islamic laws. Ali (2008) and Obaidullah (2005) assert that Islamic capital market plays an important role in ensuring efficient mobilization and allocation of funds at their optimal utilization in line with *shariah*. The basic principle of *shariah* legal maxim on Islamic commercial law (*fiqh al-mua'malat*) states that all kinds of commercial transactions and contracts are permissible unless there is an explicit prohibition. This principle is supported by the opinion of Ibnu Taymiyah saying that "It is not forbidden for the people to engage in any transaction which they require except for which has been shown to be forbidden by the Quran or Hadith" (Ibn-Taymiyah, 18/29). The prohibited elements that must be removed at first for a transaction or contract to be *shariah* compliant are *riba* (interest), *gharar* (uncertainty), *maysir* (gambling), non-halal food and drink and immoral activities. In this regard, Islamic capital market is crucial for Muslim in conducting business that is free from those prohibited elements.

There are two main parts of Islamic capital market, which are Islamic bond (*sukuk*) market and Islamic equity market. In the *sukuk* market, different types of *sukuk* are structured. *Sukuk* or Islamic bond is a certificate as a proof of the undivided pro rata ownership of an underlying asset that represents financial obligation resulting from a trade or other commercial activities (Maiyaki, 2013; Haider & Azhar, 2010). *Sukuk* is freely tradable at par, premium or discount. *Sukuk* is quite similar to a conventional bond, but it is free from interest (*riba*). Hence, *sukuk* holder shares the profits and risks of the business instead of receiving interest. Unlike in conventional bond, *sukuk* is backed up by an underlying asset or project to provide security to the investment. It is considered as the most active instrument in Islamic capital market as it can be developed based on Islamic mode of financing including equity financing and debt financing. As a result, there are at least fourteen types of *sukuk* identified by the Accounting and Auditing Organisation for Islamic Financial Institution (AAOIFI) based on the contract binding the *sukuk* issuer and *sukuk* holder. Two types of *sukuk* developed based on the principles of equity financing are *mudharabah*⁴ *sukuk* and *musharakah*⁵ *sukuk*. Four most popular *sukuk* types developed

⁴ It is a contract between two parties to finance a business venture. One party solely provides the capital and the other party solely manages the business. If the venture is profitable, the profit will be distributed based on a pre-agreed ratio, whereas in the event of loss, the loss will be borne solely by the capital provider.

⁵ It is a contract between two parties or more to finance a business venture in which all parties contribute capital. Any profit will be shared based on a pre-agreed ratio and any loss will be share on the basis of equity participation.

based on the principle of debt financing are *ijarah*⁶ *sukuk*, *murabaha*⁷ *sukuk*, *salam sukuk*, and *istisna*⁸ *sukuk*. Additionally, there is also another type of *sukuk*, which is hybrid *sukuk*⁹.

For Islamic equity market, it operates on the basis of equity partnership between an investor and the organization issuing the equity. An investor can earn dividend if the issuer makes a profit and decides to distribute some part of it (ISRA, 2011). *Shari'ah* compliant stock, Islamic mutual funds, Islamic Real Estate Investment Trust and Islamic indices are among the securities traded in Islamic equity market. The partnership between the investor and the issuer are usually bonded using either *mudharabah* or *musharakah* contract. Based on Islamic economics principles, the core business of the issuing organization must be permissible. However, considering that the global financial system is not Islamic, it seems to be difficult for a company to be totally in line with *shari'ah* requirement. Therefore, there is still room for the non-compliant element, given that it is at an insignificant portion (ISRA, 2011). In this regard, some regulatory authorities produced *shari'ah* stock selection criteria to determine the benchmark for the non-compliant element (Maiyaki, 2013). The selection criteria are useful for investors to differentiate between permissible and non-permissible investment. Among the authorities are US Dow Jones Islamic Index, Pakistani Meezan Index, Malaysian Kuala Lumpur Stock Exchange Islamic Index and Indonesian Jakarta Islamic Index. The screening process must be supervised by *shari'ah* advisory committee. The criteria used for screening process can be classified into qualitative criteria and quantitative criteria. The criteria must be approved by *shari'ah* advisory committee. In general, the screening criteria developed by regulatory authorities as mentioned earlier are quite similar. Only the quantitative criteria that is slightly different.

Additionally, similar to the conventional capital market, securities in Islamic capital market are also traded on either primary or secondary market. Organization with permissible core business may raise fund by issuing securities in the primary market through Initial Public Offer (IPO) mechanism. At the secondary market, securities may change hand and provides a fund for the holder of the securities. However, the transaction at the secondary market should be carried in a very cautious manner as only a few of financial instrument are eligible for the transaction in the secondary market.

⁶ It is a usufruct type of contract whereby a lessor (owner) leases out an asset to his client at an agreed rental fee and pre-determined lease period.

⁷ A contract referring to the sale and purchase transaction for the financing of an asset whereby the cost and profit margin are made known and agreed by all parties involves.

⁸ A purchase order contract of assets whereby a buyer will place an order to purchase an asset that will be delivered in the future.

⁹ *Sukuk* utilizes a combining of two or three different contracts for example *sukuk* with *ijarah*, *mudharabah* and *istisna* contract.

1.6. Key Findings and Research Contributions

The empirical investigation of this current research observed that Islamic CSR disclosure made by SACs in Indonesia, Malaysia and Pakistan covers averagely 34% of the ideal benchmark of Islamic CSR disclosure developed by the current researcher. The most popular disclosure is the disclosure of SACs' responsibilities toward their employees, followed by SACs' responsibilities their shareholders, community, environment, customer, government, debtor supplier and other business partners. It is also observed that there is noticeable difference in the level and content of Islamic CSR disclosure. SACs from Indonesia reported for having the highest level of disclosure, followed by Malaysia and Pakistan. For the content, Indonesian SACs tend to focus on social and environmental issues, Malaysia SACs are more on economic issue, and Pakistan are more religious. With regard to the determinants of Islamic CSR disclosure level, generally, variable state-ownership, company size and country are found for having significant impact on Islamic CSR disclosure. In more specific analysis by category, all independent variables analysed in this current research that are state-ownership, company size, country, profitability, industry sensitivity and media exposure significantly affect the level of Islamic CSR disclosure.

The contributions of the current research can be classified into four types. Firstly, it provides knowledge contribution by proposing an Islamic CSR pyramid that derived from Al Gazhali's concept of *maqasid ash shariah*. The pyramid could also be regarded as a re-contextualisation of Carol's CSR pyramid into Islamic context. More importantly, this study has knowledge contribution by proposing an Islamic CSR disclosure instrument as a benchmark for Islamic CSR disclosure of Islamic business institutions across industries. Secondly, this study also contributes for research methodology of Islamic CSR disclosure by offering three different measurements of the quality of CSR disclosure level, which are quantitative index, comprehensiveness index and Islamic index. Thirdly, this study provides a theoretical contribution by providing an opportunity to understand CSR disclosures in well-defined and different cultural that happen to be driven by religion. The review of the 74 prior studies on CSR disclosure from Western perspective and 25 studies from Islamic perspective also contributes in locating the past and current state of research on CSR and Islamic CSR disclosure. For practical contribution, this study may be beneficial for Islamic capital market authorities in enhancing their shariah screening process. It may also contribute to the managers and business practitioners in providing guidance on how to operate their businesses in accordance to *shariah* if want to remain acceptable in Islamic countries or Muslim majority countries.

1.7. Structure of the Thesis

Following this introduction chapter, the organization of this thesis is divided into two parts, which are theoretical part (Chapter Two to Chapter Four) and empirical part (Chapter Five to Chapter Nine). The thesis is further structured as follows:

Chapter Two - CSR and CSR Disclosure from Western Perspective is devoted to explicating the current literature on CSR disclosure based on Western perspective. It starts by discussing the concept of good companies and the relevance of CSR in achieving good companies. Moreover, four extant theories underpinning CSR disclosure are discussed to provide basic rationale why doing CSR without communicating it to all interest groups is not enough. The chapter also discusses the current CSR framework including Global Reporting Initiative, United National Global Compact, as well as OECD. Finally, to portray how business organisations had practiced CSR disclosure, prior empirical studies on CSR disclosure are summarised.

Chapter Three – CSR and CSR Disclosure from Islamic Perspective is dedicated to describing the theoretical perspective of CSR from an Islamic point of view. The discussion of the philosophical foundation of Islamic faith (*tawhid*) and the system of ethics, values, and principles of Islam (*shari'ah*) are presented at first to offer the concept of dual responsibilities and the hierarchy of responsibility in Islam. Dual responsibilities concept provides the philosophical foundation of what and why CSR needs to be carried out by Islamic business institutions including *shariah*-approved companies (SACs), whereas hierarchy of responsibilities provide a practical guideline on how CSR should be carried out. Moreover, the chapter discusses how business in Islam should be inspired by the concept of *tawhid* and be guided by *shariah*, how CSR should be addressed in accordance with Islam and how CSR disclosure should be presented as part of Islamic business institutions' accountability. Additionally, the practice of Islamic CSR disclosure is also elaborated by summarizing prior empirical studies on such issues.

Chapter Four – Theoretical Frameworks and Hypotheses Development explains the framework for developing the current study's research hypotheses on the determinants of Islamic CSR disclosure. The hypotheses are developed based on the concept of CSR disclosure as well as prior studies on CSR disclosure determination as explained in Chapter Two and Chapter Three.

Chapter Five – Research Methodology is set to embark the methodological basis upon which the current study was conducted. It provides a discussion of the various paradigms and perspectives in social science research used to set the position of the current research approach. The chapter also discusses the current study's methods and design for achieving

the research aim and objectives, including a sample of the study, data and data collection method, content analysis, operational definition of the variables and model specification and data analysis methods. Importantly, this chapter also discuss the development process of the Islamic CSR disclosure instrument that is used as a benchmark for investigating Islamic CSR disclosure. The instrument is intended to meet the first objective and to support the achievement of the third and fourth objectives. It is developed based on CSR disclosure literature in Islam as discussed in Chapter Three and CSR disclosure literature in the West as elaborated in Chapter Two.

Chapter Six – Islamic CSR Disclosure in the OIC: Content Analysis starts the empirical parts of this current study. It reports the main results of the content analysis of annual reports of SACs in a sample of OIC countries to meet the second research objective of the current study. The presentation of the results is organized by country, comprising of the results for overall categories and by category. The Islamic CSR disclosure instrument formulated in Chapter Five is used as the benchmark to document the content and the level of Islamic CSR disclosure reported in the annual reports using qualitative and quantitative content analysis. The main results are presented in all categories, by country, and by categories.

Chapter Seven – Comparison Analysis of Islamic CSR Disclosure in Indonesia, Malaysia and Pakistan presents the results of comparison analyses to meet the third research objective whether there is any difference in the level of Islamic CSR disclosure in Indonesia, Malaysia, and Pakistan as the sample of OIC countries. The analyses are conducted by country for overall categories as well as by category.

Chapter Eight – The Determinants of Islamic CSR Disclosure in OIC Countries is directed to achieve the fourth research objective about the determinants of Islamic CSR disclosure. A number of regression analyses are conducted to test the hypotheses related to the effect of six independent variables identified in Chapter Four on the level of Islamic CSR disclosure. The results of regression analysis are presented for overall categories and by category.

Chapter Nine – Discussion and Conclusion offers depth discussion and summary of the main findings related to each research objective. Additionally, the chapter also provides contributions and limitations of the study as well as a suggestion for future research.

Figure 1-1 provides a depiction of the structure of the thesis.

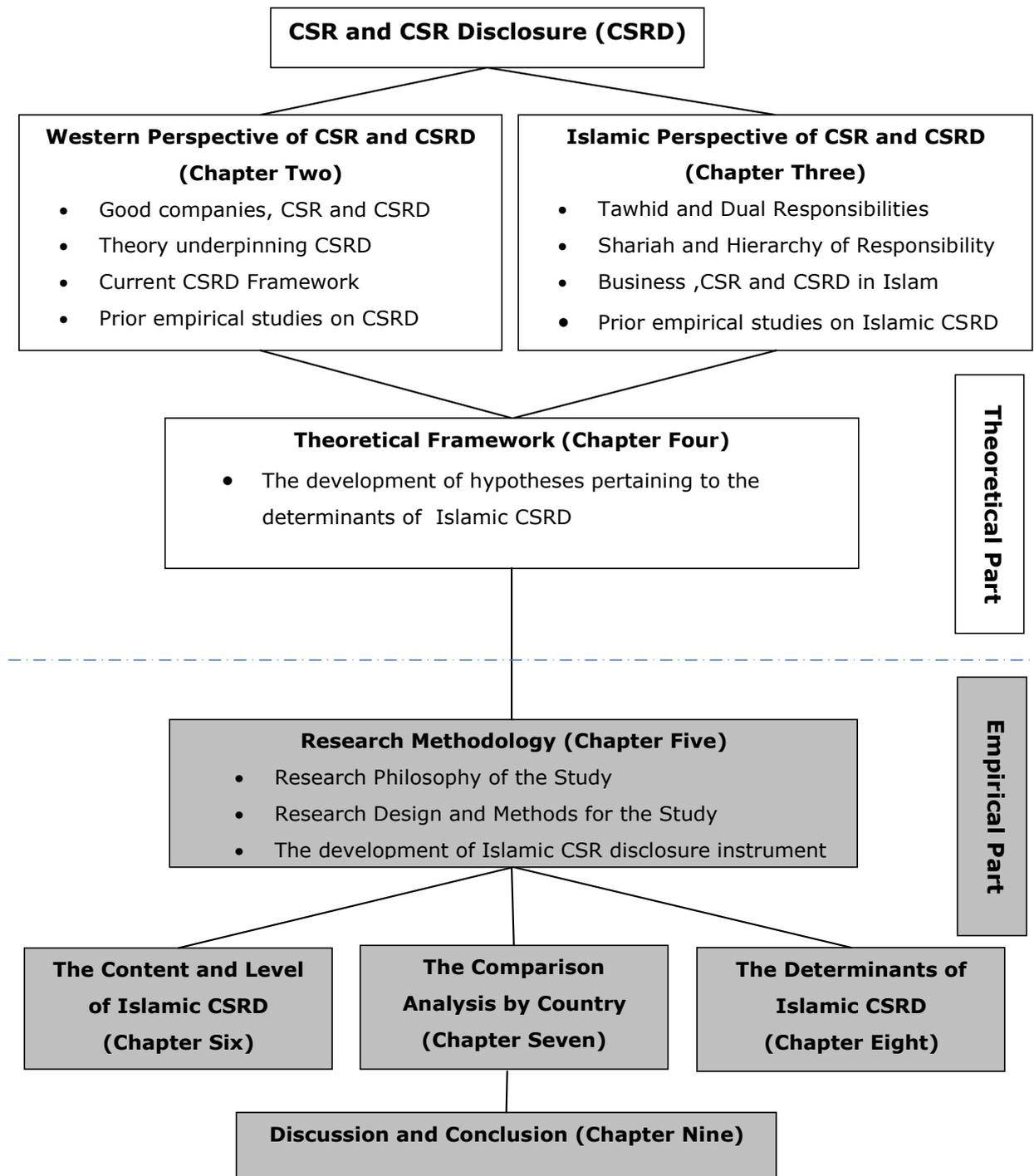


Figure 1-1 Structure of the Thesis

Chapter Two: CSR and CSR Disclosure from the Western Perspective

2.1. Introduction

There are many studies both theoretical as well as empirical on CSR disclosure conducted based on the Western perspective of CSR disclosure. The use of Western perspective phrase does not mean that this chapter only discusses studies carried out in the West. Instead, it aims to explicate the literature based on the concepts, theories or thought developed by Western scholars or based on Western context.

Though the major concern of this research is on Islamic CSR disclosure, it is important to discuss the Western concept of CSR and CSR disclosure. Initially, the terms of CSR and CSR disclosure were unknown in Islam. CSR and CSR disclosure are considered as contemporary issues that must be well understood before adapting them into Islamic context. The concept of CSR and CSR disclosure was born in the Western context as a result of the increasing public awareness of the price of externalities in business. In this regard, discussing Western perspective of CSR and CSR disclosure is important in order to get better understanding of what actually mean of the two concepts and why they are important. In turn, it could be used as the basis for discussing them from Islamic point of view.

To provide a better understanding of the term of CSR, the concept of good companies and CSR will be discussed following this introduction. The next discussion focuses on theories underpinning CSR disclosure as well as current CSR disclosure framework. The last part of the chapter will be the discussion of current empirical studies on CSR disclosure and finally a summary.

2.2. The Concept of Good Companies and CSR

After the end of the Second World War, there was a rapid changing in the business world, especially in the West. Globalization, energy crisis, technological revolution and social transformation were noted as the commencement of reality in the new era (Epstein, 2006). Epstein states that, as economic institutions, companies with their considerable power and profoundly affecting all aspects of society are required to assure themselves to become good companies.

To be considered as good companies, companies should not only be good in term of efficiency and profitability as regarded by Friedman (1970). They should also seek to

perform the economics function for which society relies on them. It should be done in a manner that optimizes the firm's utility to the diverse stakeholders and minimizes the deleterious effects of their activities as argued by Epstein (2006). It implies that being a good company is not about being efficient and profitable *per se*, but it is also about caring to diverse stakeholders by optimizing its utilities and minimizing the price of externalities. The externalities could be in term of social problems such as involuntary unemployment, famine and poverty, illness, corruption and other major negative shock to individual; as well as environmental challenges such as destruction of habitat, catastrophic oil, pollution and other environmental degradations (Gray *et al.*, 1996).

In line with Epstein, Bassi, Frauenheim, & McMurrer (2011) defines that good companies are good employers, good sellers, and steward of their communities and the environment. It could further imply that being good for companies is being responsible to their stakeholders including employees and customers as well as being care to the communities and the environment for the impact of their operation.

Epstein (2006) also opines that there is no company, which is 100% good or 100% bad, similar to the case of human beings. However, achieving good companies' status could still be carried out based on how those companies perform the socially beneficial corporate behaviour in their operation. Rath (2006) provides eight measures to evaluate companies in term of their ranking in achieving the status of good companies. Those measurements are divided into several dimensions including community involvement, corporate governance, diversity, employee relation, environment, human right, product and total return. In addition to that, Epstein (2006) adds two dimensions on good companies' measurement, which are marketing practices and business philanthropy. Epstein said that CSR is considered as an essential factor in achieving good companies.

Although the notion of CSR has broad definitions, the majority of studies agreed that CSR relates to the responsibility of companies to the diverse stakeholders including community as well as the environment. The definition is in line with Bassi *et al.* (2011) and Epstein (2006) in defining good companies. Most of the studies also agree that CSR could be classified into different dimensions to explain what CSR includes and what all it embraces. Dahlsrud (2008) reveals that the definition of CSR tends to include various dimensions of CSR. Dahlsrud study further identifies that there are five dimensions of CSR that are found to be the most common ones in the previous studies on CSR. Those dimensions are stakeholder, social, economic, voluntariness and environmental. Another study conducted by Rahman (2011) in an attempt to evaluate the definition of CSR used by studies on CSR in the last six decades starting from the 50s up to the 21st century also supports Dahlsrud's

finding. The dimensions of CSR as in Dahlsrud (2008) and Rahman (2011) are likely similar to those of good companies as identified by Raths (2006) and Epstein (2006).

As CSR dimension identified by Dahlsrud (2008) and Rahman (2011) are similar to those of good companies as identified by Raths (2006) and Epstein (2006), it can be seen that there is a noticeable close link between the concept of good companies and CSR. As stated earlier, being good is being responsible to wider stakeholders. A company could not be regarded as a good company if it is not socially responsible. However, being responsible would not be enough if the information about fulfilling companies' responsibilities is not well informed to all interest group. In this context, communication becomes important and necessary. The next discussion will be focused on CSR disclosure, a critical avenue for companies in communicating their CSR activities.

2.3. Theory underpinning CSR Disclosure

The definition of CSR disclosure could be traced back to the definition proposed by Abbot and Mosen (1979). Using the term of corporate social involvement disclosure, Abbot and Mosen (1979) defines the term as an integral part of accounting process in providing information pertaining to the social impact of company. A more refined definition using the term of corporate social disclosure is presented by Guthrie and Mathews (1985). Guthrie and Mathews opine that corporate social disclosure is a provision of financial and non-financial information in relation with company's interaction with the physical and social environment. Similarly, Gray, Owen, & Maunders (1987) offers the definition of CSR disclosure as a process of communicating the social and environmental effects of organizations' economic action to particular interest group within society and to society at large. Gray *et al.* (1987) further explain that CSR disclosure extends the concept of accountability beyond the traditional model of accountability.

Though Abbot & Mosen (1979), Guthrie & Mathews (1985) as well as Gray *et al.* (1987) use three different terms, they agree that those terms refer to corporate reporting focusing on social and environmental issues. More recent studies also provide parallel definition, though use different terms. For example, Azim *et al.* (2009), Chen & Bouvain (2008), Zubairu *et al.* (2011) use the term of CSR reporting; Brown & Fraser (2006), Chiu & Wang (2015), Gray (2002), Owen & Lehman (2000), Mathews (1997), and Bebbington *et al.* (1999) use the term of social and environmental reporting; Owen (2006), Stillwell (2009), Pennington and Elizabeth (2010) use the term of sustainability reporting. Similar to Abbot & Mosen (1979), Guthrie & Mathews (1985), those more current studies agree that their different terms refers to one definition. They also refer to corporate reporting focusing on social, environmental and ethical issues. The report usually contains of information related to employee relation, human right, corporate governance, health and safety, product

liability, environmental concern and community engagement. It could be communicated as part of annual reports, stand-alone reports such as sustainability report or CSR report, or as part of company website page. For the purpose of this study, the current researcher adopts the term of CSR disclosure with two reasons. Firstly, majority studies conducted by accounting scholars use the term of CSR disclosure; Secondly, this current study focus on the disclosure of CSR in annual reports. Disclosure is usually more associated with annual report than other types of reports.

With regard to the theory underpinning CSR disclosure, it has been the subject of much debate among researchers. Numerous theories and approaches have been articulated in previous studies, making the theory development became more complex and debatable. Fortunately, Mathews (1987), Gray *et al.* (1995) as well as Brown & Fraser (2006) have tried to highlight the debate by classifying theories for approaching CSR disclosure based on the perspective of philosophical paradigm, motivation as well as the frame of reference. Those three studies also represent three different decades in which CSR disclosure studies fast emerged.

From the perspective of philosophical paradigm, Mathews (1987) has classified theories in explaining CSR disclosure under paradigm of functionalist, interpretive and radical. As neo-classical economy seem to be the leading theory underlying functionalist paradigm in explaining CSR disclosure, functionalist only sees CSR disclosure to be meaningful if it enhances company Tilt (1994). Narrow decision usefulness and agency theory are two theories used by studies under this paradigm.

Interpretive paradigm considers human nature as essential (Burrell & Morgan, 1979). It recognizes a wider set of users of CSR disclosure including a society that potentially becomes pressure groups for companies in disclosing their CSR activities. This sort of paradigm places research on CSR disclosure to be in the "middle of the road" approach (Tilt, 1994). Gray, Owen, & Maunders (1998) state that "middle of the road" is an approach in which status quo is accepted and its apparent ambition is to reform capitalism. Social contracting theory including accountability theory, legitimacy theory and broad view of decision-usefulness theory are among theories in explaining CSR disclosure under this paradigm (Tilt, 1994). Based on those theories, CSR disclosure has several functions. Firstly, to perform a certain task within the bound of justice (Mathews, 1987). Secondly, to comply particular regulation (Gray, Owen, & Maunders, 1988). Thirdly, to respond the demands of diverse interest groups by legitimizing company's action (Guthrie & Parker, 1989; Haniffa & Cooke, 2005). Lastly, to provide information for decision making by a wider group of users (Parker, 1986).

In relation with the radical paradigm, Tilt (1994) opines that society reflects the core organizing principles and institutional structure within it. In line with the interpretive paradigm, this paradigm also recognizes the pluralistic recipients of CSR disclosure, but they are seen to be in constant conflict and reflect the amount of power they exercise (Puxty, 1986). Tilt (1994) states that, while studies under interpretive see society as having a direct influence on accounting policies in the company (Gray *et al.*, 1987), studies under radical paradigm see CSR disclosure to be a reflection of social conflicts occurring between capital and other social interest (Tinker, Neimark, & Lehman, 1991). Studies under this paradigm critically question status quo of the "middle of the road" approach (Tinker *et al.*, 1991). The dominant theory under this paradigm is the theory of political economy.

Turning to the classification of theory approaching CSR by Gray *et al.* (1995), Gray and his co-authors opine that theory development related to CSR disclosure could be traced from three different types of studies including decision usefulness studies, economic theory studies as well as socio-political studies. The motivation of CSR disclosure under decision usefulness studies is to provide information for decision making by the recipients, whereas motivation in disclosing CSR disclosure based on economic theory studies is to respond the market failure such as injustice, information asymmetric and externalities (Gray *et al.*, 1995). Gray *et al.* opine that studies under decision usefulness and economy theory have glaring weaknesses in supporting the theory development of CSR disclosure. According to Gray *et al.* (1995), the main problem of decision usefulness is that interest in CSR is not motivated predominantly by a concern with the needs and wants of financial participants. The central problem of economic theory studies is that all actions related to CSR are driven by a morally degenerate form of short-term self-interest (Gray *et al.*, 1995). Gray *et al.* then conclude that studies under decision usefulness and economic theory approaches could not provide a good theory for CSR disclosure and seem to be empirically questionable.

About socio-political studies, Gray *et al.* (1995) opine that socio-political studies provide more interesting and insightful theoretical perspective in explaining CSR disclosure phenomenon. These studies do not only provide an explanation for CSR disclosure from an economic point of view but also from the social and political point of view. It is important as CSR disclosure is not only driven by the pursuit of economic self-interest but also powered by the pressure from different stakeholders including employees, customers, suppliers, community and other pressure groups (Adler & Milne, 1997). In line with Gray *et al.*, Waller & Lanis (2009) state that studies under socio-political approach enrich the development of CSR disclosure by providing a system-oriented theory. The system-oriented theory says that CSR disclosure is influenced by the socio-political context within which a company operates. There are three major theories applied under socio-political studies, which are

legitimacy theory, stakeholder theory, and political economy theory (Gray *et al.*, 1995; Waller & Lanis, 2009).

Parallel to Mathews (1987) and Gray *et al.* (1995), Brown & Fraser (2006) also summarize theory approaching CSR disclosure into three categories based on frames of reference. The approaches are business case, stakeholder-accountability, and critical theory or radical. In line with traditional accounting, business case approach suggests that CSR disclosure will only proceed if it provides additional wealth to the company. It assumes the primacy of shareholder interests. Thus, it is primarily situated in the traditional context of creating value for the owners of the business (Brown & Fraser, 2006). On the other hand, stakeholder accountability approach states that CSR disclosure is needed to increase the accountability and transparency of company even if the company has to bear an additional cost. It assumes that various stakeholders must be acknowledged for decision-making purposes and protected against potential abuse of company power. It focuses on stakeholder accountability rather than stakeholder management as in business case approach. Even though the role of CSR disclosure under stakeholder-accountability approach has common elements with those of business case approach such as to provide information for accountability and assisting the user in decision making, stakeholder-accountability approach firmly rejects the dominance of shareholders and capital market.

About the critical theory or radical approach, it primarily criticizes the stakeholder accountability approach. Brown & Fraser (2006) opine that critical theorists are skeptical about the potential of real accountability in the absence of radical change in capitalist society. They further opine that the role of CSR disclosure is to highlight the environmental degradation and social inequities to criticize the capitalist system.

Table 2-1 summarizes the theories underpinning CSR disclosure as articulated by Mathews (1987), Gray *et al.* (1995), and Brown & Fraser (2006). Those theories are not mutually exclusive, but it may be viewed as overlapping perspective as it was stated by (Gray *et al.*, 1995) in discussing different theories explaining CSR disclosure.

It appears in the table that CSR disclosure is an interpretively complex field. Mathews (1987), Gray *et al.* (1995) as well as Brown & Fraser (2006) seem to agree that the development of CSR disclosure theory could not be avoided from the perspective of economy, social and political. They also agree that relying on traditional accounting in explaining CSR disclosure is not enough as it might not be able to portray a bigger picture of CSR disclosure.

Table 2-1 CSR Disclosure Theories Mapping

Studies	Position		
	Traditional	Middle of the Road	Critical
Mathews (1987)	Functionalist: <ul style="list-style-type: none"> • Narrow Decision Usefulness theory • Agency theory 	Interpretive <ul style="list-style-type: none"> • Social contracting theory • Legitimacy theory • Broaden decision-usefulness theory 	Radical <ul style="list-style-type: none"> • Political economy theory
Gray <i>et al.</i> (1995)	Decision Usefulness Studies: <ul style="list-style-type: none"> • Decision usefulness theory Economy Theory Studies: <ul style="list-style-type: none"> • Agency theory 	Socio-political studies: <ul style="list-style-type: none"> • Legitimacy theory • Stakeholder theory 	Socio-political studies: <ul style="list-style-type: none"> • Political economy theory
Brown & Fraser (2006)	Business Case Approach: <ul style="list-style-type: none"> • Decision usefulness • Agency theory 	Stakeholder-Accountability approach: <ul style="list-style-type: none"> • Stakeholder theory • Legitimacy theory 	Critical theory approach

Author (2017) summarized from Mathews (1987), Gray et al. (1995) and Brown & Fraser (2006)

Haniffa & Cooke (2005) says that none of the theories in explaining CSR disclosure could be nominated as the best theory. But, it seems that theories of socio-political studies or system oriented theory as elaborated by Gray *et al.* (1995) was widely acceptable. Even more, some previous studies claimed that system-oriented theory had been the most successful theory in explaining CSR disclosure (Farook & Lanis, 2011; Gray *et al.*, 1995; Reverte, 2009; Waller & Lanis, 2009). The legitimacy theory and stakeholder theory, both are considered to be placed in the “middle of the road” approach, are in line with Mathew’s opinion on interpretive paradigm as well as Brown & Fraser’s stakeholders-accountability approach.

Many empirical studies also support the fact that vast majority of CSR disclosure falls into the “middle of the road’ approach (Belal, 2001; Branco & Rodrigues, 2008; Clarke & Gibson-Sweet, 1999; Guthrie & Parker, 1989; Haji, 2013; Islam & Deegan, 2010; Jamali, 2008; A. Khan *et al.*, 2013; Reverte, 2009; Tsang, 1998; Waller & Lanis, 2009). The political economy that is considered as part of socio-political studies by Gray *et al.* (1995) is also in line with the radical theory as explained by Mathews (1987) and Brown & Fraser (2006). It is evidenced from the empirical studies that political economy theory could provide an explanation for CSR disclosure (Belal, 2001; Holder-Webb *et al.*, 2009; Reverte, 2009; Tagesson, Blank, Broberg, & Collin, 2009; Waller & Lanis, 2009).

In line with the discussion, legitimacy theory, stakeholder theory, and political economy theory seem to be the major theories applied in explaining CSR disclosure. The discussion of

each theory is provided in the following sub-section. In addition to system oriented theory, agency theory as one of the theories under a traditional approach that are relevant for explaining CSR disclosure is discussed at first. Following the discussion of each theory, a review of the theories is presented. The outcome of the discussion is used to determine which of the theories can be adopted for this current research. But, the discussion of which theory is applicable for this current research will not be presented in this chapter. Instead, it will be presented in Chapter Four after the discussion of CSR disclosure theory from Islamic perspective in Chapter Three.

2.3.1. Agency Theory

Agency theory deals with agency relationship, which is the relationship between one principal or more and their agent. The relationship is bound by a contract under which the principals engage the agency to perform service on their behalf (Jensen & Meckling, 1976). Jensen & Meckling further stated that since there is a separation between the principal and the agents, the agents may not always behave in the best interest of the principal. This fact may lead to the existence of a conflict of interest. As a consequence, there will be an agency cost incurred by the principals to monitor and control the agent. It may also increase a bonding cost incurred by the agents to convince the principal that they have behaved optimally on behalf of the principal. The bonding cost could help in reducing the agency cost.

In the perspective of CSR disclosure, the disclosure of CSR information could be seen as an effort to convince the principals that company has been behaving in a socially responsible way. According to Reverte (2008), CSR disclosure may prove useful in determining debt contractual obligation, managerial compensations or implicit political cost.

2.3.2. Legitimacy Theory

The reason why companies disclose their CSR activities under this theory is motivated by the pressure of society where the companies operate. The growing concern and community awareness requires companies to ensure the legitimacy of their activities. Based on the theory, the failure of disclosing such activities would have unfavourable implication for the company (Zubairu *et al.*, 2011).

The idea of legitimacy theory is based on the assumption that companies are bound by a social contract that exists between the companies and the society in which they operate (Mathews, 1993). Society has power to discontinued companies' operation if they do not operate based on ethical bounds and behaviour conduct (Deegan & Rankin, 1997). In response to such a strong power, companies need to legitimise their activities to ensure

their going concern status by showing that they have operated and performed in responsible ways (Gray *et al.*, 1995; Tilt, 1994).

2.3.3. Stakeholder Theory

Freeman (1984) defines stakeholders as "groups of individuals who can affect and are affected by the achievement of an organization's mission." The definition implies that stakeholders of any companies could be related to different interest group including investors, employees, customers, suppliers, creditors, government, other pressure groups and wider society. Even further, Gray *et al.* (1996) explains that stakeholders could become more comprehensive as future generations and environment might also be considered as those who can affect and are affected by the organization. Stakeholders are an important part of any companies; the existence of companies in the long term depends upon of them.

CSR is a critical avenue to address companies' concern toward diverse stakeholders (Li, Luo, Wang, & Wu, 2013). As in the case of legitimacy theory, stakeholder theory also edifies that, as companies are bound by the social contract, they have to act in responsible ways and communicate them to their diverse stakeholder. CSR disclosure helps companies communicating their activities in fulfilling their responsibilities toward stakeholders. It could be considered as a mean of communication between companies and stakeholders (Gray *et al.*, 1995; Maali *et al.*, 2003).

2.3.4. Political Economy Theory

Similar to legitimacy theory and stakeholder theory, the political economy theory is also considered as part of the system-oriented theory. It analyses the interaction between social institutions that are stimulated by power and economy such as government, regulatory body, and industry association and their resultant effect on the organisation. (Gray *et al.*, 1995; Waller & Lanis, 2009). As companies are operating in a system wherein the interaction of power is determined by broader social, political, and economic factors (Waller & Lanis, 2009), they are not inseparable from social, political and economic effect. In the context of CSR disclosure, research adopting political economy theory would usually consider the social, political and economic context in explaining CSR disclosure practice (Guthrie & Parker, 1990).

2.3.5. Review of the Theories

From the discussion above, it seems that legitimacy theory, stakeholder theory and political economy theory are overlapping as those theories conceptualize the organization as part of a broader social system wherein the organization affect and are affected by other groups. Deegan (2002) opined that while legitimacy theory discusses the expectation of society in general, stakeholder theory provides more refined resolution by referring to particular groups within society (stakeholders group). Unlike legitimacy theory in which there is only

one contract between companies with the society in general, stakeholder theory involves various social contracts negotiated with companies' multiple stakeholders (Deegan, 2002). Hence, stakeholder theory refers more to issues of stakeholder power and how the power affects stakeholders' ability to force the company into complying with their expectations (Reverte, 2008). Similarly, the political economy theory takes more diverse groups into consideration. Unlike in stakeholder theory and legitimacy theory in which the organization only deals with groups of people, political economy theory sees organization in a broader context involving politic, regulation, and other institutionalization.

With regard to agency theory, this theory seems to be somewhat insufficient to describe the motivation of CSR disclosure. Similar to legitimacy theory, there is only one contract under agency theory which is contract between company and its investors (shareholders). Additionally, as agency theory tends to focus on financial and wealth considerations among agents, it limits the scope of relevant CSR disclosure. Thus, it is reasonable why most of recent studies on CSR disclosure adopt theories under system oriented theory in explaining CSR disclosure phenomenon.

2.4. Current CSR Disclosure Framework

This sub-section discusses the current CSR disclosure framework that had been used for both business practice and research purposes. The understanding of the current framework is important to choose which of the frameworks is relevant for the current research. The chosen framework is used to guide the development of the current research's framework related to the formulation Islamic CSR disclosure instrument¹⁰.

According to Abbott & Monsen (1979), the difficulty in measuring CSR in the early state of CSR disclosure development had led to undeveloped research on the area in comparison with other areas. It had also contributed to under-developed nature of CSR disclosure practice (Sutantoputra, 2009). In this regard, the existence of CSR disclosure framework, which could provide guideline or standard on how to report, measure and evaluate CSR activities, becomes necessary.

Currently, there are a number CSR disclosure frameworks elaborated by previous studies (Azim *et al.*, 2009; Sutantoputra, 2009; Williams & Zinkin, 2010; Young & Marais, 2012). Some previous studies have tried to develop their own CSR disclosure framework. Ernst & Ernst (1973) can be considered as the first study developing CSR disclosure framework to formulate a CSR disclosure instrument that can be used to measure the disclosure of CSR in

¹⁰ As discussed in Chapter One, the first current research's objective is to develop an Islamic CSR disclosure instrument that can measure the content and level of CSR disclosure made by Shariah Approved Companies. To achieve the objective, there is a need to understand how prior studies as well as current CSR disclosure standard setter develop their CSR disclosure instrument or CSR disclosure standard.

Fortune 500. Then, the instrument was revised by Ernst & Ernst (1978) and became widely adopted by many studies afterward (Abbott & Mosen, 1979; Belkaoui & Karpik, 1989; Hackston & Milne, 1996; Zeghal & Ahmed, 1990). Some other studies developed their CSR disclosure framework including Azim *et al.* (2009), Branco & Rodrigues (2008), Ghazali (2007), Haniffa & Cooke (2005), Spiller (2000), and Waller & Lanis (2009). CSR disclosure frameworks of those previous studies, however, are likely less implemented in the business practices. Instead, they are usually used for research purposes.

With regard to CSR disclosure frameworks that are used both in business practices as well as research, a number of current CSR disclosure frameworks are available. Among the frameworks, Accountability Assurance 1000 Guideline (AA1000) with its uniqueness on accountability process and Global Reporting Initiative (GRI) with its high international recognition are considered as two leading CSR disclosure frameworks (Sutantoputra, 2009).

AA1000 is an accountability standard developed through the multi-stakeholders consultation process and designed to help organizations to frame and structure their ways in establishing, evaluating and communicating their accountability (AA1000, 2008). It can be used as a tool to underpin the quality of accountability standard and as a stand-alone system and process for processing and communicating social and ethical accountability and performance (Tencati, 2010). AA1000 provides a series of standards including accountability principles standard, assurance standard, and stakeholder engagement standard. Even though those standards are accompanied by guidance and research to enhance the understanding and implementation of them, they do not provide detail guidelines in relation to CSR specific issues. It allows organizations to choose which issues related to CSR will be included in their management system. Thus, it results in a diverse range of CSR reports in term of contents, measures and issues (Goebbels and Jonker, 2003).

Turning to GRI, it is a global, long-term and multi-stakeholders project designed to develop, promote and disseminate a comprehensive Sustainability Reporting Framework (GRI, 2013; Tencati, 2010). The framework is developed to provide standardized measures for voluntarily reporting of the economic, environmental and social performance of organizations (Reynolds & Yuthas, 2008). Further, Willis (2003) states that there are at least three purposes GRI is intended to achieve: Firstly, to address the demand of stakeholders for information related to environmental and social performance; Secondly, to address the diverse range of non-financial reporting of CSR, including content and measures, that may lead to less comparability of CSR reporting across companies or period; and lastly to introduce reporting guidelines in different countries and sectors. GRI provides

reporting principles, including principles for defining report content and report quality, as well as standard disclosures, including general standard and specific standard. According to Tencati (2010), GRI represents an excellent tool to initiate a process that enables the integration of economic, social and environmental disclosure. Tencati further explains that, as GRI also provides indicators to measure those three areas of CSR disclosure, it is becoming an interesting CSR disclosure framework.

Beside AA1000 and GRI, there is also United Nations Global Compact, OECD principles and ISO 14001 regarded as CSR disclosure frameworks. UN Global Compact is initiated by UN on 1999 to provide a strategic initiative for business. It commits to aligning businesses' operations and strategies with ten universally accepted principles in the area of human right, labours, environment and anti-corruption (UNGC, 2013). According to Williams & Zinkin (2010), UN Global Compact is not a governing instrument and does not offer any form of measurement or enforcement on participants; instead, it relies on public accountability, transparency and the enlightened self-interest of participants. In relation with OECD principles and ISO 14001, OECD principles primarily focus on corporate governance whereas ISO 14001 profoundly concerns on environmental management issues only.

Based on the discussion above, it is noted that GRI could be considered as the most comprehensive CSR disclosure framework. The fact that GRI includes some principles of AA1000 for its reporting principles and some standards of UN Global Compact and OECD for its standard disclosures makes this framework inclusive. GRI is widely adopted by companies in reporting their CSR activities (Sutantoputra, 2009). Many studies have also adopted GRI in conducting their researches on CSR disclosure (Belal & Owen, 2007; Bouten, Everaert, & Roberts, 2012; Gamerschlag *et al.*, 2011; Gautam & Singh, 2010; Jenkins & Yakovleva, 2006; Li *et al.*, 2013; McGraw & Dabski, 2010; Reverte, 2009; Sobhani, Amran, & Zainuddin, 2012; Tagesson, Klugman, Ekström, Högskolan, & Sektionen för hälsa och, 2011; Young & Marais, 2012). Table 2-2 provides a summary of GRI (2013) framework for CSR disclosure.

Table 2-2 CSR Disclosure Framework Based on GRI

General Standard	Specific Standard Disclosure
1. Strategy and Analysis (2 indicators) 2. Organizational Profile (14 indicators) 3. Material Aspect and Boundaries (7 indicators) 4. Stakeholder Engagement (4 indicators) 5. Report Profile (6 indicators) 6. Governance (22 indicators) 7. Ethics and Integrity (3 indicators)	1. Disclosures of Management Approach (1 indicator) 2. Disclosure of Economics (4 indicators, 9 items) 3. Disclosure of Environment (12 indicators, 34 items) 4. Disclosure of Social <ul style="list-style-type: none"> ○ Disclosure of Labour Practices and Decent Work (8 indicators, 16 items) ○ Disclosure of Human Right (10 indicators, 12 items) ○ Disclosure of Society (7 indicators, 11 items) ○ Disclosure of Product Responsibility (5 indicators, 9 items) 5. Disclosures of Management Approach (1 indicator)

Summarized from GRI (2013)

2.5. Previous Studies on CSR Disclosure

As the frameworks for CSR disclosure become more wide-ranging and increasing in number, current empirical studies on CSR disclosure is flourishing. Table 2-3 summarizes 74 current empirical studies on CSR disclosure. The selection of the studies to be included in the table was done through an extensive reading of the University of Huddersfield’s Library online collection. The researcher searched and identified the potential studies by using the keyword of “CSR disclosure”. The first consideration in selecting the study was the quality of the publication. Studies published in top rated journal were selected first. Studies with high citation were also included in the table. Then, the researcher selected studies from different countries to represent as many countries as possible. The discussion of those studies is presented in several sections following Table 2-3.

Table 2-3 Summary of Relevant Previous Studies

Studies	Country	Aims	Theoretical Perspective	CSRD Research Framework	Sample and Field	Data Collection	Analysis method	Data Year	Findings
(Abbott & Monsen, 1979)	International	To develop a social involvement disclosure scale to analyse the response of companies to criticism and government pressure, dimensions of such corporate response and the relationship between SID and profit.	Descriptive	28 items developed by Ernst and Ernst (1973, 1974)	Fortune 500 companies	Content Analysis	Descriptive statistic Pearson Correlation	1971-1975	Environment matters appear to be the greatest concern to corporate thinking. The change over time, direction and scope, SID has correlation with profitability
(Belkaoui & Karpik, 1989)	US	To develop and empirically test a positive model of corporate decision to disclose social information	Hypotheses testing	Using Ernst and Ernst (1979) model contains 13 scale	23 companies	Content Analysis	Multiple Regression Analysis		Social performance and political visibility have a positive impact on CSRD, whereas financial leverage has a negative consequence.
(Guthrie & Parker, 1989)	Australia, US	To investigate whether a similar history of CSR in US steel is apparent in Australia steel and to discover whether the pursuit of corporate legitimacy appears to have been a primary rationale for disclosures.	Descriptive Legitimacy theory	Guthrie (1983)'s six main themes	A major Australian Corporate monopoly (BHP)	Content Analysis	Descriptive statistics (trend)	1885-1985	1)CSRD was long established practice (had occurred many decades); 2) The predominant categories were HR and community involvement.; 3) Not only because of legitimacy but could also be possible of political economy of Accounting Theory
(Zeghal & Ahmed, 1990))	Canada	To report the result of the content analysis of social reporting, comparing the amount and the focus of reporting in annual report, brochure and advertising.	Descriptive	6 items based on Ernst and Ernst (1978)	6 largest bank and 9 largest petroleum companies	Content Analysis	Descriptive	1981, 1982	Informational content and the form of CSR disclosure is related to company's operation. Relying on the annual report only was not enough.

(Gray <i>et al.</i> , 1995)	UK	To overview empirical research and theorize the mainstream CSR and to provide an overview of 13 years CSRD in the UK	Descriptive Decision usefulness, economic theory	Mandatory Voluntary	UK companies	Content Analysis	Descriptive (trend)	1979-1991	The data showed significant changes in CSR behaviour throughout the period.
(Hackston & Milne, 1996)	New Zealand	To provide up to date description of CSRD and to examine some potential determinants	Hypotheses testing Pattern of prior studies on CSRD	Based on Ernst and Ernst (1979), Guthrie & Parker, (1990), Gray <i>et al.</i> (1995)	47 largest companies	Content Analysis	Multiple Regression Analysis	1992	1) Majority tends to be declarative, good news. 2) The amount is around three-quarters annual page. 3) Size and industry have positive impact on CSRD 4) The relationship between size and is CSRD relationship stronger in high profile companies
(Tsang, 1998)	Singapore	To address the imbalances in studies on CSRD through an examination of CSRD in three industries over a ten-year	Descriptive Legitimacy theory	Based on Janis (1965)	17 banks, food and beverages companies, hotel	Content Analysis	Descriptive statistics	1986-1995	An increasing trend in disclosing CSR.
(Clarke & Gibson-Sweet, 1999)	UK	To explore why companies choose to make CSRD	Descriptive Legitimacy theory	Community involvement environment	95 companies from Top 100 UK	Content Analysis	Descriptive statistic	1997	Focus more on community involvement. CSRD is for legitimacy.
(Belal, 2001)	Bangladesh	To measure the extent and volume of CSRD	Descriptive Social, political, economic context	Prior studies	30 companies	Content Analysis	Descriptive statistic	1999	Though some companies are making social disclosures, the quantity of information disclosed is very small. The nature of disclosure is mainly descriptive.
(Fukukawa & Moon, 2004)	Japan	To investigate the extent and character of CSR	Descriptive	Environment, community, supplier, employee, consumer	Top 50 Japan Corp	Content Analysis	Descriptive	2002	There has been growth and consolidation on environmental

(Hammond & Miles, 2004)	UK	To examine: 1)what is quality CSR; 2)what are the problems with quality assessment in practice; 3)formal CSR monitoring protocol and award schemes as determinants and driver of CSR	Descriptive		31 Corporate Interview: 60 corporate, Six quality assessor (from 4 institutions)	Interview	Descriptive	August 2000-jan 2001	1). Qualified CSR is financial, verified by a 3rd party, set a target and report against the target; adopt reporting standard, assess performance accurately, comprehensive. 2) The scoring problem, subjectivity, statistical inaccuracy; 3). Benchmarking is essential.
(Idowu & Towler, 2004)	UK	To look at CSR reports of different companies across industries.	Descriptive Comparative study	National and international benchmark	17 companies	Case study	Qualitative Comparative analysis		Tend to disclose four main perspectives environment, community, marketplace, and workplace.
(Murtanto, 2004)	Indonesia	To give description about social disclosure practices by companies listed in JSX	Hypotheses Testing	55 items	58 companies	Content Analysis	Z test	1999	The extent was low, focus more on HR least focus on environment, much found in notes, high profile low profile
(Haniffa & Cooke, 2005)	Malaysia	To investigate the potential effects of culture and corporate governance on social disclosure	Hypotheses Legitimacy theory, the social contract, accountability and decision usefulness.	41 items	139 companies	Content Analysis	Multiple regression analysis Paired sample t-test Wilcoxon sign ranked	1996 & 2002	1) CSR has increased significantly between 1996 and 2008; 2) Boards dominated by Malay director & executive director, chair with multiple directorships, foreign ownership have significantly impact. Size, profit, multiple listing and industry type are also significant.
(Jenkins & Yakovleva, 2006)	International	To explore recent trends in the social & environmental disclosure in mining industry	Descriptive Case study	GRI 2002	10 largest mining companies in the world	Content analysis	Descriptive and qualitative	2004	Increasing in the sophistication of disclosure, considerable variation in the maturity of reporting content.
(Vuontisjärvi, 2006)	Finland	To explore the mean and content analysis the extent to which companies has adopted	Descriptive Human Resources	10 categories developed from parameter of "work	205 companies	Content analysis	Descriptive		CSR reporting is still in very early stage; the most reported are training staff development, staff

		CSR reporting practices especially in relation with HR.	Accounting (Gray <i>et al.</i> 1987, 1996)	organisation”					involvement, employee wellbeing and health. Lack of comparability and consistency as less quantitative.
(Altintas <i>et al.</i> , 2007)	Turkey	To demonstrate the evolution of reporting on corporate social responsibility (CSR) in Istanbul Stock Exchange companies.	Simple Descriptive	USAID corporate governance; environmental policy; and social policy	20 companies, ISE National-30 Index	Content analysis	Descriptive	2003-2005	1).The companies’ attitude towards CSR is encouraging. 2). The companies try to fulfill their duties as a corporate citizen regarding the social responsibility
(Belal & Owen, 2007)	Bangladesh	To respond the recent calls for more engagement-based studies of CSR practices	Engagement study	AA1000, GRI	23 corporate manager	interview	Interview analysis	Dec 2001-Jan 2002	Motivation to manage stakeholders perceived pressure from external.
(Ghazali, 2007)	Malaysia	To examine the influence of ownership structure on CSR	Hypotheses testing	22 items based on prior studies in Malaysia	87 companies	Content analysis	MRA Multiple regression analysis	2001	Low disclosure (4,6%-77%) the extent of CSR depends on public pressure (Dir Own -, Mark Cap +)
(Amran & Devi, 2008)	Malaysia	To examine the influence of government and foreign affiliation to CSR reporting	Hypotheses Testing Institutional theory	Hackstone & Milne (1996)		Content Analysis	Multiple regression analysis	2003	Government effect is significant. CSR driver is the institutionalisation of government aspiration and commitment.
(Branco & Rodrigues, 2008)	Portuguese	To compare the internet and annual reports as media of CSR and analyse what influences CSR	Hypotheses testing Legitimacy theory, Resource-based perspective	30 items SRD index	49 companies listed on the primary and second market	Content analysis	Multiple regression analysis	2003 and 2004	A theoretical framework combining legitimacy theory and a resource-based perspective provides an explanatory basis for SRD in Portuguese

(Guimarães-Costa & Miguel Pina e, 2008)	Portugal	To study how corporation website interpreted as technology version of atria at Pompeii-like upper-class villas concerning CSR communication to facilitate the formation of a favourable impression among stakeholder.	Descriptive Legitimacy theory Stakeholder theory Roman atrium	Stakeholder theory (customer, supplier, society, government, competitor, shareholder, employee)	19 large companies	Content analysis	Descriptive qualitative	2003	Website help companies to suggest positive image, the openness forces companies adopt bi-focal message, their visibility and accessibility induce companies' to take position on external events and to seek greater alignment between disclosure and action
(Jamali, 2008)	Syria & Lebanon	To review the rationale of the use of stakeholder approach to CSR and outline how it has been integrated in empirical research.	Descriptive Stakeholder theory	60 best practices based on Ethical Performance Scorecard (Spiller, 2000)	14 companies from Lebanon, 8 companies from Syria	Depth interview	Qualitative analysis		The result shows that stakeholder theory can be used to draw and test new hypotheses and to derive insights into general CSR patterns and motivations.
(Murthy & Abeysekera, 2008)	India	To examine the corporate social reporting practice and the motivation behind such practices	Descriptive Legitimacy theory, CSR motives	The National Association of Accountants	16 software companies 14 HRM	Content analysis Semi-structure interview	Descriptive	2003-2004	Firm use dual strategies in reporting their human resources and social relation to legitimise their activities to stakeholders.
(Rizk <i>et al.</i> , 2008)	Egypt	To survey the CSE reporting practices of Egyptian corporate entities.	Hypotheses testing	34 items disclosure	60 companies	Content analysis	ANOVA	2002	1).There are significant differences in reporting practices among industries; 2).It lends support to the significance of ownership of the reporting decision
(Wanderley <i>et al.</i> , 2008)	International	To examine the impact of country of origin and industry on CSR on the web	Hypotheses testing	Using 7 themes of CSR reports	127 corporations from 8 emerging countries	Website Reliability test using confirmatory factor analysis	Descriptive statistics, Chi-square		Country of origin and industry sector have significant influence over CSR information disclosure on the web (the country is stronger than industry)
(Azim <i>et al.</i> , 2009)	Bangladesh	To survey the contents, form, nature, and the extent of corporate social reporting practices	Descriptive Agency Theory, Stakeholder theory	26 items from E&E (1978), G&P (1990), Gray <i>et al.</i> (1995a).	38 companies listed in Dhaka Stock Exchange	Content analysis	Descriptive	1996	Three-fourths of all disclosures are generalized qualitative statements without any attempt at attestation; more than one-

				Environment, energy, human resources, community, product, energy.					half of the disclosures are located in the director's report, and the mean amount of disclosures was less than half a page.
(Chen & Bouvain, 2009)	US, UK, Australia, Germany	To examine CSR reporting and test whether or not membership of the UNGC makes a difference to CSR reporting and is overcoming industry type and country-specific factors that limit standardization.	Hypotheses testing Institutional Perspective	10 principles of UN Global Compact (worker, customer, suppliers, community, environment, and society	34 companies from 4 countries	Content analysis	ANOVA, MANOVA, Linear regression		1).Global Compact membership is having an impact on CSR reporting but only in environment and workers. 2) Business from different countries varies significantly in the extent of CSRD.
(Hossain & Hammami, 2009)	Qatar	To examine the determinants of voluntarily disclosure in annual reports.	Hypotheses testing	44 voluntarily items	25 listed firm	Content analysis	Multivariate regression analysis		The determinants of voluntarily disclosure are age, size, complexity and asset in place. Profitability is not significant.
(Holder-Webb et al., 2009)	US	To identify the content and the format of CSR reporting.	Hypotheses testing Neo-classical, marketing strategy, political economy, institutional theory	A list of CSR variables developed based on GRI's stakeholder engagement	50 companies	Content analysis	Descriptive statistics	2004	1).The primary venue for disclosure is mass media release followed by mandatory filing including annual report; 2). The size of company tend to positively associated to web disclosure, but it negatively associated to mandatory filing.
(Reverte, 2009)	Spain	To analyse whether firm characteristics, industry characteristics, and media exposure are potential determinants of CSRD	Hypotheses testing Multi-theoretical framework (LT, AT, ST)	GRI, UNGC, AA1000, CG recommendation by Spanish stock exchange	35 firms included in IBEX35 index	Secondary data from OCSR	Multivariate regression analysis	2005, 2006	Media exposure, size, industry have a positive impact on CSRD level.
(Pratten & Mashat, 2009)	Libya	To examine CSRD so as to determine if it follows western model or	Descriptive	Instrument prepared by Gray <i>et al.</i>	56 companies 438	Annual Report Survey	Descriptive statistics	1999-2002	The focus of CSR disclosure by Libyan companies was different

		develops its characteristics		(1995): environment, consumer, community, employee	questionnaires				from it in the West.
(Tagesson <i>et al.</i> , 2009)	Sweden	To explain the extent and content of social disclosure information on corporations' websites	Hypotheses testing Multi-theoretical framework	22 checklist on the environment, ethics, HR.	267 companies	Content analysis	Multiple regression analysis	2007	Size & profit have a positive impact on CSR; state-owned companies disclose more than private ones.
(Waller & Lanis, 2009)	International	To analyse the annual reports to promote discourse and theory development in the area of CSR	Descriptive System oriented theories	Self-constructed instrument	The top six holding companies in the global advertising industry	Content analysis	Qualitative descriptive	2005	Some advertising companies do engage in CSR activities and disclose them in their annual reports, but the level of the disclosure is different between the organizations.
(Gautam & Singh, 2010)	India	To examine the practice of CSR by India's top 500	Descriptive	18 items of GRI	245 companies	Content analysis	Descriptive statistic		The trend of CSR practice in India is increasing. It is primarily driven by philanthropy.
(Islam & Deegan, 2010)	US	To investigate social and environmental disclosure practices of two large MNCs.	Legitimacy theory and media agenda setting theory	Hackston & Milne (1996)	Two large MNCs: H&M and Nike	Content analysis	Correlation between CSR and media pressure.	1988-2006	The negative amount of media exposure has positive impact on social and environmental disclosure
(Khan, 2010)	Bangladesh	To investigate CSR information of Bangladeshi listed commercial banks and to explore the potential effects of corporate governance (CG) elements on CSR.	Hypotheses testing	60 items from seven broad premises based on prior studies	30 banks	Content analysis	Multiple regression analysis	2007-2008	Overall CSR is rather moderate; however, the varieties of CSR items are impressive. Women in the board are insignificant. Non-executive director and existence of foreign nationalities are significant.
(Kolk & Pinkse, 2010)	Netherlands	To analyse to what extent CG has become integrated CSR & how extensive CSR.	Simple descriptive	20 items of CSR refined from Gray <i>et al</i> (1995)	161 firms from Fortune Global 250 firms	Content analysis	Logistic regression	Sep 2004-Jan 2005	More than half of sample firms separate CG section in their CSR report & explicitly link CG & CSR

(W. Li & Zhang, 2010)	China	To examine whether and how ownership structure affects CSR in emerging markets using Chinese firms' social responsibility Ranking	Hypotheses testing	SNAI CSR Score: 36 items (8 categories)	692 firms	Secondary data SNAI CSR and Wind database	Multiple regression analysis	2007	1).Ownership structure is an important determinant of CSR disclosure in emerging market. 2) Firm size, profitability, employee power, leverage, & growth opportunity affect CSR.
(McGraw & Dabski, 2010)	Australia	To summarize the overall pattern of CSR Reporting and level of reporting in different industries.	Simple descriptive,	40 indicators of GRI reporting	100 companies in ASX100	Annual report NVIVO 7	Descriptive: trend	2006	A relatively low average of reporting using GRI framework. Large variability in CSR reporting.
(Monteiro & Aibar-Guzmán, 2010)	Portugal	To study the environmental practices and the factors that influence the extent of disclosure	Hypotheses testing	16 environmental items from previous studies like H&M (1996)	109 large companies	Content analysis	Multiple regression analysis	2002-2004	The extent of environmental disclosure has increased. Firm size and stock market listing are positive significant.
(Saleh <i>et al.</i> , 2010)	Malaysia	To explore CSRD and its relations to institution ownership	Hypotheses testing Fixed & random effect model	Employeee community product, environment.	200 largest companies	Content analysis	Multiple regression analysis	2000-2005	Positive significant impact of institutional ownership on CSRD
(Sandhu & Kapoor, 2010)	India	To examine the extent of CSR initiatives practiced by high, medium and low CSR performers.	Hypotheses testing Benefit of CSR	44 items (7 dimensions) based on prior studies.	93 companies	Content analysis	Mann-Whitney Test	2005-2006	1) Highly concern to the shareholder, followed by HR. 2)There is significant difference between average overall scores of different categories of CSR performers
(Siregar & Bachtiar, 2010)	Indonesia	To examine the impact of board size, foreign ownership, firm size, profitability, and leverage of CSR reporting and the possible impact of it on firm's performance	Hypotheses testing	Environment, energy, labour, product, community based on Haniffa & Cooke (2005)	87 companies	Content analysis	Multiple regression	2003	Board size and firm size has a positive impact on CSR disclosure. Little evidence was found on the positive impact of CSR disclosure on firm performance.
(Gamerschlag <i>et al.</i> , 2011)	Germany	To investigate the determinants of CSRD	Hypotheses testing Political cost theory	CSRD based on GRI	130 companies (470 firms year)	Content analysis	Multiple regression analysis		CSRD are affected by companies' visibility, shareholder structure, and relationship with their US stakeholders.

(Giannarakis, Sariannidis, & Garefalakis, 2011)	Greece	To illustrate how stand-alone CSR reports and web information provide to readers	Descriptive	Based on three prior studies (type of communication, context, indicators and distinction)	5 telecom companies	Content analysis	Qualitative description	2007	CSR communication is still in infancy stage, focus more on economic concern and the competitive business environment.
(Homayoun, Rahman, & Bashiri, 2011)	Malaysia	To examine the utilisation of the internet for disseminating corporate information.	Descriptive	61 items internet disclosure index	100 top listed companies	Content analysis	Descriptive statistics	2007	Focus more on accounting and financial, more than half companies well-developed web based reporting.
(Hou & Reber, 2011)	US	To examine CSR initiatives and disclosure.	Descriptive	Environment, community, employee, human right	Top 10 media companies	Content analysis	Qualitative description		Nine companies have engaged in different CSR activities. It differs by type and company size.
(Mia & Al-Mamun, 2011)	Australia	To examine CSRD extent before and during financial crisis and the association between firm-level factors and CSRD extent & change	Hypotheses testing	33 instrument based on Gray <i>et al.</i> (1995), Haniffa & Cooke (2002), Ghazali (2008).	48 small companies ASX	Content analysis	Paired sample t-test Multiple regression analysis	2006 and 2008	The extent of CSRD significantly associated with size. Change in leverage negatively associated with a change in CSRD.
(Rouf, 2011)	Bangladesh	To measure the level of CSRD and to examine the association between CG attribute and CSRD	Hypotheses testing	39 items (environment, employee, community & others, energy, product)	93 companies	Content analysis	Multiple regression analysis	2007	Ind Dir, board leadership structure, board audit committee and ROE are positive significant. A higher proportion of independent non-executive directors is positively related to the level of CSRD, but the extent of CSRD is negatively related to size
(Tagesson <i>et al.</i> , 2011)	Sweden	To explain the extent and variation of content in social disclosure	Hypotheses testing Multi-theoretical approach	22 items from GRI and prior studies	280 local Swedish authorities	Content analysis	Multiple regression analysis	2006	Company size, tax base, tax rate, financial performance and political majority associated to the extent of CSR disclosure.

(Al-Shubiri, Al- abedallat, & Orabi, 2012)	Jordan	To identify the financial and nonfinancial determinants of CSR.	Hypotheses testing Legitimacy and agency theory	Training and Education for employee, R&D for community.	60 industrial companies	Secondary data	Multiple regression analysis	2006- 2010	The results support the applicability of agency theory and political economy theory on CSR.
(Amran, Ooi, Nejati, Zulkafli, & Lim, 2012)	Malaysia	To investigate the impact of firm characteristic, ownership, business networks on climate change mitigation	Hypotheses testing Institutional theory	Disclosure index on global warming (Freedman & Jaggi, 2005)	100 companies	Content Analysis	Multiple regression analysis	2009	Size, profitability, industry, government ownership and business network have a positive impact. Foreign ownership has a negative consequences.
(Bouten <i>et al.</i> , 2012)	Belgium	To verify the applicability of the findings of prior studies in explaining the decision to disclose and the CSR disclosure level in Belgium.	Hypotheses testing	GRI Content: Area (6), items (39) Type of information (Robertson & Nicholson, 1996)	108 companies	Content analysis	Regression logistic, TOBIT	2005	1. Prior empirical studies mapping methods and suggestion 2. Decision to disclose and decision regarding the level of disclosure should be analysed separately.
(Bravo, Matute, & Pina, 2012)	Spain	To explore the importance of CSR for determining The corporate identity of Spanish financial institutions	Hypotheses testing Stakeholders theory	Developed from prior studies include suppliers, customer, community (R&D, social integration, health, culture), employee, environment.	82 banks	Content analysis	Descriptive statistics and Mann- Whitney test	2010	1) The number of Spanish financial institution utilising CSR values as core elements of their identities are low. 2) Most organizations disclose CSR information to construct communicated identities and legitimate behaviours.
(Dhaliwal, Radhakrishnan, Tsang, & Yang, 2012)	31 countries	To examine the relationship between disclosure of nonfinancial information and analyst forecast accuracy	Descriptive.	Forecast accuracy, country level, stakeholder orientation, financial opaqueness	Population 7,779 stand- alone CSR report	Content analysis	Descriptive	1994- 2007	The issuance of stand- alone CSR report is associated with lower analyst forecast error.

(Esa & Ghazali, 2012)	Malaysia	To examine CSRD level before & after the introduction of silver book and to determine whether CG influence CSRD	Hypotheses testing	GLCs Silver Book of Malaysia	27 government-linked companies	Content analysis	Multiple regression	2005 and 2007	1) CSRD significantly increase before and after the introduction of the silver book. 2) Board size has a positive impact on CSRD
(Feijoo, Romero, & Ruiz, 2012)	22 countries	To examine the impact of board gender composition, among other variables on CSR reporting	Hypotheses Testing	KPMG Survey, The Women on Board Reports		Secondary data from KPMG report	Multiple regression analysis	2009	The presence of women in boards mediates and moderates the impact of cultural characteristics on CSR reporting.
(Ioannou & Serafeim, 2012)	International	To investigate the impact of nation-level institutions on firms' corporate social performance (CSP).	National Business System Institutional framework	Social and Environmental metric (Thomson Reuters)	Firms from 42 countries (12,764 observation)	Secondary data from Thomson Reuters & World scope	Multiple regression analysis		The political system followed by the labour and education system and the cultural system are the most important NBS categories that impact CSP.
(Iodhia, 2012)	Australia	To consider the potential of website as a medium for communicating social and environmental issues in the Australian minerals industry	Descriptive Media richness framework		Three companies	Content analysis Semi-structured interviews	Descriptive	2003	Companies are still learning about web-based CSR communication; There was varying usage of different web; manager willing to utilise because of its timeliness and presentation feature
(Bayoud, Kavanagh, & Slaughter, 2012)	Libya	To explore whether company age, industry type and company size have a potential influence of levels of CSRD.	Hypotheses testing	25 items CSRD instrument develop based on stakeholder theory	40 companies listed in Libyan Stock Exchange 31 manager	Content analysis interview	Multiple regression analysis Interview analysis	2007-2009	Quantitative analysis shows that age and industry are positive significant. Qualitative analysis indicates that all variable are positive.
(Khan <i>et al.</i> , 2013)	Bangladesh	To investigate the effect of CG mechanism on CSRD	Hypotheses testing Legitimacy theory	20 items checklist based on Haniffa and Cooke (2002, 2005), Ghazali (2007)	135 manufacture companies	Content analysis	Multiple regression analysis	2005-2009	The pressures from external stakeholder group and CG mechanism involving outsiders may allay some concerns relating to a family influence on CSRD practice.

(Nyahunzvi, 2013)	Zimbabwe	To investigate the features and adequacy CSR reporting among Zimbabwe's hotel	Descriptive	Instrument based on prior studies	17 hotels	Content analysis	Descriptive		Less CSR reporting in the hotel industry.
(Setyorini & Ishak, 2012)	Indonesia	To examine Indonesian corporate social and environmental disclosure in the PAT perspective	Hypotheses testing. Bonus plan hypotheses, debt hypotheses, political cost	Sutantoputra social index (2009) & Clarkson environment index (2007)	911 firm years data	Content analysis	Multiple regression analysis	2005-2009	The study supportss the bonus plan and political cost hypothesis. But, it fails to support the debt/equity hypothesis.
(Sobhani <i>et al.</i> , 2012)	Bangladesh	To describe the status of disclosure practices of corporate sustainability in the annual reports and corporate websites	Descriptive	125 items based GRI, AA1000 and others	29 banks	Content analysis	Descriptive statistics	2009	The unstructured manner of CSR. AR is better than the web except for product info. The social dimension is generally disclosed. Islamic banks disclose more.
(Suttipun & Stanton, 2012)	Thailand	To investigate the extent of environmental disclosure. To test the relationship between company characteristics and the extent of the disclosure.	Hypotheses testing Legitimacy theory	22 items based on previous studies.	75 companies	Content Analysis	Regression analysis	2007	1) 62% companies provided environmental disclosure. 2) Companies in industrial industry disclosed more. 3) The result shows environmental policy, activities and waste management as the three most common dimensions of CSR disclosure. 4) Size is positively associated with the extent
(Young & Marais, 2012)	Australia and French	To capture the effect of national institutions and industry characteristics on CSR reporting	Hypotheses testing Stakeholder and Institutional theory	99 items based on GRI, ISO 26000, Global Compact, OECD principles	120 French companies 100 Australian companies	Content analysis	Covariance, correlation		CSR reporting is stronger and transparent in France as well as in high-risk industry. Industry significantly influences CSR reporting.

Wardiyono (2012)	Indonesia	To examine the determinant of CSRD between SACs and non-SACs in Indonesia.	Stakeholder theory, legitimacy theory	78 items developed by Hackstone & Milne (1996)	30 SACs & 30 non-SACs in Indonesia	Content analysis	Independent sample t test Regression	2007-2008	1. CSRD of SACs is higher than non-SAC 2. Size and CG has positive impact on CSRD.
(Haji, 2013)	Malaysia	1.To examine CSRD over period before and after financial crisis and regulatory changes 2. To examine factor influencing CSRD	Hypotheses testing Legitimacy theory, agency theory	23 items self-constructed checklist based on several previous studies and Bursa Malaysia requirement	85 listed companies	Content analysis	Multiple regression analysis	2006 and 2009	3. The significant increasing trend in CSR disclosure between the two years. 4. In 2006, director ownership, government ownership, firm size was significant. 5. In 2009, board size impact increased
(Khasharmeh & Desoky, 2013)	Six Gulf countries	1)To examine the level of CSRD, 2) to investigate the impact of company characteristic on CSRD level, 3) to test the differences on CSRD level among Gulf countries	Hypotheses testing	47 items based on previous studies	165 companies	Content analysis	Regression	2011	1) Only 24.5% of the sample have disclosure scores of 50% or more. 2) All models of determinants of CSRD are significant except for the model of community involvement. 3) There are differences in the level of CSRD among the six Gulf countries
(Li <i>et al.</i> , 2013)	China	To examine the impact of firm performance on CSRD & to investigate whether corporate ownership mediates relationship between companies' performance & CSRD	Hypotheses testing Stakeholder theory	GRI Guideline	1574 firms	Secondary data from Sinofin database and RLCCW.	Probit and Tobit regression	2008	1)Better-performing firms disclose more than worse-performing ones (2) CSRD is found to be weaker among state-owned enterprises compared with non-SOE
(Wang, Song, & Yao, 2013)	China	To identify the determinants of CSR disclosure in China	Hypotheses testing Legitimacy theory and political cost perspective	20 item based GRI 3.1, ISO 26000 and Shenzhen stock exchange regulation	200 annual reports	Content analysis	Regression	2008 and 2009	1). CSR disclosure is associated with size, media exposure, ownership concentration, & institutional ownership. 2) High profile company discloses more than the low one.

(Sharif & Rashid, 2014)	Pakistan	To explore the effect of corporate governance on CSR disclosure	Hypotheses testing Legitimacy theory	60 items 7 categories GRI	22 commercial banks	Content analysis	Regression Incremental Regression	2005-2006	1).CSR disclosure level is not low; 2).The non-executive director has a positive impact.
(Chiu & Wang, 2015)	Taiwan	To examine the determinants of CSR disclosure in Taiwan and to test the applicability of stakeholder theory in emerging countries.	Hypotheses testing	6 category, 291 items based on GRI	246 companies	Content analysis	Regression	2010	Stakeholder power, strategic posture, economic resources, firm size, and media affected CSR quality; Dominant foreign stakeholder: global institutional buyer, international listing and social rating.
Elmogla, Cowton & Downs (2015)	Libya	To add strength and depth to the few studies investigating Libya as point of departure in understanding CSR disclosure activism.	Descriptice	CSR disclosure framework developed by Ernst & Ernt (1978)	270 annual reports from 54 companies	Content analysis	Descriptive statistics	2001-2005	Certain areas of CSR has been accomodated in the annual reports of Libyan companies. But, the level was low compared to the disclosure level in the West.

2.5.1. General Information of the Previous Studies

2.5.1.1. Country of Studies

Based on the country in which data were gathered, current studies on CSR disclosure presented in Table 2-3 can be classified into single country studies as well as comparative studies involving two countries and multi-countries studies. Sixty-one out of 74 studies is classified under single country studies. Before 2000, the studies were limited in developed countries such as US, UK, Australia, Canada and New Zealand. Since then, studies on CSR disclosure have been becoming more widespread. Studies in developing countries such as Bangladesh, Egypt, Libya, India, Indonesia, Jordan, Malaysia, and Zimbabwe started flourishing. Those studies, which at first focused more in a newly industrialised country such as Singapore and Malaysia, have become increasing in less industrialized countries such as Bangladesh, India, and Indonesia. Additionally, studies in developed countries after 2000 were no longer limited to those from the Western context but also from the Eastern context such as Japan (Fukukawa & Moon, 2004) and China (Li *et al.*, 2013; Li & Zhang, 2010).

In relation to comparative studies, there are three studies involving two different countries. Two studies are comparing CSR disclosure in developed countries between Australia and US (Guthrie & Parker, 1989) as well as Australia and France (Young & Marais, 2012), another study is comparing CSR disclosure in developing countries between Syria and Lebanon (Jamali & Mirshak, 2007). None of the studies is comparing CSR disclosure between developed and developing country. With regard to the multi-countries studies, there are nine studies involving four to 31 countries in their analysis. Similar to those of single country studies, multi-countries studies is also no longer limited to developed countries. Studies by Dhaliwal *et al.* (2012), Feijoo *et al.* (2012), and Ioannou & Serafeim (2012), for instance, are using data from both developed and developing countries. The fact related to the country of origin of the current studies shows that CSR disclosure has become a major concern at international level, not only in the developed countries but also in the developing countries.

2.5.1.2. Aims of Studies

Based on their aims, studies on CSR disclosure summarized in Table 2-3 can be classified into descriptive studies (30) and hypotheses testing studies (44). In general, most of the first studies aim to provide a description of CSR disclosure practice. The investigations included the breadth of disclosure, the extent of CSR disclosure, the content of disclosure and the type of information disclosed (Belal, 2001; Fukukawa & Moon, 2004; Gray *et al.*, 1995; Kolk & Pinkse, 2010; Sobhani *et al.*, 2012; Zeghal & Ahmed, 1990). Some descriptive studies aim to identify the trend or evolution of CSR disclosure (Abbott & Monsen, 1979; Guthrie & Parker, 1989; Jenkins & Yakovleva, 2006) and some others seek to look CSR disclosure across industries (Idowu & Towler, 2004; Tsang, 1998) and countries (Jamali,

2008; Dhaliwal *et al.*, 2012; Waller and Lanis, 2009). There are also several other descriptive studies intend to understand the motivation of company in disclosing CSR (Belal & Owen, 2007; Clarke & Gibson-Sweet, 1999; Murthy & Abeysekera, 2008).

The second group of studies are those that were intended to test hypotheses related to CSR disclosure theories and practice empirically. The majority of these studies are designed to identify the determinants of CSR disclosure or factors influencing CSR disclosure and some others are designed to identify the differences in CSR disclosure based on industry differences, country differences or a particular event. Each of the studies tested a number of hypotheses to test whether or not theories underpinning CSR disclosure are supported in practice. A further discussion of previous empirical studies on the determinants of CSR disclosure is presented in the next section (Section 2.5.2.)

2.5.1.3. Theoretical perspective used

Table 2-3 shows some difference theoretical perspectives have been utilized to describe CSR disclosure. The most common theory employed in the studies was legitimacy theory, followed by stakeholder theory and political economy theory. It supports the opinion stating that system-oriented theory, which comprises of those three theories, are widely acceptable and recognised as the most successful theory in explaining CSR disclosure (Waller & Lanis, 2009). Additionally, the table also shows that there were a number of studies using institutional theory. According to DiMaggio & Powell (1983), institutional theory observes how company behaves in response toward social pressure by focusing on conformity to rules and belief system for the company to survive. Based on the definition, it implies that institutional theory is part of legitimacy theory. Thus, studies using the theory could also be classified as socio-political studies (studies using system-oriented theory). System oriented-theory was applied either as a single theory or as a combination of two or three.

In addition to system oriented theory, some other studies also applied the combination between one or two of system oriented theory with agency theory such as (Al-Shubiri *et al.*, 2012; Haji & Ghazali, 2013; Reverte, 2009; Tagesson *et al.*, 2011). Few studies applied the combination of one or two systems oriented theory and the traditional approach of accounting theory such as bonus plan theory (Setyorini & Ishak, 2012), fixed effect model (Saleh *et al.*, 2010) or resource-based perspective (Branco & Rodrigues, 2008).

2.5.1.4. CSR Disclosure Framework

In line with the discussion in section 2.4, Table 2-3 shows that, in developing CSR disclosure instruments, previous studies used either the existing framework developed by standard setter or those developed by previous studies. The most popular framework from standard setter employed by the studies was the Global Reporting Initiative followed by

AA1000 and United Nation Global Compact. There were also studies using OECD Principles (Young & Marais, 2012) and USAID Corporate Governance (Altintas *et al.*, 2007). Also, there were studies utilizing the framework specifically developed in particular country such as in Spain (Reverte, 2009), China (Li & Zhang, 2010) and Malaysia (Esa & Ghazali, 2012). As those frameworks only provide a guideline, the number of items developed for the instrument of disclosure was varied across the studies. It ranged between 18 items (Gautam & Singh, 2010) to 291 items (Chiu & Wang, 2015).

With regard to the framework developed by previous studies, it is noted that the earliest disclosure instrument was developed by Ernst & Ernst (1973). It became widely adopted and refined by other studies like (Belkaoui & Karpik, 1989; Hackston & Milne, 1996; Haniffa & Cooke, 2005; Zeghal & Ahmed, 1990). In turn, the instrument of Hackstone & Milne (1996) and Haniffa & Cooke (2005) was also adopted and refined by more current studies like (Amran & Devi, 2008; Islam & Deegan, 2010; Mia & Al-Mamun, 2011). Also, there were instruments developed by Guthrie (1983) and Gray *et al.* (1995).

Based on both approaches, the themes used in previous studies to develop CSR disclosure instrument can be summarized as follows. The three most common themes of CSR disclosure were companies' responsibility toward employee, community, and environment. All previous studies utilized those three themes in their CSR disclosure instruments. Additionally, consumer theme was also included in some studies such as (Chiu & Wang, 2015; Fukukawa & Moon, 2004; Pratten & Mashat, 2009). Likewise, by utilizing stakeholders approach, Bravo *et al.* (2012) classified CSR disclosure themes based on stakeholders types including employee, shareholder, customer, supplier, competitor, government, community, environment and others.

2.5.1.5. Research method

As most of the studies listed in Table 2-3 are quantitative in nature, those studies adopted the positivistic approach. Most of the studies utilized secondary data based on companies' publications such as annual reports and website in which content analysis was applied as the primary method to document CSR disclosure. There are only a few studies whose data were gathered through an interview process (Belal & Owen, 2007; Hammond & Miles, 2004; Jamali, 2008) and few studies utilized mixed methods (Bayoud *et al.*, 2012; Iodhia, 2012).

In relation with the operationalization of CSR disclosure, previous studies used either the extent or the incidence of disclosure to gauge CSR disclosure. Most of the previous studies used number of words or sentences to measure the extent of disclosure. Also, some other studies used number of lines, paragraph, and pages. For incidence of disclosure, previous studies usually used number of items to measure CSR disclosure.

2.5.1.6. General Findings and Research Gaps

Though prior studies found that there were significant changes in the trend, scope, and direction of CSR disclosure, the level of CSR disclosure reported by prior studies were still low. The disclosure in the developing countries was even lower than those found in the developed countries. Study using qualitative approach through interview concluded that there was problem in the scoring of CSR disclosure that still involves subjectivity and statistical inaccuracy. Hence, benchmark for CSR disclosure is essential.

The majority of the disclosure was qualitative in nature and focused on good news. It can be seen from the findings showing that none of the studies found reported disclosure of bad news. Most of the disclosure was presented in annual reports. Only a few companies disclosed their CSR commitment and activities in the separate report such as sustainability report. Few other companies disclosed the information in their company website; however, as some companies were still learning about web-based CSR disclosure, the disclosure was more like a summary than a brief and complete story.

Prior studies also reported that there are three major themes of disclosure, which were employee (labour), community and environment. Some other themes observed by prior studies are product, human right, health and safety, and others. The studies also revealed that CSR disclosure varied among different industries and different countries. For studies that aimed at identifying the determinants of CSR disclosure, a more detail discussion is presented in the following section.

As for the conclusion, it could be identified that there are several of gaps identified from the 74 prior studies listed in Table 2-3. Firstly, though prior studies have been conducted in both developed and developing countries, how they are different is not entirely clear cut. Also, not all developed countries and their culture are identical in any case. Secondly, the disclosure frameworks used by prior studies are more aspirational precepts than operational standard and have no enforcement mechanism. Additionally, as the frameworks are mainly developed based on Western context, it may not be able to fully capture the practice of CSR disclosure from different context. Thirdly, none of prior studies listed in the table consider the contribution of religion to a foundation in enlightening why organization should engage in CSR and disclose CSR information. In fact, religious teaching is usually rich of guideline for moral and ethical conduct. Moral and ethical conducts are always regarded as the core of CSR and CSR disclosure concept. In order to fill the gaps, this current study offers a different context of the research by involving the contribution of Islamic teachings for CSR disclosure practiced by SAC. It may provide an opportunity to study CSR disclosure in well-defined and different culture driven by religion. The reasons why Islam may provide good

lesson for studies on CSR disclosure have been mentioned in the Introduction Chapter and will be further discussed in Chapter Three.

The fourth research gap identified from prior studies most of the studies are descriptive in nature. They tend to be qualitative capturing how companies address their CSR concern. Therefore, the results are less comparable. Some descriptive studies do execute quantitative analysis. But, they tend to discuss more on the extent of disclosure using dichotomous scale in which a score of one is assigned for the disclosure of certain CSR item and zero otherwise. Prior studies researching the quality of disclosure using weighted scoring is very limited in number.

In response to the fourth research gap found in the prior studies, the current study is designed to be both qualitative and quantitative. It is true that to get a good understanding of the practice of CSR disclosure can be done through qualitative analysis. But, to make the results more comparable, measuring CSR disclosure in quantitative manner would be a good choice. Besides utilizing number of word and sentences to measure the extent of disclosure and dichotomous variable of one for the existence of disclosure and zero otherwise as in prior studies, this study also utilize weighted measurement to measure the quality of disclosure. A new measurement to measure the quality of disclosure based on Islamic requirement is applied in this study in addition to the use of quantitative and comprehensiveness measurements. A more detail discussion about these measurements is presented in the Methodology Chapter (Chapter Five).

2.5.2. Empirical Studies on the Determinants of CSR Disclosure

Studies on the determinants of CSR disclosure are quite similar in numbers as those of descriptive studies, this type of empirical studies were also a lot in number. These studies can be classified based on the aim of the studies to be achieved and the setting where the data of the studies were collected. Each category of those empirical studies is discussed below.

Based on their aims, empirical studies on the determination of CSR disclosure can be classified into two categories. First, studies that were intended to test the existing theories of CSR disclosure determination; Second, studies that were aimed to investigate the observed phenomenon of CSR disclosure determination. To verify the existing theory, the first group of studies developed a series of hypotheses. Those hypotheses were developed based on the theory the researcher intended to test. In developing the hypotheses, different studies utilized different theories. For examples, Gray *et al.* (1995) utilized decision usefulness; Al-Shubiri *et al.* (2012) and Belkaoui & Karpik (1989) used agency theory;

Amran & Devi (2008), Chen & Bouvain (2009), Haniffa & Cooke (2005), Holder-Webb *et al.* (2009), Ioannou & Serafeim (2012), and Wanderley *et al.* (2008) applied system oriented theory including legitimacy theory, stakeholder theory and political economy theory.

As a complex phenomenon, CSR disclosure cannot be justified by a single theory. This opinion was used by the second group of studies aiming to investigate CSR disclosure phenomenon. As opined by Gray *et al.* (1995), different theories underpinning CSR disclosure should be treated as theories that are complementary instead of competitive. Studies under this group such as Branco & Rodrigues (2008) Gamerschlag *et al.* (2011), Reverte (2009), Tagesson *et al.* (2009); Tagesson *et al.* (2011) developed their hypotheses based on the findings of previous empirical studies. They identified some significant variables to formulate theoretical framework and to develop hypotheses. The existing theories on CSR disclosure were still needed to strengthen the theoretical framework and hypotheses. To get the more comprehensive picture of CSR disclosure phenomenon, those studies usually apply more variables if compared to the first type of studies.

Turning to studies classified based on the setting where the data were collected; they can be classified into studies from developed countries and developing countries. studies from developed countries were conducted in Australia (Mia & Al-Mamun, 2011; Young & Marais, 2012), Belgium (Bouten *et al.*, 2012), Germany (Gamerschlag *et al.*, 2011), New Zealand (Hackstone & Milne, 1996), Portugal (Branco & Rodriguez, 2008; Monteiro & Guzman, 2010), Spain (Reverte, 2008; Bravo *et al.*, 2011, Tagesson *et al.*, 2011), Sweden (Tagesson *et al.*, 2009), and the US (Belkaoui & Karpik, 1989). The majority of those studies identified several determinants of CSR disclosure that were related to company-specific determinants, industry-specific determinants, and socio-political-specific determinants.

In general, the results showed that those determinants affected CSR disclosure level in the developed countries. In relation with company-specific determinants, company size was found to be the major determinants of CSR disclosure. This finding was supported by the majority of empirical studies in the developed countries. A positive association was observed between company size and CSR disclosure. CSR disclosure level got better as the size of the company was getting bigger (Belkaoui & Karpik, 1989; Hackstone & Milne, 1996; Branco & Rodriguez, 2008; Reverte, 2008; Tagesson *et al.*, 2009; Webb *et al.*, 2009; Mia & Mamun, 2012). Ownership structure was also found to be a significant factor in influencing CSR disclosure level in the developed countries. According to Gamerschlag *et al.* (2011), public ownership and foreign ownership had a positive impact on CSR disclosure level. (Tagesson *et al.*, 2009) added that positive association was also observed between government ownership and the CSR disclosure level.

The next company-specific determinants observed in the developed countries were profitability (Gamerschlag *et al.*, 2011; Tagesson *et al.*, 2011) and leverage (Belkaoui & Karpik, 1989; Mia & Al-Mamun, 2011). While Gamerschlag *et al.* and Tagesson *et al.* agreed that profitability had a positive impact on CSR disclosure, Belkaoui & Karpik and Mia & Mamun found a contradiction finding related to leverage's effect on CSR disclosure. According to Belkaoui & Karpik, leverage had a negative impact on CSR disclosure in the US scenario. On the other hand, Mia & Mamun reported that leverage had a positive impact on the extent of CSR disclosure in Australia. Tagesson *et al.* (2009) also indicated that principal shareholders measured by the number of votes control by the five largest owners also determined CSR disclosure level in the Sweden setting.

For industry-specific determinant, studies like Branco & Rodriguez (2008), Bravo *et al.* (2011), Bouten *et al.* (2012), Gamerschlag *et al.* (2011), Hackstone & Milne (1996), Reverte (2008), and Tagesson *et al.* (2009) found that industry sensitivity had positive impact on the extent of CSR disclosure. A company from high sensitivity industry tend to provide more disclosure than those from low sensitivity industry. Tagesson *et al.* (2011) and Young & Marais (2012) also reported that industry specification was also found to be a significant factor in influencing CSR disclosure in Sweden and Australia respectively. Beside company-specific determinants and industry-specific determinants, empirical studies in the developed countries also reported the impact of media exposure on CSR disclosure especially in Portugal (Branco and Rodriguez, 2008) and Spain (Reverte, 2008).

The second type of studies is those that are conducted in developing countries. It includes studies in Bangladesh (Khan, 2010; Rouf, 2011; Khan *et al.*, 2012), China (Li & Zhang, 2010; Li *et al.*, 2013), Egypt (Rizk *et al.*, 2008), Indonesia (Setyorini & Ishak, 2012, Wardiwiyono, 2012), Jordan (Al-Shubiri *et al.*, 2012), Malaysia (Haniffa & Cooke, 2005; Ghazali, 2007; Amran & Devi, 2008; Esa & Ghazali, 2010, Mustarudin *et al.*, 2010; Amran *et al.*, 2012; Haji, 2013), Libya (Kavanagh & Slaughter, 2012), Qatar (Hossain & Hammami). Similar to those from developed countries, empirical studies from the developing countries also intended to test several hypotheses related to the impact of company-specific determinants, industry-specific determinants and other factors on the extent of CSR disclosure.

Empirical studies in developing countries had shown quite similar findings to those in developed countries. Company size, industry sensitivity, profitability, and leverage as part of company-specific determinants were also proven to be significant determinants of CSR disclosure (Haniffa & Cooke, 2005; Ghazali, 2007; Li & Zhang, 2010; Rouf, 2011; Setyorini

& Ishak, 2012; Suttipun, 2012). However, in term of ownership structure, studies in developing countries provided strong findings than in developed countries. While the impact of government ownership, foreign ownership and public ownership in developed countries were only supported by one study for each type of ownership, ownership structure was supported by more studies in developing countries. Four studies supported the impact of government/state ownership (Amran & Devi, 2008; Amran *et al.*, 2012; Haji, 2013; and Li *et al.*, 2013). Three studies supported the impact of foreign ownership (Haniffa and Cooke, 2005; Amran *et al.*, 2012; Khan *et al.*, 2012). Three studies supported the impact of public ownership (Rizk *et al.*, 2008; Khan, 2010; Khan *et al.*, 2012).

Empirical studies in the developing countries also provided more diverse findings in relation with company-specific determinants than studies in the developed countries. Several variables that were insignificant in explaining the variation of CSR disclosure in developed countries were confirmed to be significant in the developing countries. Those variables are institution ownership (Saleh *et al.* 2010), company's age (Al-Shubiri *et al.*, 2012; Kavanagh & Slaughter, 2012), the opportunity to growth (Li & Zhang, 2010), and market capitalization (Gazhali, 2007). Studies in developing countries also found the significant impact of corporate governance on CSR disclosure including board size (Esa & Ghazali, 2010), board diversity (Haniffa & Cooke, 2005; Khan, 2010), multiple directorship (Haniffa & Cooke, 2005), independent director (Khan *et al.*, 2012) and audit committee (Khan *et al.*, 2012).

With regard to industry-specific determinants, studies in the developing countries also found that industry sensitivity and industry specification could also be used to explain the variation of CSR disclosure. Parallel to those in the developed countries, industry sensitivity had a positive impact on the extent of CSR disclosure (Haniffa & Cooke, 2005; Rizk *et al.* 2008; Amran *et al.*, 2012). Additionally, Amran & Devi (2008) and Kavanagh & Slaughter (2012) supported that industry specification affected CSR disclosure level in Malaysia and Libya respectively. Related to other factors that were not included in the company-specific determinants and industry-specific determinants, it was found that business networking could determine CSR disclosure level in the developing countries. However, unlike in the developed countries, there were no empirical studies in the developing countries that reported media exposure as a determinant of CSR disclosure.

Additionally, there are also four multi-countries studies on the determination of CSR disclosure. Those studies are discussed as follow. Firstly, Chen & Bouvain (2008) examined CSR disclosure in companies' website in four developed countries including US, UK, Australia and Germany. They tested the impact of Global Compact membership, industry specification, and country. The study found that Global Compact membership was having an

impact on CSR disclosure but only in environment and employee dimension. The country variable was also found to be significant in influencing the extent of CSR disclosure in companies' website. Secondly, Wanderley *et al.* (2008) also examined CSR disclosure in companies' website. Unlike Chen and Bouvain, Wanderley *et al.* focused their research in 8 developing countries. They found that industry specification and country had a significant impact on CSR disclosure in companies' website in developing countries.

Four years after Chen & Bouvain of their researches on the determinations of CSR disclosure. Feijoo *et al.* (2012) investigated the effect of board gender composition, among other variables, on CSR disclosure in 22 and Wanderley *et al.*, Feijoo *et al.* (2012) and Iannou & Serafim (2012) also reported the findings countries. They found that the inclusion of women in boards mediated and moderated the effect of cultural characteristics on CSR disclosure. They also reported that industry specification, law enforcement, and Gross National Product had a significant impact on CSR disclosure in those developing countries. For Iannou & Serafim (2012), this study investigated the impact of the nation-level institution on CSR performance in 42 countries. They found that cultural system followed by the political system, labour system and education system determined CSR performance.

From the discussion of multi-countries studies, it can be seen that the kind of studies provide more interesting findings than single-country studies. Multi-countries allow the researchers to do comparison analysis among different countries and to include country level determinants in investigating the factors influencing CSR disclosure. Therefore, the theories like political economy theory can be applied for explaining the determination of CSR disclosure in broader context.

With regard to the models used by prior studies to explain the determinants of CSR disclosure, the average value of the R^2 reported in those studies were 35%, ranging from 12% to 85%. It indicated that, on average, 35% of the variation of CSR disclosure in the sample of those studies could be explained by the independent variables. The lowest value was observed in CSR disclosure of 169 Swedish companies reported by Tagesson *et al.* (2013). Tagesson *et al.* found that company size, industry sensitivity, and media exposure only explain 12% of the variation of CSR disclosure by Swedish companies. For the highest value, it was observed in Sharif & Rashid (2014) that investigated the determinants of CSR disclosure of 22 commercial banks' annual report in 2005-2006. Sharif & Rashid (2014) found that corporate governance, company size, and profitability could explain 85% of the variation of CSR disclosure of the sample commercial banks.

Based on the discussion above, it is noted that most of studies on the determinants of CSR disclosure utilize a single theory to explain the variation of CSR disclosure. In fact, as argued by Gray *et al.* (1995) and Haniffa & Cooke (2005), as a complex phenomenon, CSR disclosure could not only be explained by a single theory. They also tend to ignore the contribution of religious teaching in explaining the variation of CSR disclosure. To fill those gaps, this study applies a multi-theoretical framework to explain the determinants of Islamic CSR disclosure. This framework does not only involve a single theory to explain the variation of Islamic CSR disclosure. Instead, it applies several theories. Additionally, it also includes the Islamic teaching in explaining CSR disclosure variation.

2.6. Summary

This chapter is devoted to explaining current literature on CSR disclosure from a Western perspective. The explanation started by discussing the concept of good companies and the relevance of CSR in achieving good companies. It can be seen that the concept of good companies has a close link to the concept of CSR. A company could not be classified as a good company if it is not socially responsible. Additionally, the company needs to communicate its concerns and action on CSR.

Moreover, this chapter discusses the existing theories underpinning CSR disclosure to provide basic rationale why doing CSR without communicating it to all interest groups is not enough. The system-oriented theory including stakeholder theory, legitimacy theory, and political economy theory were considered as the most successful theory in explaining CSR disclosure. Those theories should be seen as complementary.

The chapter also discusses the current CSR framework including Global Reporting Initiative, United National Global Compact, as well as OECD. It concludes that GRI could be considered as the most comprehensive CSR disclosure framework. Additionally, there are also some CSR disclosure frameworks developed by prior studies. The framework proposed by Ernst & Ernst (1973) was considered as the oldest CSR disclosure framework and had been widely adopted and refined by the empirical studies afterward.

Finally, this current chapter portrays the practice of CSR disclosure by business organisations as reported in 74 prior empirical studies. The studies were selected from the most popular studies from 1979 to the most current period. In general, it is found that CSR disclosure level reported by prior studies was low. The level was even lower in developing countries. The studies also confirm the applicability of system oriented theory in explaining CSR disclosure, without neglecting the role of some other theories such as agency theory, decision-usefulness theory, and bonus plan theory. The three most common theme of CSR

disclosure reported by prior studies were employee, community, and environment. Additionally, studies utilising stakeholder theory approach also reported CSR disclosure theme based on the type of stakeholders. Lastly, studies on the determinants of CSR disclosure observed that, as a complex phenomenon, CSR disclosure could not be explained by a single theory. Thus, the adoption of the multi-theoretical framework might be useful for explaining the determinants of CSR disclosure. The study also reported that multi-countries studies could provide a better explanation for CSR disclosure.

Chapter Three: CSR and CSR Disclosure from an Islamic Perspective

3.1. Introduction

The aim of this chapter is to explain the concepts of dual responsibilities and *shariah* in Islam. In turn, the understanding of that concepts will be used to identify the concept of CSR and CSR disclosure from an Islamic perspective and how it should be implemented into practice. The increasing number of business operated within *shariah* boundaries or Islamic business institution (IBI hereafter) mentioned in Chapter One has created a pull factor for the availability of practical guideline on how the IBIs should behave in accordance to *shari'ah*. In other words, there is a need for a practical guideline that may provide hints for IBIs to be a responsible institution in Islamic ways. Though the responsibilities of IBIs do not much differ from those in the West, Islam has specific requirements that must be obeyed to by IBIs in fulfilling their responsibilities. The prohibition of *riba*, *gharar*, *maysir*, and production of non-halal goods or services is among the specific requirement in Islam. In line with the objective of *shari'ah*, there is also a difference in the objective of business institutions in Islam and the West. This chapter is also aimed to review prior empirical studies on Islamic CSR disclosure and examine how that concept has been understood and implemented by IBIs.

The rest of this chapter is structured as follows. Section two discusses *tawhid* and the concept of responsibility in Islam. It is followed by the explanation about *shariah* and the hierarchy of responsibility from an Islamic perspective in section three. Section four and five provide focus on business in Islam and CSR in Islam, accordingly. Next, section six explicates the concept of CSR disclosure in Islam and section seven portrays prior empirical studies on Islamic CSR disclosure. And lastly, section eight is the summary.

3.2. Tawhid and the Concept of Dual Responsibility in Islam

As a religion with the second largest number of followers in the world (Pew, 2015), Islam has its system of values, ethics, and principles that are usually stated in a short form as *shariah* (Sardar, 2003). Islam claims to be concerned with all features of life and offers a comprehensive framework within which to undertake the human activities. In Islam, the human being both individually and collectively is always regarded as having dual responsibilities, namely responsibility to God and responsibility to the other creatures. The Islamic notion of responsibility to other creatures provides an opening for the concept of corporate social responsibility (CSR), but Islam has particular features and priorities.

The concept of responsibility in Islam can be traced directly from the concept of *tawhid*. *Tawhid* or asserting the oneness of God is the core of Islamic faith. It recognizes God as the sole creator of all beings and the Owner of everything (*tawhid rububiyah*); He alone deserves to be worshiped (*tawhid uluhiyyah*); and He alone deserves the greatest names and has the greatest attributes (*tawhid asma wa sifat*). Philips (2005) said that *tawhid* is a very foundation of Islam on which all other pillars and principles depend. Sharif and Ismail (2011) also opine that *tawhid* is an important matter in Islamic faith since it relates to the declaration of faith. It is a statement that requires Muslim to tune their thinking, understanding, feeling, action and decision towards it. Sharif and Ismail (2011) further state that *tawhid* also gives the degree and quality of actions and elevates the spirit of the relationship between the human being with God and the relationship among human being as well as between human being with the other creatures. The opinion of Philips (2005) and Sharif & Ismail (2011) support the view of Mawdudi (1960) stating that the understanding and implementation of *tawhid* will have good impacts on Muslims' character building and finally lead to their success both in this world and in the hereafter.

The precept of *tawhid* is taken up in three levels in Al Ghazali's *Ihya Ulumuddin*¹¹, starting from the lowest to the highest. At the first level, the exterior skin of *tawhid* is the declaration of the Oneness of God. A person who proclaims that statement is considered to surrender (*islam*) and obliged to perform what is lawful and avoid what is prohibited. Then, the declaration is manifested into confirmation and assertion of God's Oneness by heart (*iman* or belief). A person who proclaims *tawhid* in his/her heart is expected to have moral values to help her/him differentiating between good and bad. The third level is the recognition of *tawhid* as an inner light that would result in truly God-fearing people. It is reached when someone has the feeling of being in the presence of God (*ihsan* or excellence). Chapra (2000) said that *ihsan* is the highest level of moral virtue that should inspire every thought and action of Muslim.

Tawhid signifies that God has created the universe and all the creatures with the main responsibility to worship Him (Al Qur'an, 51:156). As human beings have been created with superiority above the other creatures (Al Qur'an, 17:70), God appointed them as His representative or vicegerent on the earth (Al Qur'an, 2:30). Apart from worshipping God

¹¹ *Ihya ulumuddin* or the Revival of the Religious Sciences is an authoritative piece of writing written by Imam Al Gazali at the eleventh century. It is widely regarded as the greatest work of Muslim spirituality, and is perhaps the most read book in the Muslim world, after the Qur'an and Hadith. It was well received by Islamic scholars such as Imam Nawawi who stated that: "Were the books of Islam all to be lost, excepting only the *Ihya*', it would suffice to replace them all." The book is divided into four parts, each containing ten chapters. Part one deals with knowledge and the requirements of faith—ritual purity, prayer, charity, fasting, pilgrimage, recitation of the Qur'an, and so forth; part two concentrates on people and society—the manners related to eating, marriage, earning a living, and friendship; parts three and four are dedicated to the inner life of the soul and discuss first the vices that people must overcome in themselves and then the virtues that they must strive to achieve.

similar to any other creatures, human beings are also assigned the responsibility to bring peace and harmony in the society as well as to maintain and to develop the world's resources (Kamali, 2010). It, therefore, places human being as having dual responsibilities, which are responsibilities as a servant of God and responsibilities as a representative of God on the earth (vicegerent).

In general, the responsibility of a human being both as a servant of God and as vicegerent should be done by enjoining goods and forbidding evil. Sharif & Ismail (2011) states that the concept of good (*ma'ruf*) in Islam includes righteousness (*birr*), goodness (*khayr*) and lawful (*halal*); while the concept of evil (*munkar*) included sins (*ithm*), bad (*sharr*) and prohibited (*haram*). Righteousness is the highest level of good character in which the soul and the heart feels tranquil and involving all acts of good deeds and worshipping God (Sharif & Ismail, 2011). On the other hand, sins are defined as what create restlessness in the soul and moves to and from in heart, even though people give their opinion in favour and continue to do so (Sharif & Ismail, 2011).

As a servant of God, human beings must be passive towards God and recipient of the grace that flows from the world above (Kamali, 2010). The concept of servitude constitutes the ideological foundation of Islam. Every action taken by human beings must be done as part of worshipping God. As human beings have to be aware that God is always watching their actions, they only have to say and do what pleases God and follows to His commands. This concept also signifies that human being has the responsibility to maintain their relationship with God.¹² In doing so, they have the responsibilities to observe the five pillars of Islam including testimony of faith, *sholat*, *zakat*, fasting, and *hajj* pilgrimage as part of worshipping Him, to obey God's commands, to follow God's guidance and to avoid God's prohibitions.

Turning to the role of the human being as a representative/vicegerent of God on the earth (*khalifa*), this concept provides the operational framework for the Islamic scheme of life (Ahmad, 1971). As stated earlier, God has created human beings with their superiority above any other creatures by giving them intellect (*'aql*). According to Hassan (2014), intellect as one of the greatest gifts given by God is a divine trust (*amanah*) to human beings that should be properly utilized to support their role as God representative or vicegerent. The responsibilities of human beings as vicegerent can be classified into two main responsibilities, which are responsibility toward fellow human being as well as society and responsibility toward environment. Each responsibility is discussed below.

¹² Maintaining good relationship with God is not because God needs mankind. God does not need anything because He is alone the Owner of everything. So, maintaining good relationship with God is only for pleasing Him that, in turn; is for the benefit of the mankind themselves.

3.2.1. Responsibility to Fellow Human Beings and Society

The concept of vicegerency (*khalifah*) places upon mankind the responsibility to bring peace and harmony in the society by safeguarding the rights of his fellow humans (Kamali, 2010), developing a real sense of social consciousness, nurturing a feeling of human response and dealing with the society justly (Abdalati, 1998). As stated in the Qur'an¹³, Islam teaches Muslims to act at their best behaviour toward others. Al Mawdudi (1960) said that based on *tawhid*, all Muslims' actions both verbally as well as non-verbally should be inspired by Islamic moral virtues such as truthfulness, righteous, tolerance, and humble. It also teaches Muslim to form strong Islamic society that promotes justice among the people. Distributing wealth and benefits among the needy through *zakat* payment as well as giving charity is one of the ways to promote justice and to strengthen the bond of society. Muslims are also warned to be careful when they have a promise to the others or when they are assigned to judge any case or conflict among people in the society. Keeping the promise and giving just verdict are other responsibilities borne by every Muslim.

The concept of vicegerency also teaches the importance of brotherhood (*ukhuwwah*) in Islam. Brotherhood in Islam means that every Muslim is considered as family to one another. This concept reinforces the requirement for all Muslims to be responsible to each other and ascertains the request for the society to take care the basic needs of the orphan and the poor (Naqvi, 1981). The Qur'an invites humanity to come together under the principles of love and affection. It also implies that in fulfilling the responsibility toward other people and society, the priority should be given to closest people, then, to the less close and finally to those who has no direct relationship (Al Quran, 2:177).

Additionally, a study conducted by Helfaya, Kotb, & Hanafi (2016) in analysing the contents of the divine message of Muslims (the Qur'an) reveals that there are three ethical aspects related to the responsibility of Muslim as an individual or as a group in dealing with other human being (society). They are benefiting other humans to add positive values to themselves and society, respecting divinity and others' privacy, and achieving equality and justice.

¹³ *Surely Allah commands justice and the doing of good (to others), and giving to the kindred, and He forbids indecency and evil and rebellion. He admonishes you that you may be mindful. And fulfill the covenant of Allah, when you have made a covenant, and break not your oaths after confirming them; and you have indeed made Allah your surety. Surely Allah knows what you do.*” *Al Qur'an (16:90-91)*

3.2.2. Responsibility to Environment

As vicegerent, human beings with their intellect have the responsibility to manage and to develop world's resources. They play a central role to nurture and to care for the environment that does not only include the natural resources such as land, water, air, and energy but also includes biodiversity such as plants and animals. God has granted a full endorsement to human beings to utilize all those resources in the environment to support their life (Al Qur'an, 2: 22, 29). However, this utilization must be done in socially responsible ways, which are guided by the principles of trusteeship, moderation, and justice (Kamali, 2010). There are also certain practices that should be avoided in utilizing those resources, which are the practice of mischief making and corruption, being extravagance and infliction of harm (Qur'an, 2:11; 7:56; 17:26-27).

According to the Qur'an, to ensure that the resources given by God will last for the next generations, human beings as vicegerent bears the responsibility to protect and preserve the environment (Quran, 7: 74). This responsibility can be further classified into four responsibilities, which are a responsibility to build the earth, to keep the balance of the environment, to maintain the beauty and the cleanliness of the land, and to avoid any violation and abuse of the environment (Kamali, 2010).

Furthermore, Helfaya *et al.* (2016) identify that there are seven environmental responsibility themes observed in the Holy Qur'an. The responsibility are classified based on the core components of the natural worlds, which are responsibility to human beings, water, air, land, plants, animals and other natural resources. Every individual has the responsibility to protect human being from the harmful impact of external factors such as chemical product or waste. In line with the opinion of Kamal (2010), based on the seven environmental responsibility themes, there are five major environmental responsibilities as instructed in the Qur'an. Firstly, protecting human being from the harmful impact of external factors such as chemical product or waste. Secondly, protecting all of the core components of the natural world. Thirdly, avoiding abusive or harmful activities. Fourthly, avoiding overconsumption of the environment. Fifthly, avoiding pollution and other hazardous waste.

3.3. Shariah and the Hierarchy of Responsibility in Islam

As a way of life, Islam provides detail guidelines on how a human being should act and carry out activities to fulfil their dual responsibilities. Figure 3.1 summarizes Islam as a way of life. It includes the depiction of the philosophical foundation (*tawhid*), the sources of Islamic knowledge (*al adillah as shar'iyyah*) consisting of Al Qur'an, Hadith, Ijma', Qiyas, and the practical guidelines on Islamic teachings (*aqidah, shariah, akhlak*).

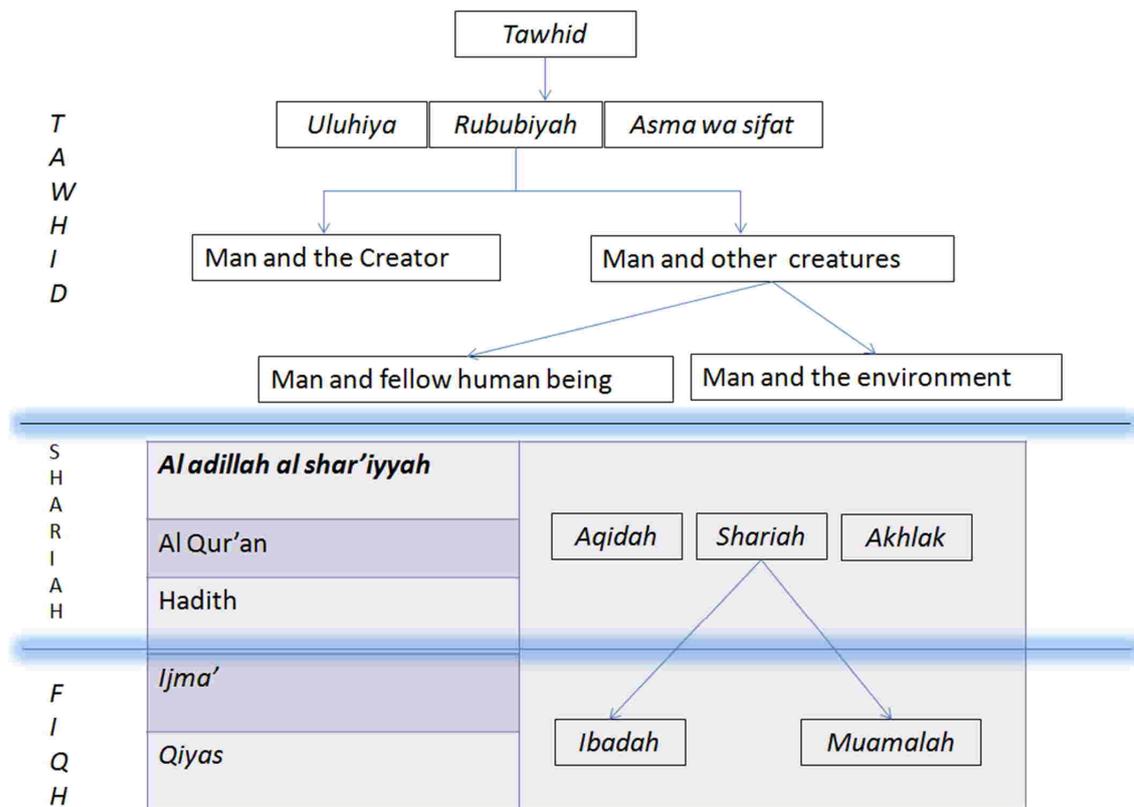


Figure 3-1 Islam as a Way of Life

As a philosophical foundation, *tawhid* provides an umbrella that inspires the Islamic way of life. As stated in the earlier section, the concept of *tawhid* signifies that human being has dual responsibilities. Islam guides performance of those responsibilities through Al Qur'an (the words of God) and Hadith (the teaching from Prophet Muhammad SAW both oral and action) that contain Islamic teachings. The Islamic teachings inscribed in the Qur'an and Hadith consist of three fundamental lessons which are *aqidah* (Islamic faith and belief), *shariah* (Islamic rules and regulations to do action and activities) and *akhlak* (Islamic moral and ethics).

In term of *shariah*, Qur'an and Hadith provide guidelines on how to do action and activities to fulfil human being's responsibility as a servant of God (*ibadah*/worship) and how to act and carry activities related to the responsibilities as vicegerent (*muamalah*). Under this *muamalah*, Islam provides guidelines on how human beings should deal with their fellow human beings and society in economics, politics, legal and others. It also provides guidance on how human beings should deal with the environment. When the guidance for a particular issue cannot be found from Al Qur'an and Hadith or in the case of certain things in which Al Qur'an and Hadith do not provide a clear description, Muslim could rely on the secondary sources of Islamic knowledge. Those secondary sources are a consensus among reputable Muslim jurists/scholars (*ijma'*) and an analogical reasoning made by prominent Muslim

jurists/scholars (*qiyas*). *Ijma'* and *qiyas* can only be conducted by prominent Muslim jurists¹⁴, through an Islamic scientific thinking (*ushl fiqh*) to derive particular law (*fiqh*) from Al Qur'an and Hadith (*shari'ah*). For contemporary issues, Muslim jurists collaborate with the experts whose area of expertise is similar to the contemporary issues being investigated.

Two things need to be taken into account when discussing *shariah*. They are the five commandments of *shariah* and the objectives of *shariah* (*maqasid al shariah*). The five commandments of *shariah* guide Muslim in choosing whether any actions or activities must/should be carried out or must/should be avoided. They are listed as follows. Firstly, obligatory (*wajib*). It commands to do certain things derived from the primary sources. Performance is awarded, non-performance is punished. Secondly, recommended (*mandoob*). Recommended actions/behaviours are rewarded but their non-performance is not punished. Thirdly, permissible (*mubah*) is lawful actions/behaviours where Muslim is given freedom to do a thing without restriction. Fourthly, dislike (*makrooh*). Refraining from dislike actions/behaviours is rewarded, but it is not punished if one does not abstain from. Lastly, is prohibited (*haram*). Actions and behaviours in this category are strictly prohibited. Their performance is punished, and avoidance is rewarded.

The second thing that should be taken into account when discussing *shariah* is the objectives of *shariah* (*maqasid al shariah*). It is the rationale why Islam provides *shariah* and why Muslim has to follow *shariah*. In Islam, there is always justification for every injunction or verse given in Qur'an as well as Hadith. Imam Al Ghazali and Imam Al Shatibi, both of whom were Muslim scholars from the early of the eleventh century, stated that the ultimate objective of *shariah* is to promote the well-being of mankind in the world and the hereafter (*falah*). The actions and activities taken by a human being are governed and regulated by *shariah* to ensure that they can achieve their wellbeing. It means that when coming into a problem in interpreting any Islamic rules, the well-being of the community should be considered at first. It is in line with the suggestion of Qardhawy (1995) in his writing on the jurisprudence of priority (*fiqh al awlawiyat*). The ultimate objective of *shariah* is further classified into three different categories in descending order of importance starting from the essential objectives (*maqasid darurriyyat*), the complementary objectives (*maqasid hajiyyat*) and embellishment objectives (*maqasid tahsiniyyat*) (Wardiyono, 2013).

The first objectives are the essential objectives. The essential objectives are the most important objectives that must be achieved and considered as an obligatory. They deal with protection of the five human's basic needs, which are religion, life, intellect, offspring, and

¹⁴ One who has deep understanding of Al Qur'an and Hadith.

wealth. It means that to achieve the well-being of mankind and to allow them to live in safety and dignity, Islam provides *shariah* to protect those essential needs. The failure in achieving these objectives might lead to the disruption of normal life order or disruption for a human being in living with safety and dignity.

The second objectives of *shariah* are the complementary objectives. These objectives are recommended to be achieved. Their accomplishment would supplement the achievement of the essential objectives. The negligence of them might lead to hardship that does not pose a threat to the wellbeing of mankind.

The last category of *shariah* objectives is the embellishment objective. These are the objectives whose accomplishment would lead to the refinement and perfection of life. The negligence of these objectives would not interrupt the wellbeing of mankind but it might result in the lack of comfort of life. They are considered as desirable to be achieved.

Based on the five commandments of *shariah* and the objective of *shariah*, Islam provides more detail explanation on the concept of responsibility. Responsibilities of human beings as vicegerent can be illustrated in a hierarchy of responsibility. This hierarchy is a building block containing the types of responsibility formed by three different level of responsibilities derived from the concept of *shariah* objectives. The lowest level is the essential responsibility. The next level is the complementary responsibility. And, the highest level is the embellishment responsibility.

About the essential responsibility, human beings have the responsibility to respect and protect the five basic human rights including religion, life, intellect, offspring, and wealth. The fulfillment of this responsibility is considered to be obligatory (*wajib*). The term of obligatory in Islam can be further divided into two types, which are personal obligatory (*fardh 'ain*) and collective obligatory (*fardh kifaya*). Personal obligatory refers to obligation in which every Muslim has the responsibility to hold and fulfill it. Whereas collective obligatory refers to obligation in which when one of the society members has fulfilled the obligation, the rest of the society has no longer been obliged to fulfill the responsibility. Respecting and protecting of religion is the example of personal obligation, whereas protecting the needs of the orphan and the needy is considered as collective obligation. Human beings also required avoiding any activities or actions that are on the contrary of the fulfillment of this responsibility as it is considered prohibited (*haram*). For example, taking the life of another human being as the opposite of protection of life is strictly prohibited, and any action of it will be punished.

On the second level of the hierarchy is complementary responsibility. Any actions and activities that support the fulfillment of this type of responsibility are recommended (*mandoob*). On the other hand, any actions and activities that jeopardize its fulfillment is discouraged (*makruh*). Lastly, embellishment responsibility, which is the highest level of responsibility, is associated with the permissible requirement (*mubah*). The person has the freedom whether or not to fulfill this responsibility as the fulfillment of this responsibility is not necessary; however, it can enhance the perfection of life in the society and environment.

3.4. Business in Islam in the Light of Tawhid and Shariah

Islam is totally accepting business, even more; it encourages Muslim to carry out business. Before being a prophet, Prophet Muhammad SAW¹⁵ himself was a merchant. Because of his good reputation as a trader, a wealthy widow businesswoman namely Khadijah, whom he finally married, asked him to take part of her businesses. They set up a simple form of business entity in which Khadijah was the capital owner, and Prophet Muhammad was the business operator. The Qur'an state that Allah has permitted trade (business) (Al Quran, 2:275). Prophet Muhammad also explained that working with our hands and all forms of buying and selling are most legitimate and blessed (*Hadith* narrated by Ahmad, Thabrani & Hakim). These two affirmations and the fact that Prophet Muhammad himself was a businessman indicate that Islam does endorse business to be conducted by Muslim.

Although the concepts of *tawhid* and *shariah* seem to be directed to mankind, Islamic business institutions (IBIs) including a *shariah*-approved company (SAC) oblige to implement these two concepts into its operation. Antonio (2003) and Sanusi (2009) state that, from the perspective of Islamic laws, IBIs is classified as juridical personality (*syakhsiyah hukumiyah*)¹⁶. It is expected that the behaviour of IBIs would not be any different from the expected behaviour of any other member of the society (Iqbal & Mirakhor, 2003). And the functioning of IBIs should also be guided by the practical guidelines of Islamic teachings, including Qur'an and Hadith as well as *ijma'* and *qiyas*. Azid, Asutay and Burki (2007) add that the responsibility of IBIs is not only to fulfill its economic objective, but it is also the duty of its management to look after the social and economic interests of all its stakeholders. Therefore, IBIs have significant roles for both economic and social life (Abeng, 1997). Muwazir & Muhammad (2006) further explain that IBIs do not only aim for satisfying material objective but it is also aimed at achieve other non-material

¹⁵ SAW refers to *ṣall Allāhu 'alay-hi wa-sallam* (May Allah honours him and grant him peace). This expression follows specifically after saying the name of the last prophet of Islam, Muhammad.

¹⁶ It is a legal concept, which states that company is a presumed person in entity with separate form differentiating itself from the individuals who establish it but it does not have human qualities (Sanusi, 2009). Sanusi further explains that as juristic person, company can perpetuate its legal status independent of the natural person, it has legal right and can own property and it is responsible for legal obligations and possesses the borrowing powers.

objective such as to secure social needs. More importantly, Shaibani (1997) adds that IBIs should be undertaken to fulfill religious obligation. To achieve these objectives, IBIs have a responsibility to implement the concept of *tawhid* and to follow the guideline of *shariah* in its daily activities.

As a group of individuals, IBIs also play a major role as vicegerent. It has the responsibility toward every single person or party dealing with them, the society as well as the environment. This concept is slightly different from the concept of the company in the West. While Islamic scholars tend to agree that, as a group of individuals, a company in Islam may have a similar responsibility as it was borne by human beings including moral responsibility; there is considerable debate among Western scholars on whether or not the company has a moral responsibility as a person. The discussion on corporate moral personhood in the West lies between those who believe that company has only legal responsibilities and those who believe that company has also a moral responsibility. The former says that, as an artificial state-created entity, the company does not hold any moral responsibility. It has no physical existence and only acts through their agents for legal purposes such as the imposition of liability. Friedman (1970), Velasquez (1983), Ladd (1986), May (1986) as well as Bevan and Corvellec (2007) are among the scholars stand on this side. For those who support the concept of corporate moral personhood, they believe that though company is not people, it shares enough characteristics to be players on the moral stage and therefore, the company can be regarded as having moral responsibility. This theory originated by French (1979) and later supported by Baier (1986) and Thompson (1986). Besides those two groups, there is Gibson (2011) who claims to be in the middle of those two groups. Gibson opined that the debate on corporate moral personhood had been trapped in traditional dichotomies. Gibson, then, suggested that the discussion would be better if it served by language that more accurately represents the dynamic interplay between organization and individual for the concern over moral responsibilities in business can be heard. The opinion of Gibson (2011) is likely similar to those of Islamic scholars in the characterising company in Islam. Triuwono (2003) in his *shariah* enterprise theory argued that, though Islamic business institution is an artificially created entity, it shares a similar responsibility to Muslim. Therefore, IBIs have to follow *shariah* to obey God and to avoid His prohibition.

With regard to IBIs' stakeholders, Beekun and Badawi (2005) opine that Islam adopts stakeholder perspective that is somewhere between Freeman (2001, 1984) and Godpaster (1991)¹⁷. It considers all stakeholders' rights as moral but divides them into three groups with different priority (Belal, 2015). In descending order of priority, stakeholders in IBIs can

¹⁷ Freeman (2001, 1984) considers the rights of all stakeholders as equally valid, whereas Godpaster (1991) questions the morality of considering non-fiduciary stakeholder rights.

be classified into three groups, which are: Firstly, the owners/financier and employees; Secondly suppliers and customers including debtors; Thirdly, other external parties such as distributors, competitors, government, and community.¹⁸

In addressing stakeholders’ claims, IBIs is governed by Islamic ethical system based on the concept of *tawhid* and *shariah*. Table 3-1 summarizes Islamic ethical system adapted from multi-level Islamic moral framework developed by Ismaeel and Blaim (2012) and the concept of religious ethics proposed by Carney (1983).¹⁹

Table 3-1 Islamic Ethical System

Level of Faith	Maqasid of Shariah	Ethics Components	Ethical Judgement	Example of Business Ethics Tenets Applicable for Islamic Business Institutions	
<i>Ihsan</i>	Embellishment	Virtues	Righteous versus sins	Benevolence	
<i>Iman</i>	Complementary	Values	Good versus bad	Trust, justice	
<i>Islam</i>	Essential	Obligations	Lawful versus unlawful	Observing obligation: <ul style="list-style-type: none"> • Legitimate earning • Trade through mutual consent • Truthfulness • Preventing harm • Fulfilling obligation 	Avoiding prohibition: <ul style="list-style-type: none"> • Dealing with prohibited items/services • <i>Riba</i> (Interest) • <i>Gharar</i> (excessive risk, uncertainty) • Foodstuff hoarding • Exploitation • Cheating and fraud

The table presents a different level of ethical awareness and commitment based on the level of religious experience and the hierarchy of *shariah* objectives. It is also accompanied by moral judgment that is derived from the concept of enjoining good and forbidding evil as described in Section 3.2. First and foremost, it is IBIs’ obligation to observe God’s instructions and to avoid God’s prohibitions. In addressing stakeholders’ claims, IBIs must be able to differentiate between what is lawful and what is unlawful. Next, it is expected that IBIs do not stop on the compliance with obligation. To achieve the ultimate objective of *maqasid of shariah* as stated in the earlier section, IBIs are expected to go beyond compliance status. It is recommended that IBIs could implement Islamic values such as trust and justice to all stakeholders. Additionally, it is desirable that IBIs could apply the

¹⁸ This is in line with the concept of close party priority as it was stated in the concept of *tawhid* concept as well as the concept of hierarchy of responsibilities.

¹⁹ Ismaeel and Blaim (2012) propose a multi-level Islamic ethics framework consisting of religion level, ethics component, shariah objectives and ethics theory that was used to formulate multi-level halal certification in business practice, whereas Carney (1983) proposes a framework of religious ethics consisting of an obligation, a value and a virtue component.

concept of *ihsan* in which Islamic moral virtues such as benevolence inspire their activities including addressing stakeholders' rights.

3.5. CSR in Islam

Referring to the concept of *tawhid* and its dual responsibilities as well as *shariah* and its objectives and commandments, CSR in Islam could be defined as the responsibility of companies toward their stakeholders including community. It can be done through fulfilling the needs of the stakeholders, promoting harmony in the society, and maintaining the balance of the environment to reach the well-being of all interested parties. Dusuki (2008) states that CSR in Islam is a moral and religious initiative believing that a company should be "good" regardless of the financial consequences. As a group of individual and as a part of community, Islamic business institutions has the responsibilities to obey God's commands and to avoid God's prohibition to protect the religion of the stakeholders. A company also has the responsibilities to toward human beings, who are stakeholders including community, as well as toward the environment.

The Qur'an and Hadith provide much information as guidelines for fulfilling those responsibilities. Among of them, some major principles are very relevant to the concept of CSR. Farook (2007) summarizes three principles derived from Qur'an and Hadith that are suitable with the concept of CSR. The first principle is the principle of vicegerency or trusteeship or *khalifah*. This principle teaches that company, as a group of individuals represented by the management team, is representative of God on the earth. God has entrusted them stewardship of God's possession. Companies have the right to utilize what have been created by God on the earth, but it must not be done at the expense of the other fellow human being as well as next generation. The second principle is the principle of divine accountability. As steward of God, every individual in the company will be accountable to God for every action taken. This principle is the basis for all actions of a Muslim and in turn the representative organization of Muslim including the company. The last principle summarized by Farook (2007) is the principle of enjoining good and forbidding evil. It means that every individual in the company has the responsibility to remind each other to do the good and to avoid the evil. In turn, the company has the responsibilities to promote executing good activities as well as avoiding harmful activities. As a group of individual, company has more power than individual in enjoining good and forbidding evil.

In addition to the principles suggested by Farook (2007), the principles of social justice or equilibrium (*al 'adl*) and brotherhood (*ukhuwah*) are also in line with the concept of CSR. Muhammad (2007) defines that social justice is being concerned with improving the economic lives of the least privileged members of the community and also being worthy of all of the resources of the society. Muhammad (2007) further states that the concept of

equilibrium includes both the goal of equilibrium and the process, the reordering of production, consumption and distribution of wealth and income so that the basic requirements of the least privileged are met. The concept of brotherhood in Islam requires that resources on the earth must be utilized for the needs of all members of society and provides a standard of living that is humane and respectable (Chapra, 2000). In term of fulfilment the needs, it was a collective duty (*fardh kifayah*) for the Muslim society to provide the minimum requirements of the poor (Muhammad, 2007).

Another principle in Islam that is suitable for CSR especially when company is facing limited ability in fulfilling the responsibilities toward human beings is the principle of close parties' prioritization. Qur'an teaches that the closest parties are the most priority parties to whom CSR should be addressed.

The concept of CSR in Islam as derived from the commandments and the objectives of *shariah* can be illustrated in Figure 3-2. This picture is quite similar to Carroll's pyramid of CSR, but there are notable differences. Carroll's pyramid of CSR consists of four types of responsibilities that are not mutually exclusive (Carroll, 1991). At the first level, Carroll (1991) put economic responsibilities as the foundation on which all other rest. Companies have the responsibility for being profitable. The second tier is legal responsibilities in which company has the responsibility to obey the law that codifies what is right and what is wrong. The third level is ethical responsibilities. In this level, companies have the responsibilities for being ethical, which is the obligation to do what is right, just, and fair. And lastly, philanthropic responsibilities in which companies have the responsibilities to be a good corporate citizen. A company needs to contribute to the community in improving the quality of community life for they can be a good citizen. Visser (2005) elaborate that the economic responsibilities deal with doing what is required by global capitalism; legal responsibilities deal with doing what is required by global stakeholders; ethical responsibilities deal with doing what is expected by global stakeholders; and lastly, philanthropy responsibilities deal with doing what is desired by global stakeholders.

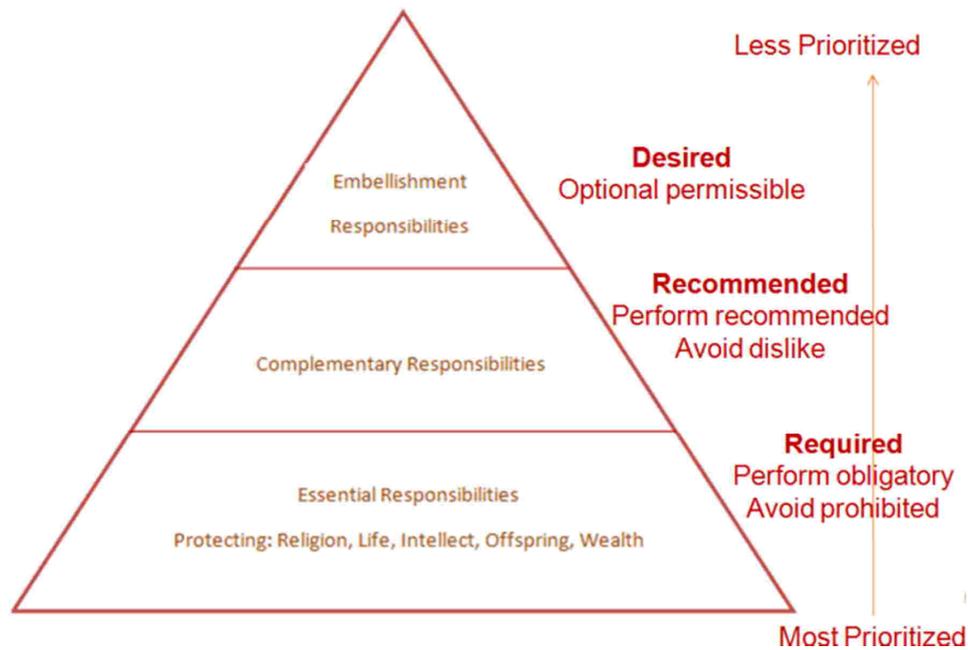


Figure 3-2 Islamic CSR Pyramid

(Derived from the five commandments of Islam and the *maqasid al shariah* concept of Al Ghazali and Shatibi and adapted from Carroll's Pyramid of CSR)

Unlike those in Carroll's Pyramid of CSR, the pyramid of CSR from an Islamic perspective in this study is based on the five commandments of Islam written in Qur'an and Hadith as well as the objectives of *shariah* as interpreted by Imam Al-Ghazali and Imam Al-Shatibi in the early of the eleventh century. Based on Figure 3-2, the concept of CSR in Islam could be divided into three difference categories starting from the most prioritized to the least prioritized and also from the required to be fulfilled to the desirable to be fulfilled.

At the first level, it is obligatory to fulfil the essential responsibilities. A company has the responsibilities to protect the religion, life, intellect, offspring as well as the wealth of the stakeholders and society by performing the required actions and avoiding the prohibited actions. Some of the obligatory actions of companies are paying *zakat*, providing a safe workplace, providing reward system that allows every employee and his/her family to live in safety and dignity. Some of the prohibited actions are dealing with interest (*riba*), dealing with excessive risk (*gharar*), dealing with speculation (*maysir*), hoarding (*ikhtikar*) and producing products or carrying out activities that harmful to the society and environment (Chapra, 2000). These responsibilities are obligatory and the most priority. Companies should not move upward when they have not fulfilled the first level.

At the second level, companies are recommended to fulfil their complementary responsibilities. These duties are conducted by performing any recommended actions and

avoiding any dislike actions. And at the highest level, there are embellishment responsibilities. These responsibilities are desirable to be fulfilled. Giving charity (*wakaf, infak and sodaqoh*) is desired to be done when a company can do so.

Moving to the more practical implementation of CSR by businesses in Islam, Table 3-2 provides the list of some examples. It is presented based on the dual responsibilities concept derived from *tawhid* and also based on the *shariah* objectives and commandments. The concept of *tawhid* provides guidelines on to whom the responsibilities should be addressed. Furthermore, the concept of *shariah* provides a guideline on what type of responsibilities to be addressed and the requirement to address.

Table 3-2 The Examples of Companies' Responsibilities

Types of Stakeholders	Mandatory Responsibilities	Encouraged Responsibilities	Desired Responsibilities
Owners (shareholders or investors)	Protecting their wealth by running their investment in any ways that do not contradict with <i>shariah</i> and avoiding interest, excessive uncertainty, hoarding, gambling, and production of unlawful product or services; Zakat payment.	Distributing dividend or any other economic contribution, providing a financial report.	Business risk and development information; interaction and communication.
Employees	Providing a workplace that is safe and allows them to perform their religious obligation; Providing adequate compensations and allowances that enable them and their family to live in safety and dignity.	Having policies or activities or facilities that can motivate employees to work harder or support their primary job.	Having policies or activities or services that might help to eliminate employees' distress.
Consumers	Producing product/services that do not harmful and threat the religion, life as well as offspring of the consumers; halal product guarantee; product safety.	Avoid misleading advertisement; providing product information; managing customer complaint.	Communication and interaction with the customer.
Suppliers	Fulfilling the right of the supplier such as making on-time payment; helping the supplier in ensuring the halal status of the product or services sent to the company.	Helping the suppliers in ensuring the quality of their goods and/or services.	Supplier appreciation.
Debtors	Avoid interest charging	Provide a debt policy that does not contradict with <i>shariah</i>	Write off the debt of the insolvent debtors.
Competitors and other business partners	Dealing with competitor fairly.	Maintaining good relationship	Communication and interaction
Government	Government regulations compliance.	Support government project/program	Communication and interaction.
Community	Avoid any activities that might produce a negative impact on the community.	Undertaking community needs and impacts analysis.	Giving charity, Community involvement
Environment	Conducting activities related to preventive, protection, and conservation of the environment. Avoid activities toward environment that endanger the well-being of stakeholders and community	Avoid activities toward environment that might produce hardship of stakeholders and community's life	Avoid activities toward environment that might lead to the lack of comfort in stakeholders and community's life

In relation with to whom responsibilities should be addressed, the concept of *tawhid* signifies that company has to fulfil its responsibilities toward every person or group related to and affected by company. The priority should be given to the closest party followed by a closer party and finally least close or party with no direct relation to the company. Every person, group or organization that has interest or concern in the company or that can affect or be affected by company's action, objectives or policies are considered as company's stakeholders (Freeman, 1983). Freeman (1984) who formulated the stakeholder theory suggested that owners are not the only claimants of a business organisation as there are some other stakeholders like employees, suppliers, customers, public, environment and others whose interests are to be protected. Clarkson (1995) also suggested that there are several types of stakeholders to whom company should address its responsibilities. Those stakeholders are primary stakeholders including employees, shareholders, customers, suppliers, and competitor; the secondary stakeholders that are government, community, and the environment.

3.6. Islamic CSR Disclosure

With regard to the concept of disclosure in Islam, Baydoun and Willet (2000) states that Western model of disclosure does not adequately satisfy Muslim users for decision making that is in line with *shariah*. According to Haniffa (2002), the model might not appropriate to portray IBIs' activities correctly as it does not recognize the responsibility to God. In fact, the most important notion of every discussion on the concept of disclosure in Islam is accountability (Lewis, 2006). Lewis added that the accountability in Islam is interpreted as being, first and foremost, accountability to God through making information freely available. Thus, full disclosure can be considered as one of the principles of disclosure in Islam. It would be easier for IBIs to fulfil the right of their interested parties and community if they know how to implement its responsibility to God. Besides utilizing the principle of full disclosure, the concept of disclosure in Islam should also consider the principle of truthfulness and relevancy (Lewis, 2006). Since disclosure of information is considered as a sacred duty or sanctity contract (Ichsan & Khalil, 2007; Reli, 2009), IBIs is spiritually enforced to implement those three principles.

Similar to CSR disclosure theories from the Western perspective, CSR disclosure in Islam is also used as a way to communicate companies concern, commitment, and action on CSR to all interested parties for decision making. But, as opined by Baydoun & Willet (1994), Haniffa (2003) and Harahap (2003), Islamic CSR disclosure should embrace a different set of requirement from the Western format. It should provide information showing IBIs compliance with *shariah Islamiyyah* (Harahap, 2003; Maali *et al.*, 2003). Most of all, Islamic CSR disclosure is expected to demonstrate the accountability of IBIs to God (Haniffa, 2002). Consequently, the primary objective of Islamic CSR disclosure is to

demonstrate the accountability of IBIs to God and to show the compliance of IBIs with *shariah*. However, the role of Islamic CSR disclosure in assisting the interested parties to make economic decisions as in the Western CSR disclosure model should not be neglected either. In relation with the principles of Islamic CSR disclosure, the principles of full disclosure, truthfulness, and relevancy are to be adopted as it is required in the general model of Islamic reporting.

Turning to CSR information need to be disclosed by IBIs especially SACs, the concept of *tawhid* and *maqasid al shariah* signify that SACs has the responsibility to disclose any information related to its relationship with God, stakeholders, and community as well as the environment. As such, it is expected that IBIs would provide disclosure of that information. The next sections provide the discussion of what information should be disclosed by SACs.

3.6.1. Disclosure for Information Related to Company's Relationship with God

It should be mandatory for SAC to disclose all information related to their relationships with God. It is not because God needs to know how company discharges its accountability to God; instead, it is used to communicate company's compliance with *shariah*. To comply with *shariah*, the underlying philosophy and values adopted by IBIs has to be a manifestation of the concept of *taqwa*, which is observing God's commands and avoiding God's prohibitions. Hence, SAC is expected to clearly communicate their commitment and action to operate within *shari'ah* boundary, the adoption of Islamic business ethics and practices, commitment to engage with all stakeholders, and their awareness of God existence. Among the information related to this disclosure are:

- a. Disclosure of Corporate Mission
- b. Disclosure of *Shariah* Supervisory Board
- c. Disclosure of *Shariah* Compliance Guarantee
- d. Disclosure of Value Added Statement

3.6.2. Disclosure for Information Related to Company's Relationship with Stakeholders and Community

The disclosure of information related to its relationship with stakeholders and community depends on the type of responsibility. It is an obligation to disclose information related to IBIs' essential responsibilities toward stakeholders. The disclosure of information related to IBIs complimentary responsibility is strongly encouraged, whereas the disclosure of information related to IBIs' embellishment responsibility is desirable. The disclosure that should be made under this part is disclosure of responsibilities to stakeholders and

disclosure of community involvement, which will be further described in the following paragraph.

3.6.2.1. Disclosure of Employee Category

Islam has many underlying creeds about the way people are treated in their workplace. Islam is often regarded as having more principles on how to treat employees than the other stakeholders. In general, the relationship between employer and employee in Islam is based on brotherhood in which both parties must deal with each other justly and with respect. The organization structure should be designed based on brotherhood concept with strong and caring leadership. Prophet Muhammad was reported to have said the following statement: *"If a Muslim has another person under his control, he/she should feed them with the like of what he/she eats, and clothe them with the like of what she/he wears. He/she should not overburden them with what they cannot bear, and if that be the case, lend his/her help to them."*²⁰

In relation to compensation, the Prophet taught Muslims to specify wage for their employees in advance²¹, not to delay the payment²² and to provide fair compensation (Qur'an, 7: 85). Though employee might agree to be paid in an unfair rate of compensation in certain circumstances like in poverty where people have no choice but to work, Islam requires Muslim not to do such thing as it could be considered as exploitation. Justice and fair dealing are to be held all the time in Islam. Islam also encourages the employer to give employees both physical and mental rest and to ensure them that they will be compensated when they become too old to work. As seeking knowledge in Islam is also mandatory for every Muslim, employers are encouraged to facilitate their employees to enhance their understanding of their work and their understanding of Islamic values. Lastly, Islam also encourages Muslim to treat employee justly without discrimination regardless gender, colour, race and any other background (Qur'an, 49: 13). Additionally, Helfaya *et al.* (2016) also suggest that the Qur'an requires business institutions to provide safe working environment and consider the satisfaction of their employee.

The above discussion implies that IBIs as the employer has responsibilities to provide fair wages, on time payment, employee welfare, training and development, protection of their basic right, equality and other responsibilities to support the fulfilment of employee rights. To communicate this fulfilment of those responsibilities, the disclosure of employee category should consist of a number of employee disclosures such as:

- a. Disclosure of information related to compensation

²⁰ Hadith narrated by Bukhari No. 2359

²¹ Hadith narrated by Abu Sa'eed Al Kudri

²² Hadith narrated by Ibnu Majah

- b. Disclosure of employee welfare and safety
- c. Disclosure of employee basic rights
- d. Disclosure of company's employee management
- e. Disclosure of employee safety
- f. Disclosure of employee satisfaction

3.6.2.2. Disclosure of Shareholders Category

The most central responsibility of company to its shareholders or owners according to Islam is protecting shareholders' fund though in minor amount of the fund by investing it in any ways that do not violate *shariah* and paying the zakat related to the yield resulted from the investment. Additionally, the company has the responsibility to share the profit justly and to inform how the fund being managed. Hence, the disclosure of shareholders category should include:

- a. Disclosure of business types, development and risk
- b. Disclosure of dividend and other profit sharing
- c. Disclosure of shareholder interaction and communication

3.6.2.3. Disclosure of Customer Category

Islam has a comprehensive framework for protecting the consumer. Though in general, the framework seems to be relatively similar to the commercial laws, there are noticeable differences between the two. While commercial laws for consumer protection are made by human for the sake of convenience only and has no reward in complying it, consumer protection in Islam are based on divine principles, and there is promised rewards both in this world in the Hereafter for complying it. (Khan and Aftab, 2002). The primary responsibility borne by IBIs is to ensure that their product/services do not contain any prohibited components and do not harm the consumer in both short and long term. Islam also required businessmen/businesswomen to give full measure, to provide adequate and truthful information about their products or services, and to maintain good communication with the customer. Hence, the disclosure of employee category by IBIs should include:

- a. Disclosure of product information, quality, safety, and halal status.
- b. Disclosure of company commitment to maintain good relationship with the customer.
- c. Disclosure of after sale/transaction provision

3.6.2.4. Disclosure of Supplier Category

The supplier has a significant role in ensuring that every product made by the company does not come from non-halal sources. Therefore, the company has the responsibility to help its suppliers to ensure that their supply comes from halal and responsible sources. According to Islam, the company is also accountable for making on time payment and fair

price to its supplier. Additionally, the company has the responsibility to maintain a good relationship with the supplier. Hence, the disclosure of supplier category should include:

- a. Disclosure of how company assist supplier to be a responsible supplier
- b. Disclosure of payment policy
- c. Disclosure of information related to company-supplier relationship

3.6.2.5. Disclosure of Debtor Category

Islam gives distinct attention to debtors. In line with the spirit of brotherhood, companies are required to be tolerant to their debtors. In an extraordinary situation, borrowers are entitled to receive *zakah* and debts should be written off as charity²³. Consequently, the disclosure of debtor category should include:

- a. Disclosure of debt policy
- b. Disclosure of debt written off

3.6.2.6. Disclosure of Government Category

In addition to obeying God and Prophet Muhammad, Islam requires every Muslim both individually and collectively to follow their government (*ulil amri*)²⁴. IBIs too has a responsibility to obey the government in which the IBIs operate by complying government regulation, supporting government project/program as well as providing economic contribution such as tax. Therefore, the disclosure of government category should include:

- a. Disclosure of compliance with regulation
- b. Disclosure of company's economic contribution
- c. Disclosure of company's support to government project/program

3.6.2.7. Disclosure of Community Category

As part of community in which IBIs operates and makes money, IBIs has responsibility to contribute toward the betterment of the community's well-being. Community development, economic empowerment, support for education, sport, culture, public facilities, religious, human right, and anti-corruption/bribery, disaster relief, respecting local custom are among the responsibilities of SAC toward community. As such, the disclosure of community category is expected to include:

- a. Disclosure of community development
- b. Disclosure of support for community's needs
- c. Disclosure of community communication and satisfaction
- d. Disclosure of economic empowerment

²³ If debtor is in difficulty, grant him time till it is easy for him to repay. But if you remit it by way of charity, that is the best for you if you only know. (Qur'an, 2: 280).

²⁴ O you who believe! Obey Allah and obey Prophet Muhammad SAW and those of you who are in authority. (Qur'an, 4:59)

3.6.3. Disclosure for Information Related to Company's Relationship with Environment

Similar to the disclosure for information related to the relationship with stakeholders and community, disclosure for information related to company's responsibility with the environment is also classified into mandatory, strongly encouraged and desirable. The disclosure should communicate information about how company fulfils its responsibilities on building the environment as well as maintaining the balance, the beauty, and the cleanliness of the environment. It should also communicate information on how a company avoids any violation or abuse of the environment. Deriving from the Qur'an, Helfaya *et al.* suggest that business institution has the responsibility to protect the seven core components of the environment and not to over-consume them or abuse them.

Based on the discussion above, the disclosure of environmental category should include:

1. Disclosure of the protection of land, water, air, biodiversity including animals and plants and other natural resources;
2. Disclosure of preventive actions in avoiding pollution, harmful waste, climate change, carbon footprint and other negative impact;
3. Disclosure of waste management;
4. Disclosure of contribution to beautify environment, facilitating cleanliness, restoring historical building.

3.7. Prior Empirical Studies on Islamic CSR Disclosure

Empirical studies on Islamic CSR disclosure started to gain scholars' attention on the 2000s. Maali *et al.* (2003) and Haniffa and Hudaib (2007) can be considered as the first two well recognized empirical studies investigating how social aspects of Islamic accounting was implemented and accepted in Islamic business institutions.²⁵ Though both studies employ different term for capturing the social dimension of accounting in Islam²⁶, they both develop benchmark sets of Islamic social reporting that provide the basis for empirical studies on Islamic CSR disclosure afterward. The benchmarks are mainly driven by the authors' understanding of Islamic literature. While the benchmark of Maali *et al.* is developed based on the concept of accountability, social responsibility, and justice as well as ownership and trust in Islam, Haniffa and Hudaib's benchmark is developed based on *shariah* principles

²⁵ Studies on Islamic perspective of accounting before 2000s concerned more on general accounting theory and overall reporting for Islamic business entities. (Gambling and Karim, 1986; 1991; Adnan and Graffikin, 1997; Baydoun and Willet, 2000; Sulaiman, 2000). Those studies are normative in nature. There is also a well-known study on Islamic social reporting before Maali *et al.* (2003) and Haniffa and Hudaib (2007), which is Haniffa (2002). But, the study is also normative in nature.

²⁶ Maali *et al.* (2003) used the term of Islamic social reporting whereas Haniffa and Hudaib (2007) used the term of Ethical Islamic Identity.

concerning with the concept of *al adl*, *al ihsan*, *barokah* and *al falah*.²⁷ Additionally, both studies consider AAOIFI CSR disclosure for Islamic banks in developing the benchmarks. The benchmark of Haniffa and Hudaib (2007) seems to be more comprehensive than the benchmark of Maali *et al.* (2003). It is because, besides accomodating the Islamic teaching, Haniffa and Hudaib also accommodated CSR disclosure framework developed by previous studies from the mainstream perspective such as Cowen *et al.* (1987), Ernst & Ernst (1979), Gray *et al.* (1995), Guthrie and Parker (1989, 1990).²⁸ The findings of both Maali *et al.* (2003) and Haniffa Hudaib (2007) through content analysis of 29 and 7 Islamic banks' annual report, correspondingly, show a large gap between the communicated social responsibility and the ideal benchmark.²⁹ It implies that the richness concept of social responsibility in Islam seems to be less implemented.

Following Maali *et al.* (2003) and Haniffa and Hudaib (2007), some studies on CSR disclosure in Islamic banking are conducted by adopting the benchmark of Maali *et al.*, Haniffa and Hudaib as well as both studies. (Abdul-Rahman *et al.*, 2010; Farook *et al.*, 2011; Zubairu *et al.*, 2011; Aribi and Gao, 2012; Abdul-Rahman and Bukhair, 2013; Mallin *et al.*, 2014; Aribi and Arun, 2015). Additionally, similar studies were conducted by utilizing AAOIFI CSR disclosure standard as the benchmark (Hassan and Harahap, 2010; El-Halaby and Husssainey, 2015). There are also some other studies using the framework developed by prior studies in the West such as Arshad *et al.* (2012) that modify Branco and Rodriquez (2008)'s framework and Belal *et al.* (2014) that adopt the framework of OECD and GRI. Those studies also find similar findings to those of Maali *et al.* (2003) and Haniffa and Hudaib (2007) through content analysis. There was also a large gap between the disclosure practiced by Islamic business institutions and the benchmark. Prior studies using interview and survey method like Sairally (2013), Belal *et al.* (2014), Aribi and Arun (2015) confirm that Islamic bank practitioners have firm belief and good understanding on the richness of social responsibility concept in Islam. However, their findings also show that the belief and the understanding have not been translated adequately into practice.

Studies using longitudinal approach observes a more promising finding. Abdul-Rahman *et al.* (2010) in investigating CSR disclosure of Islamic Bank of Malaysia for 13 years found that Islamic CSR disclosure had improved in term of volume and manner over the period. A similar study conducted by Belal *et al.* (2013) also found that there is a noticeable improvement in CSR disclosure level of Islamic Bank of Bangladesh. In the early of its

²⁷ Haniffa and Hudaib (2007) defines *al adl* and *al ihsan* as justice and welfare in society, *barokah* as seeking God's blessing and *al falah* as the ultimate aim of attaining success in the world and the hereafter.

²⁸ The final benchmark of Maali *et al.* (2003) consists of 30 disclosure items, whereas Haniffa and Hudaib (2007)'s benchmark consists of 78 disclosure items.

²⁹ The percentage of disclosure reported by Maali *et al.* (2003) and Haniffa and Hudaib (2007) as compared to the expected benchmark were only 13.3% and 48% respectively.

operation (1983), the disclosure of information related to social responsibility only covered 1% of the ideal Islamic social responsibility. Within 17 years, the coverage of disclosure reaches 75% of the ideal benchmark.

The benchmarks developed by Maali *et al.* (2003) and Haniffa and Hudaib (2007) do not only provide the basis for empirical studies on Islamic CSR disclosure for Islamic banks but also for other Islamic business institutions. Othman *et al.* (2009) and Othman and Thani (2010) adopt Haniffa and Hudaib's benchmark to measure Islamic CSR disclosure practiced by SAC in Malaysia. The result shows that CSR disclosure of those SAC is considered minimal. Additionally, the disclosure focuses more on society category followed by product and investment and environment, whereas employee and product/services are given less attention. Othman *et al.* (2009) also reported that the amount of CSR disclosure by SAC is significantly influenced by company size, profitability, and board composition. Similar studies on SACs in Malaysia are also conducted by Ousama and Fatima (2010) as well as Haji and Ghazali (2013). By modifying Maali *et al.* (2003)'s and Haniffa and Hudaib (2007)'s benchmark, Ousama and Fatima (2010) as well as Haji and Ghazali (2013) also find a minimal amount of Islamic CSR disclosure. This finding is supported by Arsad *et al.* (2014) who examine Islamic CSR disclosure practice by 114 SAC in Malaysia. By using *maqasid of shariah* concept, Arsad *et al.* report that Islamic CSR by SAC is still lacking of Islamic values or principles and mainly related to protection of faith. Ousama and Hamid (2010) also observes the significant impact of ownership structure and auditor type on the determination of CSR disclosure amount, whereas Haji and Ghazali (2013) find board size, company size, leverage and government ownership as significant determinants of Islamic CSR disclosure.

Another study on CSR disclosure by SACs is conducted by Wardiwiyono (2012). The study investigates CSR disclosure practice by SAC and non-SAC in Indonesia. By adopting CSR disclosure instrument developed by Hackstone and Milne (1996), it reports several findings. Firstly, the amount of CSR disclosure in Indonesia was low³⁰. Secondly, the extent of SAC's CSR disclosure is significantly greater than those of non-SAC. Thirdly, there is no significant difference between SAC's CSR disclosure in the year 2007 and 2008. Lastly, company size is found to be the only significant determinants in affecting the amount of SAC's CSR disclosure. For ease of reference, Table 3-2 is presented to summarize previous studies on Islamic CSR disclosure.

³⁰ The percentage of disclosure to 78 items developed by Hackstone and Milne (1996) is 27% for SAC and 19% for non-SAC.

Table 3-2 Prior Empirical Studies on Islamic CSR Disclosure

Studies	Country	Aims	Theoretical Perspective	CSR Research Framework	Sample and Field	Data Collection	Analysis method	Data Year	% of CSR	Findings
Maali, Casson and Napier (2003)	16 countries	To develop a benchmark set of social disclosure suitable for Islamic banks and to empirically investigate social disclosure by Islamic bank based on the benchmark.	Descriptive Stakeholder theory, legitimacy theory, PET.	Nine themes, 30 items based on authors' understanding of Islamic concept of accountability, social justice as well as ownership & trust. AAOIFI standard is also considered.	29 Islamic banks	Content analysis	Descriptive statistics	2000	13.3%	Islamic social reporting by IBs is significantly short of the expectation. Banks tends to disclose information that has a positive impact on their image. Bank required pay zakah disclose more social information than bank not subject to zakah.
Haniffa & Hudaib (2007)	Arabian Gulf Region (six countries)	To explore whether any discrepancy exist between the communicated and the ideal ethical identity in Islamic banks	Descriptive Ethical identity benchmark based on shariah	Eight themes, 78 items based on authors' understanding shariah principles with consideration of AAOIFI, Cowen <i>et al.</i> (1987), Ernst & Ernst (1979), Gray <i>et al.</i> (1995), Guthrie and Parker, 1989, 1990)	7 banks	Content analysis	Descriptive	2002-2004	48%	1). There is only one bank with an overall mean of EII above average. The others suffer from the disparity between the communicated and the ideal. 2). The largest incongruence is related to disclosure of 4 dimensions: society; corporate vision and mission, zakah ; and top management.
Othman, Thani and Ghani (2009)	Malaysia	To identify the determinants of Islamic social reporting.	Hypotheses testing	43 items developed based on Haniffa (2002)	56 SAC	Content analysis	Regression	2004-2006	- (no of occurrence)	1). The ranking: society, finance and investment, environment, product and services, corporate governance, employee. 2). Size, profitability BOD are significant determinants of ISR
Abdul-Rahman, Hashim and Abu-Bakar (2010)	Malaysia	To examine the themes, location, extent, and trend of CSR disclosure in BIMB.	Descriptive	Nine themes based on Maali <i>et al.</i> (2003)	Bank Islam Malaysia Berhad	Content analysis	Descriptive	1992-2005	- (no of sentence)	CSR disclosure in BIMB consists of disclosure of employee, product, and community involvement. Most of them were found in chairman's statement, financial statement and director reports. Overall, the disclosure has improved in term of volume and

										manner over the period.
Hassan and Harahap (2010)	Bahrain, UAE, Bangladesh, Indonesia, Malaysia, Saudi, Kuwait.	To explore CSR reported by Islamic banks in their annual report as compared to ICSR benchmark.	Descriptive	78 items, eight themes, AAOIFI	7 Islamic banks	Content analysis	Descriptive	2006	38%	The overall mean CSR index in one bank was found to be above average, and CSR is not a primary concern of Islamic bank.
Othman & Thani (2010)	Malaysia	To measure the extent of Islamic social reporting practiced by SAC.	Descriptive study Accountability in Islam	43 items six dimensions based on Haniffa (2002), other previous studies	56 SAC	Content analysis	Descriptive quantitative	2004-2006	22%	The extent of Islamic social reporting by SAC is considered minimal.
Ousama & Hamid (2010)	Malaysia	To examine the relationship between the extent of voluntary disclosure (overall, conventional, Islamic) and firm-specific characteristic	Hypotheses testing Agency theory Signalling theory	59 items (Islamic: 28 items) based on Baydoun & Willet (2000), Hameed (2000), Haniffa (2002), Maali <i>et al.</i> (2003), Haniffa & Hudaib (2007)	50 top SAC	Content analysis	Regression	2003	19.2%	1). Ownership structure significant associates overall and conventional disclosure, 2). The type of audit firm associated with overall and Islamic disclosure; 3) Manufacturing SAC discloses more information than non-manufacturing.
Wardiwiyono (2011)	Indonesia	To examine whether the discrepancy between CSR disclosure by SAC and non-SAC in Indonesia exist. To investigate the determinants of CSR disclosure by SAC and non-SAC.	Hypotheses testing	Seven themes, 78 items from Hackstone and Milne (1996)	16 SAC and 34 non-SAC	Content analysis	Independent sample t-test Regression analysis	2007-2008	27% (SAC) 19% (Non)	Though the extent of CSR disclosure in Indonesia is still low (27% for SAC and 19% for non-SAC), the extent of CSR disclosure of SAC is significantly greater than non-SAC. The significant determinant of CSR disclosure in SAC is only firm size, whereas the determinant in non-SAC is commissionaire board size.
Farook, Hassan, Lanis (2011)	14 countries	To measure CSR disclosure level of Islamic banks and its possible determinants in Bahrain, Bangladesh, Egypt, Iran, Jordan, UAE, Kuwait, Malaysia, Pakistan, Qatar, Saudi Sudan, Yemen Turkey	Hypotheses testing Political economy theory, relevant public, corporate governance (agency problem, monitoring mechanism,	32 items developed by Maali <i>et al.</i> (2003)	47 Islamic banks	Content analysis	Regression	2002 and 2003	16.8%	1). The majority of Islamic banks disclose less than expected, with appearance differences in CSR disclosure levels. 2). The political right and civil liberty (Muslim population), corporate governance (cross membership of SSB, Ph.D. governance member, prominent shariah scholar), the ratio

			ownership structure)							of investment account holder to total assets are found as significant determinants.
Zubairu, Sakariyau & Dauda (2011)	Saudi Arabia	To compare social reporting made by 4 Islamic banks in Saudi Arabia one another.	Descriptive	Ethical Islamic Identity (Haniffa & Hudaib, 2007)	4 Islamic banks	Content analysis	Descriptive	2006-2009	40%	Islamic banks Saudi Arabia has a more common feature to the conventional bank than Islamic banks. The different between Islamic and conventional banks was not clearly seen.
Aribi and Gao (2012)	Gulf countries	To examine the impact of Islam on CSR and CSRD in IFIs.	Descriptive Islamic principles related to CSR. (zakah, qard Hassan, ihsan, brotherhood)	Seven themes, based on prior studies. (Rice, 1999; Kamla, 2005; Maali <i>et al.</i> , 2006; Haniffa & Hudaib, 2007).	21 IFIs	Content analysis	Descriptive statistics	2004	- (no of word)	The largest CSRD by IFIs is the disclosure of SSB. The other information is zakah and charity donation, compliance with shariah, philanthropy, employees, and community.
Arshad, Othman & Othman (2012)	Malaysia	To examine the effect of CSRD on corporate reputation and firm performance.	Hypothesis testing	Eight dimensions, 32 items (philanthropy, employee, SSB environment, customer, community, workplace, marketplace) from KLSE CSR framework & prior studies	50 firm-year data of Islamic banks	Content analysis	Regression analysis	2008-2010	63.7%	1). CSR activities and its disclosure from Islamic perspective can also be considered as one of business strategy in creating continuous good performances. 2). Islamic banks need to develop stakeholder-oriented strategies to increase their responsibilities from an Islamic perspective.
Babacan (2012)	Australia	To examine the quality and nature of CSR disclosure in the website and report of Australian IFIs.	Vicegerency, divine accountability, enjoining goods and forbidding of evil principles	Three themes: reference to shariah, zakat, charity & donations, contribution to the socially motivated project.	Two non-bank IFIs	Content analysis	Qualitative	-	-	CSR disclosures made by Australian IFIs are less than what it was expected.
Haji and Ghazali (2013)	Malaysia	To investigate the quality if voluntary disclosure by shariah-approved companies and to examines the determinants of it.	Hypotheses testing	48 items developed based on Gray <i>et al.</i> (1995), Hakstone & Milne (1996), Haniffa & Cooke (2005).	76 SACs	Content analysis	Regression analysis	2009	20%	1). The disclosure quality is low. 2). Board size, company size, leverage and government ownership are the significant determinants of the disclosure.

Kamla & Rammal (2013)	12 countries	To examine social reporting by Islamic banks especially related to social justice in UAE, UK, Saudi, Bangladesh, Bahrain, Arabia, Malaysia, Pakistan, Indonesia, Egypt, Jordan, Qatar.	Descriptive Social justice in Islam	Shariah compliance; social investment and project; credit for the poor and disadvantaged; community support zakat and charities; qard hasan.	19 Islamic banks	Content analysis AR & Website	Qualitative analysis (Miles and Huberman,	2007, 2008, 2009, 2010	- (no of sentence)	Islamic banks emphasise their disclosure on a religious character by claiming their shariah compliance. Unfortunately, the detailed information regarding initiatives in poverty eradication and social justice enhancement is lacking.
Abdul-Rahman and Bukhair (2013)	GCC	To examine the influence of SSB and its characteristics on CSR disclosure in Islamic banks.	Hypotheses testing Islamic worldview, accountability in Islam, ISR	13 themes, 71 items based on Maali <i>et al.</i> (2003)	53 banks	Content analysis	Regression	2008	13%	There is an increase CSR disclosure in Islamic banks' annual report; SSB has a positive significant impact on CSR disclosure. Other significant variables are size, financial and economic performance.
Sairally (2013)	International	To assess corporate social performance Islamic financial institution worldwide.	Descriptive Carol's pyramid of CSR	CSR principles, Corporate responsiveness, Impact of CSR actions	46 IFIs 55 IFIs practitioners	Content analysis (AR & Web) Survey	Qualitative analysis (locating, evaluation, exploration, interpretation) Descriptive statistic.	2004	20%	The majority of IFIs practitioners believe that IFIs have integrated social role. The practice, however, reflected a more limited CSR. It only focuses on legal, economic and shari'ah responsibilities. CSR was practised as a peripheral activity rather than an integral, well thought-out policy decision.
Arsad, Said, Yusoff, Haji-Othman, and Ahmad (2014)	Malaysia	To examine the relationship between Islamic CSR disclosure and firm performance in Malaysian SAC.	Hypotheses testing	92 items, four CSR themes (marketplace, workplace, community, environment) & five maqasid shariah	114 SAC	Content analysis	Partial Least Square	2010 and 2011	35%	ICSR disclosure by SAC still lacks of Islamic values and principles especially in relation with the protection of faith. The positive significant relationship was observed between ICSRD and firm performance.
Belal <i>et al.</i> (2014)	Bangladesh	To undertake a critical examination of the ethical and developmental performance of an Islamic bank	Case study	149 items, spreading into 16 categories, consisting of 89 items from OECD and GRI (60 items for shariah compliance)	27 AR of Islamic Bank of Bangladesh One chairman, 3 CFO, 1 HCSAD, 1 SCM	Content analysis In-depth interview	Qualitative analysis (Miles <i>et al.</i> , 2013)	1983-2010	42%	1). The increase in ethical disclosure (from 1% to 75%); 2). The focus on various stakeholders has varied over time: the first to decade is for shariah compliance; the disclosure post-2005 is shifted to a universal disclosure, 3). The bank failed to provide full disclosure in certain categories.
Mallin, Farag and Ow-Yong	13 countries	To examine the relationship between CSR and Islamic	Descriptive and hypotheses	Ten dimension, 84 items from Maali <i>et</i>	90 Islamic banks	Content analysis	Regression	2010-2011		1). Islamic bank engages across the range of social activities, though they

(2014)		banks' financial performance.	testing Neo-classical economy theory, stakeholder theory	al. (2006) and Haniffa & Hudaib (2007)					44.4%	seem to show more commitment to vision mission, top management, and financial products; least attention on the environment, 2) CSR disclosure is determined by financial performance, and SSB size is highly significant in explaining the variation of CSR disclosure index.
Musibah & Alfattani (2014)	Gulf cooperation Council Countries	To examine the impact of SSB effectiveness and intellectual capital on CSR in Islamic banks.	Hypotheses testing	CSR is measured by the donation amount; expenditure on staff training and other working condition and community involvement	36 Islamic banks (180 observations)	Secondary data	Hierarchical regression analysis	2007-2011	- (money spent)	SSB effectiveness, capital employee efficiency, and structure capital efficiency have a significant impact on CSR. Financial performance was significant in mediating the relationship between SSB effectiveness, CEE, and SCE and CSR in Islamic banks.
Aribi & Arun (2015)	Bahrain	To understand management perceptions of CSR and its disclosure in IFIs in Bahrain.	Descriptive	Previous studies (Rice, 1999; Kamla et al. 2006; Maali et al. 2006; Haniffa and Hudaib, 2007; Williams & Zinkins, 2010; Aribi & Gao, 2010,2012)	7 IFIs in Bahrain 18 IFIs manager	Content analysis In-depth semi-structured Interview	Qualitative analysis Descriptive statistics	2006, 2008, 2010	27%	1). Religion seems to be the primary motivation fuelling CSR recognition. 2). Lower CSRI scores on employees, debtors, and the environment. 3). Overall, the sound managers' understanding on CSR has not been translated adequately into practice.
El-Halaby & Hussainey (2015)	25 countries	To examine the determinants of CSR disclosure in Islamic banks.	Hypotheses testing Accountability in Islam	95 items based on AAOIFI standard 7.	135 Islamic banks	Content analysis	Regression	2013	28%	1) Very little CSR disclosure 2) The positive association between CSR and accounting standards, auditor type, size and the existence of sharia auditing department.

The above discussion shows that there are two major research gaps in the extant research of CSR disclosure from Islamic perspective. Firstly, prior studies on Islamic CSR disclosure are still limited; limited in numbers and limited only in Islamic financial institutions. It can be seen from Table 3-2 showing that; only five out of 23 studies exploring CSR disclosure in SACs; the remainder focus on CSR disclosure in Islamic financial institutions. None of prior studies on CSR disclosure in SACs are conducted at international level. Additionally, most of the studies only focus on measuring CSR disclosure level, and limited studies investigating what determine the disclosure. To fill this gap, the current study focuses on researching the disclosure of Islamic CSR disclosure in SAC. It is not only intended to explore the content and the level of disclosure, but also to investigate the determinants of the disclosure. Additionally, the current research involves SACs from three different countries that allow a comparison at the international level.

Secondly, though the richness of social responsibility concepts in Islam had been recognized and understood by Islamic business practitioners (Sairally, 2013; Belal *et al.*, 2014, Aribi and Arun, 2015), those concepts had not been translated adequately into practice. The findings of prior empirical studies on Islamic CSR disclosure show that there was a large gap between the disclosed social responsibility and the ideal benchmark used by each study. The average number of items used as the benchmark for measuring Islamic CSR disclosure by those studies was 67 items. As compared to the ideal benchmark, the percentage of Islamic CSR disclosure is only 30%, on average, ranging from 13% (Abdul-Rahman and Bukhair, 2013) to 63,7% (Arshad *et al.*, 2012). This figure is considered low considering that Islam is rich of the concepts, values and principles of social responsibility that must be upheld by every Islamic business institution. It seems that Islamic CSR was practiced as a peripheral activity, not an integral and well thought-out policy decision.

The gap may be because the benchmarks used in prior studies cannot completely portray the Islamic requirements of CSR disclosure. As stated earlier, studies like Arshad *et al.* (2012), Belal *et al.* (2014) and Wardiwiyono (2012) use the instrument developed based on Western context, which are Branco Rodriquez (2008), OECD and GRI, Hackstone and Milne (1996), accordingly. For the Islamic benchmark developed by prior studies, all the benchmark were originally intended to portray the disclosure of Islamic financial institutions especially Islamic banks (see the benchmark of Haniffa & Hudaib (2007), Maali *et al.* (2003), and Belal *et al.* (2015) that are adopted by other studies like Haji and Ghazali (2013), Othman *et al.* (2009), Othman & Thani (2010), Ousama and Hamid (2010)). Currently, there is no formalized Islamic CSR disclosure instrument that can be used to measure Islamic CSR disclosure in SACs across industries. Though Arsad *et al.* (2014) develop an Islamic CSR disclosure instrument for SAC based on *maqasid of shariah*, the

instrument only covers 92 items related to the protection of the five human basic foundations (religion, life, intellect, offspring and wealth).

Replying to the second research gap found in prior studies on Islamic CSR disclosure, this current study offers a more comprehensive Islamic CSR disclosure instrument that is applicable for SACs across industries. The instrument consists of items that are derived from the concept dual responsibilities of *tawhid* implying that, as a group of individual, every Islamic business institution including SAC has the responsibility to maintain a good relationship with God as well as with the other creatures including mankind and environment. Furthermore, the instrument covers Islamic business institutions responsibilities toward God, other human being and environment. Also, referring to the concept of *maqasid of shariah*, the instrument classifies the responsibilities into essential responsibilities, complementary responsibilities and embellishment responsibilities. In more practical way, the items are classified into different categories based on the concept of stakeholder theory. This classification may ensure that there will be no certain group of stakeholder being left out. The classification also allows a further analysis through partitioning CSR disclosure into specific category. The adoption of stakeholder theory is in line with the suggestion of Arshad *et al.* (2012) stating that Islamic business organizations need to develop stakeholder-oriented strategies to increase their responsibilities from an Islamic perspective. It might be done by adopting the concept of stakeholder to identify who the stakeholders of Islamic business entities are and what responsibilities have to be delivered to them. Also, the partitioning of CSR disclosure analysis into different category is in line with the suggestion of Bouten *et al.* (2012) asserting that the partitioning might enhance the coverage of disclosure as companies might provide more disclosure in certain areas. A more detail and comprehensive discussion of the instrument is provided in Chapter Five.

3.8. Summary

This chapter is devoted to explicating the theoretical background on Islamic CSR disclosure. It started with the discussion of the concept of *tawhid* and dual responsibilities in Islam as well as *shariah* and the hierarchy of responsibilities in Islam. The concept of *tawhid* provides a philosophical foundation on why and to whom responsibilities should be addressed, whereas the concept of *shariah* provides practical guidance on what and how the responsibilities should be addressed. The concept of *tawhid* and *shariah* also signify that, as a group of individual, companies in Islam bears the responsibilities to protect the rights of its stakeholders without exception. Islam has a broad concept of CSR that is equipped by clear instruction on which responsibility has to be fulfilled at first, what are recommended or desired to be fulfilled. The concept of CSR in Islam is always paired with the concept of accountability. Therefore, CSR disclosure also becomes another important responsibility of

companies in Islam. The objective of CSR disclosure is to demonstrate company's responsibility to God and to show its compliance with *shariah*.

Additionally, a number of empirical studies on Islamic CSR disclosure are described to enrich the discussion of this chapter. It is noted from the studies that, though Islam is rich of CSR concept, it has not been implemented adequately. The investigations of disclosure practice by Islamic business institution show a low disclosure. It is also noted that empirical studies on CSR disclosure in Islam were limited only in Islamic banks. Therefore, studies on Islamic CSR disclosure practice by Islamic business institutions other than Islamic bank, which is SACs, need to be carried out to provide a better understanding of Islamic CSR practice in wider context. Together with what have been discussed in Chapter Two, the discussion of this chapter is used to develop Islamic CSR disclosure instrument that is applicable for SACs. The finding of the empirical studies on Islamic CSR disclosure together with those from Chapter Two is used to develop the theoretical framework on Islamic CSR determination in SACs. The next chapter, Chapter Four, will discuss the development of the two.

Chapter Four: Theoretical Framework and Hypotheses Development

4.1. Introduction

The focus of this chapter is to discuss the theoretical framework for developing research hypotheses that are used to achieve the third research objective: to identify the determinants of Islamic CSR disclosure by SAC in a sample of OIC countries. Six hypotheses are developed based on the theoretical framework. The theoretical framework itself is developed based on CSR disclosure concept and prior studies on the determination of CSR disclosure; both have been discussed in Chapter Two and Chapter Three.

The remainder of this chapter is structured as follows. Section two describes the conceptual framework of the determination of Islamic CSR disclosure as well as the development of hypotheses related to the determinants of Islamic CSR disclosure. Section three is the summary of the current chapter.

4.2. The Determinants of Islamic CSR Disclosure

4.2.1. Theoretical Framework

As discussed in the two earlier chapters, many studies are investigating the determinants of CSR disclosure from a Western perspective; but limited numbers from an Islamic perspective. It is noted that, as a complex phenomenon, CSR disclosure could not just be explained by a single theory. One might not be able only to rely on a single theory in developing a conceptual framework for researching the determinants of CSR disclosure. It is also noted that prior literature on the determinants of CSR disclosure is based on the assumption of either company-specific determinant or at times industry-specific determinants or socio-political-specific determinants. This study too looks at those determinants in explaining the variation of CSR disclosure. However, as the current study's objective is more on investigating the empirical phenomenon of CSR disclosure, especially on what factors determine the level of disclosure, rather than testing the current theories, this study does not utilize the existing theories to develop its theoretical framework and hypotheses. Instead, the hypotheses are formulated based on the findings of previous empirical studies. Similar to Branco & Rodriguez (2008), Reverte (2008), Tagesson, *et al.* (2009), Gamerschlag (2010) and Tagesson *et al.* (2011), the existing theories are used to support the hypotheses. In this regard, reiterating the findings of prior studies on the determinants of CSR disclosure both from Western and Islamic perspective is useful for identifying the most common determinants found in the studies. In turn, research hypotheses can be formulated. Table 4-1 summarizes the findings of empirical studies on

determinants of CSR disclosure chosen from the list of prior studies presented in Chapter Two and Chapter Three.

Based on the findings of prior studies listed in the table, the determinants of CSR disclosure can be classified into company-specific determinant, industry-specific determinants, and socio-political-specific determinant. Based on the micro-meso-macro framework, those determinants represent three different level of the framework. Company-specific determinants represent the micro level; industry-specific determinants represent the meso level, and socio-political determinants represent the macro level.³¹ In the perspective of CSR disclosure, a single company can be considered as a micro level sphere. Therefore, company-specific characteristics can be identified as the determinants of CSR disclosure at the micro level. In a bigger sphere, industry-specific characteristics are considered to be the meso level determinant as they consist of broader factors that are involving the interaction among companies or interaction companies with its surrounding. In relation with the macro level determinants, socio-political-specific determinants could be considered as part of such kind of determinants.

According to the findings of prior studies on the determinants of CSR disclosure, six independent variables were selected to develop the theoretical framework and hypotheses. The number of selected variable is commendable considering that the average independent variable used by the studies listed in Table 4-1 is only 3 and only 47,5% of the studies used more than 3 independent variables. The independent variables of this current study were selected from the four most common variables observed by 40 prior studies illustrated in Table 4-1 as significant variables in explaining CSR disclosure determination. Those variable are company size (supported by 32 studies), industry sensitivity (supported by 13 studies), profitability (supported by nine studies), and state ownership (supported by six studies). Additionally, two country-specific determinants are also selected to represent socio-political determinants, which are media pressure (supported by five studies) and country (supported by five studies). The impact of those six independent variables on CSR disclosure can be justified by more than one theory as discussed in Chapter Two and Chapter Three.

³¹ Micro-meso-macro framework is a useful analytical framework that could provide better understanding of certain phenomenon in a complex system where three or more coupled components influenced the system at different level of spheres and could possibly display chaotic behaviour (Liljevston & Sveldin, 2005). It provides three different levels of spheres, starting from micro level, meso level and macro level. Micro level relates to individual features, whereas meso level consists of organizational or institutional factors that shape or structure the environment within which the individual and interpersonal relations occur. Lastly, macro level is the cultural and political contexts.

Table 4-1 Summary of Prior Studies on the Determinants of CSR Disclosure

Studies	Adj R ² (R ²)	Country	Size	Ind Sens	Profit-ability	For Own	Media	Leve rage	State own	Ind Sctr	Cou ntry	Pub Own	Others	Total Var
Belkaoui & Karpik (1989)	(44%)	US	+											4
Hackston & Milne (1996)	46%	New Zealand	+	+										3
Haniffa Cooke (2005)	48%	Malaysia	+	+	+	+		+					BOD diversity, Multiple Directorship	7
Amran & Devi (2008)	36%	Malaysia	+						+		Sig		Business network	5
Branco & Rodriquez (2008)	35%	Portugal	+	+			+							4
Chen & Bouvain (2008)	28%	US, UK, Australia, Germany									Sig		Global Compact Membership	3
Reverte (2008)	47%	Spain	+	+			+							4
Rizk <i>et al.</i> (2008)	-	Egypt		+								+		2
Wanderley <i>et al.</i> (2008)	-	Eight emerging countries		+							Sig			3
Othman <i>et al.</i> (2009)	(7.7%)	SAC in Malaysia	+		+								BOD size	3
Tagesson <i>et al.</i> (2009)	36%	Sweden	+	+					+					4
Esa & Gazhali (2010)	26%	Malaysia	+										Board Size	3
Gamerslag <i>et al.</i> (2010)	48%	Germany	+	+	+	+						+		5
Khan (2010)	42%	Bangladesh											Independent Director, Female BOD	6
Li & Zhang (2010)	15%	China	+		+							+	Growth	4
Monteiro & Guzman (2010)	25%	Portugal	+											1
Ousama & Fatima (2010)	19%	SAC in Malaysia	+										Own structure, auditor	4
Bravo <i>et al.</i> (2011)	-	Spain		+										1
Farook <i>et al.</i> (2011)	35%	IBs in 14 countries	+								Sig		Corporate governance	2
Mia & Mamun (2011)	24%	Australia	+					+						3
Rouf (2011)	70%	Bangladesh	-										CG	2
Wardiwiyono (2011)	25%	SAC in Indonesia	+										BOD size	2
Al-Shubiri <i>et al.</i> (2012)	42%	Jordan	+					+					Growth	3
Amran <i>et al.</i> (2012)	50%	Malaysia	+	+		-			+					5
Arshad <i>et al.</i> (2012)	-	Malaysia	+											1
Bouten <i>et al.</i> (2012)	(59%)	Belgium	+	+										4
Feijoo <i>et al.</i> (2012)	-	22 countries									Sig	Sig	Female BOD, Culture, Law, GDP	5
Kavanagh & Slaughter (2012)	25%	Libya									Sig			1
Setyorini & Ishak (2012)	34%	Indonesia	+		+									2
Suttipun (2012)	-	Thailand	+											4
Yang & Marais (2012)	-	Australia		+							Sig			2
Ghazali (2013)	50%	Malaysia	+						+				Director ownership	3
Abdul-Rahman & Bukhair (2013)	21%	IBs in GCC	+		+								SSB	3
Li <i>et al.</i> (2013)	20%	China	+						+					3
Sharif and Rashid (2014)	85%	Pakistan	+		+								Non-executive Director, gearing	4
Tagesson <i>et al.</i> (2013)	12%	Sweden	+		+				+		Sig		Dominant shareholders	6
Wang <i>et al.</i> (2013)	23%	China	+	+			+						Institutional ownership, own concentration	5
Mallin <i>et al.</i> (2014)	(27%)	Malaysia	+		+								SSB	3
Chiu & Wang (2015)	(62%)	China	+				+						Global supplier, international listing	4
El-halaby & Hussainey (2015)	(42%)	25 countries	+								Sig		Auditor, SSB	4
Number of studies found the variables to be significant			32	13	9	3	5	3	6	5	5	3		

Note: Size: Company size
 Ind Sens: Industry sensitivity
 For Own: Foreign ownership
 State Own: State ownership
 Ind sctr: Industry sector
 Pub Own: Public ownership
 Total Var: The total number of independent variables used in the study including the insignificant one.

Figure 4-1 provides a summary of the variables and the theoretical framework for developing hypotheses related to the determinants of CSR disclosure. The explanation of the figure is provided in the following section together with the discussion of hypotheses development.

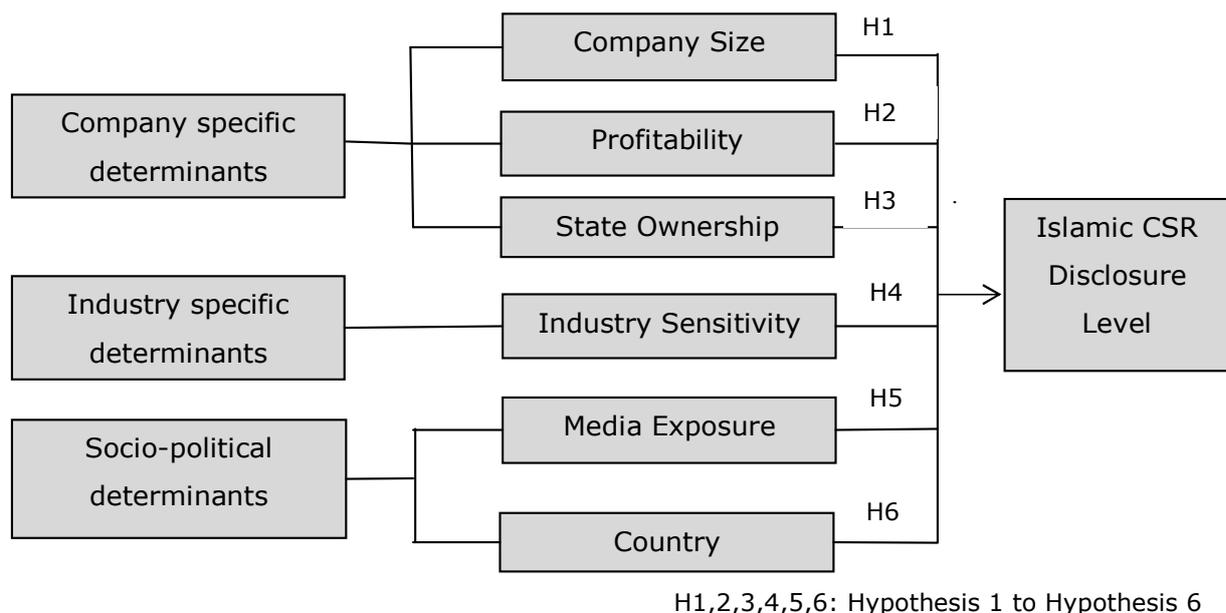


Figure 4-1 Theoretical Framework on the Determinants of Islamic CSR Disclosure

4.2.2. Hypotheses Development

As stated earlier, prior literature on the determinants of CSR disclosure is based on assumptions of either company-specific determinants or at time industry specific-determinants or socio-political-specific determinants. This current research also looks at those determinants to test whether they are also applicable in a current research setting. As seen in Figure 4-2, six independent variables related to those determinants are expected to affect the level of Islamic CSR disclosure. Therefore, six number or hypotheses are formulated. Table 4-3 summarizes the hypotheses of the current studies, the supporting theories and the expected direction for each hypothesis. The discussion of each hypothesis is presented following Table 4-3.

Table 4-2 Variables from Prior Empirical Studies on CSR Determinants

Variables		Supporting Theories	Hypotheses	Expected Direction
Company-specific determinants	Company Size	LT, ST, AT, SET	H1	+
	Profitability	AT, LT, SET	H2	+
	State Ownership	ST, LT, SET	H3	+
Industry-specific determinants	Industry sensitivity	LT, ST, SET	H4	+
Socio-political determinant	Media exposure	LT, PET	H5	+
	Country	ST, PET, SET	H6	Non-directional

Note: AT: Agency Theory;
 LT: Legitimacy Theory;
 ST: Stakeholder Theory;
 PET: Political Economy Theory
 SET: Shariah Enterprise Theory

4.2.2.1. Hypothesis 1: Company Size

The first company-specific determinant that is expected for having a relationship with CSR disclosure is company size. The majority of prior empirical studies both in the developed and developing countries report findings that there is a notable relationship between company size and CSR disclosure. All the studies, except Rouf (2011), report a positive association between company size and the level of CSR disclosure. It means that the company discloses the greater the size of the company, the greater degree of information related to CSR.

According to Watts & Zimmerman (1986), as the size of the company gets bigger, it becomes more visible to public and is likely to be more highly exposed to public scrutiny. As reported by Brammer & Pavelin (2004), there is also the possibility that larger company usually has larger and more diverse stakeholders. Because of such visibility and possibility, large companies seem to be more vulnerable to adverse reactions from difference stakeholders and pressure (Branco & Rodriguez, 2008; Reverte, 2008; Gamerschlag *et al.*, 2009). They are also more affected by social constraint and pressure (Belkaoui & Karpik, 1989). Consequently, in line with legitimacy theory, large companies need to engage more in legitimating their behaviour. It means that larger companies need to provide more CSR information through CSR disclosure. Similarly, according to agency theory, CSR disclosure can be considered as an effort to reduce the political cost that might be resulted from public scrutiny as well as any other adverse reactions from stakeholders. The larger the company size, the more effort is needed to reduce the political cost.

From Islamic perspective based on *shariah* enterprise theory, a big company holds big responsibilities that must be counted to God. As big company frequently relates to big assets, a large number of employees or high revenue, it carries big responsibilities in utilizing its assets in any ways that do not contradict with Islamic values, in fulfilling its responsibilities toward its employees, in ensuring that its revenue comes from halal sources. Again, it indicates that larger company need to provide more information related to those responsibilities not only to convince its stakeholders but also to seek God's pleasure.

The above discussion leads to the first hypotheses as stated below:

H1. There is a positive association between company size and Islamic CSR disclosure level.

4.2.2.2. Hypothesis 2: Profitability

Profitability is the second most common company specific determinant of CSR disclosure observed by prior studies summarized in Table 4-2. Though SAC should be willing to provide full disclosure whether the company is profitable or not (Haniffa, 2002), all prior studies investigating the impact of profitability on Islamic CSR disclosure presented in the table report that there is a positive association between CSR disclosure and profitability. A profitable company tends to disclose more Islamic CSR information than the less profitable company (Haniffa and Cooke, 2005; Othman *et al.*, 2009; Abdul-Rahman and Bukhair, 2013; Mallin *et al.*, 2014). This finding is similar to the finding of similar studies conducted based on Western perspective (Gamershlag *et al.*, 2010; Li and Zhang, 2010; Setyorini and Iskak, 2012; Sharif and Rashid, 2013; Tagesson *et al.*, 2013).

According to Watt and Zimmerman (1978), a profitable company could face higher public exposure than the less profitable company. Hence, the possibility of a profitable company to face public scrutiny is higher than the possibility of the less profitable company. The profitable company needs to disclose more CSR information to ensure the public that it operates within society norm and the profit was not earned at the expense of public's interest. (Gamershlag *et al.*, 2010). It is supported by Islam and Deegan (2010) who state that it would be costly to be associated with breaching public's expectation.

From the perspective of agency theory, managers of the profitable company have more resources to undertake more social responsibility programs (Haniffa and Cooke, 2005). Hackstone and Milne (1996) opine that profit provides managers with resources from which the cost of disclosure are funded. Additionally, Reverte (2008) quote that managers in the high profitable company tend to provide more detail CSR information so as to support their position and compensation.

Similarly, a high profitable company has high responsibility to ensure that their profit comes from the halal source. It also has high responsibility to make sure that the profit was earned through halal activities. High profit leads to high CSR disclosure as a way to show company's accountability to all stakeholders as well as to God. This explanation is in line with the concept of *shariah* enterprise theory.

Building the preceding discussion, the second hypothesis of the current study is formulated as follow: **H2. There is a positive association between profitability and Islamic CSR disclosure level.**

4.2.2.3. Hypothesis 3: State-Ownership

The next company specific determinant expected for having an impact on Islamic CSR disclosure is state ownership. All prior studies investigating the impact of state-ownership on CSR disclosure presented in Table 4-2 provide evidence that state-owned companies tend to disclose more CSR information than non-state-owned companies. (Amran and Devi, 2008; Tagesson *et al.*, 2009; Tagesson *et al.*, 2011; Amran *et al.*, 2012; Ghazali, 2013; Li *et al.*, 2013). The presence of state or government in company's share ownership allows the government to monitor the activities of the company closely. A government with all its power may create pressure on company to act responsibly and to respond any social and environmental issues. In line with stakeholder theory, CSR disclosure may help the company to communicate with the government as one of the company's owner and to prevent any adverse reaction.

Additionally, as the government is accountable to public, state ownership indirectly reflects ownership by public (Ghazali, 2007). As a result, state-owned companies are being scrutinised by the public and any unfavourable implication made by the company toward public may endanger their existence. Therefore, performing socially responsible activities and disclosing such activities may well legitimise the existence. It is in line with the spirit of legitimacy theory.

From an Islamic perspective, government (*ulil amri*) is one of a crucial part in Muslim civilization. The Qur'an even states that obeying the government is placed in the third line after obeying God and the Messenger. It is because the existence of government may lead to the implementation of Islamic laws as well as their enforcement to achieve social welfare. Thus, a company owned by the government must be operated for the benefit of public interest. Since the public is the indirect owner of the company, it should be more accountable to the public than the non-state owned company. Thus, more CSR disclosure is

expected or even required. This description is in line with the spirit of shariah enterprise theory.

By the previous opinions, it is expected that state-owned company will provide more CSR disclosure than the non-state-owned company. It leads to the third hypothesis; that is: **H3. There is a positive association between state-ownership and Islamic CSR disclosure level.**

4.2.2.4. Hypotheses 4: Industry Sensitivity

Following company size, industry sensitivity is observed as the second most common determinant of CSR disclosure (See Table 4-2 and Reverte (2008)). Prior studies found that company from industries with high potential negative impact on the environment tends to disclose more CSR information. Company from mining, oil and gas, chemical, forestry and paper, steel and other metals, electricity, gas distribution and water are considered under high sensitive industries whose activities involving a higher risk of environmental impact (Reverte, 2008). According to Zeghal and Ahmed (1990), Jenkin and Yakovleva (2006), companies from such sectors are forced to concern more on the issues of health, safety, and environment.

From the perspective of legitimacy theory, companies from high sensitive industries have greater pressure from the public about the environmental concern. Any negative impact of the companies toward environment can jeopardize their existence. Hence, to legitimise its going concern status, it is safer for them to perform more responsible activities and communicate such activities to the public. Additionally, in line with stakeholder theory, such companies are also expected to be subject to stakeholder pressure regarding its environmental, health and safety issues. Hence, they would be expected to display a higher level of CSR activities.

From an Islamic perspective, the Islamic concept of harm prevention (*daf al dharar*) teaches that Muslim individually or collectively has to prevent/avoid any harmful activities. Additionally, the concept of blocking the means (*saddu' dara'i*) also prohibits Muslim to carry out an activity that may harm others or the environment, though the action was initially permissible. In line with those two concepts, companies from high sensitive industry were expected to conduct more activities to prevent any unfavourable impacts on the environment and society. It is also expected that the companies will disclose more information as a manifestation of their accountability to all stakeholders. Above all, disclosing information related to CSR is part of accountability to God.

Considering the above discussion, the fourth hypothesis of this current study is formulated as follow: **H4. There is a positive association between industry sensitivity and Islamic CSR disclosure level.**

4.2.2.5. Hypotheses 5: Media Exposure

A number of empirical studies have found that media has been particularly influential on CSR disclosure activism. As company exposure by media gets higher, the company tends to disclose more information on CSR (Branco and Rodriquez, 2008; Reverte, 2008; Bouten *et al.*, 2012; Wang *et al.*, 2013; Chiu and Wang, 2015). Branco and Rodriquez (2008) opines that when media coverage of a company increases, the company becomes more visible, resulting in further public attention and scrutiny. In line with legitimacy theory, engaging more CSR activities and disclosing more information related to such activities will help company legitimize its operation and continuity.

In addition to legitimacy theory, the political economy theory can also provide an explanation why media exposure can be considered as a driver for the variability of CSR disclosure. According to Reverte (2008), media has a significant role in mobilising social movement, for instance, an environmentalist group, allowing it to play a passive role in shaping institutional norms. Additionally, media is usually assumed for having a role of watchdog (Wanderley *et al.*, 2008), giving it the power to choose the stories worth reporting and framing them to reflect any values it intends to convey. Therefore, when the company is facing higher media coverage, it needs to perform more CSR activities and disclose more CSR information. It is important to prevent any unfavourable stories being reported. The above discussion leads to the fifth hypothesis of this research. The hypothesis is: **H5. There is a positive association between media exposure and Islamic CSR disclosure level.**

4.2.2.6. Hypotheses 6: Country

The final determinant expected for having an impact on CSR disclosure is country of origin. Several empirical studies provide evidence that company's country of origin exercises an influence over CSR disclosure. Chen and Bouvain (2008) who investigate CSR reporting in the US, UK, Australia and Germany observe that companies based in the four countries have substantially different perspective on CSR reporting in term of the importance of disclosure and the importance of particular issues including the extent and content of the disclosure. It is because the strength of various stakeholders group in those countries is different, for example, the UK which has a strong consumer awareness focus more on the disclosure of consumer and supplier-related information. Additionally, Chen and Bouvain also opine that the difference in the political sphere and condition of economics in difference countries could lead to the different CSR disclosure practice in the countries. The finding of

Chen and Bouvain was supported by several other studies(Wanderley *et al.*, 2008; Farook *et al.* 2011; Feijoo *et al.*, 2012; El-Halaby and Hussainey, 2015)

By referring to the above discussion, the current researcher predicts that a similar situation may be found in the OIC member countries scenario. Since each country has its own political and economic conditions, Islamic CSR disclosure practice could be varied among the countries. Additionally, the possibility of the different power of stakeholder groups in the countries may also contribute to the variability of Islamic CSR disclosure. This prediction leads to the last hypotheses of this current research, which is: ***H6. There is an association between country of origin and Islamic CSR disclosure level.***

4.3. Summary

This chapter focuses on the development of conceptual framework for identifying the determinants of Islamic CSR disclosure. The framework is used as the basis to formulate the current research's hypotheses that in turn is used to achieve the research objective number four. There are six hypotheses developed based on company specific determinants, industry specific determinants and country-specific determinants. The discussion on how the Islamic CSR disclosure instrument is used and how the hypotheses are tested is provided in the following chapter, which is Chapter Five: Research Methodology.

Chapter Five: Research Methodology

5.1. Introduction

The purpose of the current chapter is to present the methodological basis upon which the current study was conducted. It provides a discussion of the various paradigms and perspectives in social science research. It is used to help set the position of the current research approach. Next, it is followed by the discussion of current study's methods and design.

As stated in Chapter One, this current research had one research aim and four research objectives. The research objectives were both theoretical and empirical in nature. The process to achieve the theoretical objective was discussed in the Chapter Four. The present chapter discusses research design that had been applied to achieve the empirical objectives. The research objectives of the current study are reiterated below:

1. To develop Islamic CSR disclosure instrument that can measure the level of Islamic CSR disclosure level.
2. To document the content and level of Islamic CSR disclosure in the sample of OIC countries.
3. To identify the differences in Islamic CSR disclosure level among countries in the sample of the study.
4. To investigate the determinants of Islamic CSR disclosure level in the sample of OIC countries.

The remainder of this chapter is presented as follows. Section two discusses the debate of research philosophy in social science and outlines the approach adopted in this current study. The choice of research design and method for the present study is elaborated in section three. The section includes the discussion of the sample of study, data and data collection method including content analysis, the definition of variables and their measures as well as data analysis techniques. Lastly, the chapter is closed with a summary

5.2. Social Science Research Philosophy

In general, research could be defined as an empirical investigation into and study of materials and sources to establish facts and reach new conclusions. As opined by Crotty (2006), there are two main questions need to be addressed by researchers before they start any research project. The first question is what methodologies and methods are employed to conduct the research and the second one is how to justify the choice and use of methodologies and methods. Crotty (2006) further explains that justification of choice and specific use of methodology and methods is something that touches into the assumptions about reality that bring to work and also reaches into the understanding of what human

knowledge is, what it entails, and what status can be ascribed to it. In other words, in conducting a research project, researchers need to put considerable effort into answering questions about research methodology and methods as well as questions related to research philosophical assumptions that justify the choice and use of research methodology and methods. It is in line with the opinion of Creswell (2003) who states that the selection of research methodology and methods depends on the research philosophy that researchers follow to carry out their research.

According to Easterby-Smith *et al.* (2008), there are at least three reasons why an understanding of research philosophy is necessary. Firstly, they opine that the understanding of philosophical issues can help researchers to clarify research design that does not only involve looking at what kind of evidence is required and how it is to be gathered and interpreted, but also how this will provide good answers to the basic questions being investigated. Secondly, they state that understanding of philosophical issues in research will help the researcher to recognise which research design will be applicable and which will not, and in turn enable them to avoid going up too many blind passages and show them the limitation of distinct approaches. Lastly, they assert that research philosophical understanding could help researchers to identify, and even create, a design that may be outside their experience.

Burrell and Morgan (1979) propose four assumptions about the nature of social science and the nature of society. Those four assumptions are ontology, epistemology, human nature and methodology. Crotty (2006) frames the research process as composed of four basic elements, which are epistemology, theoretical perspective, methodology and research methods. In line with Crotty, Easterby-Smith *et al.* identify four assumptions of the philosophical research framework including ontology, epistemology, methodology and methods. They argue that Crotty's use of theoretical perspective equate to the use of ontology.

Summarizing the opinion of Burrell and Morgan (1979), Crotty (2006) and Easterby-Smith *et al.* (2008), the assumptions on social science research could be identified as assumptions related to ontology, epistemology, theoretical perspective, methodology and methods. As stated earlier, those philosophical assumptions help researchers to justify the choice and use of methodology and methods. The discussion of each assumption is provided in Section 5.2.1 to 5.2.4, whereas the discussion of the current study's philosophical position is provided in Section 5.2.5.

5.2.1. Ontology

Ontology is a philosophical assumption about the nature of reality, which relates to 'what is' the nature of being, with the structure of reality as such (Crotty, 2006; Easterby-Smith *et*

al., 2008). In term of research, ontology relates to what researcher is studying. Burrell and Morgan (1979), Crotty (2006) as well as Easterby-Smith (2008) further explains that reality as the nature of things could be seen from two different assumptions whether it is a given 'out there' in the world or it is the creation of one's mind. Research that is based on the former assumption tends to be more quantitative, whereas research that is based on the latter assumption tends to be more qualitative (Creswell, 2003). Quantitative research assumes that reality is composed of hard, tangible and relatively immutable structure (realism), whereas qualitative research assumes that reality is composed by individual involved in the research situation and thus, it is the product of individual consciousness (nominalism). The focus of study in quantitative research is the reality that is already out there in the world even though it is socially structured and framed, whereas the focus of study in qualitative research is produced from the researcher understanding of the reality studied.

5.2.2. Epistemology

Epistemology refers to the theory of knowledge that defines what kind of knowledge is possible and legitimate (Crotty, 2006). Epistemology consists of a general set of assumptions about the best ways of inquiring into the nature of the world (Easterby-smith, 2008). It answers questions about what knowledge is, how knowledge can be acquired, and what test beliefs must pass to be a legitimated knowledge. In sociology, it could be regarded as strategies for justifying beliefs (Harding, 1987). It deals with the nature and limits of knowledge, the possibility, scope and general basis (Hamlyn, 1995). In research, epistemology is embedded in the theoretical perspective and thereby in the methodology. It helps the researcher in proposing a philosophical position for deciding what kinds of knowledge are possible and how the researcher can guarantee that the kinds of knowledge are adequate and legitimate. Much of the debate of epistemology has focused on the nature of knowledge and how knowledge is acquired that is also often related to concepts such as beliefs, truth, and justification (Ryan *et al.*, 2002).

According to Crotty (2005), there are three epistemological positions, which are objectivism, constructionism, and subjectivism. Objectivists assume that things exist as meaningful entities, independent of consciousness and experience. Constructionist assumes that meaning emerges from engagement with the realities and is constructed. For subjectivism, it believes that an external reality exists, but its nature is imposed on the object by individual consciousness. The further researcher moves toward subjectivism position, the greater the limits of the objectivity, validity and generalizability of the researcher's claim about truth (Seale, 1999). According to Totland (1997) and Vrasidas (2000), the major epistemological position of research can be placed on a continuum with

two extreme positions, placing objectivism on one side and constructionism on the other side.

5.2.3. Theoretical Perspective

The theoretical perspective is the philosophical stance informing the methodology, giving a setting for the process, and providing the basic for its logic and criteria (Crotty, 2006). Crotty (2006) classifies the theoretical perspective of research into three different assumptions, which are positivism, interpretivism, and post-modernism. Positivism is always paired with objectivity and intended to uncover reality as quantitatively specified among variables. Positivist applies the natural science model to investigate the social world (Denscombe, 2001). On the other hand, post-modernism is always paired with subjectivity and assumes that reality is indefinable and immeasurable. About interpretivism, it assumes that meanings are constructed by humans as they engage with the world they are interpreting. Interpretivists seek to understand the context. Then, they make an interpretation of what they find which is shaped by their experiences and backgrounds.

5.2.4. Methodology and Methods

According to Crotty (2006), methodology includes the strategy, plan of action, as well as design underlying the choice and use of particular methods. Parallel to Crotty, Collis and Hussey (2003) define methodology as the overall method to the process of research, from the theoretical underpinning to the data collection and analysis. Collis and Hussey further explain that methodology is concerned with several issues including why, what, from where, when and how data is collected. It is also related to the issue of how data would be analysed (Collis and Hussey, 2009). Methodology associated with the choice and use of methods to the desired outcome. In term of method, it is defined as the techniques used to gather and analyse data related to research question (Crotty, 2008). It deals with individual techniques for data collection, analysis and others (Easterby-Smith, 2008). The selection of methodology and methods hinge on, but not determined by, the philosophical assumptions hold by the researchers.

5.2.5. Philosophy of the Current Study

As stated by Crotty (2006), textbooks on social science research describe several epistemological positions, some theoretical stances, many methodologies, and almost countless methods. However, in term of paradigm or general set of philosophical assumptions, two major paradigms are pooled into two extremes of a continuum (Totland, 1997; Vrasidas, 2000). The most familiar terms to describe those two different research paradigms are the term of quantitative and qualitative (Hussey & Hussey, 1997; Creswell, 2009; Bryman & Bell, 2011). On the one hand, positivism seems to be the common term used as an alternative term for quantitative research paradigm (Hussey & Hussey, 1997; Crotty, 2005; Easterby-Smith *et al.*, 2008, Bryman & Bell, 2011). On the other hand, there

are different terms have been used as alternative names for qualitative research paradigm such as phenomenology (Hussey and Hussey, 1997), interpretivism (Crotty, 2005), and social constructionism (Easterby-Smith, 2008). Table 5-1 summarizes the features of those two main paradigms. Again, the classification is made based on the two extreme continuums of research paradigm features, though, there are still features lie in between the two.

Table 5-1 Features of the Two Main Research Paradigms

Features	Positivism	Interpretivism
Ontology	Realism (Quantitative)	Nominalism (Qualitative)
Epistemology	Objectivism	Constructionism
Assumption	Objective world, which science can mirror with privileged knowledge.	Inter-subjectivity world which occurs in represent with concepts, the concept of the actor, the social construction of reality.
Key Focus/Idea	Search for contextual and organising archival variable which causes organizational actions.	Search for pattern of meanings
Goal of Paradigm	Uncover truth and fact as quantitatively specified relation among variables	Describe meanings, understand members' definition of situation, examine how realities are produced
Nature of Knowledge	Verification of hypotheses. It involves valid, reliable and precisely measured variable	Abstract description of meanings and members' definition of condition created in natural context
The observer	Must be independent	Become part of what is being observed
Human interest	Should be irrelevant	Are the main driver of science
Criteria for Assessing	Prediction, explanation, rigour validity, reliability	Trustworthiness, authenticity
Unit of Analysis	Should be reduced to simplest terms	It may include the complexity of the whole situation
Research methodology and methods	Uses large sample that is selected randomly, data is highly specific, the location is artificial, generalised through statistical probability	Uses small sample that is chosen for specific reason, data is rich and subjective, location is more natural, generalised through theoretical abstraction.

Summarized from Hussey & Hussey (1997), Crotty (2006), Easterby-Smith et al. (2008), Bryman & Bell (2011), as well as Higgins (2013)

As far as research paradigm is concerned, the current study could be classified under quantitative or positivism research paradigm. There are several rationales behind the positioning:

- *Ontological issue – The nature of the issue of interest.* As it was stated in Chapter One and reiterated in the earlier of this chapter, the practice of Islamic CSR disclosure in OIC countries is the issue being investigated in the current study. The issue is an independent reality in which the researcher does not have any influence in producing this reality. The focus of study is a reality that is already out there in the world. The fact that CSR disclosure is a reality that can be accessed from publicly available information provided by companies (annual report) signifies that CSR disclosure is hard, tangible and relatively

immutable structure. It is true that annual report is also constructed by social, but it still can be treated as an out there reality.

- *Epistemological issue – The nature of knowledge to legitimate the issue of interest.* The empirical parts of the current study focus on how and to what extent CSR disclosure in Islamic scenario being practiced, how the practice differ in each country as well as what determinants influencing the practice. In answering those questions, the knowledge about Islamic CSR disclosure practice was identified to help the data collection and hypotheses formulation. Knowledge about CSR disclosure could be obtained from previous studies as well as from the textual information provided in textbooks. For knowledge about Islam and Islamic CSR, they are mainly derived from the concept of *tawhid* with the supplement of a more practical guideline of *shariah* with its commandment and objectives (*maqasid of shariah.*) An Islamic CSR disclosure instrument is developed to summary the knowledge about Islamic CSR disclosure, especially about what the ideal CSR in Islam should be performed and disclosed. Additionally, the instrument is used as a benchmark for Islamic CSR disclosure practice by SACs and for collecting this current research’s data. The data that are quantitative or quantified, objective and independent, are collected and analysed using quantitative analysis. Quantitative analysis and hypotheses testing are used to acquire and legitimate the knowledge about Islamic CSR disclosure in the particular sample of study. Based on the nature of knowledge being investigated and the ways of knowledge being acquired and legitimated, the current research study could be placed under objectivism epistemological position. As stated earlier, objectivity is always paired with positivism.
- *Theoretical perspective –* In uncovering the reality about Islamic CSR disclosure in a sample of OIC countries, the reality is seen as a quantitatively specified among several variables. This study also applies the natural science model to investigate the reality by using the methodology of content analysis and statistical analysis including descriptive statistics, comparative analysis, correlation analysis and multiple regression analysis.
- Quantitative data allow the researcher to conduct content analysis that is commonly used by previous studies in documenting the practice of CSR disclosure and identifying the pattern and content of CSR disclosure.
- Quantitative data also allow the researcher to execute multiple regression analysis that is also commonly used by previous studies in identifying the determinants of CSR disclosure.

5.3. Research Design and Methods for the Current Study

Research design is a framework for the collection and analysis of data; representing the overall operational pattern that stipulates what information is to be collected, from which sources and by what procedures and that specifies what approach will be used for analysing the information. (Emory, 1976; Sekaran & Bougie, 2010; Bryman and Bell, 2011). It

includes issues related to the purpose of the study, the location or the object being investigated, the time horizon, the unit of analysis, the data collection method, the variables and their measurement and the data analysis methods.

In achieving the empirical objectives, the current study adopts the approach of content analysis and statistical analysis to collect and analyse the data needed. The content analysis was used to document the content and level of Islamic CSR disclosure made by SAC in a sample of OIC countries that in turn was used for the statistical analysis. The statistical analysis was used to identify the difference in Islamic CSR disclosure across countries in the sample of this study and to identify the determinants of Islamic CSR disclosure. Before discussing the content analysis and statistical analysis the sample and data including the variables used in this study are discussed at first.

5.3.1. Sample of the Study

5.3.1.1. Sampling Process

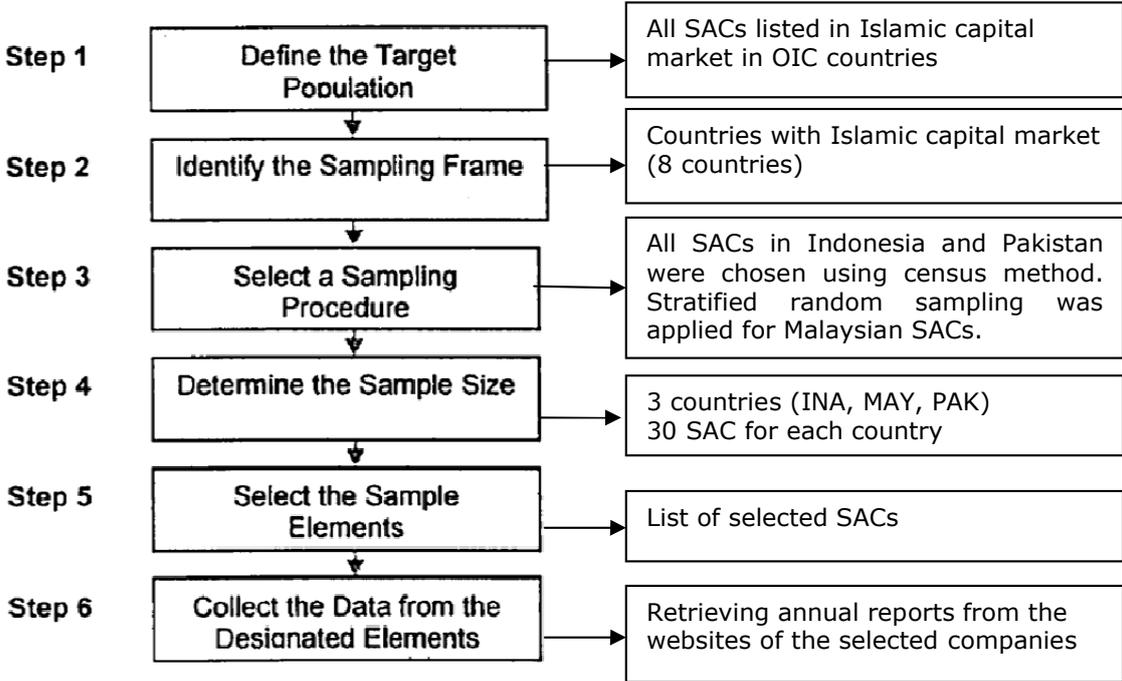
The sampling process is the process of selecting adequate numbers of the right elements from the population, so that study of the sample and an understanding of its characteristics allow the researcher to generalise such characteristics to the population element (Sekaran & Bougie, 2010). It includes the major steps in defining and determining the population, sample frame, sampling procedure, as well as sample size (Sekaran & Bougie, 2010; Churchill and Lacobucci, 2002). Churchill and Lacobucci (2010) propose a six-step procedure in undertaking sampling process starting from defining population to collecting the data.

For the purpose of this study, the target population was all SACs listed in Islamic capital market in OIC countries. As the names of SACs in OIC as the element of population was unknown, the sampling process was done by selecting the countries first; not the SACs. Out of 57 OIC member countries, only 42 countries were registered as the members of OIC stock exchange forum. Eight out of those 42 countries had Islamic capital market. It signifies that there were only eight countries member of OIC that likely had SACs listed in their Islamic market. However, out of the eight countries, there were only three countries that provided the names list of SACs, which were Indonesia, Malaysia and Pakistan.

As Islamic capital market from the five other countries did not provide a list of SACs, the sample of this study was only be chosen from SACs listed in Islamic capital market in Indonesia, Malaysia, and Pakistan. The researcher had tried to contact the Islamic capital market other than Indonesia, Malaysia and Pakistan to get the list of SACs. However, no response had been given until the time of data analysis. The difficulty to get the list of SACs from Islamic capital market was also recognized by Nazam & Minhat (2012) who investigate the role Islamic finance in SACs. They decided to make the list by doing their own screening

process. The current researcher did not adopt similar method to Nazam & Minhat (2012) to avoid any bias. As stated in Chapter One, to ensure the validity, the screening process of companies to be listed as SACs in Islamic capital market should be undertaken by *shariah* national board in collaboration with capital market authority.

There were only 30 SACs listed in Jakarta Islamic Index (Indonesia) and Karachi Mizan Index (Pakistan), respectively. Thus, the sample of study from Indonesia and Pakistan were selected from the entire population element. For Malaysian SACs, 30 SACs were selected using stratified random sampling from 810 SACs listed in Kuala Lumpur Stock Exchange.³² The stratified random sampling method was chosen to allow the sample companies represent each type of industry. Figure 5-1 summarises the sampling process. The lists of companies included in the process were presented in Appendix 1.



(Adapted from Churchill and Lacobucci, 2010)

Figure 5-1 Sampling Process

The 30 SACs from each country were initially selected through a screening process. However, the selection was not performed by the researcher. Instead, it was done by Islamic capital market authority of each country in conjunction with their National *Shariah* Supervisory Board. Table 5-1 present the selection criteria developed by Pakistani Meezan Index, Malaysian Kuala Lumpur Stock Exchange Islamic Index and Indonesian Jakarta Islamic Index. (Pakistani Meezan Index, 2012; Indonesian Capital Market and Financial Institutions Monitoring Agency, 2012; Malaysian Stock Exchange, 2005). The criteria for the

³² Stratified random sampling is a method to choose sample of population randomly from each group of element of population. This method is used to ensure that the sample can represent each group of element of population.

selection process are classified into qualitative and quantitative criteria. In general, both criteria are similar among the three countries. It only slightly differs in quantitative criteria.

Table 5-2 Shariah Approved Companies Selection Criteria

Criteria	Indonesia	Malaysia	Pakistan
<u>Qualitative criteria</u>			
The core activities of the companies should not involve the following activities:			
1. Financial service based on riba	√	√	√
2. Gambling	√	√	√
3. Produce or distribute non-halal product or related products	√	√	√
4. Conventional insurance	√	√	√
5. Entertainment activities that are non-permissible	√	√	
6. Produce or distribute tobacco-based products of related product	√	√	√
7. Stockbroking or share trading in non-shari'ah securities	√	√	√
8. Other activities deemed non-permissible according to shariah	√	√	√
<u>Quantitative criteria</u>			
1. Interest bearing debt to total assets	<45%		< 37%
2. Non-compliant Investment to total assets			< 33%
3. Non-compliant income to total revenue	<10%		<5%
4. Illiquid asset to total asset			>25%
5. Net liquid asset to share versus market price to share			At least equal or greater.
<i>Net Liquid Asset per share = $\frac{\text{total assets} - \text{long term liabilities} - \text{current liabilities}}{\text{Number of outstanding shares}}$</i>			
6. The level of contribution mixed from the activities that are prohibited		<5%	
7. The level of contribution mixed from activities that involve a prohibited element affecting most people and difficult to avoid.		<10%	
8. The level of contribution mixed from activities that are permissible and have an element of public interest, but the activities may also involve other related activities that are deemed to be non-permissible.		<25%	

5.3.1.2. Characteristic of the Sample

As stated earlier, the final sample of this study consists of 90 SACs, coming from three countries of origin, which are Indonesia (Ina), Malaysia (May) and Pakistan (Pak). Table 5-3 shows that the majority of the sample SACs are classified as private companies. For state-

owned companies³³, most of the state-owned SACs are from Indonesia, but few of collectively owned companies were also from Indonesia. Malaysia and Pakistan shared a similar number of collectively owned companies. This data shows that SACs in the sample of OIC countries have diverse ownership structure, though private ownership is still dominant. It also shows that SACs from Indonesia dominated the state-ownership SACs. The sample companies did not include Islamic financial institutions including Islamic banks as the screening process of SACs excludes the Islamic financial institutions.

Table 5-3 Characteristic of the Sample

	State-owned company			Private company			Foreign company			Collectively owned company			Total
	Ina	May	Pak	Ina	May	Pak	Ina	May	Pak	Ina	May	Pak	
Mining	2	1	2	2	1	2	2	0	0	0	1	0	13
Agriculture & Plantation	0	0	0	2	1	0	0	1	0	0	2	0	6
Consumer Goods	0	0	0	0	0	2	1	0	1	0	0	1	5
Property & Construction	2	0	0	4	4	0	0	0	0	0	0	4	10
Industrial	1	0	0	1	0	7	1	0	0	0	0	0	14
ICT Services	1	0	0	1	2	1	0	1	0	0	1	0	7
Food & Beverages	0	0	0	1	5	0	0	2	0	1	1	0	10
Chemical	0	0	0	0	0	6	0	0	0	1	0	0	7
Energy	1	0	0	0	1	1	0	0	0	0	0	1	4
Personal Care & Household	0	0	0	1	2	1	0	0	0	0	0	0	4
Services	0	0	0	0	1	0	0	0	0	0	1	0	2
Retail & Wholesale	0	0	0	5	2	1	0	0	0	0	0	0	8
Total	7	1	3	17	19	21	4	4	1	2	6	6	90
	10			57			9			14			

Table 5-3 also illustrates that all SACs in the countries belong to 12 different industries with the biggest number of companies came from industrial (14), mining (13), property and construction (10), food and beverages (10) and retail and wholesale (8). This industry specification also shows that SAC in the sample OIC countries come from diverse industries. Those industries were further classified into two types of industries based on in their sensitivity in affecting community and environment. The classification is based on the assumption that companies with different effect toward community and environment may have a different preference in disclosing their responsibilities.

According to Reverte (2008) and Bouten *et al.* (2011), companies under ICT services industry, food and beverages industry, retail and wholesale industry, personal care and household industry, services industry as well as consumer goods industry are classified under low sensitivity industry. Meanwhile, companies from the mining industry, agriculture and plantation industry, property and construction, industrial industry, chemical industry and energy industry are classified under high sensitivity industry. The table shows that the first three industries with the highest number of companies were classified under high

³³ State-owned company is company whose major shareholder is government or agent of government. Foreign company is company whose major shareholder is a foreign company or institution; Private company is company whose major shareholder is a domestic individual or private company; and collectively owned company is company in which the shareholders consist of several individuals or companies with relatively high percentage of ownership but not high enough to be the major shareholder.

sensitivity industry and 60% of SACs in the sample were also from high sensitivity industry. Thus, the majority of the sample SACs came from high sensitivity industry.

5.3.2. Data and Data Collection Method

Relevant to the research paradigm, data used in this current study are quantitative in nature. The current study is mainly based on secondary data, which is data that have been collected by other researchers or by other organizations in the course of their business (Bryman & Bell, 2011). Cowton (1998) point out that whatever the precise wording used to define secondary data, the main point is that the researcher does not collect the data. Besides having advantages in term of cost and time, secondary data also provide an opportunity for researchers to conduct subgroup analysis (Cowton, 1998; Bryman & Bell, 2011).

Secondary data used in this current study were annual reports that were obtained from each SAC's website³⁴. As the secondary data are financial and non-financial information provided in SACs' report, the researcher built a database. This database contained company specific characteristics including the names of the SAC, ownership structure, the total number of assets, return on assets; industry specific characteristic like industry specification and industry classification; as well as country-specific characteristics including media exposure and country of origin. The database also contained information related to Islamic CSR disclosure level. In collecting and document data related to Islamic CSR disclosure, a content analysis was implemented. The next section focuses on the discussion of content analysis.

5.3.3. Content Analysis

This section elaborates content analysis method that was used to document the content and level of Islamic CSR disclosure as well as to produce data for further analyses. Content analysis is an approach to analyse documents and texts that seek to quantify content in terms of predetermined categories and a systematic and replicable manner (Bryman & Bell, 2011). Additionally, Krippendorff (2004) defines content analysis as a research technique for making replicable and valid inferences from texts or other meaningful matter to the context of their use. From both definitions, content analysis is expected to be systematic, accurate, and replicable. It means that it should be done according to a fixed plan or system with a sound basis in logic. The researcher who works at different time and circumstances should get the same results.

³⁴ The rational why annual reports were used as the main source of data for the current study will be justified in the next section related to content analysis.

Content analysis can be used to understand the meaning embedded in a text (Bebbington, 1999). It does so by coding words or other units of measurement, reducing the text to more structured and concise units of information so that inferences can be drawn from the text or its source (Wolfe, 1991). The content analysis could be both quantitative and qualitative (Unerman, 2002). As far as CSR disclosure is concerned, the quantitative content analysis could help researchers in measuring the volume of disclosure and attempting to draw inferences about the meaning of the text (Gray *et al.*, 1995; Unerman, 2002). This method had been widely used by previous studies in investigating CSR disclosure practice both in developed and developing countries as summarized in Table 5-4. In performing the content analysis, four steps were taken by the researcher. The steps were identifying a research question, identifying the unit of analysis, determining the coding process and assessing validity and reliability. The discussion of each step is provided in the following sub-sections.

5.3.3.1. Identifying Research Question

The research question is the target of the researcher's inferences from available texts or documents (Krippendorff, 2004). It is necessary to specify research questions precisely to guide the selection of media to be analysed and the coding schedule (Bryman & Bell, 2011). As stated earlier, the current study applies content analysis to achieve the first empirical research objective which is to document the content and level of Islamic CSR disclosure in a sample OIC countries and to identify the disclosure pattern. The objective is intended to answer the following research questions:

- ✓ What is the content of Islamic CSR disclosure made by SAC in a sample OIC country and to what extent the disclosure was made?
- ✓ Is there any difference in Islamic CSR disclosure level among countries in the sample?
- ✓ What are the determinants of Islamic CSR disclosure?

5.3.3.2. Identifying Unit of Analysis

Unit of analysis is the critical issue of content analysis and refers to an identifiable component of communication through which variables are measured (Krippendorff, 2004; Gamerschlag *et al.*, 2011). There are three kinds of units need to be decided when undertaking content analysis, which is sampling units, recording units and context units. (Krippendorff, 2004)

Table 5-4 Previous Studies Utilizing Content Analysis and the Unit of Measurement

Studies	Country	Sample	Source	Unit of Measurement
Abbot & Monsen (1979)	International	Fortune 500 cos	AR	Index
Guthrie & Parker (1989)	Australia, US	BHP corporate	AR	Page
Belkaoui & Karpik (1989)	US	23 companies	AR	Rating scale 1 to 13
Zeghal & Ahmed (1990)	Canada	Six bank, six oil cos	AR, other	Word, character
Gray <i>et al.</i> (1995)	UK	13 years data UK cos	AR, SR	Page
Hackston & Milne (1996)	New Zealand	47 companies	AR	Sentence, page
Tsang (1997)	Singapore	17 companies	AR	Sentence
Clarke & Sweet (1999)	UK	95 companies	AR	Index
Belal (2001)	Bangladesh	30 companies	AR	Line, Index
Ahmad <i>et al.</i> (2003)	Malaysia	98 companies	AR	Sentence, Index, Wg.Index
Maali <i>et al.</i> (2003)	16 countries	29 Islamic banks	AR	Sentence, Index
Jenkin & Yakovleva (2005)	International	Ten largest mining co's	AR	Index
Haniffa Cooke (2005)	Malaysia	139 non-fin companies	AR	Index, word
Vuontisjarvi (2006)	Finland	205 companies	AR	Index
Altintas <i>et al.</i> (2007)	Turkey	50 companies	AR	Sentence
Ghazali (2007)	Malaysia	85 companies	AR	Index, Index quan
Haniffa & Hudaib (2007)	Gulf Countries	7 Islamic banks	AR	Index
Amran & Devi (2008)	Malaysia	133 + 68 companies	AR	Sentence
Branco & Rodriquez (2008)	Portugal	49 firms data	AR	Index
Chen & Bouvain (2008)	US, UK, Aus, Ger	151 companies	AR	Index
Murthy & Abeysekera (2008)	India	16 software companies	AR	Sentence
Reverte (2008)	Spain	35 companies	AR	Index
Rizk <i>et al.</i> (2008)	Egypt	60 companies	AR	Index
Wanderley <i>et al.</i> (2008)	Eight emerging co's	127 companies	AR	Index
Tagesson <i>et al.</i> (2009)	Sweden	267 companies	AR	Index
Webb <i>et al.</i> (2009)	US	50 companies	Website	Wg_index (7 Likert Scale)
Esa & Gazhali (2010)	Malaysia	27 GLCs	AR	Index
Gamerslag <i>et al.</i> (2010)	Germany	130 companies	AR	Index
Gautam & Singh (2010)	India	245 companies	AR	Index
Hasan & Harahap (2010)	7 countries	7 Islamic banks	AR	Index
Li & Zhang (2010)	China	692 companies	AR	Index
McGraw & Dabski (2010)	Australia	100 companies	AR	Index
Monteiro & Guzman (2010)	Portugal	109 companies	AR	Index
Osama & Fatima (2010)	Malaysia	51 SACs	AR	Index
Othman & Thani (2010)	Malaysia	56 SACs	AR	Index
Bravo <i>et al.</i> (2011)	Spain	82 banks	AR	Index
Farook <i>et al.</i> (2011)	14 emerging count's	47 Islamic banks	AR	Index
Gao (2011)	China	81 companies	AR	Index
Giannarakis <i>et al.</i> (2011)	Greece	Five telecom comp's	AR	Index
Islam & Deegan (2011)	US	Nike & HNM	AR	Word
Mia & Mamun (2011)	Australia	48 small co's	AR	Index
Rouf (2011)	Bangladesh	93 companies	AR	Index
Tagesson <i>et al.</i> (2011)	Sweden	280 local governments	AR	Index
Zubairu <i>et al.</i> (2011)	Saudi Arabia	4 Islamic bank	AR	Index
Aribi & Gao (2012)	Gulf Countries	21 IFIs	AR	Word, Index, Wg_index
Al-Shubiri <i>et al.</i> (2012)	Jordan	60 industrial co's	AR	Index
Amran <i>et al.</i> (2012)	Malaysia	100 companies	AR	Index
Bouten <i>et al.</i> (2012)	Belgium & US	108 companies	AR	Words, index, Index_compre
Bayoud <i>et al.</i> (2012)	Libya	40 companies	AR	Index
Setyorini & Ishak (2012)	Indonesia	911 observations	AR	Index
Suttipun (2012)	Thailand	75 companies	AR	Words
Young & Marais (2012)	Australia & France	220 companies	AR	Index
Haji and Ghazali (2013)	Malaysia	76 SACs	AR	Wg-Index (4 Likert scale)
Khasharmeh & Desoky (2013)	6 GCC countries	163 companies	Website	Index
Li <i>et al.</i> (2013)	China	1574 companies	AR	Index
Wang <i>et al.</i> (2013)	China	200 annual reports	AR	Index
Mallin <i>et al.</i> (2014)	13 countries	90 Islamic banks	AR	Index
Sharif & Rashid (2014)	Pakistan	22 commercial banks	AR	Index
Aribi & Arun (2015)	Bahrain	7 Islamic FIs	AR	Index
Chiu & Wang (2015)	Taiwan	246 companies	Web/AR/SR	Index quan
Belal <i>et al.</i> (2015)	Bangladesh	28 years data of IBBL	AR	Index
El-Hallaby and Hussainey (2015)	25 countries	136 IBs	AR	Index

Sampling Units Sampling units refer to units that are distinguished for inclusion in or exclusion from analysis, in a way that acknowledges natural boundaries (Krippendorff, 2004). It shows the documents chosen to be analysed as a representative sample from a population of potentially available data. Similar to the majority of the previous studies summarized in Table 5-4, this current research used companies' annual reports published in SACs' website as the main sampling units of the documents to be analysed.³⁵

Several previous studies consider the annual report as the most important source of information about companies' activities including CSR (Belkoui & Karpik, 1989; Guthrie and Parker, 1990; Gray *et al.* 1996; Deegan & Rankin, 1997; Jenkins and Yakovlena, 2005). Based on previous studies, Unerman (2002) identifies three rationales why annual reports are considered as the most important source of CSR information. Firstly, annual reports have a high degree of credibility they offer to information reported within them (Tilt, 1994). Secondly, annual reports could be used as the sole source of certain information including CSR used by some stakeholders (Deegan and Rankin, 1997).

Thirdly, annual reports are made widely available; therefore, they are publicly accessible (Adams & Harte, 1998). Additionally, there is another rationale to justify the use of the annual report. Based on the concept of *tawhid* as discussed in the earlier chapters, Islamic business institutions are responsible for their activities to be in line with shariah requirements. They are also responsible for the impacts of their operations on all stakeholders, society, and environment. Therefore, as part of their accountability to God, stakeholders, society and environment, the ideal annual reports of Islamic business institutions' should reflect all those responsibilities. In relation to the period of the annual reports used for answering the research question number two to four, the current study focuses on the most recent year at the time of the analysis, which is the year 2013.³⁶

Recording Unit Recording units refer to units that are distinguished for separate description, recording of coding and typically contained in sampling units, at most coinciding with them, but never exceeding them (Krippendorff, 2004). Recording units might also be

³⁵ This study did not use company publication via website or other publications such as brochure or poster. For website, most of the websites of the sample SACs only cover the summary of CSR activities carried out by the companies. The information is not detail and less informative. Additionally, information via website and other publications is less credible than the information provided in the annual report.

³⁶ A pilot study was conducted on the sample of 10 companies for the year of 2012 and 2013. The disclosure score was calculated as a ratio of total items disclosed to maximum score (114). The findings of comparison analysis between disclosure score in 2012 and 2013 show that there was no significant difference between CSR score in both year. This finding is similar to the finding of Wardiwyono (2011) who investigated CSR score by SAC in the year of 2007 and 2008, observing that there was no significant difference between CSR in 2007 and 2008. Similarly, Wardiwyono & Herman (2016) also observed that there was no difference between CSR disclosure of SACs in Indonesia in 2013 and 2014. Interestingly, even when the 2008 global financial crisis was happening, Mia and Mamun (2011) observed that there was no significant difference in the disclosure of 48 Australian companies before the crisis (2006) and during the crisis (2008). Thus, this study focuses on the most recent year at the time of the analysis (2013).

regarded as the technique to measure unit of analysis or unit of measurement. It is used to quantify CSR information. As one of the fundamental assumptions underlying content analysis is that disclosure level may signify the importance of each item being disclosed, measurement techniques are particularly important issues in content analysis (Deegan & Rankin, 1996; Gray *et. al.*, 1995; Unerman, 2002; Krippendorff, 2004).

Table 5-4 shows the diversity of recording units used by previous studies in conducting the content analysis. Based on the table, CSR disclosure could be quantified using either number of words, sentences, pages, total items disclosed or proportion of CSR disclosure score to total maximum score that was commonly referred as disclosure index. In applying the disclosure index, most of the studies listed in the table used disclosure score in which dummy variable one was assigned if company disclose particular item and 0 otherwise. In addition to disclosure index, some other studies utilized weighted index by assigning an ordinal scale to represent the quality of the disclosure. For example, besides using the number of sentences and dummy variable, Ahmad *et al.* (2003) also used an ordinal scale of 1 to 2 to accommodate bad news and good news as well as quantitative monetary and quantitative non-monetary. Ahmad *et al.* (2003) also utilized ordinal scale of 1 to 3 to quantify the location of the CSR disclosure in annual reports. Furthermore, Bouten *et al.* (2011) also used an ordinal scale of 1 to 3 to measure the comprehensiveness of CSR disclosure in addition to the utilisation of a number of word and dummy variable.

There was no single universally accepted measurement unit that enables to capture the precise level of CSR disclosure (Campbell, 2004). Each unit of measurements has its strength and drawback. For example, some words are easier to categorise, sentences enable the researcher to infer meaning, page reflects the total amount of space given to a topic and its importance (Gray *et.al*, 1995). However, words by themselves are meaningless without referring to the sentences or context (Milne and Adler), sentences are less practical to categorise (Zhegal and Ahmed, 1990). Similarly, the use of disclosure index may help researcher avoid any bias in the coding process. However, it cannot reflect the quality of information disclosed. In contrast, the use of the weighted index may be able to capture the quality of information disclosed, but bias in the coding process may arise.

In conclusion, the measurement units used by previous studies to quantify CSR disclosure level can be classified into three main groups. Firstly, those that were intended to measure the amount of disclosure. Unit of measurements for this category includes some words, sentences, lines or pages. Secondly, those that are intended to measure the breadth (incidence) of disclosure. It includes some items disclosed or disclosure index. The index represented the proportion of total items disclosed to a total number of items potentially to

be disclosed. In calculating calculate disclosure index, each item was assigned the value of 1 for its presence and 0 for its absence. Thirdly, those that were intended to measure the depth (quality) of disclosure. It includes weighted disclosure index. Similar to disclosure index, the weighted index also represents the proportion of total items disclosed to a total number of items. However, to calculate the weighted index, each disclosed item is assigned with the ordinal scale to represent the depth or quality of information. The ordinal scale used by Ahmad *et al.* (2003), Webb *et al.* (2009), Bouten *et al.* (2011), Ghazali (2013) as well as Haji and Ghazali (2015) were among the examples of studies utilizing weighted index.

Because each of those measurement units can be justified and has its drawback and strength, this current study followed the approaches of Ahmad *et al.* (2003) and Bouten *et al.* (2011) in adopting mixed measurement units. The mixed measurement units adopted in this study represent the level of Islamic CSR disclosure based on the amount of disclosure, the breadth (incidence) of disclosure as well as the depth (quality) of disclosure. However, to fit the background of this research as well as to reduce the drawback of the measurement, there were two differences in the measurement units used in this current research from those employed by Ahmad *et al.* (2003) and Bouten *et al.* (2011). The differences are discussed below:

- While Ahmad *et al.* (2003) and Bouten *et al.* (2011) only used number of words to measure the extent of disclosure, the current study used both numbers of words and sentences. As opined by Ince (1998), the use of both measurements seems to be the most reliable and recommended. Besides reducing the drawback of each measurement, it also permits comparison with previous studies using one measurement.
- The weighted index in this current research was used to accommodate the quality of disclosure in term of quantitative disclosure, comprehensiveness of disclosure and Islamic disclosure. Table 5-5 summarize how ordinal scale was assigned for each item to represent the quality of disclosure in this current study. Similar to prior studies conducted by Ghazali (2007), the ordinal scale for quantitative disclosure is assigned one if disclosed item contains non-monetary information and two for monetary information. For the comprehensiveness of disclosure, the ordinal scale of one is assigned if the disclosed item contains information related to vision and goals, two related to management action and three related to performance indicator. It is in line with the measurement developed by Bouten *et al.* (2012). Lastly, the Islamic disclosure is measured by ordinal scale one if the disclosed item related to embellishment responsibility, two related to complementary responsibility and three related to essential responsibilities. To the best of the current researcher knowledge, this assignment has never been observed in any prior studies of CSR disclosure including

CSR disclosure from an Islamic perspective. It is developed based on the current researcher understanding of the concept of *maqasid ash shari'ah* as discussed in Chapter Three.

Table 5-5 Quality Measurement Units

Quantitative Disclosure		Comprehensiveness of Disclosure		Islamic Disclosure	
Description	Ordinal scale assigned	Description	Ordinal scale assigned	Description	Ordinal scale assigned
The disclosed item contains quantitative non-monetary information.	1	The disclosed item contains information related to vision and goal.	1	The disclosed item related to embellishment responsibilities	1
The disclosed item contains monetary information.	2	The disclosed item contains information related to management approaches.	2	The disclosed item related to complementary responsibility	2
		The disclosed item contains information related to performance indicator.	3	The disclosed item related to essential responsibility	3

Context Units Having determined the sampling units and recording units; the next important step in identifying units of analysis was determining content categories or context units. Context units are units of textual matter that set limits on the information to be considered in the description of recording units and relate to the scope of information need to be consulted in characterizing the recording units (Krippendorff, 2004). Content categories along with the sub-categories (dimension) should be developed by considering the three criteria of good content analysis, which are systematic, valid and replicable. Coding categories for each dimension need to be mutually exclusive and exhaustive so that there is no sense of overlap (Bryman and Bell, 2011).

As discussed in Chapter Two, prior studies on CSR disclosure such as Ernst & Ernst (1978), Guthrie & Parker (1989), Gray *et al.* (1995) and Hackston & Milne (1996) have developed several research instruments encompassing the large premises of CSR reporting. In general, the instruments consist of several categories related to CSR information such as activities for employee, contribution to the community, product information, environment issues, and others. In addition to prior studies, determining the context units of content analysis could also be based on CSR disclosure frameworks developed by non-governmental organizations (NGOs) such as GRI Sustainability Reporting Guideline, Accountability Assurance Standard 1000 and 1000s Guideline, ISO 14001 as well as United Nations Global Compact.

For the purpose of this study, an Islamic CSR disclosure instrument was developed to identify and determine the content categories. Considering the *shariah* requirement, the

instrument was developed based on the concept of CSR and disclosure in Islam as discussed in Chapter Three. However, as the general concept of CSR in Islam does not contradict with CSR disclosure framework reported by prior studies, the development of Islamic CSR instrument also referred to those from previous studies. The instrument is developed based on the author’s understanding of the concept of *tawhid* and *sharia*, prior studies on Islamic CSR disclosure and current literature on CSR disclosure in the West. Figure 5-2 illustrated how the instrument is developed.

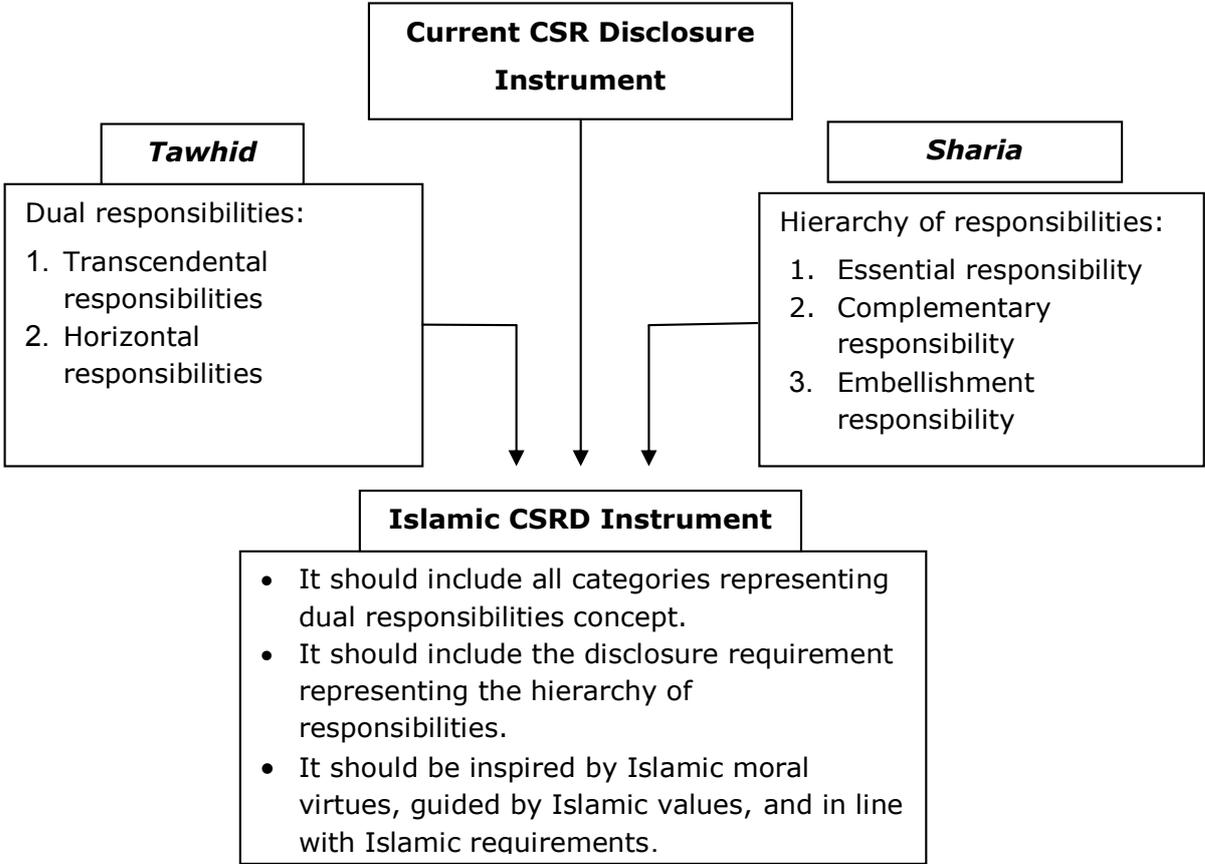


Figure 5-2 The Development of Islamic CSR Instrument

The concept of dual responsibilities derived from *tawhid* provides a philosophical foundation for identifying to whom CSR should be addressed. As discussed in Chapter Three (Section 3.2.), *tawhid* signifies that, as a group of individual, SAC has responsibilities to fulfil transcendental responsibilities and horizontal responsibilities. The former is done by maintaining a good relationship with God, and the latter is done by maintaining a good relationship with the creatures including human beings (stakeholders) and the environment. Based on stakeholder theory in Islam as proposed by Belal (2015), stakeholders of SAC can be identified as follows: Firstly, shareholders/financiers and employees; secondly, suppliers and customers including debtors; thirdly, other external parties such as distributors, competitors, government, and community. Therefore, the instrument of Islamic CSR

disclosure in this study is used for addressing SAC's responsibilities toward God, the stakeholders, and the environment. It is also in line with the theory of *shariah* enterprise proposed by Triyuwono (2003) as discussed in Chapter Three.

The hierarchy of responsibilities derived from the concept of *maqasid* of *shariah* provides detail guidelines on what and how companies' responsibilities should be addressed. As discussed in Chapter Three (Section 3.3.), SAC should follow *shariah* requirement in addressing their responsibilities. At first, it is obligatory for SAC to address its essential responsibilities. Next, once the essential responsibilities are fulfilled, SAC is recommended to address its complementary responsibilities; and desired to fulfil its embellishment responsibilities. *Shariah* that is mainly based on Qur'an and Hadith also provides guidelines on what Islamic tenets should be implemented by SAC in dealing with their stakeholders. As stated in the earlier chapter, observing obligation, avoiding prohibition, brotherhood, justice, trust and benevolence are among the Islamic tenets should be implemented by SAC.

The Islamic CSR disclosure instrument of this present study is also formulated based on CSR disclosure instruments developed by prior studies as well as CSR disclosure reporting framework developed by the international standard setter. Similar to prior studies on Islamic CSR disclosure, some items of the instrument are also adopted from the benchmark produced by Maali *et al.* (2003) and Haniffa and Hudaib (2007). Additionally, some recommendation of prior studies on Islamic business ethics and Islamic reporting are also taken into consideration. The recommendations are the inclusion of value added statement as one of the companies responsibilities to all types of stakeholders (Baydoun and Willet, 2000; Maliah and Willet, 2003) and the implementation of the concept of preventing harm as companies responsibilities to the environment (Kamali 2010; Dusuki and Abdullah, 2010).

With regard to the current reporting framework for CSR, the development of this current Islamic CSR disclosure instrument is also based on GRI's sustainability reporting. As opined by Maliah and Willet (2003), GRI with its comprehensive list of CSR issues could provide a basis on which indicators/items of Islamic CSR disclosure may be developed. None of GRI's CSR performance indicators contradict with Islamic teachings; only the guideline needs to be enriched by incorporating Islamic rules, values or virtues (Maliah and Willet, 2003). Table 5-5 depicts the detail of the Islamic CSR disclosure instrument proposed by this current study. It is also incorporated with Islamic tenets underlying the items and the corresponding references.

Table 5-6 demonstrates that the Islamic CSR disclosure instrument proposed in this study consists of 3 main areas of Islamic CSR disclosure, representing SACs' responsibilities to God, stakeholders, and the environment. Referring to the concept of stakeholder theory in Islam, the responsibilities of SAC to stakeholders is further classified into eight categories, which are employee category, shareholders category, customer category, supplier category, debtor category, other business partner category, government category, and community category.

Additionally, there two more categories included in the instrument to represent SACs' responsibilities to God, all stakeholders as a whole and environment, which are general category and environment category. General category also contains general information on CSR disclosure. Companies' responsibilities under this category do not associate with a particular stakeholder; instead, they are associated with all types of stakeholders. For environment category, it is further classified into three themes according to Kamali (2010), which are preventive, conservation and beautification. Though the classification of company's responsibilities to the environment does not map directly onto essential-complementary-embellishment responsibilities, it tends to be so. Most of the preventive responsibilities are essential, most of the conservation responsibilities are complementary, and all the beautification responsibilities are preferable. It implies that responsibilities of conduct preventive actions are more important than conservation and beautification. It is the application of the concept of preventing harm (*saddu' dara'i*). Furthermore, each category of disclosure is specified in some items based on the discussion in Chapter Three Section 3.6. In total, the instrument is made up from 114 items spreading into 34 essential items, 47 complementary items, and 33 embellishment items.

With regard to the measurements of the quality of disclosure, Figure 5-3 depicts the measurement of each item. However, because of the space limitation the figure does not depict the quality measurement units of all items. Instead, it only shows five items under community category out of 114 under overall categories.

The figure shows that the quality of Islamic CSR disclosure in this study was determined by three categories, namely the quality of quantitative disclosure, the comprehensiveness of disclosed information, and the importance level of information disclosed based on Islamic requirement. In capturing those qualities, each item of the instrument was measured three times using an ordinal scale.

Table 5-6 Islamic CSRD Instrument

Areas	Categories	Items		Sharia Requirement	Islamic Tenets	References
		Code	Description			
Company and God relation	General	G1	Avoid what Islam prohibits	Essential	Avoiding prohibition	Maali <i>et al.</i> (2003), Haniffa and Hudaib (2007), AAOIFI (2011)
		G2	Compliance with statute statement	Essential	Fulfilling obligation	GRI (2013)
		G3	Company's statement of CSR concern	Complementary	Trust, justice	Hakstone and Milne (1996), GRI (2013)
		G4	CSR related achievement	Embellishment	Benevolence	IDX (2015), KLSX (2015) and KSX (2015)
		G5	CSR related certification	Embellishment	Benevolence	IDX (2015), KLSX (2015) and KSX (2015)
		G6	Ethics and Business Practices	Essential	Legitimate earning	GRI (2013), Graafland <i>et al.</i> (2006), Belal <i>et al.</i> (2015)
		G7	God consciousness	Essential	Benevolence	Author (See the explanation of Table 3-1 and the discussion in Section 3.6.1)
		G8	Sharia compliance statement	Essential	Observing obligation	Maali <i>et al.</i> (2003), Haniffa and Hudaib (2007), AAOIFI (2011)
		G9	Sharia supervisory board	Essential	Observing obligation	Maali <i>et al.</i> (2003), Haniffa and Hudaib (2007), AAOIFI (2011)
		G10	Stakeholder engagement	Complementary	Trust	Hakstone and Milne (1996), GRI (2013)
		G11	The use of Islamic mode of financing	Essential	Avoiding interest	Author (see the explanation of Table 3-1 and Table 3-2)
		G12	Un-Islamic activities	Essential	Truthfulness	Maali <i>et al.</i> (2003), Haniffa and Hudaib (2007), AAOIFI (2011)
		G13	Vision, mission, and strategy	Essential	Fulfilling obligation	Haniffa and Hudaib (2007), GRI (2013)
		G14	Economic value added	Complementary	Trust, justice	Baydoun and Willet (2000), Hassan and Harahap (2010), GRI (2013)
		G15	Zakat payment	Essential	Fulfilling obligation	Maali <i>et al.</i> (2003), Haniffa and Hudaib (2007), AAOIFI (2011)
Company and stake-holders relation	Employee	E1	Anti-Corruption and other work ethics	Essential	Avoiding cheating /fraud	AAOIFI (2011), GRI (2013), OECD (2011), UNGC (2000), Graafland <i>et al.</i> (2006)
		E2	Appreciation and Recognition	Embellishment	Benevolence	Haniffa and Hudaib (2007), Hassan and Harahap (2010)
		E3	Career and promotion	Complementary	Justice	AAOIFI (2011), GRI (2013)
		E4	Communication and relationship	Complementary	Trust	AAOIFI (2011), GRI (2013), UNGC (2000)
		E5	Compensation and other benefits	Essential	Fulfilling obligation	AAOIFI (2011), GRI (2013)
		E6	Diversity and equal opportunity	Complementary	Justice	Hackstone & Milne (1996), AAOIFI (2011), GRI (2013), Haniffa and Hudaib (2007)
		E7	Employee data protection	Essential	Fulfilling obligation	GRI (2013)
		E8	Employee from local community	Complementary	Justice	GRI (2013)

		E9	Employee information	Embellishment	Benevolence	GRI (2013)
		E10	Employee satisfaction	Embellishment	Benevolence	Helfaya <i>et al.</i> (2016)
		E11	Employee turnover	Embellishment	Benevolence	GRI (2013)
		E12	Employee welfare	Essential	Fulfilling obligation	AAOIFI (2011), Haniffa and Hudaib (2007)
		E13	Employee's basic right protection	Essential	Fulfilling obligation	AAOIFI (2011), GRI (2013), OECD (2011), UNGC (2000)
		E14	Employment for special person	Complementary	Justice	AAOIFI (2011), GRI (2013)
		E15	Freedom to congregate	Complementary	Justice	UNGC, GRI (2011), OECD (2011), UNGC, (2000)
		E16	Health and safety	Essential	Fulfilling obligation	AAOIFI (2011), GRI (2013), OECD (2011)
		E17	Human resources policy	Complementary	Trust	Haniffa and Hudaib (2007)
		E18	Learning and development	Complementary	Trust, justice	AAOIFI (2011), GRI (2013), OECD(2011)
		E19	Organization and Leadership	Complementary	Trust	Author (See discussion in Section 3.6.2.1)
		E20	Pension and retirement	Complementary	Justice	AAOIFI (2011)
		E21	Performance Management	Complementary	Justice	AAOIFI (2011)
		E22	Recruitment procedure	Complementary	Justice	Hassan and Harahap (2010)
		E23	Whistleblowing & grievance mechanism	Complementary	Justice, trust	AAOIFI (2011), GRI (2013), OECD (2011)
		E24	Work related accident report	Complementary	Trust	GRI (2013)
		E25	Working Environment	Complementary	Justice	Helfaya <i>et al.</i> (2016)
	Shareholders	Sh1	Analyst Perception	Complementary	Trust, justice	GRI (2013)
		Sh2	Business development and continuity	Essential	Fulfilling obligation	AAOIFI (2011)
		Sh3	Business risk and strategy	Complementary	Trust, justice	AAOIFI (2011)
		Sh4	Dividend or shareholders return	Complementary	Trust, justice	GRI (2013), OECD (2011), Haniffa and Hudaib (2007)
		Sh5	Dissemination of information	Embellishment	Benevolence	Author (See the explanation of Table 3-2)
		Sh6	Protection of minority shareholder	Essential	Fulfilling obligation	Author (See the explanation of Table 3-2 and the discussion in Section 3.6.2.2)
		Sh7	Respect shareholders' rights	Essential	Fulfilling obligation	Author (See the explanation of Table 3-2 and the discussion in Section 3.6.2.2)
		Sh8	Shareholders communication	Complementary	Trust	Author (See the explanation of Table 3-2 and the discussion in Section 3.6.2.2)
	Consumers	C1	After Sale provision	Embellishment	Responsible	Author (See the explanation of Table 3-2 and the discussion in Section 3.6.2.3)
		C2	Code of conduct for customer service	Complementary	Trust, justice	AAOIFI (2011)
		C3	Customer communication	Complementary	Trust, justice	AAOIFI (2011)
		C4	Customer confidentiality	Essential	Fulfilling obligation	GRI (2013), OECD (2011)
		C5	Customer protection	Essential	Fulfilling obligation	GRI (2013)
		C6	Customer satisfaction	Complementary	Trust	AAOIFI (2011), GRI (2013), OECD (2011)
		C7	Managing complaint	Complementary	Trust, justice	AAOIFI (2011), GRI (2013), OECD (2011)

		C8	Marketing	Complementary	Trust	AAOIFI (2011), GRI (2013), OECD (2011)
		C9	Product information and labeling	Essential	Truthfulness, mutual consent	GRI (2013), OECD (2011), Haniffa and Hudaib (2007), Belal <i>et al.</i> (2015)
		C10	Product lawfulness or halal status	Essential	Fulfilling obligation	AAOIFI (2011)
		C11	Product pricing	Complementary	Justice	Author (See the explanation of Table 3-2 and the discussion in Section 3.6.2.3)
		C12	Product quality and safety	Essential	Fulfilling obligation	GRI (2013), OECD (2011), Hassan and Harahap (2010)
	Suppliers	Sp1	Supporting supplier for sustainable business	Complementary	Trust	GRI (2013), OECD (2011)
		Sp2	Fair and on time payment	Essential	Fulfilling obligation, mutual consent	Author (See the explanation of Table 3-2 and the discussion in Section 3.6.2.4)
		Sp3	Local or SME supplier	Complementary	Justice	GRI (2013)
		Sp4	Maintaining mutual beneficial relationship	Complementary	Trust	Hassan and Harahap (2010)
		Sp5	Supplier Appreciation	Embellishment	Benevolence	GRI (2013)
	Debtors	D1	Debt policy	Complementary	Justice	Haniffa and Hudaib (2007), AAOIFI (2011)
		D2	Debt write off	Embellishment	Benevolence	Haniffa and Hudaib (2007), AAOIFI (2011)
	Other Business Partner	OBP1	Active role in industry association	Embellishment	Benevolence	Hakstone and Milne (1996), GRI (2011)
		OBP2	Assisting business partner in sustainability	Complementary	Balance	Author (See the explanation of Table 3-2 and the discussion in Section 3.6.2.4)
		OBP3	Fair competitions with competitors	Essential	Fulfilling obligation	GRI (2013)), OECD (2011)
		OBP4	Maintaining good relationship with distributor/resellers	Complementary	Trust	Author (See the explanation of Table 3-2)
		OBP5	Possible cooperation with competitors	Embellishment	Benevolence	Author (See the explanation of Table 3-2)
	Government	GOV1	Comply government regulation	Essential	Fulfilling obligation	GRI (2013)
		GOV2	Direct economics contribution	Essential	Fulfilling obligation	OECD (2011)
		GOV3	Support government project/program	Embellishment	Benevolence	AAOIFI (2011)
	Community	Cm1	Anti-Corruption, bribery, social illness campaign	Essential	Avoiding cheating/fraud	AAOIFI (2011), GRI (2013), OECD (2011), UNGC (2000)
		Cm2	Communication with community	Complementary	Trust	GRI (2013), OECD (2011), UNGC (2000)
		Cm3	Community development	Embellishment	Benevolence	GRI (2013), OECD (2011), UNGC (2000)
		Cm4	Community satisfaction	Embellishment	Benevolence	Helfaya <i>et al.</i> (2016)
		Cm5	Economic empowerment	Embellishment	Benevolence	GRI (2013)
		Cm6	Education and training support	Embellishment	Benevolence	AAOIFI (2011), GRI (2013), Belal <i>et al.</i> (2015)
		Cm7	Human right promote and support	Essential	Fulfilling obligation	AAOIFI (2011), GRI (2013), OECD (2011), UNGC (2000)
		Cm8	Job creation	Embellishment	Benevolence	GRI (2013), Haniffa & Hudaib (2007), Belal <i>et al.</i> (2015)
		Cm9	Natural disaster relief	Embellishment	Benevolence	Author (See the explanation of Table 3-2 and the discussion in Section 3.6.3.)

		Cm10	Need and Impact analysis	Complementary	Trust, justice	GRI (2013)	
		Cm11	Other Philanthropy	Embellishment	Benevolence	AAOIFI (2011), Belal <i>et al.</i> (2015)	
		Cm12	Partnership	Embellishment	Benevolence	Helfaya <i>et al.</i> (2016)	
		Cm13	Poverty eradication	Embellishment	Benevolence	AAOIFI (2011), GRI (2013)	
		Cm14	Public facility	Embellishment	Benevolence	GRI (2013)	
		Cm15	Public health and safety support	Essential	Fulfilling obligation	AAOIFI (2011)	
		Cm16	Religious supports and activities	Embellishment	Benevolence	AAOIFI (2011)	
		Cm17	Respecting local custom	Embellishment	Benevolence	Author (See the explanation of Table 3-2 and the discussion in Section 3.6.3)	
		Cm18	SME support	Embellishment	Benevolence	AAOIFI (2011)	
		Cm20	Sport or culture supports	Embellishment	Benevolence	AAOIFI (2011)	
Company and environment Relation	Environment	Prevention	Ev1	Calculating estimation of carbon footprint	Complementary	Trust, justice	GRI (2013), OECD (2011), UNGC (2000)
			Ev2	Climate change and environmental policy	Complementary	Trust, justice	AAOIFI (2011), GRI (2013), OECD (2011), UNGC (2000), Belal (2015)
			Ev3	Efficient use of energy, water, and material	Essential	Avoiding exploitation	AAOIFI (2011), GRI (2013), OECD (2011), UNGC (2000)
			Ev4	Environmental regulation compliance	Complementary	Trust	GRI (2013), OECD (2011), UNGC (2000)
			Ev5	Facilitating/promoting eco-friendly activities	Embellishment	Benevolence	AAOIFI (2011), GRI (2013), OECD (2011), UNGC (2000)
			Ev6	Reducing emission, waste & carbon footprint	Essential	Preventing harm	GRI (2013), OECD (2011), UNGC (2000)
			Ev7	Reducing another negative impact	Essential	Preventing harm	AAOIFI (2011), GRI (2013), OECD (2011), UNGC (2000)
			Ev8	Undertaking environmental impact analysis	Complementary	Justice	GRI (2013), UNGC (2000)
			Ev9	Using eco-friendly technologies or policy	Complementary	Justice	AAOIFI (2011), GRI (2013), OECD (2011), UNGC (2000)
			Ev10	Using renewable energy ad alternative	Complementary	Justice	AAOIFI (2011), GRI (2013)
		Conservation	Ev11	Biodiversity and forestry	Complementary	Justice	GRI (2013), OECD (2011), OECD (2011), UNGC (2000)
			Ev12	Conservation of natural resources	Complementary	Justice	GRI (2013), OECD (2011), OECD (2011), UNGC (2000)
			Ev13	Energy conservation	Complementary	Justice	AAOIFI (2011)
			Ev14	Environment rehabilitation	Complementary	Justice	AAOIFI (2011)
			Ev15	Natural disaster rehabilitation	Complementary	Trust	Author (See the explanation of Table 3-2 and the discussion in Section 3.6.3)
			Ev16	Waste management	Essential	Preventing harm	AAOIFI (2011), GRI (2013), OECD (2011), UNGC (2000), Helfaya <i>et al.</i> (2016)
		Beautification	Ev17	Contribution to beautify environment	Embellishment	Benevolence	Hackstone and Milne (1996), Branco and Rodriguez (2008)
			Ev18	Facilitating cleanliness	Embellishment	Benevolence	Kamali (2010)
			Ev19	Restoring historical building	Embellishment	Benevolence	Author (See the explanation of Table 3-2 and the discussion in Section 3.6.3)

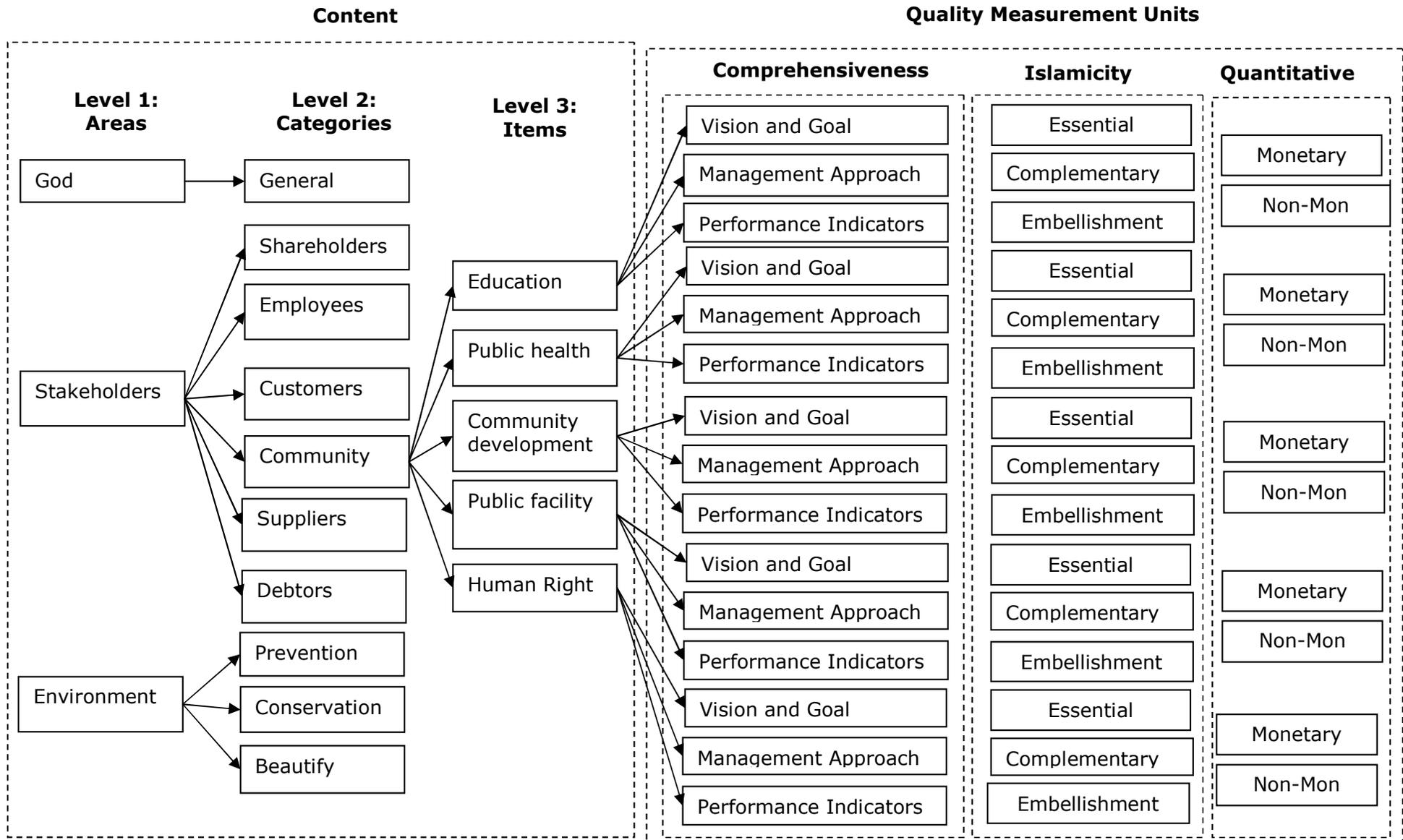


Figure 5-3 Context Units and Quality Measurement Units

5.3.3.1. Determining Coding Process

Coding is a crucial step in conducting a content analysis as it is the stage when the analysis process is carried out (Krippendorff, 2004; Bryman & Bell, 2011). The coding process includes two main elements which are designing coding schedule and designing coding manual. Coding schedule is a form into which all the data relating to an item being coded is entered, whereas coding manual is a statement of instructions to coders that specifies the categories used to classify the text based on a set of written rules that define how text is classified. (Bryman & Bell, 2011). The former simplifies and facilitates the discussion of the principles of coding in content analysis, while the latter enables the message content to be coded with consistent manner (Bryman & Bell, 2011).

Coding could be executed manually, electronically or combination between both manual and electronic. Manual coding is done by human effort whereby the coder or rater reads through all the documents and searches the content categories to be coded. As manual coding involve human effort, it involves subjectivity that might affect the validity of the data resulted and Moreover, manual coding can be time and cost consuming because there is a need for code book or dictionary validation, coders training and inter-coder reliability testing (Smith & Humphreys, 2006).

For electronic coding, it is done by computer using specific software that helps researcher read the softcopy documents, identify the content categories and code the selected categories found in the documents. Among the software that could be used to help in analysing the content of any documents are a word processor, Adobe acrobat reader, Leximancer, and NVivo. Word processor and Adobe acrobat reader are two simple computer software programs. Using keyword searching function, they could help to point out particular word that matches the coding manual. However, the software could only be applied using words as the recording unit, and they could not help in entering data relating to item or category into the coding schedule. Therefore, combination both manual coding and electronic coding might be appropriate with that two software.

With regard to Leximancer and Nvivo, both can be considered as sophisticated software for conducting the content analysis. The earlier is automatic content analysis software that goes beyond keyword searching by discovering and extracting a thesaurus-based concept from the text data, with no prior dictionary requirement, then coding the concept, resulting in asymmetric concept co-occurrence information and finally generating a concept map (Smith and Humphreys, 2006). The latter is qualitative data analysis computer software that helps researcher to organize and analyse non-numerical data or unstructured data by

classifying, sorting, and arranging the data, examining the relationships in the data and combining analysis with linking, forming, searching and modelling (Patricia, 2007).

By considering the purpose of the study, the type of the data, and the size of the sample study, the current study applied the combination between manual and electronic coding in conducting the content analysis. For the electronic coding, NVivo was chosen instead of Leximancer as it was more common used by researcher dealing with a large number of narrative document and was familiar to the current researcher. Manually coding was still implemented in this study because NVivo was only used for classifying, sorting and arranging the data. The coding process of this current study can be summarised as follow:

1. Firstly, the coder input all items listed in the Islamic CSR disclosure instrument formulated in Chapter Four as new nodes into NVivo 10 software. Then, the coder input the entire coding sources, which were the pdf form of annual reports of the sample SACs, into the NVivo.
2. Secondly, the coder opened one annual report in the NVivo. At the same time, the list of CSR disclosure items in the category of the node was activated.
3. Thirdly, the coder started to do the coding process by reading through the document. Once the coder finds any information related to CSR, she immediately identified in which node the information could be classified, highlighted, dragged and then dropped into the associated node. This process was kept continuing until all texts in the document were read, and all CSR related information in the document was coded. The process was reiterated to all other documents until all the coding process completed. The coder could revisit the coded nodes at any time to double check that no information had been classified into the irrelevant node. It could enhance the reliability of the coding process. This part was the end of the electronically coding process.
4. The next step was transferring the data from NVivo to coding schedule or database sheet for each document of each company. It was the process of quantifying data of each item. It can also be considered as a read and re-read process because the process included another reading of the information gathered from the document via the corresponding nodes. The coding schedule was formed in Excel and consisted of the company name, the list of CSR disclosure items, the unit measurement (word, sentence, dummy variable of one if individual item was disclosed and 0 otherwise). The coding schedule is presented in the Appendix 2.
5. Once the data in NVivo had been transferred to the coding schedule, it was then tabulated in a tabulation data sheet for the data were ready for further analysis.

5.3.3.2. Assessing Validity and Reliability

Reliability and validity are important criteria in establishing and assessing the quality of research, especially quantitative research. Reliability refers to the consistency of a

measurement of a concept, while validity relates to the issue whether an indicator or set of indicators that is devised to measure a concept measures that intended concept (Bryman & Bell, 2011). In another word, while reliability concern whether the measure to use in research is consistent, validity concerns whether researchers are investigating what they think of research.

According to Bryman and Bell (2011) and Krippendorff (2004), there are three types of reliability. The first one is stability. Stability relates to questioning whether a measure is stable over time so that researcher can be confident that the results relating to that measure for a sample of data or respondents are stable. It refers to the degree to which a process is unchanging over time. It can be based on the design of test-retest in which one observer re-reads, re-categorizes and re-analyse the same text in two different times. Stability is the weakest measure of reliability as it only overcomes the problem of intra-observer inconsistencies that might be resulted from carelessness, distraction, or difficulties. The second one is internal reliability. It relates to the content of the measure whether the indicators that make up the scale or index are consistent. The third type is inter-observer consistency or in Krippendorff's term is named as reproducibility. Interobserver reliability is the degree to which a process can be duplicated by different observers or analysts at various location, under different condition but still using similar measuring instrument (Krippendorff, 2004). It is more likely related to research in which subjective judgment is involved in such activities as the translation of data into categories. It should also be considered when more than one observer involved in subjective judgment for the example in content analysis. It can be strengthened by establishing clear guidelines and concise instructions about how to rate or to analyse the data. Thorough experience in the subject matter can also increase this type of reliability (Shuttleworth, 2014).

For the purpose of this study, a number of steps were taken to ensure the reliability of the content analysis and the data obtained. With regard to the first type of reliability, ensuring the stability measures, the researcher conducted the process of read and re-read, categorize and re-categorize as well as analyse and re-analyse of 10 annual reports from the sample countries. The process was conducted at a different time and the results were shown to be stable. The use of NVivo could also support the process of stability test as the researcher could come back to the content analysis process whenever it was needed. Despite 10 annual reports being analysed twice, all reports also passed through two different processes at two different times. The first process was coding process using NVivo and the second process was transferring data from NVivo to the coding schedule of each company. The data from NVivo were transferred after all the reports had been coded using

NVivo. The stability of the content analysis could be guaranteed as the researcher did not find any information that was mistakenly classified into the irrelevant node.

In term of reproducibility, to ensure the inter-coder reliability the researcher adopted two different methods. The first method was the manual method. The researcher asked two different coders to help her analysing the content of the reports manually. The first coder was researcher's second supervisor and the second was an MSc student. Both coders were chosen as the researcher believed that they had experience of reading and analysing annual reports and had knowledge of CSR disclosure from an Islamic perspective. Before those two coders conducted the content analysis, the researcher provided them with guideline and explanation about the process and the instrument used. Each of them read and analysed two annual reports. As a result, there was an almost total agreement between the researcher and the two coders on the classification of the texts and the measurement.

The second method to test the reproducibility was conducted using the NVivo software. The researcher asked an accounting lecturer with Ph.D. on Islamic accounting that was familiar with annual reports, sustainability report, and CSR disclosure. She also had the experience of using Nvivo software. After giving her explanation of the objectives of this study and the instrument used, the researcher asked her to do the content analysis of using the Nvivo software. At the same time, the researcher also conducted content analysis for the same annual report independently. Then, the "percentage of agreement" between the two was calculated by using "coding comparison" function in the NVivo software. One rule of thumb suggested by different experts is that the values of percentage of agreement from 75% to 90% demonstrate an acceptable level of agreement (Hartmann, 1977; Stemler, 2004; Graham *et al.*, 2012). Even Sun & Cai (2013) state that the value of 70% is still acceptable. As the result of percentage of agreement for all nodes in content analysis between the researcher and her colleague were above 90%, it proved high inter-coder reliability between the two coders' coding.

Turning to the assessing of validity, while reliability is essential, it alone is not sufficient. For content analysis to be reliable, it also needs to be valid in the sense that it measures what the researcher intends to measure (Krippendorff, 2004; Bryman & Bell, 2011). Though there are several types of validity, semantic validity and construct validity are considered as the two most important types of validity that must be guaranteed in content analysis. Semantic validity is the extent to which person agree that the list of words placed in the category have similar meaning or connotation, whereas construct validity is the extent to which the list of words placed in categories represent the construct being investigated (Krippendorff, 2004).

In relation to this study, the high agreement between coders in conducting content analysis using NVivo software as stated earlier can be used to suggest that categorization procedure of the instrument was valid. In term of construct validity, to maintain that the instrument used for the content analysis was valid, a number of consultation meetings between the researcher and the main supervisor were carried out. The researcher also had the consultation with the second supervisor to strengthen this construct validity. Additionally, the researcher also conducted informal discussion with Muslim clerics who understand the concept of *tawhid* and *maqasid of shariah*. Moreover, most of the items in the instrument were in line with the previous studies as well as the acceptable disclosure framework such as AAOIFI, GRI and United Nation Global Conduct. The validity of instrument used in previous studies and the frameworks was already tested and verified. Every reference to each item was provided in the Islamic CSR instrument list³⁷.

5.3.4. Operational Definition of the Variables and Model Specification

As data collection and tabulation have been discussed, data analysis used in this study needs to be elaborated. However, before discussing the data analysis, the operational definition of the variables employed in this current study and the model specification for identifying the determinants of Islamic CSR disclosure needs to be discussed first. This section provides the discussion.

Referring to the literature review on the determinants of CSR disclosure discussed in Chapter Two and Three as well as the hypotheses development discussed in Chapter Four, the basic model of the determinants of Islamic CSR disclosure in a sample of OIC country is presented as follow:

$$\text{Islamic CSR disclosure level} = f(\text{company size, state-ownership, profitability, industry sensitivity, media exposure, country})$$

The model signifies that Islamic CSR disclosure level is a function of company size, state ownership, company profitability, industry sensitivity in which company is operated, media exposure in national level and company's country of origin. It indicates that there are two types of variables included in the analysis, which are dependent variable and independent variables. The discussion of the variables and their measures is provided below, followed by the model specification.

³⁷ See the list in Table 5-5 and its discussion.

5.3.4.1. Dependent Variable

The dependent variable of this current study was Islamic CSR disclosure level. Data related to this variable resulted from the content analysis process. As stated in Section 5.3.3.2 (recording unit), Islamic CSR disclosure was measured using six different measurements to represent the amount of disclosure, the breadth of disclosure and the quality of disclosure. For the quality of disclosure, the measurement was further specified to gauge quantitative disclosure, comprehensiveness of disclosure and Islamic disclosure. The amount of disclosure was measured using a total number of words and sentences. Additionally, there were four indexes used to measure the breadth and the quality of Islamic CSR disclosure. Each of them is discussed below.

Disclosure Index is the proportion of a total number of items disclosed by SACs in their annual report to the theoretical maximum score, which was the 114 items listed in the Islamic CSR disclosure instrument. This index captures the breadth of disclosure. Table 5-7 shows the formula to calculate this index.

Quantitative Index captures both the breadth and the quality of disclosure. In term of quality, an ordinal scale was assigned for each item based on the form of information being disclosed. An item with quantitative non-monetary information was assigned the value of one and an item with monetary information was assigned the value of two. The calculation of the index is presented in Table 5-7.

Comprehensive Index is an index capturing both breadth and quality of disclosure in term of the comprehensiveness of information being disclosed. Referring to Bouten *et al.* (2011), the comprehensiveness of disclosure could be seen based on the type of information being disclosed; whether the information disclosed is related to vision and goal, management approach or performance indicator. According to information related to vision and goal includes all information on stated values or aims that are generally rhetoric in nature and covers company recognition on CSR values. Information related to management approach includes any information on how companies address CSR concern into actions or practices; whereas information related to the performance indicator covers all information reflecting actual CSR performances that are quantitatively measurable (Bouten *et al.*, 2011). The ordinal scale was assigned for each disclosed item. The value of one, two, or three was assigned to item containing information related to vision and goal, management approach or performance indicators, respectively. Once an item containing all of the three types of information, it was assigned the maximum value of six (1+2+3). Table 5-7 provides the formula on how comprehensiveness index for each company was calculated.

Islamic Index is also an index capturing both breadth and quality of disclosure. The quality shows to what extent SACs disclosed the items that were classified under essential, complementary and embellishment responsibility in Islam. The ordinal scale of one, two, or three was assigned for the presence of disclosure of item related to embellishment

responsibilities, complementary responsibilities and essential responsibilities, accordingly. The formula to calculate the index is also presented in Table 5-7.

Table 5-7 Formula to Calculate the Disclosure Index

Disclosure index	Comprehensive index
$Index = \frac{TDI}{TMS}$	$Index_{compre} = \frac{(1xTDIvg) + (2xTDIma) + (3xTDIpi)}{TMScompre}$
Quantitative Index	Islamic Index
$Index_{quan} = \frac{(1xTDInon) + (2xTDImon)}{TMSquan}$	$Index_{islam} = \frac{(3xTDIess) + (2xTDIcomp) + (1xTDIemb)}{TMSislam}$

Note:

- TDI*: Total number of disclosed items
- TMS*: Theoretical maximum score (114)
- TDInon*: Total number of disclosed items in quantitative non-monetary form
- TDImon*: Total number of disclosed items in monetary form
- TMSquan*: Theoretical maximum quantitative score (1x114)+(2x114)=342
- TIDvg*: Total number of disclosed item containing information related to vision and goal
- TIDma*: Total number of disclosed item containing information related to management approach
- TIDpi*: Total number of disclosed item containing information related to performance indicator
- TMScompre*: Theoretical maximum comprehensiveness score (1x114)+(2x114)+(3x114)=684
- TDIess*: Total number of disclosed items related to essential responsibilities
- TDIcom*: Total number of disclosed items related to complementary responsibilities
- TDIemb*: Total number of disclosed items related to embellishment responsibilities
- TMSislam*: Theoretical maximum Islamic score (3x34)+(2x47)+(1x33)=189

5.3.4.2. Independent Variables

There are six independent variables chosen in this study. The number of the selected variables is commendable considering that the average number of independent variables used by 40 prior studies on the determinants of CSR disclosure referred in this study is only three³⁸ and only 47.5% of the studies used more than three independent variables. As discussed in Chapter Four, those variables were selected from the four most common variables observed by the 40 prior studies as significant variables in explaining the variation of CSR disclosure. Those variable are company size (supported by 32 studies), industry sensitivity (supported by 13 studies), profitability (supported by nine studies), and state ownership (supported by six studies). Additionally, two country-specific determinants are

³⁸ See Table 4-1 Summary of Prior Studies on the Determinants of CSR Disclosure in Chapter Four for further reference. Out of 40 studies, only one study has seven independent variables, two studies have six independent variables, three studies have five independent variables and the rest of the studies only have independent variables of less than five.

also selected to represent socio-political determinants, which are media pressure (supported by five studies) and country (supported by five studies). Other variables such as leverage, foreign ownership, public ownership, institutional ownership, board of director and other proxies of corporate governance were not included as independent variable because those variable were not commonly found to be significant in prior studies. For example, leverage, foreign ownership and public ownership were only found to be significant in three prior studies listed in Table 4-2 Chapter Four, whereas the other variables were only found to be significant in one studies. Additionally, as the data used in this current study only consist of 90 data, the use of more independent variables may endanger the results of regression analysis. Normally, more independent variables require more data to be analysed. Therefore, six independent variables are considered to be good and representative. The measurement of each independent variable is discussed below³⁹.

Company Size Normally, company size can be measured using total asset, market capitalization, sales or number of employees. Though there is no theoretical reason supporting the justification of choosing the best measure of company size, most of previous studies on CSR disclosure tend to use total asset as measure of company size. (Hakstone and Milne, 1996; Haniffa and Cooke, 2005; Ghazali, 2007; Branco and Rodriguez, 2008; Bouten *et al.*, 2011; Iannou and Serafim, 2012; Chiu and Wang, 2015; Haji and Ghazali, 2015). Therefore, this current study also used total assets as a measure of company size.⁴⁰ However, the total asset was not analysed based on the actual value. Following previous studies like Hackstone and Milne (1996), Li and Zhang (2010), Bouten *et al.* (2011), Iannou and Serafim (2012) and Lie *et al.* (2013), the natural logarithm of the total asset was used to measure company size. This transformation was chosen in order to ensure the normality of the distribution as the residual data was usually not normally distributed in its crude form.

State Ownership Previous studies used two different measures to gauge state ownership as a variable. Studies like Amran & Devi (2008), Ghazali (2007) as well as Haji and Ghazali (2015) used the proportion of shares held by government body as the measure of state ownership. Whereas, study like Li and Zhang (2010), Gao (2011), Suttipun (2012) and Li *et al.* (2013) used dummy variable of one if company's majority shareholder was government and 0 if the majority of company's shareholders was other than government. As this study

³⁹ Initially, this study applied seven independent variables, which is similar to the maximum number of independent variables found in prior studies. Considering the important of *Shariah* Supervisory Board (SSB) in ensuring Islamic business institutions' compliance with *shariah*, this study used the existence of SSB as the seventh independent variable at first. However, as none of the SAC in the sample countries have SSB in their corporate governance structure, the variable was removed from the analysis.

⁴⁰ Previous studies like Amran & Devi (2008) suggested that, for research in CSR disclosure, number of employee was deemed to be the most relevant measures of company size. The current researcher did take the suggestion into account by trying to use number of employee as a second measure of company size. Unfortunately, not all SACs in the sample provided the data related to number of employee. Therefore, the researcher decided to focus on using total asset as the only measure of company size.

focused more on the effect of state-owned companies rather than company with the government as one of their shareholder, the measure used by Gao, Suttipun and Li *et al.* was adopted. Therefore, a dummy variable one was assigned for a company with the government as the majority shareholder and 0 was assigned for a company whose majority of the shareholder was other than the government.

Profitability It can be measured using either accounting or market-based measures. As far as the possibility of managerial manipulation is concerned, market-based measures are better than accounting-based measure. However, previous studies tend to use accounting based measures for measuring profitability because the use of market-based measures relying more on investors' viewpoint, thus neglecting other stakeholders (Reverte, 2008). Return on equity (ROE) and return on asset (ROA) are two examples of those accounting-based measures. Most of prior studies used ROA to measure profitability. (Belkaoui and Karpik, 1989; Amran and Devi, 2008; Branco and Rodriquez, 2008; Reverte, 2008; Esa and Ghazali, 2010; Bouten *et al.*, 2011; Khan *et al.*, 2013; Lie *et al.*, 2013), and only some of them used ROE (Haniffa and Cooke, 2005; Li and Zhang, 2010; Mia and Mamun, 2011; Sharif and Rashid, 2014). ROA concern more diverse stakeholders than ROE. Following, those previous studies, this current study also utilized ROA as a measure of profitability.

Industry Sensitivity This variable relates to the classification of companies based on the assumption that companies with different effect toward community and environment may have a different preference in disclosing their responsibilities. Company with high impact on community and environment was classified under high sensitivity industry, whereas a company with low impact was classified under low sensitivity industry ⁴¹. As stated in the earlier section on characteristic of the sample, ICT services company, food and beverages, retail and wholesale, personal care and household, services as well as consumer goods were classified under low sensitivity industry. Whereas, mining companies, agriculture and plantation, property and construction, industrial, chemical and energy were classified under high sensitivity industry. Similar to previous studies, industry sensitivity was measured using dummy variable on if company was identified under high sensitivity industry and 0 if company came from low sensitivity industry. (Hakstone and Milne, 1996; Reverte, 2008; Branco and Rodriquez, 2008; Bouten, *et al.* 2011; Kasharmah and Desoky, 2013).

Media Exposure Most of previous studies used number of articles or number of hits found in one or two most popular national media (Branco and Rodriquez, 2008; Reverte, 2008; Bouten, *et al.*, 2011; Gamerschlag *et al.*, 2010; Chiu and Wang, 2015). The number of articles or hits was usually produced by an online search engine. By referring to those studies, the current study also used the number of articles produced by the most popular

⁴¹ High sensitive companies are companies whose negative impacts on the environment and or community are high, whereas low sensitive companies are companies whose impacts on the environment and or community are low.

online news channel as a measure of media exposure. There were several steps to develop the measure of media exposure in this study. Those steps are as follows:

- Firstly, the researcher searched the global traffic rank produced by Alexa[dot]com for each sample country.⁴² The observation was conducted on 30th June 2014.
- Secondly, the researcher identified the news channel site with the highest rank in the global traffic rank. It was found that online news channel “*Detik*”, “*The Star*” and “*Dawn*” were ranked as the most popular online news channel sites in Indonesia, Malaysia, and Pakistan, accordingly.
- Thirdly, the researcher visited those three sites and searched the name of each SAC in each country using the search engine provided by the website in the corresponding country. A total number of articles produced by the search engine was documented as the measure of media exposure.

Country To measure country variable containing of Indonesia, Malaysia and Pakistan, dummy variable using nominal scale was applied for each country. When the analysis focused on Indonesia, the value of 1 was assigned for SACs originally came from Indonesia and 0 otherwise. Similar procedure was also applied for SACs in Malaysia or Pakistan. Table 5-6 summarizes all the independent variables used in this current study and their measures.

Table 5-8 Independent Variables and their Measures

Variables	Measurements	Name
Company size	Natural Logarithm of total assets	LNTA
State ownership	Dummy variable of 1 if company’s majority shareholder was government and 0 if the majority of company’s shareholders was other than government	SOE_OWN
Profitability	Return on asset	ROA
Industry sensitivity	Dummy variable 1 if company was identified under high sensitivity industry, and 0 if company came from low sensitivity industry	IND_SENSVT
Media exposure	Total number of article related to company published by the most popular online news channel site	MEDIA
Country	Dummy variable of 1 for Indonesian SAC and 0 for non-Indonesian SAC. Similar measures also applied for Malaysian and Pakistani SACs	COUNTRY

⁴² Alexa[dot]com is a global pioneer in the world of analytical insight that developed the most robust and accurate web analytics service of any provider, a global traffic rank. The global traffic rank is a measure of how a website is doing relative to all other sites on the web over the past 3 months. The rank is calculated using a proprietary methodology that combines a site's estimated average of daily unique visitors and its estimated number of page views over the past 3 months. It also provides a similar country-specific ranking, which is a measurement of how a website ranks in a particular country relative to other sites over the past month.

5.3.4.3. Regression Model

The relationship between the dependent variable and all the independent variables was analysed using multiple regressions. The appropriateness of using a multiple regression was discussed later in the chapter. The regression model used in this study is modified from the model of previous studies and was also based on the measurement and the basic model as discussed above. The model is described as follows:

$$\text{ICSRD} = \beta_0 + \beta_1 \text{LNTA} + \beta_2 \text{SOE_OWN} + \beta_3 \text{ROA} + \beta_4 \text{IND_SENSTV} \\ + \beta_5 \text{MEDIA} + \beta_6 \text{COUNTRY}$$

Where:

ICSRD: The level of Islamic Corporate Social Responsibility Disclosure,

LNTA: Natural logarithm of total assets, proxy for company size,

SOE_OWN: Dummy variable, coded one if SAC is state owned company and 0 if SAC is non-state owned company, proxy for state ownership,

ROA: Return on assets, proxy for profitability,

IND_SENSTV: Dummy variable, coded one if SAC comes from high sensitivity industry and 0 otherwise, proxy industry sensitivity

MEDIA: Total number of articles related to specific SACs in the most popular news channel site,

COUNTRY: Dummy variable of 1 if SAC is from Indonesia and 0 if from non-Indonesia

β_0 : Intercept; implies the level of CSR if all the variables are to be zero

$\beta_1 - \beta_6$: The regression coefficient of each variable implying to what extent an independent variable could affect the dependent variable.

5.3.5. Data Analysis

Once the data was tabulated and the variables were identified, data analysis was ready to be executed. All data analyses in this current study were completed with the help of Statistical Program for Social Science (SPSS) version 22. In line with previous studies on CSR disclosure⁴³, a number of statistical analysis techniques were applied as the main analyses technique to achieve the research aims. The techniques are discussed as follows.

Firstly, descriptive statistics were applied to summarise data related to all variables used in this current study; including data resulted from the content analysis (research objective number two). The tests include frequency distributions, measuring central tendency as well as the dispersion of sample distribution. The purpose of frequency distribution was to show the distribution of the sample. The histogram of frequency distribution was used to identify the distribution of the data (Cooper and Schlinder, 2011). With regard to central tendency

⁴³ See Table 2-3 and Table 3-2 for reference.

test, mean and median of the data were measured. The mean was the average value of the sample, whereas the median is the middle value of the sample. For dispersion of sample distribution, the researcher calculated the standard deviation which reflects the degree to which the values in a distribution differ from the mean.

Secondly, comparison analysis techniques were applied to analyse the differences in Islamic CSR disclosure level among countries in the sample of the study (research objective number three). However, before the comparison analysis techniques were determined, a test of normality of data distribution was conducted at first. Previous studies recognized that two types of tests could be used to test the normality of data distribution, which were Shapiro Wik test and Kolmogorov-Smirnov test. While Shapiro Wik test only works well in data less than 50 cases (Shapiro and Francia, 1972), Kolmogorov Smirnov test is applicable for data with bigger cases. As data of this current study contained 90 cases, Kolmogorov-Smirnov test was applied to investigate the normality of data distribution. The result of Kolmogorov-Smirnov was used to determine the statistical technique for comparison analysis (see the results in Chapter Seven section 7.3). For data of Islamic CSR disclosure level that was normally distributed, one-way analysis of variance (ANOVA) test was applied. For data that were not normally distributed, Kruskal Wallis test was applied. Analysis of variance (ANOVA) is parametric analysis for testing the difference between more than two groups of data that are normally distributed, whereas Kruskal Wallis test is a non-parametric analysis for testing the difference between more than two groups of data that are not normally distributed.

Thirdly, multiple regressions analysis was applied to investigate the determinants of Islamic CSR disclosure in a sample of OIC countries (research objective number 4). Multiple regression analysis was applied for investigating the determinants of CSR disclosure of SACs in the overall sample OIC countries and each country. Additionally, regression analysis was also applied to identify the determinants of Islamic CSR disclosure by category. As suggested by Bouten *et.al.* (2012), the different areas of CSR disclosure may be analysed separately as the explanatory power of independent variables could be different for different category of disclosure. The regression analysis investigates the effect of two or more independent variables on the dependent variable (Cooper and Schindler, 2011). It takes the observed values of X (the independent variable) to estimate or predict corresponding Y values (the dependent variable). There are four assumptions underlying the use of regression analyses, which are normality, the non-existence of multicollinearity, homoscedasticity and independence of the outcome variables. Those assumptions were tested, and the results confirmed that all those assumptions were met (see discussion in

section 8.4.1 and 8.4.2). Additionally, correlation analysis was also applied to support the results of regression analysis.

5.4. Summary

This chapter explicates the research methodology of the current study. It started with the discussion of philosophical debate of research methodology and the approach adopted by this current study. A positivistic approach was adopted to achieve the aim and objectives of this study. Secondary data were gathered from SACs' annual reports that were downloaded from the website of each SAC. As data related to the level of Islamic CSR disclosure were raw in nature, a content analysis was applied to document the content and the level of disclosure. For achieving the research objective, statistical analysis using descriptive statistics, ANOVA, Kruskal Wallis test and multiple regression analysis were applied. Descriptive statistics and qualitative analysis were used to summarize the result of the content analysis to achieve the research aim number two. ANOVA and Kruskal Wallis test were applied to achieve the research aim number three, whereas multiple regressions were employed to achieve the research objective number four. The next chapter discusses the results of the content analysis that are presented both in descriptive statistics and qualitative analysis.

Chapter Six: Islamic CSR Disclosure in the OIC: a Content Analysis

6.1. Introduction

This chapter reports the quantitative and qualitative results of content analysis of annual reports of *shariah*-approved companies (SACs) in the sample of OIC countries. A total of 90 annual reports for the year of 2013 were analysed using content analysis to investigate the practice of Islamic corporate social responsibility disclosure by SAC in Indonesia, Malaysia, and Pakistan. For meeting the research objective number two, the chapter points out the content and level of Islamic CSR disclosure.

The level of Islamic CSR disclosure is described in term of the incidence of disclosure and the amount of disclosure. The former is related to the recognition of particular item of disclosure, whereas the latter is related to the importance of particular item and to what extent the item is recognized. The higher number of incidence shows the broader items being covered in the disclosure, whereas the greater amount of disclosure shows the greater importance perceived by SACs toward the certain item. For the incidence of disclosure, the results are also classified in term of the form of disclosure, the type of information disclosed and the type of responsibility as guided by Islam. The form of disclosure shows whether the disclosure is in table/figure/chart, monetary unit and or non-monetary unit, whereas the type of information disclosed shows whether it is information related to vision and goal, management approach and or performance indicators. For the type of responsibility based on Islamic requirement, it shows whether the disclosure relates to essential responsibility, complementary responsibility or embellishment responsibility. For the amount of disclosure, the results are presented in term of the average number of words and the average number of sentences.

The remainder of this chapter is structured as follows. Following this introduction part, Islamic CSR disclosure in Malaysia is summarized in section two. Section three and four summarize the results of the content analysis in Indonesia and Pakistan, respectively. Discussion of the findings is presented in section five. Finally, section six is the summary.

6.2. Islamic CSR Disclosure in Malaysia

This section discusses the results of content analysis of annual reports in Malaysia. The discussion of Islamic CSR disclosure in Malaysia is divided into two sub-sections. The first section discusses the overall pattern of the disclosure. The disclosure of each category is presented in the second section.

6.2.1. Disclosure in Annual Reports: Overall Categories

Table 6-1 summarize the overall pattern of the disclosure in annual reports. The table shows that all SACs in Malaysia provided disclosure of general category, employee category and shareholder category in their annual reports. The rest of the categories were only disclosed by seven to 28 companies. This finding shows a noticeable difference in the focus of Malaysian Islamic CSR disclosure across categories.

Table 6-1 Summary of Overall Disclosure in Annual Reports–Malaysia

Category	Co	%	Incidence										Amount	
			All	M	NM	TC	VG	MA	PI	Ess	Com	Emb	AW	AS
General	30	29%	129	49	19	54	51	85	58	71	37	17	561	20
Employee	30	35%	264	38	22	49	14	259	65	83	156	20	1,567	60
Shareholders	30	57%	137	67	7	59	9	136	63	29	88	18	2,374	90
Customers	18	19%	67	0	5	4	12	64	11	26	36	1	589	22
Suppliers	13	13%	20	1	1	2	0	19	3	1	14	4	72	3
Debtors	26	72%	43	36	0	35	0	25	35	0	0	43	63	2
Other Business Partner	7	5%	7	1	0	0	0	7	0	2	2	2	21	1
Government	27	36%	32	26	1	24	2	26	25	26	0	6	212	6
Community	28	26%	155	30	45	18	9	155	65	20	10	109	780	30
Environment	24	22%	127	8	28	27	6	127	39	42	55	15	588	24
Total items disclosed			981	256	128	272	103	903	364	275	423	235		
No of items/words/sentences disclosed by each company			33	9	4	9	3	30	12	9	14	8	6,828	258
Percentage of disclosure			29%	8%	4%	8%	3%	27%	11%	31%	28%	23%		

Co: Total number of disclosing companies

%: Percentage of disclosure

All: Total number of disclosed items

TFC: Item disclosed in table/figure/chart

M: Item disclosed in monetary unit

NM: Item disclosed in non-monetary unit

VG: Item related to vision and goal

MA: Item related management approach

PI: Item related performance indicators

Ess: Essential responsibility

Com: Complementary responsibility

Emb: Embellishment responsibility

AW: Average number of words

AS: Average number of sentences

The table reveals that, on average, every SAC disclosed 33 items in its annual report, covering 29% of the benchmark items. The highest number of incidence of disclosure was observed in the disclosure of employee category, whereas the lowest number was in other business partner category. The table also reveals that most of CSR disclosure in Malaysian SACs' annual reports focused on disclosing what actions or practices adopted by the management of the companies in addressing their responsibilities. The disclosure of such information covered 92% of the total disclosure or 27% of all benchmark items. Additionally, 37% of the disclosures contained of information related to performance indicators, which were quantitative in nature and presented in monetary and non-monetary unit. Though the disclosures in monetary unit were observed in all categories,

except customer category, the disclosure only covered about a quarter of the total disclosure. The figure was even lower for non-monetary disclosure. The incidence of non-monetary disclosure only covered 13% (4 items per company) of the total disclosure. Thus, it was noticeable that the frequency of quantitative disclosures in Malaysian SACs' annual report was low.

For the disclosure of responsibilities as instructed by Islam, SACs in Malaysia disclosed only 30% of essential responsibilities, 29% of complementary responsibilities and 23% of embellishment responsibilities. Though this percentage of the incidence of disclosure based on Islamic requirement was still low, it is better than the percentage of disclosure based on the form of disclosure as well as the comprehensiveness of disclosure. It implies that the quality of CSR disclosure as instructed by Islam seems to be better than the quality based on the quantitative approach as well as the comprehensiveness of disclosure.

Turning to the amount of disclosure; the table shows that the average number of word used to disclose Islamic CSR in annual reports was 6,828 words for each SAC. The highest number of word was observed in the disclosure of shareholders category (2,374 words), followed by the disclosure of employee category (1,567 words) and community category (780 words). In term of number of sentences, the disclosure in each company was presented in 248 sentences. Similar to the number of words, the highest number of sentences was reported under shareholder category (90 sentences), followed by employee category (60 sentences). Based on the amount of disclosure, it shows that companies in Malaysia placed shareholders category as the most important category in their disclosure and employee category as the second most important category. The rest of the categories were ranked as follow: community category, environment category, customer category, general category, government category, supplier category, debtor category and other business partner category.

With regard to the disclosure of each item, Table 6-2 summarises the main findings of the analysis.⁴⁴ The table presents the ten most frequent disclosed items and the ten most important items perceived by Malaysian SACs.⁴⁵ It illustrates that un-Islamic activities/revenues were observed as the most common items. All Malaysian SACs disclosed information related to this item. The un-Islamic activities reported in the

⁴⁴ The full list of items rank is provided in the Appendix 3

⁴⁵ Most important items refer to items that are perceived to be important by sample companies. Referring to Zeghal & Ahmed (1990), the more number of words used by a company to disclose a certain item, the more important the certain item is perceived by the company. The term "important" refers to important for the company. It is because when a company put more words to describe a certain item, it implies that the company wants to give more information. Thus, it can be said that the company recognized the item as an important one. This explanation is also applicable for the rest of this chapter.

annual reports of Malaysian SACs only relate to interest payment and interest revenue. As required by Islam, paying and receiving interest is strictly prohibited. However, as Malaysia does not adopt Islamic economic system, Malaysian SACs is allowed to pay or receive interest given that the amount paid/received is not more than the permissible amount regulated by Malaysian Islamic capital market.

Table 6-2 Ten Most Frequent and Most Important Items in Malaysian SACs' Annual Reports

Item Description	No of disclosing companies	Item Description	Average no of words to disclose
Un-Islamic activities/revenues	30	Business risk and strategy	1498
Business risk and strategy	29	Shareholding meeting and other activities	337
Compensation and other benefits	28	Health and safety	291
Shareholding meeting and other activities	28	Compensation and other benefits	287
Dividend payment and policy	26	Business development and continuity	260
Statement on CSR concern	25	Education and training support	193
Learning and development	25	Product quality and safety	178
Direct economics contribution	25	Learning and development	168
Pension and retirement	23	Direct economic contribution	161
Debt write off	22	Statement of CSR concern	152

The second most common disclosure shown in the table is the disclosure of business risk and strategy. Based on the number of word used to disclose, business risk and strategy is also considered as the most important item perceived by Malaysian SACs. This item relates to the responsibility of companies to inform their shareholders about any possible risks faced by the companies such as financial risk, business process risk, market risk, and foreign risk along with their strategies to deal with the risks. The strategies disclosed in the annual reports of Malaysian SACs were maintaining a sound risk management framework and internal control system to protect shareholders' investment and companies' assets; covering financial, operational and compliance aspect of the business.

The next item needs to be elaborated shareholders interaction and communication. In addition to being the fourth most frequent disclosed item, this item can also be classified as the second most important item perceived by Malaysian SACs. All companies disclosed annual general meeting and annual report publication as the two main communication media with shareholders. Additionally, SACs in Malaysia used one on one

meetings, conference calls, investor conferences, website, investor portal and social media to communicate with their shareholders.

In relation with un-disclosed items, there are eight items that were not found in the annual reports of Malaysian SAC. Those items are God awareness, *shariah* supervisory board, employee turnover, employment of special person, assisting partner, possible cooperation with competitor, respecting local custom, and natural disaster relief.

6.2.2. Disclosure in Annual Reports by Category

This section reports the results of content analysis of the annual reports of SACs in Malaysia by category. It discusses the level of disclosure in term of the amount of disclosure, the incidence of disclosure as well as the depth of disclosure. It also reports the content of the disclosure. Some examples of the disclosure are also provided. The discussion is presented based on the importance level of each category measured by a total number of word to disclose CSR information. For the brevity of the thesis, the quantitative summary of the content analysis results are not presented in this thesis. But, it can be provided if it is needed.

6.2.2.1. Disclosure of Shareholder Category

The results of content analysis based on number of word to disclose CSR information place shareholder category as the most important category in Malaysian scenario. As discussed in Chapter Three, shareholder or owner is considered as the closest party of Islamic Business Institutions including SACs. Therefore, SACs has the responsibilities to protect shareholders' right particularly related to the protection of shareholders' fund. This category is made up from eight items, consisting of three items of essential responsibilities, four items of complementary responsibilities and one item of embellishment responsibility. In general, the results of the content analysis show that all the items under shareholder category were documented in Malaysian SAC's annual reports. The number of disclosing companies ranged from two to 29 companies, resulting 137 items disclosed altogether. The average item disclosed by each company was nearly five items, covering 57% of the nine items under this category.

Close to half of the disclosures was presented in the monetary unit, and 3% of the disclosures were presented in the non-monetary unit. This finding implies that Malaysian SACs had translated their responsibilities toward their shareholders into measurable actions or activities. This finding was in line with the finding of the comprehensiveness of disclosure showing that nearly half of shareholder disclosure contained of information related to performance indicators. Though Malaysian SACs had paid attention to the quantitative disclosure, the companies also disclosed their Islamic CSR concerns in qualitative form. Both rhetoric statements on companies' values and concerns on CSR as

well as managements' actions and practices adopted to fulfil their CSR were recognised in the annual reports. Even better, the disclosure of information related to managements' actions and practices in fulfilling CSR had dominated the disclosure of shareholder categories. The disclosure of such information covered nearly all of the disclosure (99%).

There were three items that were disclosed comprehensively. The disclosure of business development and continuity, business risk and strategy, as well as dividend and other shareholder/investor value, contained information related to vision and goals, management approach and performance indicators. The disclosure examples of each type of information are presented below; starting from information related to vision and goal, followed by information related to management approach and information related to performance indicators. They are taken from the disclosure of dividend and other shareholders/investors value disclosure.

We will strive to capitalize on our significant brand presence in the domestic consumer apparel market to enhance shareholder value in the long run. (Asian Brand Berhad⁴⁶ Annual Report, 2013)

The Company is committed to the payment of annual dividends. The quantum of the payment of dividends is determined by the availability of the funds, capital expenditure commitments, and other investment planning requirements. (Golden Land Berhad Annual Report, 2013).

On 27 March 2013, an interim single tier dividend of 1 sen per share amounting to RM 2,163,132 was paid in respect of the financial year ended 30 June 2013. (Golden Land Berhad Annual Report, 2013).

With regard to the disclosure of companies' responsibilities as instructed by Islam, all four essential responsibilities under this category were recognized in the annual reports. According to Islam, protection of wealth is considered to be one of the five basic rights of every human being. Therefore, it is required for a company to protect contribution funds of their stakeholders/investors. The protection can be done through paying the *zakah* of companies' profit, ensuring business development and its continuity, protecting minority shareholders and respecting shareholders' rights.

The results also confirm that, on average, each SAC listed in KLSE disclosed 32% of essential responsibility in their annual report. The highest disclosure was made on business development and continuity disclosure (18 companies), followed by protection of minority shareholders disclosure (eight companies), and respecting shareholder rights disclosure (three companies). The disclosure was presented in 285 words of 11 sentences.

⁴⁶ The word of berhad in a Malaysian version of limited companies. So, Malaysia Airlines Berhad is similar to Malaysia Airlines limited companies. Sometimes, this word is presented in abbreviation form, which is Bhd.

The next responsibility instructed by Islam is complementary responsibilities. The company is recommended to fulfil this kind of responsibility as its fulfilment can support the essential responsibility of the company to protect shareholders/investors' wealth (contribution fund). In general, 88% of complementary responsibilities under this category were documented; covered by 2088 words, on average. The most common and most disclosed item was a business risk and strategy, followed by shareholders communication, dividend and other values for investors as well as analyst perception.

6.2.2.2. Disclosure of Employee Category

Employee category was observed as the second most important category perceived by Malaysian SACs. This category consists of 26 items, spreading into six essential responsibilities, 16 complementary responsibilities and four embellishment responsibilities. Summary of the content analysis results is presented below.

In total, there were 264 items disclosed by Malaysian sample SACs. It signifies that each company disclosed nine items; covering 35% of the 25 items should be disclosed under this employee category. The disclosure was made in both qualitative and quantitative. The qualitative disclosure was covered in 1,567 words or nearly 60 sentences. For the quantitative disclosure, it was presented in monetary and non-monetary, covering 14% and 11% of the disclosed item, accordingly.

Based on the comprehensiveness of disclosure, 96% of the disclosure contained information related to management approach. The disclosure of information related to performance indicators covered a quarter of the total disclosure, whereas disclosure of information related to vision and goal only covered 6% of the total disclosure. As the most common item, item number five (compensation and other benefits) was disclosed comprehensively. The disclosure of this item contained information related to vision and goal, management approach, and performance indicators. One of information related to vision and goals was disclosed by Malaysian Resources Corporation Berhad. For example, the disclosure made by this company is quoted below.

Progressive compensation, benefits and rewards practices are designed to attract, motivate and retain top performers to support business strategy. (Malaysian Resources Corporation Berhad Annual Report, 2013)

The findings of the content analysis show that there are two approaches taken by companies' management in addressing companies' responsibility to provide

compensation and other benefits to their employees. Firstly, companies provided short-term benefit including wages, salary, and bonuses. All disclosing companies reported this information in their annual reports to supply information on what short-term benefits were and how the benefits were recognized. Examples of each disclosure are presented below:

Employees are rewarded for productivity improvements and contribution towards the achievement of the Group's immediate and long-term objectives. The rewards encompass not only compensation and benefits but also performance recognition and professional development and career progression. (Damansara Realty Annual Report, 2013).

The Group and the Company recognise a liability and expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Group and the Company. (Malaysian Resources Corporation Berhad Annual Report, 2013).

Secondly, the company provided Employee Share Options Scheme (ESOS). It is an equity share-based compensation plan that allows the group of eligible employees and directors to acquire ordinary shares of the company. However, not all companies disclosing compensation and benefits reported this type of benefit; only 11 companies did so. The disclosure focused more on information about this scheme, its governing law, and its salient features. An example of the disclosure is stated below:

The Company implemented an ESOS on 1 September 2004 ("the Scheme"). The ESOS is governed by the by-laws which were approved by the shareholders on 7 June 2004 and was effective for 5 years from the date of approval. On 28 May 2009, the Company extended the duration of its ESOS which expired on 6 June 2009 by another five years to 6 June 2014. This was by the terms of the ESOS By-Laws. The ESOS extension was not subject to any regulatory or shareholders' approval. The main features of the ESOS are as follows: (AirAsia Annual Report, 2013).

About information related to performance indicators of compensation and benefits, the disclosure was made in both monetary and non-monetary form. The monetary disclosure related to the amount paid to the employees in Malaysian Ringgit. It was disclosed in the comprehensive income statements or notes of the financial statement. For non-monetary disclosure, the disclosure contained information of number outstanding share owned by the employee, number share issued for the Employee Share Options Scheme and percentage of shares could be issued for ESOS.

Turning to the disclosure of three types of responsibilities as instructed by Islam, the 25 items under employee category was divided into six essential responsibilities, 15 complementary responsibilities and four embellishment responsibilities. The highest percentage of the disclosure was observed in the disclosure of essential responsibilities (46%). The most common essential responsibility disclosed was the disclosure of compensation and other benefits, reported by 28 companies. According to the concept of *maqasid daruriyyat*, companies is required to give compensation or benefits to employees that allow them and their families to live in safety and dignity. The second most common essential responsibility was health and safety. In achieving *maqasid daruriyyat* related to protection of employees and their families' life, companies is also required to take any actions to ensure employees' safety and health. Twenty-one out of thirty Malaysian SACs disclosed the actions and practices adopted by the managements to address this responsibility in their annual reports.

For complementary responsibilities, 35% of the 15 complementary responsibilities were reported in the annual reports. The most common complementary responsibility disclosed was learning and development (25 disclosing companies). Companies are recommended to have a policy on learning and development for employees and to translate the policy into actions. The disclosure contained actions taken by companies' in conducting learning and development such as training to improve employees' knowledge and skills, training to enhance employees' understanding of companies' code of ethics and scholarship for an employee to pursue further education. There was even one company that conducted training to ensure employees' understanding of *halal* food safety. This effort could support companies in achieving their essential responsibility, especially in producing the lawful product. The disclosure is presented below:

..... Besides that, the Group also continuously conducts staff training such as "5S"(Housekeeping Programme), "Halal" and "Food Safety" in its effort to produce a competent workforce. (FCH Holding Berhad Annual Report, 2013).

The next responsibility instructed by Islam is embellishment responsibility. On average, three embellishment responsibilities under employee category were recognized in the annual reports, consisting of items appreciation and recognition (13 companies), employee information (five companies) and employees' satisfaction (two companies). One of employees' appreciation and recognition disclosures made by Malaysia Airline Berhad is presented below as an example.

People recognition, rewarding and celebrating achievements were among the significant people activities. A series of successful people engagement programmes were held last year: • MH Anugerah. MH

Anugerah 2013 was jointly organized by Customer Services Division, Human Resources and Strategic Communications to acknowledge excellent employees who had gone the extra mile in the course of their duty. Ninety-two awards were presented to those who demonstrated excellent customer service beyond the expectations for both internal and external customers. • Lifetime Achievement Award In conjunction with Malaysia Airlines' 41st Anniversary organized by Strategic Communications, a special recognition was given to our MH Everest Base Camp Climbers for successfully achieving their target of reaching Mt. Everest Base Camp at around 17,000 ft. The lifetime achievement award was given to recognize the outstanding iCAN behavior that the MH Climbers team have exemplified to all. (Malaysia Airline Berhad Annual Report, 2013).

In relation to the most frequent disclosed items under employee category, the content analysis found compensation and benefits, learning and development, pension and retirement, and health and safety as the four most frequent disclosed items. About the amount of disclosure, the results show a quite similar pattern though in a different position. It was observed that health and safety had the highest number of words to disclose, followed by compensation and other benefits, learning and development, and pension and retirement.

6.2.2.3. Disclosure of Community Category

The results of content analysis reveal that community category is considered as the third most important category with 780 words to disclose the category. Community category represents SACs' responsibilities toward community, consisting of 20 items, spreading into three items of essential responsibilities, two items of complementary responsibilities and 14 items of embellishment responsibilities.

On average, each company disclosed around five items under this category, covering 26% of the total items. The disclosure was presented in the quantitative and qualitative form. The quantitative disclosure was displayed in monetary and non-monetary unit, covering 19% and 22% of all disclosure, respectively. Companies' responsibility to support education or training for the public was found as the most frequent item disclosed in a monetary unit, informing the amount spent for fulfilling the responsibility. For non-monetary disclosure, the content analysis found companies' responsibilities to support religious activities as the most frequent item disclosed in the non-monetary unit. Among the non-monetary information were a number of community members and employees participating the activities, the number of organization benefited from the programs and number of item donated.

The results of content analysis also reveal that the disclosure of all items contained information related to management approach, nearly half of the disclosure contained in

information related to performance indicators and few of them contained information related to vision and goals. Three items were reported comprehensively in the sense that the disclosure contained information related to vision and goal, management approach as well as performance indicators. The items were education and training support, protecting public health and safety, and poverty eradication. The example of disclosure containing of information related to vision and goals, management approach and performance indicators are provided below. It is taken from the disclosure of companies' responsibility in protecting public health and safety.

Our Transmission Operations under our Gas Transmission and Regasification Division has the largest operational footprint in Malaysia, managing more than 2,500 km of gas pipeline. As much of this pipeline cuts through towns, villages, housing areas, and plantations, there is a constant need to engage with the local communities on the do's and don't's of living within the vicinity of the gas pipeline. For this purpose, PGB's various Regional Offices located along the pipeline route organise periodic engagement sessions with local communities to refresh their understanding of the safety practices that they need to observe along the PGB's pipeline right of way (ROW), as well as key emergency contacts in the event of an emergency. The session also allows the community to raise issues pertaining the maintenance of the ROW, such as the frequency of periodic brush control as well as encroachment by parties other than PGB contractors. (Petronas Gas Berhad Annual Report, 2013).

By referring to the above example, it can be seen that the disclosure of Petronas Gas Berhad's responsibility in protecting the health and safety of community contained information related to its particular goal. The goal is to enhance the understanding of community living in the vicinity of the gas pipeline on what they can do and cannot do for their health and safety. The disclosure also contained information related to management approach. For achieving the goal in enhancing the community understanding, the company organised periodic engagement session with the community to refresh their knowledge, to inform the key emergency contacts and to raise any maintenance issues. In relation to the disclosure of information related to performance indicators, the 2,500 km length of the gas pipeline shown that the company's actions in conducting community engagement stretched along the vicinity of the 2,500 km.

The most common item disclosed under community category was education and training support. Malaysian SACs disclosed their responsibility in supporting education and training for the community in monetary and non-monetary. The non-monetary disclosures contained information like a number of students, teacher, and school benefited from companies' education support. The monetary disclosure mostly represents the amount of money spent by the companies to give a scholarship to students as well as to finance the activities.

From an Islamic perspective, all three essential responsibilities were reported in the annual reports. However, not all companies disclosed the essential responsibilities. There were only 17 companies disclosed their responsibility to protect public health and safety, whereas responsibility to support anti-corruption/bribery campaign and to promote human right were only reported by two and three companies, accordingly. Therefore, the disclosure only covered 24% of the essential responsibilities under this category. The examples of the disclosure of supporting the anti-corruption campaign and promoting public safety were presented below respectively.

TM organised our first ever Integrity Day to further inculcate and internalise our KRISTAL core values, and specifically the value of Uncompromising Integrity across our Group of Companies. The event promoted the establishment of a value-based society with a serious effort to make integrity and honesty a way of life and promote an accountable, corrupt-free society in line with the NIP. Integrity Day adds to our National Integrity Month celebration every November since 2004 as well as International Anti-Corruption Day on 9 December annually. (Telekom Malaysia Berhad Annual Report, 2013).

About complementary responsibilities, the two items of complementary disclosure were also observed in the annual reports of 30 SAC in Malaysia. However, the disclosure only covered 13% of the complementary disclosure under community category. Below is the example of the disclosure of companies' support in community development and companies' action in conducting need and impact analysis, respectively.

Strengthening of Bumiputera's capacity building. Yayasan Peneraju Pendidikan Bumiputera is an initiative under the Bumiputra Economic Roadmap launched through TERAJU under the Economic Planning Unit, Prime Minister's Office. It focuses on the strengthening of Bumiputera capacity building. Objectives include increasing the quality, quantity, and relevance of Bumiputera talents. (Malaysian Resources Corporation Berhad Annual Report, 2013).

We will seek to identify adverse social and environmental impacts through their respective assessments and take necessary, appropriate steps to avoid, minimize and mitigate them. (United Plantation Berhad Annual Report, 2013).

Turn to the embellishment responsibility, there were four items disclosed by each company. The disclosure covered 26% of the disclosure of embellishment responsibilities under this category.

About the amount of disclosure, each company disclosed their responsibility toward the community in 780 words or 30 sentences on average. Similar to the most common item based on the number of disclosing companies, the highest number of words or sentences was also observed in the disclosure of education and training support. The average number of words used by each company to disclose this item was almost a quarter of the average number of words used by each company to disclose community category as a whole. It means that SAC in Malaysia placed the responsibility in supporting

community education and training as the most important community responsibility. The next important responsibility was protecting public health and safety, followed by responsibility to support sport and culture, other philanthropy and helping SME and local entrepreneurs.

6.2.2.4. Disclosure of Customer Category

Disclosure of customer category contains all information related to companies' responsibilities toward their customer. It is blended from 13 items, consisting of five items represent essential responsibilities, six items represent complementary responsibility and one item represents embellishment responsibilities.

The results of the content analysis show that all the items identified under this category were reported in the reports. In general, the disclosure covered 17% of 13 items in this category. None of the disclosure was made in monetary, whereas disclosure in non-monetary was limited in number. Most of the disclosure was qualitative in nature, covered by 590 words or 22 sentences, on average. Nearly all of the disclosure contained information related to management approaches, and only 18% of the disclosure contained information related to vision and goals, and 16% contained information related to performance indicators.

In relation to companies' responsibilities as instructed by Islam, all essential responsibilities were recognized, but not all companies disclosed them. The disclosure of essential responsibilities covered only 17% of the responsibilities under this category. There were two possible reasons why the percentage of the disclosure was low. Firstly, even though those items were considered essential in Islam, there was no mandatory requirement made by KLSE authority to disclose information related to those items. Secondly, those items might not apply to all companies that came from different industries. As for example, the disclosure of item number ten and eleven product labelling and product lawfulness, were only applicable for companies in the food industry or companies related to food industry. Those two items were only disclosed in the annual reports of FCH Holding Bhd., Ajinomoto Bhd., Malayan Floor Mill Bhd., Nestle Bhd., Air Asia Bhd., and Malaysia Airlines Bhd. The first four companies had end products related to food, whereas the last two companies were from service industry in which one of their services were providing food. It is mandatory for every company to ensure the *halal* status of their foods sold or served.

For complementary responsibilities, all SAC from Malaysia reported 36 items in total leading to slightly above one item for each company. It covered a fifth of the six complementary responsibility items under this category. For the embellishment

responsibility that was only represented by item number two, after sale provision, there was only one company reported this item.

Turn to the most common items disclosed under this category; it can be noted from the content analysis' results that the most common item disclosed was product quality and safety. It was disclosed by 14 companies, followed by customers' communication and services that were reported by ten companies and customers satisfaction that was reported by eight companies. The least common items were after sale provision and customer confidentiality that were only reported by one company.

Product quality and safety was classified under essential responsibilities. According to Islam, it is mandatory for a company to ensure the quality and safety of their product to protect the life of their customers. All disclosing companies focused more on the disclosure of companies' actions or practices in providing the qualified and safe product. Some other disclosures contained normative statements on companies' goals, and none of them contained of performance indicators information. The examples of disclosure of normative statement and companies' action are provided below.

We are committed to providing high-quality products and services to customers worldwide, through our people and technology. (UP Plantation Berhad Annual Report, 2013)

Our Quality Management Systems involve a gated process which governs the entire product lifecycle from its conceptualisation to its marketing and installation in customers' premises. Customer Premise Equipment (CPE) such as modems, phones, Set Top Boxes and other network equipment undergo a Product Development Process to ensure they conform with quality and safety standards. For example, our HyppTV Set-up Boxes (STB) were assessed by SIRIM and TM R&D for quality performance, including environmental parameters. (Telekom Malaysia Berhad Annual Report, 2013)

The next common item was customer communication and services. Similar to product quality and safety, this item also focused more on disclosing information related to management approach. It was classified as complementary responsibility since the fulfilment of this responsibility would help companies in fulfilling their main responsibility toward the customer, though the failure in fulfilling it would not lead to the disruption of customers' needs.

6.2.2.5. Disclosure of Environment Category

The next most important category perceived by Malaysian SACs is environment category. It discloses any information on how companies fulfil their responsibility toward the environment. The category consists of 21 items, in which four items were essential responsibilities, 11 items were complementary responsibilities, and four items were embellishment responsibilities. On average, each company disclosed four items,

representing 19% of the total items under this category. The disclosure was presented in monetary (6%) and non-monetary form (22%). All disclosed items under environment category contained information related to management approach, 35% contained performance indicators and only 5% contained information related to vision and goal. In term of comprehensiveness of information disclosed, there were four items disclosed with a combination of the three types of information; and nine items with a combination of management approach and performance indicators.

Turning to the disclosure as instructed by Islam, all items related to essential responsibilities were recognized in the annual reports of SAC in Malaysia. The disclosure of essential responsibilities covered 35% of the essential responsibilities under this category. The examples of disclosure of essential responsibilities such as reducing emission, waste, and carbon foot print as well as waste management are presented accordingly below.

Our Group's commitment towards reducing its "carbon footprint" and thereby its Greenhouse Gas (GHG) emissions remains a high priority to which new initiatives and important investment decisions continued to be made in 2013. ... Our objectives are: Continuous focus on promoting new technologies with low environmental impact as well as reducing greenhouse gas (GHG) emissions. Since 2005 UP has actively been pursuing means of identifying ways to reduce its Greenhouse Gas (GHG) emissions and with that its reliance on fossil fuels through Life Cycle Assessment (LCA)..... Emissions Reduction, Clean Development Mechanisms (CDM)..... Indonesia's Biogas Plant..... (United Plantation Berhad Annual Report, 2013).

The Group continues to convert the opened houses of its broiler farm to tunnel-ventilated closed houses which have proven to be effective in addressing the flies and smell problems. The latest state-of-art closed house design at the breeder and broiler farms are of international standards and more hygienic. As the closed houses are environmentally controlled, flies are minimal, with more than 95% reduction. Flies are a carrier of disease and fewer flies will result in lower incidence of air-borne disease. (Malayan Floor Mill Annual Report, 2013)

Besides energy saving plan, Ajinomoto Malaysia deals with waste management too. Food Waste Decomposer Machine is introduced to decompose the organic residue to make sure less pollution caused to the environment. With these initiatives, Ajinomoto Malaysia hopes to build and preserve a healthy environment. We also continued to improve waste recycle ratio through effective 3R (Reduce, Reuse, and Recycle) campaign. In 2012, Ajinomoto (Malaysia) Berhad had installed an organic decomposing machine in the Waste Management area to treat the food waste generated from the canteen and turn it into organic fertilizer. With this effort, we can stop depositing the waste to landfills and at the same time the fertilizer generated from the decomposing machine will be used for internal gardening activities. (Ajinomoto Berhad Annual Report, 2013).

In relation to complementary and embellishment responsibilities disclosures, the disclosure represented 17% and 13% of the corresponding responsibilities under the

category, accordingly.

6.2.2.6. Disclosure of General Category

General category was found as the sixth category disclosed in the annual reports of Malaysian SACs. General category does not associate to a specific stakeholder. Instead, it is considered as companies' general responsibilities that, in Islamic term, refer as companies' responsibilities toward God. It is applicable for all types of stakeholders as accountability to God is intended to protect the interest of all stakeholders by ensuring that companies are operated in a way that does not violate God's prohibition. It contains SACs' responsibilities to God as well as SACs' general responsibilities to all type of stakeholders. Several main findings related to this category are discussed as follows.

In general, the results reveal that each company disclosed about four items, presented in 561 words or nearly 20 sentences. The disclosure covered 29% of the total 15 items should be disclosed, in which 35% of the disclosure was in the monetary unit, and 15% was in the non-monetary unit. The content analysis also found that the disclosure focused more on disclosing information related to management approach. Companies tend to disclose CSR under general category by stating what actions or practice were taken to address their CSR. As for example, Petronas Dagangan disclosed its approach in enhancing stakeholders' value with the statement as stated below:

The Division is committed to create value for its customers and business partners through continuous cost savings initiatives. This is derived by having a robust sourcing strategy and effective primary and secondary distribution operations. (Petronas Dagangan Annual Report, 2013)

There was 74 occurrences of the disclosure of information related to management, covering 57% of the total disclosure. The disclosure contained performance indicators and covered half of the total disclosure, whereas disclosure of information related to vision and goals covered only 40% of it. This finding shows that the type of information disclosed under general category seemed to be more varied. It was not dominated by information related to management approach as in the previous categories. The disclosure was also made comprehensively as one-third of the disclosure contained all types of information; indicating that the disclosure of five items under this category contained information related to vision and goal, management approach and performance indicators.

The analysis also reports that seven out of the ten essential responsibilities under general category were reported by at least one company. The most common essential responsibility disclosed was the disclosure of un-Islamic activities, disclosed by all sample companies. The disclosure only consisted of information related to interest payment and interest income, presented in monetary unit. For complementary

responsibilities, all three complementary responsibilities under general category were also recognised in the annual reports. It was disclosed by at least six companies, in which disclosure of Statement of CSR concern became the most common disclosure. Disclosure of this item was made by 25 companies; covered by 152 words, on average. An example of disclosure of companies' CSR commitment is stated as follows:

"The Group is committed to aligning its business goals and undertakings with corporate responsibility initiatives to further enhance the interests and values of all its stakeholders be it, shareholders, investors, customers, employees or the community at large" (Bina Good Year Annual Report, 2013).

A more comprehensive qualitative disclosure that did not only focus on companies' commitment but also explained the concept and framework adopted in addressing CSR commitment and concern were made by Telekom Malaysia Berhad. It is stated below:

The Group has adopted the guidelines for government-linked companies (GLCs) as contained in the Silver Book – Achieving Value through Social Responsibility in formulating its CR strategy, which focuses on sustainability - sustaining customer retention; sustaining a high level of productivity and motivation among employees; sustaining shareholder confidence and sustaining its reputation in the marketplace. It also adopts Bursa Malaysia's CSR Framework for Private Limited Companies (PLCs) and Global Reporting Initiative (GRI-G3) framework as additional guidelines for giving a concise and comprehensive view of TM's performance in managing its CR activities and initiatives (Telekom Malaysia Annual Report, 2013).

SAC in Malaysia had also disclosed two items representing embellishment responsibilities. Thirteen companies disclosed their CSR achievement and four companies disclosed their CSR certification. The disclosure covered 28% of total items related to embellishment responsibilities under general category.

Turn to the most common items disclosed under general category; un-Islamic activities considered being the most common item disclosed under this category. It was disclosed by all sample companies from Malaysia. The second most common item was CSR concern, concept, and commitment (25 disclosing companies). The discussion of these two items has been made in the earlier paragraph. The next common item disclosed under general category was the disclosure of ethics and business practices (15 disclosing companies). The disclosure only contained information related to management approach and vision and goals. Not one of the disclosing companies provided information related to performance indicators. It implied that the disclosure of ethics and business practice were only made in qualitative form, covered by 151 words or 5 sentences on average.

With regard to the amount of disclosure, the disclosure of CSR concern, concept and commitment were observed for having the highest number of words and sentences being disclosed (152 words or six sentences per SAC). The next item with the second highest number of words and sentences was the disclosure of ethics and business practices (151 words or five sentences per SAC). It was understandable that both items had the highest number of words or sentences among the other items as their disclosure focused more on qualitative disclosure.

Moreover, even though item related to the use of Islamic mode of financing was only disclosed by nine companies, it had the third highest number of words to disclose. As Islam required every Muslim both individually and collectively to avoid *riba* (interest), companies in Islam should use interest-free financing. One example of the disclosure of this item can be seen below:

PDB received the approval from the Securities Commission of Malaysia to establish its inaugural RM2 billion Islamic Commercial Papers and Islamic Medium Term Notes Programme (Sukuk Programme). The IMTN I are constituted by a Sukuk Musyarakah Trust Deed dated 19 March 2008 made by a subsidiary and the Trustee for the holders of the IMTN I. The IMTN I are negotiable non-interest bearing secured Bonds in bearer form evidencing a promise by the issuer to pay stated sum on specified dates (Petronas Dagangan Berhad Annual Report, 2013).

Sukuk is a certificate of equal value representing undivided shares ownership of the tangible asset, usufruct, and services (in the ownership of) the assets of particular projects or special investment activity (AAOIFI, 2008). It commonly refers to the Islamic equivalent of bond. Unlike conventional bond that merely grants ownership of debt, *sukuk* confers the investor a share of an asset, along with the appropriate cash flows and risk. It is structured in such a way as to generate returns to investors without infringing *shariah*. All *sukuk* structures rely upon either the performance of an underlying asset or a contractual arrangement on that asset. According to AAOIFI standard, there were various types of *sukuk* structures; however, as it was observed from the content analysis there were only three types of *sukuk* structures applied by SAC in Malaysia. They were *musyarakah sukuk*, used by Litrak Berhad, Petronas Dagangan Berhad, Malaysia Airlines Berhad, and Malaysian Resources Berhad; *murabahah sukuk* used by Petronas Dagangan Berhad and *ijarah sukuk* used by Malaysia Telekom Berhad.⁴⁷ Four other

⁴⁷ *Musyarakah sukuk* is a profit sharing partnership in which company as *sukuk* issuer forms a committee from the investor or *sukuk* holders who can be referred to for investment decision. *Murabahah sukuk* is a cost plus financing based on trading contract in which the issuer of certificate is the seller of *murabahah* commodity, the subscriber is the buyer of that commodity, and they are entitled to its final sale price upon the re-sale commodity. *Ijarah sukuk* is a leasing based agreement that involves transactions with certificates or entitlement scrips that confer ownership of leased assets or rentals obtained from leasing assets.

disclosing companies did not specify the name of the Islamic mode of financing that they used.

The content analysis also reveals that two out of fifteen items under general category were not recognized in the annual report of SAC in Malaysia. Not one company disclosed God awareness and *shariah* supervisory board. These two items were classified under the essential responsibility that is supposed to be mandatory according to Islam. The absence of disclosure of these items did not necessarily mean that the companies in Malaysian sample did not follow what Islamic teaching required. This might be because there was no such requirement made by Kuala Lumpur Stock Exchange authority.

6.2.2.7. Disclosure of Supplier Category

The next category ranked as the seventh category based on the amount of disclosure is supplier category. Disclosure of supplier category is made up from five items, consisting of 1 essential responsibility, three complementary responsibilities and one embellishment responsibility. All items under this category were recognized in Malaysian SAC's annual reports in which the number of disclosing companies ranged from one to nine companies. In total, there were 20 items disclosed by all those companies, representing only 11% of the total items potentially disclosed under this category.

The disclosure was mainly made in term of qualitative disclosure, with an average amount of disclosure was 70 words or 22 sentences for each company. Most of the disclosure under this category focused on the disclosure of companies' responsibilities in assisting suppliers in enhancing sustainable business activities. It was reported by nine companies and covered in nearly 52 words on average. The following quotation is the example of the disclosure.

DiGi also actively monitors its operations for any environmental impact and business association risks. Sourcing procedures include requirements for sustainable sourcing and compliance with the Agreement of Responsible Business Conduct (ABC) or Supplier Conduct Principles (SCP) frameworks with all business associates. The Supplier Conduct Principles ("SCP") outlines the standard for ethical and business conduct expected of suppliers and contractors in their relationship with DiGi. The SCP is binding to DiGi's suppliers upon the confirmation and signing of the Agreement on Responsible Business Conduct. This is to ensure high standards of business ethics amongst all DiGi suppliers. Compliance of the SCP is monitored through a supply chain management system. (DiGi Berhad Annual Report, 2013).

Almost all disclosing companies focused their disclosure on disclosing information related to management approach. Additionally, there were only three companies reported information related to performance indicators and no company reported information related to vision and goals. With regard to responsibilities as instructed by Islam, there

was only one company disclosing the only one essential responsibility under this category. Companies' responsibility to provide payment to the supplier was only be disclosed by Time Bhd and reported in the Cash Flow Statement.

For the complementary responsibilities, all three complementary responsibilities were recognized in the annual reports of SAC in Malaysia. The highest number of disclosing companies was observed in the disclosure of companies' responsibilities in assisting supplier to enhance sustainable business activities (nine companies). The next complementary responsibility disclosed was a responsibility to pick local or SME to be companies' supplier. Three companies were disclosing this responsibility. The example of the disclosures is presented below. Friesland Campina Bhd. disclosed information related to both management approach and performance indicator, whereas Fch Holding Bhd. and Berjaya Food Bhd. disclosed information related to management approach only.

We are the largest purchaser of local fresh milk in Malaysia. In 2013, Dutch Lady Malaysia procured approximately an average of 225,000 litres of milk monthly from local dairy farmers. (Friesland Campina Berhad Annual Report, 2013).

As we consider Corporate Social Responsibility part of corporate governance, we are fully supportive of local suppliers. (Fch Holding Berhad Annual Report, 2013).

BStarbucks purchases raw banana fruits from the local farmers to produce food items retailing at all Starbucks stores nationwide. (Berjaya Fod Berhad Annual Report, 2013).

With regard to embellishment responsibility, there were four companies disclosed the only one embellishment responsibility, supplier appreciation. The suppliers might not essentially need appreciating suppliers; however, it could enhance the perfection of their needs that might lead to the betterment of the relationship between companies and their suppliers. The example of management approach in appreciating supplier could be seen in the disclosure made by Friesland Campina Bhd. in its annual report as illustrated below:

In appreciating, motivating and recognising farmers for their commendable efforts, Dutch Lady Malaysia organised a contest in collaboration with the Perak's Department of Veterinary Services. From a total of 80 farmers from Koperasi Tenusu Perak (KOPTEN-Perak), six dairy farmers were acknowledged for their achievements. They were selected based on best farming practices based as outlined by the DVS and DDP. (Friesland Campina Berhad Annual Report, 2013).

6.2.2.8. Disclosure of Debtor Category

Debtor category only consists of two items in which both items are classified under embellishment responsibilities. The content analysis results indicate that 22 out of 30 SAC listed in KLSE provided disclosure of debt policy in their annual reports and 22 companies disclosed their action in writing off bad debts. The debt policy and debt

written off were reported qualitatively and quantitatively. The quantitative disclosure of debt policy was made in the form of aging schedule and placed on the note of financial statement, whereas the quantitative disclosure of debt writing off was made in note of income statement as an administrative expense. The qualitative disclosures of both items were made in financial statement's notes, informing the approach of management in dealing with bad and doubtful debts. Each company disclosed the both items in 63 words, averagely. The example of the qualitative disclosure is presented below:

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables. (London Biscuit Annual Report, 2013).

6.2.2.9. Disclosure of Other Business Partner Category

Disclosure of other business partner category contains information related companies responsibilities to a business partner that have not included in the previous category such as competitors, distributors or reseller. It consists of five items: One item (fair competition with a competitor) was classified under essential responsibility; one item (maintaining a good relationship with reseller and distributors) was classified under complementary responsibility, and four items were classified under embellishment responsibilities.

The results of the content analysis show that disclosure of other business partner category in annual reports of only covered seven items in total, representing 4% of the total items potentially to be disclosed by all companies. The disclosures contained information related to management approach in being active in an industry association, dealing with competitors and maintaining a good relationship with distributor and resellers. There was no disclosure of information related to performance indicator nor vision and goals. The disclosures were qualitative in nature, represented by nearly 20 words on average. The examples of the disclosure were presented below starting from the example of an active role in an industry association, followed by competition with competitors and maintaining a good relationship with resellers or distributor.

Engagements with international and domestic corporations through delegation visits to our Gas Processing Plants (GPPs), Segamat Operation Centre (SOC), Regasification Terminal (RGT) and Kimanis Power Plant (KPP): • Republic of South Sudan; oil and gas trainees 8 January 2013; • Malaysian Gas Association; 7 March 2013; • Papua New Guinea; 13 March 2013; • Hodogaya Chemical Co (Japan); 18 May 2013; • PERTAMINA Indonesia; 4 June 2013 and 3 to 4 July 2013; • Mustang Sime Darby; 3 July 2013 ; • Petrobangla 5 July 2013. (Petronas Gas Berhad Annual Report, 2013)

TM views adherence to competition laws seriously and has included the requirement in our Code of Business Ethics. Chapter 8 states that all TM employees must adhere fully to Malaysian competition laws and the domestic laws of the countries in which TM operates. (Telekom Malaysia Berhad Annual Report, 2013).

UP is committed to establishing mutually beneficial relations with our suppliers, customers, and business partners. In our business dealings, we expect our business partners to adhere to business ethics consistent with our own. (UP Plantation Berhad Annual Report, 2013).

6.2.2.10. Disclosure of Government Category

The result of content analysis of government category illustrates that all three items were found in the annual reports. There were 33 incidents of disclosure of government category, representing 28% of the total number of the potential incident under the category. The first item disclosed under this category was compliance to government's regulation. From the Islamic perspective, this responsibility was classified under essential responsibility. As stated in the Quran, Muslims are required to obey God (Allah swt), Prophet Muhammad pbuh and *ulil amri* (government). Therefore, it is mandatory for *shariah*-approved companies to comply with the regulation set up by the government. There was only one company reporting this item, which was United Plantation Bhd. The disclosure was mainly made in qualitative and only

The Indonesian Government established a mandatory certification scheme in 2011, namely the Indonesian Sustainable Palm Oil Principles & Criteria (ISPO) to ensure that all producers within a few years will have to live up to certain standards when operating in Indonesia. Being mandatory, producers in Indonesia will have to comply with the ISPO criteria and cannot hide behind the voluntary RSPO scheme as members only. The ISPO standard includes legal economic, environmental and social requirements, which largely are based on existing national regulations. As per our plans, the RSPO certification audit will commence on our newly established properties in Indonesia in 2015. (United Plantation Berhad Annual Report, 2013).

There are two possible explanations why the number of the disclosing company was very low. Firstly, it might be because not all industries had to follow certain regulation like what had been required of plantation industry. Secondly, it could be because the other companies just did not disclose the information about complying with government regulation as there was no such requirement made by KLSE authority.

The second item disclosed in annual reports of SAC in Malaysia was direct economics contribution to government. This item was considered as essential responsibility from the perspective of Islamic teaching. It was reported in 26 annual reports both quantitatively and qualitatively. The quantitative disclosure was made in monetary form and presented in companies' income statements. It disclosed the type and amount of tax paid to the government, including income tax and value added tax. The qualitative disclosure mainly

contained the information related to management approach in recognizing and measuring companies' economics contribution to the government. Below is the example of the qualitative disclosure.

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively. (Panasonic Berhad Annual Report, 2013).

The last responsibility toward government recognized in the annual reports was item number three, supporting government projects/programs. Six companies were disclosing this item. The disclosures did not only contain information related to management approach but also contained information related to vision and goals as well as performance indicators. Three examples of the disclosure are provided below. The first example shows the disclosure of information related to vision and goals; the second example shows the disclosure of information related to management approach, and the last disclosure illustrates the disclosure of information related to both management approach and performance indicators.

In line with the Government's goal of creating a healthy and productive society, we will further promote nutritional diets and healthy lifestyles in addition to our ongoing efforts to deliver healthier and tastier products to consumers. (Nestle Berhad Annual Report, 2013).

We also work closely with other government agencies, such as TERAJU (Unit Peneraju Agenda Bumiputera) to help drive the Bumiputera Agenda as part of the National Transformation Plan. Events such as the inaugural GLC Explorace™ in July with the Ministry of International Trade and Industry (MITI) and its agencies, help connect local entrepreneurs with vendors under one roof. (Telekom Malaysia Berhad Annual Report, 2013)

TM continues to work closely with the Ministry of Communications and Multimedia Malaysia (MCMC) and the Malaysian Communications and Multimedia Commission (MCMC) through the Universal Service Provision (USP) Fund to provide Internet access to local and rural communities, particularly in underserved areas. As of December 2013, there were 326 Pusat Internet 1Malaysia (PI1M), formerly known as Community Broadband Centres (CBCs), 56 mini CBCs, and 98 Internet-enabled Perpustakaan Jalur Lebar (PJLs), or Community Broadband Libraries (CBLs) nationwide; with 1,637 locations of the Kampung Tanpa Wayar (KTW) or Wireless Villages, 286 WiFi 1Malaysia (W1M) and 2,214 payphones in rural Malaysia. (Telekom Malaysia Berhad Annual Report, 2013).

6.3. Islamic CSR Disclosure in Indonesia

This section reports quantitative and qualitative results of content analysis of annual reports and sustainability reports in Indonesia. The discussion of Islamic CSR disclosure in Indonesia is divided into two sub-sections. The first sub-section discusses the disclosure in annual reports for the overall categories, whereas the second sub-sections discussed the disclosure of each category. The discussions on the overall categories

focused more on the quantitative aspect and limited on qualitative aspect, whereas the discussions on each category equally cover both the quantitative and qualitative aspects.

6.3.1. The Disclosure in Annual Reports: Overall Categories

All companies listed in the Jakarta Islamic Index published their annual reports on their websites. The quantitative results of the content analysis are summarized in Table 6-3. As stated earlier, it is presented in term of incidence of disclosure and amount of disclosure.

Table 6-3 Overall Disclosure in Annual Reports-Indonesia

Category	Co	%	Incidence										Amount	
			All	TFC	M	NM	VG	MA	PI	Ess	Com	Emb	AW	AS
General	30	39%	177	46	38	49	82	97	62	81	36	38	860	36
Employee	30	52%	403	126	72	97	9	373	152	93	243	60	3195	127
Shareholders	30	48%	114	49	35	17	4	98	53	18	79	16	2521	104
Customers	30	40%	107	19	8	14	7	105	22	29	63	5	769	44
Suppliers	30	18%	27	10	9	0	0	21	9	9	15	1	36	2
Debtors	30	45%	27	20	20	0	0	20	21	0	0	26	105	4
Other Business Partner	30	7%	11	0	0	0	0	12	0	3	5	3	48	2
Government	30	58%	52	16	32	0	2	28	33	37	0	13	122	5
Community	30	43%	247	47	64	48	19	228	87	31	16	174	1285	54
Environment	30	31%	177	24	21	32	12	170	44	45	88	14	1034	48
Total items disclosed			1342	357	299	257	135	1152	483	346	545	350		
No of items/words/sentences disclosed by each SAC			55	12	10	9	5	38	16	11	18	12	9974	425
Percentage of disclosure			49%	11%	9%	8%	4%	34%	14%	34%	39%	38%		

Co: Total number of disclosing companies
 %: Percentage of disclosure
 All: Total number of disclosed items
 TFC: Item disclosed in table/figure/chart
 M: Item disclosed in monetary unit
 NM: Item disclosed in non-monetary unit
 VG: Item related to vision and goal

MA: Item related management approach
 PI: Item related performance indicators
 Ess: Essential responsibility
 Com: Complementary responsibility
 Emb: Embellishment responsibility
 AW: Average number of words
 AS: Average number of sentence

Table 6-3 illustrates that all categories identified by the current study were recognized in the annual reports of all Indonesian SACs. It indicates that there were noticeable attempts made by SACs in Indonesia to fulfil their responsibilities toward all stakeholders. The most frequent disclosure was made to inform SACs' responsibilities toward the employee, followed by community, environment, and general category. SACs' responsibilities toward other business partner are found to be the least frequent disclosure, followed by disclosure of suppliers and debtors category. On average, each Indonesian SAC disclosed 55 items, covering 49% of the total item potentially to be disclosed.

The table also reveals that in term of the form of disclosure, averagely, each SAC in Indonesia disclosed 12 items in the table, figure or chart format, ten items in the monetary unit and nine items in the non-monetary unit. It implies that most of CSR disclosure made by SACs in Indonesia is narrative in nature. It is supported by the fact that, based on the type of information disclosed, most of the information disclosed by each SAC related to management approach. Out of 55 disclosed items, 69% of them (34 items) contained information related to management approach and only 29% (16 items) contained information related to performance indicators. Unlike information related to performance indicators, information related to management approach was narrative in nature and comprising of information on how companies address CSR concern into actions or practices.

With regard to the disclosure based on Islamic requirement, the highest percentage of disclosure is observed in the disclosure of embellishment responsibilities (38%). Unfortunately, the essential responsibilities that supposed to be obligatory according to Islam show the lowest percentage (34%). The results may indicate that SACs in Indonesia have not yet followed the *sharia* requirement in disclosing their responsibilities toward their stakeholders. However, as currently such requirement has not been implemented in the Indonesian Islamic capital market, one cannot say that SACs in Indonesia do not comply with *shariah*. The lower percentage of essential responsibilities disclosure could merely because they did not disclose the information. In fact, those SACs had already passed *shariah* screening process, though the process was only based on negative screening approach as mentioned in Chapter One.

Turning to the amount of disclosure, the average number of words used by each SAC in Indonesia to disclose Islamic CSR information is 9,974 words or similar to 425 sentences. The highest number of words or sentences is observed in employee category (3195 words or 127 sentences), covering 32% of total words used to describe Islamic CSR disclosure by each SAC in Indonesia. As the amount of disclosure may represent the importance of certain category or item, this finding suggests that employee category could be considered as the most important category perceived by SACs in Indonesia. Following employee category, shareholders category was found for having the second highest number of words or sentences (2521 words/104 sentences). It contradicts with the finding of the incidence of disclosure in which shareholders category was placed in the fifth positions. It implies that, though the disclosure of shareholders category was less frequent than the disclosure of community, environment, and general categories, SACs in Indonesia seem to perceive that shareholder category is more important than

the three categories mentioned earlier. Another finding shown in the table is that as supplier category has the lowest amount of disclosure (36 words/2 sentences) this category seems to be the least important category perceived by Indonesian SACs.

With regard to the disclosure of each item, the main findings of the content analysis are summarized in Table 6-4. The table presents the ten most common items disclosed by SACs in Indonesia based on the incidence of disclosure and the ten most important items perceived by Indonesian SACs based on the number of words to disclose each item.

Table 6-4 Ten Most Frequent and Most Important Items in Indonesian SACs' Annual Reports

Item Description	No of disclosing companies	Item Description	Average no of words to disclose
Un-Islamic activities or revenues	30	Business risk and strategy	1838
Business risk and strategy	29	Health and safety	436
Dividend payment and policy	29	Pension and retirement	409
Vision, mission, and strategy	28	Learning and development	382
Compensation and other benefits	27	Company's statement of CSR concern	316
Employee information	27	Whistleblowing policy	315
Learning and development	27	Education and training support	292
Pension and retirement	27	Dividend payment and policy	262
Public health support	27	Ethics and Business Practices	252
Company's statement of CSR concern	26	Human Resources management framework	236

The table shows that item related to un-Islamic activity or revenue was found as the most frequent item disclosed by Indonesian SACs. It was the only item disclosed by all SACs in Indonesia. The un-Islamic activity or revenue observed in the annual reports included activities of interest payment and interest revenue. According to Indonesian Sharia National Board, a company pays interest no more than 30% of its liabilities or receive revenue no more than 10% of total revenue can still be listed as sharia approved companies. However, the company has to inform such activity or revenue. Additionally, the table also shows that the ten most frequent items disclosed in annual reports of SACs in Indonesia was dominated by item related to employee disclosure (four items).

For the ten most important items according to the amount of disclosure as measured by total number of word to disclose the items, the table illustrates that item related to business risk and strategy was considered as the most important items. Most of the business risk and strategy disclosure was narrative and covered approximately 18% of the total narrative disclosure made by each Indonesian SAC in its annual report. Similar

to the incidence of disclosure, items related to employee disclosure also dominated the ten most important items disclosed by Indonesian SACs in their annual report (five items).

Turning to the un-disclosed item, there are four items that were not found in the annual reports' of Indonesia SACs. The items are shariah supervisory board, zakat payment, customer confidentiality, and assisting business partner.

6.3.2. The Disclosure in Annual Reports by Category

This section discusses the main findings of content analysis in the annual reports by category. The discussion is presented based on the order of importance of each category as measured by the amount of disclosure summarized in Table 6-1. For the brevity of the thesis, the quantitative summary of the content analysis results are not presented in this thesis. But, it can be provided if it is needed.

6.3.2.1. Disclosure of Employee Category

Employee category could be considered as the most important category perceived by Indonesian SACs as it has the highest number of words and sentences to disclose (3,195 words or nearly 127 sentences, on average). It is also found as the most frequent category disclosed in the annual reports. The results of content analysis illustrate that there were 403 items disclosed by the 30 Indonesian SACs in their annual reports, showing that each SAC disclosed 13 items related to its responsibilities toward its employees. It shows that SACs in Indonesia had already fulfilled their responsibilities toward their employees and informed the fulfilment to the public with 50% coverage of the benchmark. Though there was one company with low level of disclosure (three items), there were six companies with disclosure of more than 79% of the benchmark with the highest coverage reached 88% (23 items). It means that the incidence of disclosure of employee category by SACs in Indonesia was relatively good.

Most of employee disclosure was narrative in nature. The average items disclosed in quantitative form was only five for each SAC, in which two items in monetary unit and three items in non-monetary unit. The highest number of company disclosing monetary information is observed in the disclosure of compensation and other benefits (27 disclosing companies). The other items disclosed in monetary units were pension and retirement as well as learning and development.

In term of the comprehensiveness of information, most of the disclosure focus on information related to management approach (93%) followed by information related to performance indicators (38%) and information related to vision and goals (2%). As the

most frequent item disclosed by Indonesian SACs under employee category, compensation and other benefit was disclosed in both narrative and quantitative form. All compensation and other benefit disclosures contained of information related to performance indicator, which was quantitative in nature. Additionally, this item was also disclosed in narrative form showing what action taken by SAC to fulfil this kind of responsibilities. In short, it was noted several information related to compensation and other benefit such as: policy or principle in determining employees' compensation, types of compensation or benefit provided, and amount paid as compensation or other benefit. An example of each disclosure, respectively, is presented below:

The Company's remuneration system is built with consideration of the 3P principles, namely Performance, Position and Person. (PT⁴⁸. Bukit Asam, Tbk. Annual Report, 2013)

Jasa Marga is aware that the compensation and benefits provided by a company affect the conduciveness of employees' performance and employee turnover. For its employees, Jasa Marga therefore provides competitive remuneration package consisting of monthly salary, various allowances and facilities in accordance with prevailing rules and regulations and it is evaluated on a periodical basis so that the change in employees wage is in line with market price. (PT. Jasa Marga, Tbk Annual Report, 2013).

Total labor cost in 2013 which is comprised of salaries, wages, bonuses and employee benefits amounted to Rp1.22 trillion, a 42% rise over Rp858 billion in 2012. (PT. Aneka Tambang, Tbk. Annual Report, 2013)

With regard to the disclosure of responsibilities required by Islam, the result shows that more than half of all items for each type of responsibility were disclosed in the annual report. It covered 52% of essential responsibilities (three items per company); 51% of complementary responsibilities (eight items per company); and 50% of embellishment responsibilities (two items per company) were disclosed. The finding shows that in term of complementary and embellishment responsibilities, SACs in Indonesia has already provided good disclosure, considering that the disclosure of both types of responsibilities is only recommended and desirable. However, in term of the disclosure of essential responsibilities, SACs in Indonesia were still on a half way to being in the ideal status. All Indonesian SACs disclosed none of the essential responsibilities toward the employee. Even for the most essential responsibility (compensation and other benefits), it was only disclosed by 27 companies; resulting in a question whether the remainder companies simply did not disclose it or they do not pay the compensation and other benefits justly. For the disclosure of employee health and safety, anti-corruption and employee work ethics, employee welfare, protection of employees' basic right and employee data

⁴⁸ PT stands for perseroan terbatas. It is Indonesian version of limited companies as it is similar to the term of Berhad in Malaysia.

protection, the number of disclosing companies is 22, 18, 15, 10, and one, accordingly. It signifies that Indonesian SACs need to improve their disclosure related to the essential responsibilities.

6.3.2.2. Disclosure of Shareholder Category

The next category perceived by Indonesian SACs as the second most important category is shareholder category. It accommodates the disclosure of companies' responsibilities toward their stakeholders and other investors. Though the occurrence of shareholder disclosure was less frequent than the disclosure of community category, environment category and general category, the disclosure of shareholder category was covered in the second highest number of words/sentences (2,521/104).

On average, there are four items disclosed by each Indonesian SAC under shareholders category; covering 48% of the total items potentially to be disclosed. The disclosure was presented in the monetary unit (18%), non-monetary unit (24%), and table or chart (31%). About the comprehensiveness of disclosure, the disclosure can be further classified into the disclosure of information related to vision and goals (4%), information related to management approach (88%) and information related to performance indicators (46%). Again, it shows that most of the disclosures of shareholders category by SACs' in Indonesia were qualitative in nature.

In relation to the disclosure of information as governed by Islam, complementary responsibilities were observed for having the highest number of the disclosing company, covering 66% of the responsibilities should be disclosed. The next one is embellishment responsibilities of which 53% of the responsibilities were disclosed in the annual reports. Unfortunately, the disclosure of essential responsibilities that should be placed in the priority was low. The overall items under essential responsibilities disclosed by companies in Indonesia are only 18 items, covering only 20% of the total items should be disclosed under this type of responsibilities. The disclosure of business development and continuity was considered as the most frequent essential variable disclosed by SACs in Indonesia. However, the number of disclosing companies only represented one-third of SACs in Indonesia.

6.3.2.3. Disclosure of Community Category

The third most important category perceived by SACs in Indonesia based on the amount of disclosure is community category with 1,285 disclosed words, on average. All items under this category were recognized in Indonesian SACs' annual reports. The number of disclosing companies ranged from one company for item number eight (promoting and supporting human right) to 27 companies for item number 16 (supporting public health

and safety of the community). The average number of items disclosed by each SAC was eight items, covering 41% of the total items under community category. The disclosure was made in monetary form (26%), non-monetary form (20%), and table/chart form (20%), representing information related to management approach (92%), performance indicator (58%) and vision and goals (8%). It shows that most of Islamic CSR disclosure related to SACs responsibility to community contained information on how SACs address community concern into actions or practices. A quarter of community disclosure was in the monetary unit, implying that Indonesian SACs had spent a certain amount of money on translating their responsibilities toward community into actions.

The disclosure also covered 34% of essential responsibilities, 27% of complementary responsibilities and 41% of embellishment responsibilities. For SACs' essential responsibility to support public health and safety, most of the companies disclosed such responsibility (27 SACs). The responsibility was translated into management approaches (21 SACs) and measurable actions (11 SACs). Unfortunately, only four SACs disclosed SACs responsibility to avoid corruption, bribery and other social illness and one SAC disclosed SACs support to a human right.

With regard to the five most common items disclosed by SACs, supporting public health and safety was observed as the most frequent item disclosed by Indonesian SACs. The item was followed by education and training support, public facility support, religious activities support and economic empowerment support. For the five most important items based on the amount of disclosure, supporting education and training was found as the most important item. The next four important items disclosed were supporting public health and safety, supporting economic empowerment, supporting small and medium enterprises, and community development.

6.3.2.4. Disclosure of Environment Category

The fourth important category perceived by Indonesian SACs is environment category. The result of the content analysis shows that all items under environment category were reported in SACs' annual report. The number of disclosing SACs ranged from 1 to 20. Averagely, each Indonesian SAC disclosed six items related to environmental responsibilities. The disclosure was made in non-monetary (18%), table, figure or chart (14%) and monetary (12%). The environmental disclosure focused more on the disclosure of information related to management approach (96%). Following information related to management approach, Indonesian SACs also disclosed information related to performance indicators (25%) and vision and goals (7%). The content analysis also reported that environment disclosure fulfilled Islamic requirement up to 38% of the

essential responsibilities, 27% of the complementary responsibilities and 12% of the embellishment responsibilities.

Turn to the most common items in environment disclosure, the most common item was item number one, general environmental responsibility. Twenty SACs disclosed their responsibilities toward the environment in general term without specifying the responsibilities. The next most common item was waste management. 19 companies reported the disclosure of waste management as part of companies' responsibilities in conserving and preserving the environment. The third most common item disclosed under this category was supporting conservation and preservation of biodiversity and forestry (18 SACs).

With regard to the five most important items perceived by Indonesian SACs, compliance to environmental related regulation was reported as the most important item. Though only 15 companies reported this item, it had the highest number of words to disclose (171 words on average). The second most important item was supporting preservation and conservation of biodiversity and forestry followed by environment responsibility in general (159 words averagely), environmental rehabilitation (134 words averagely) and waste management (106 words averagely).

6.3.2.5. Disclosure of General Category

The next category of Islamic CSR disclosure by Indonesian SAC was a general category. The average number of items disclosed by each SAC in Indonesia showed a moderate figure, which was six out of fifteen. The disclosure can be classified into monetary disclosure (21%), non-monetary disclosure (28%), and table or chart disclosure (26%). In term of the comprehensiveness of disclosure, the disclosure contained information related to vision and goal (46%), management approach (55%), and performance indicators (35%). Besides signifying that general disclosure by Indonesian SACs was more on qualitative disclosure, the findings also show that nearly half of the disclosure was normative. It is fairly understandable as a general category was made up from several normative items such as company's vision and mission, companies' statement on CSR concern, and God awareness.

The disclosure of un-Islamic activities was found to be the most frequent disclosure under the general category as it was observed in every annual report. It disclosed information related to interest income and interest payment and was presented in monetary unit. The finding shows that, though receiving and paying interest in Islam is prohibited, all SACs in Indonesia cannot fully avoid interest-related transaction. It is quite understandable considering that Indonesia does not implement an Islamic

economics system. The Indonesian national *shariah* board in collaboration with the Indonesian Stock Exchange gives SACs permission to earn or pay interest; given that the ratio between interest revenue plus other non-halal revenue to total revenue is not more than 10% and the ratio between interest based debt to total equity is less than 30%.

The content analysis also found that none of the companies disclosed *sharia* supervisory board (SSB) in their annual reports. Unlike Islamic banks in which the need for SSB on site for consultation purposes is high, the similar need by SACs seems to be low. Because of the nature of their operation, the function of SSB to determine the halal status of SACs' products as well as to ensure their operation comply with shariah can be performed occasionally. SSB's function to monitor the National Shariah Board might replace SACs' compliance with shariah through shariah screening process conducted every six months. Another undisclosed item found through content analysis was zakat payment. The non-existence of this item in all Indonesian SACs' annual reports is rather appalling. It is because zakat is one of SAC's essential responsibilities that represent SAC's responsibility to God as well as to the community. It is also part of SAC's responsibility to purify shareholders' wealth. Therefore, it was expected that the information related to zakat payment would be available in the annual report.

Another interesting finding related to the disclosure of general category is disclosure of economic value added. Though Islam signifies that every type of stakeholders deserve to get the distribution of SACs' economic value added, the disclosure of this item by Indonesian SACs was limited in numbers. Out of 30 SACs, there was only nine company disclosed information related to companies' economic value added. None of the disclosure presented in a monetary unit, implying that none of the SACs in Indonesia provided value added statement in their annual reports. The disclosure was only narrative and related to the rhetoric statement (3 SACs) as well as management approach (9 SACs). Below are the examples of SAC's rhetoric statement on economic value added and the action taken by the management of SACs, respectively.

Economic performance is a strong foundation to support the sustainability of a company, as well as ANTAM. Nevertheless, economic performance cannot be separated from the environmental and social performance. Therefore, no matter how much economic value that can be generated by ANTAM, the value should be ultimately enjoyed by all stakeholders and is used to preserve the environment. (Aneka Tambang Limited Company Annual Report, 2013).

We have a long-term objective to create maximum sustainable value from Indonesian coal. To achieve this objective, we implement a multi-pronged approach to growth as follows:

1) Organic growth from current reserves base. We strive to increase

production from AI's Tutupan, Paringin and Wara deposits. We continue to examine our customers' demands and align our production with their needs. (Adaro Energy Limited Company Annual Report, 2013)

6.3.2.6. Disclosure of Customer Category

The sixth most important category disclosed in the annual reports of Malaysian SACs was customer category. The results of content analysis of customer category show that, in total, there are 107 items disclosed. It means that every company at least disclosed almost four items; covering 27% of the overall items under this category. The results also indicate that none of Indonesian SAC disclosed their responsibility in maintaining customer confidentiality. This finding could provide two signals: either managements of Indonesian SACs know that they do not provide proper maintenance of customer confidentiality or they do not see the necessity of disclosing the information. Another interesting finding related to the occurrence of customer disclosure is the disclosure of product lawfulness or halal status. Out of 30 Indonesian SACs, only two SACs were observed for disclosing the information. This finding seems to be unusual as, according to Islam, a company in Islam is required to ensure the halal status of their products. There are two possible reasons in explaining this low disclosure of product's halal status. Firstly, it seems that managements of Indonesian SACs had a narrow understanding on the concept of halal products: halal status guarantee may only relate to consumer products especially food. Therefore, the disclosure of products' halal status was only observed in two companies from the food industry. Secondly, managements of Indonesian SACs might not foresee the need for disclosing such item as their products were already halal by default such as SACs from agriculture, construction, mining or plantation industry. Therefore, the management might consider that disclosure of product's halal status was not applicable for their products.

In term of comprehensiveness of disclosure, the results show that customer category covers all level of the comprehensiveness with a different focus. The disclosure focused on the disclosure of information related to management approach (98%). The disclosure of information related to performance indicators as well as vision and goals only covered 21% and 7% of total disclosed items, accordingly. The disclosure of this category was also presented in different forms, though quite limited in numbers. The forms of disclosure were made in table or chart, non-monetary and monetary; covering 18%, 13% and 7% of the disclosed items, respectively.

With regard to the type of responsibility as required by Islam, it is observed that the disclosure tends to be directed to disclose complementary responsibilities. The annual reports disclosed 35% of items related to complementary responsibilities, 19% of items

related to essential responsibilities, and 17% of items related to embellishment responsibilities.

6.3.2.7. Disclosure of Government Category

Disclosure of government category covers all information related to companies' responsibilities toward government. There are three items under this category, responsibility to comply government regulation, responsibility to provide direct economics contribution toward government, and responsibility to support government project or program. In relation to the type of responsibility as required by Islam, complying government regulation and providing direct economics contribution are classified under essential responsibility; none of the government responsibility is classified under the complementary responsibility and supporting government project/program classified under embellishment responsibility.

Based on the content analysis, all of the three items under this category were recognised in the annual reports. The total number of items disclosed by 30 Indonesian SACs was 50 items. It means that each Indonesian SAC disclosed nearly two items, covering 42% of the items related to this category. All Indonesian SACs disclosed their responsibility to provide direct economics contribution to the government. The disclosure was made in monetary, informing the amount contributed to the government through taxes, levies, and other duties. In line with the finding, the common information provided in the disclosure was information related to performance indicators, covering 64% of the disclosure. The disclosure of information related to management approaches covered 54% of the disclosed items, whereas disclosure of information related to performance indicators only covered 4% of the disclosed items. The findings signify that the disclosure of government category was more quantitative in nature.

With regard to the disclosure based on the type of responsibility as required by Islam, the results show that the three types of responsibilities as required by Islam were accommodated in the annual reports. The percentage of the disclosure of each type of responsibilities is as follows; 62% for essential responsibilities and 43% for embellishment responsibility.

Turning to the most common items disclosed under this category, the results report companies' direct economics contribution as the most common items disclosed. As stated earlier, the item appeared in all annual reports. All disclosures were made in the monetary form, and 13% of them were made in table/chart form, which was in companies' income statements. In term of number of words, this item is also observed as the most important one as it has the highest number of words as compared to the

other items under this category. The next most common item disclosed under this category is supporting government project or program, reported in 13 annual reports. The item was disclosed comprehensively as it contained all types of information, in which 11 SACs disclosed information related to management approach, one SAC disclosed information related to performance indicator and one SAC disclosed information related to vision and goal.

6.3.2.8. Disclosure of Debtor Category

The disclosure of debtor category relates to the disclosure of companies responsibilities toward debtor. The content analysis results show that total items disclosed by 30 companies under this category are 27 items, covering only 45% of the total items potentially to be disclosed. It indicates that there were at least three companies not disclosing their responsibilities toward debtors. In general, the disclosure contained both information related to management approach as well as performance indicators, covering 74% and 78% of the disclosed items, respectively.

The content analysis also found that the disclosure of debtor category focused on the disclosure of debt policy. It was made in both quantitative and qualitative. The quantitative disclosure was presented in a monetary unit, informing the amount of companies' receivables that should be paid careful attention; whereas the qualitative disclosure was presented in 101 words for each company averagely, informing how management would deal with such receivables. Additionally, the disclosure of debtor category also consisted of the disclosure of debt written off. Four companies disclosed the item, in which three of them disclosed the amount of debt written off. One company only stated that the management did the debt written off without specifying the amount being written off.

6.3.2.9. Disclosure of Supplier Category

Based on the amount of disclosure, this category is considered as the second least important category. The content analysis results indicate that, in total, there were 27 items disclosed by 30 SACs listed in the JII. It signifies that there were at least three companies did not recognize their responsibilities toward suppliers. The overall disclosure under this category covered only 18% of the benchmark items and was presented in 1,091 words, on average.

In relation to the disclosure of companies' responsibilities toward suppliers based on the form of disclosure, 33% of the disclosures were reported monetary unit, and none of them was made in the non-monetary unit. Most of the disclosure contained information related to management approaches (78%). Only 33% of the disclosure contained

information related to performance indicator, and none of them contained information related to vision and goals.

For the incidence of disclosure based on Islamic teachings, all types of responsibilities were recognised in the annual reports. Nevertheless, the disclosures were considered low as the coverage of disclosure was only 30% for essential responsibilities, 17% for complementary responsibilities and 3% for embellishment responsibility.

Turn to the most common items disclosed under supplier category; the result shows that fair and on time payment was observed as the most common item disclosed under this category. There were nine companies disclosed this item, eight of them disclosed the item in monetary unit presented in tables or chart form. The next common item was assisting supplier in enhancing sustainable business activities. Six out of 30 companies disclosed this item, in which the disclosure was qualitative in nature. The disclosure only focused on disclosing information related to management approaches. Based on the number of words to disclose, this item could be regarded as the most important item under supplier category.

The third most common disclosure is the disclosure of the use of local or small medium enterprises as their supplier. Similar to the previous item, six companies disclosed this item. The disclosure of this item was also limited to qualitative disclosure, focusing on disclosing information related to management approach only. The disclosure covered in 271 words on average or nine sentences.

Similar to the disclosure of employee and shareholders category, all items under supplier category were recognized by companies listed in JII, ranging from one to nine companies. It means that all the items were disclosed at least in one annual report.

6.3.2.10. Disclosure of Other Business Partner Category

The content analysis' results demonstrate that the overall items disclosed by all companies listed in JII were 11 items. It only represents 7% of the benchmark items. The disclosure only contained information related to management approaches, which was qualitative in nature. The most common item disclosed under this category was maintaining a good relationship with their distributors or resellers, disclosed by five only. The other items disclosed under this category were maintaining fair competition with competitors (disclosed by three companies), active role in industry association (reported by two companies) and possible cooperation with competitors (reported by one company). The annual reports of SAC in Indonesia, however, did not recognise

companies' responsibility in giving appreciation toward business partner and other responsibility related to this category.

6.4. Islamic CSR Disclosure in Pakistan

This section reports the results of content analysis of annual reports and sustainability reports of SAC listed in Karachi Mizan Index of Karachi Stock Exchange, Pakistan. It consists of three sections namely disclosure in annual reports for overall categories, disclosure in annual reports by category, and disclosure in sustainability reporting.

6.4.1. Disclosure in Annual Reports: Overall Categories

Table 6-5 summarises the quantitative results of the content analysis of Pakistani SACs' annual reports for overall categories. In general, all CSR categories are recognised in the annual reports. Based on the number of disclosing companies, the table shows that more Pakistani SACs disclosed information related to general, employee, and customer categories. On the contrary, other business partner and suppliers categories were less disclosed.

The table also reports that, on average, every SAC in Pakistan disclosed 39 items, representing 34% of total items potentially disclosed. The highest number of incidence was found in the disclosure of employee category (nearly 12 items for each SAC), whereas the lowest was observed in the disclosure of supplier category (half item, on average). Based on the incidence of disclosure representing how broad the disclosure is made, the ten categories of Islamic CSR in Pakistan can be ranked as follows: 1. Employee, 2. General, 3. Environment, 4. Community, 5. Shareholders, 6. Customers, 7. Government, 8. Debtors, 9. Other Business Partner, 10. Suppliers.

In relation to the quality of disclosure, the content analysis' results confirm that most of Islamic CSR disclosure in Pakistan was qualitative in nature. It appears in the table that only nine items out of 39 disclosed items were disclosed in a monetary unit, six items in non-monetary unit and eight items in table/chart or figure. This finding is strengthened by the finding of the comprehensiveness of disclosure. Out of 39 disclosed items, 87% of them contained information related to management approach and 17% related to vision and goal. Typically, disclosure of management approach as well as vision and goal is narrative.

From the Islamic perspective, Islamic CSR disclosure in Pakistan covered 39% of the essential responsibilities, 36% of the complementary responsibilities, and 27% of the embellishment responsibilities. It signifies that there is a large gap between Islamic CSR disclosure in Pakistan and the ideal disclosure as prescribed by Islam. It is likely to happen as Karachi Mizan Index adopts the negative approach of SAC screening process.

Turn to the amount of disclosure, the table reports that each Pakistani SAC discloses CSR information in 6,143 words or similar to 285 sentences. The highest amount of disclosure is observed in the disclosure of employee category, placing this category as the most important category perceived by Pakistani SACs. The next most important category is shareholder category. It is followed by general category and customer category. The table also reports that debtor category has the lowest amount of disclosure.

Table 6-5 Summary of Overall Disclosure in Annual Reports–Pakistan

Category	Co's	%	Incidence										Amount	
			All	M	NM	TC	VG	MA	PI	Ess	Com	Emb	AW	AS
General	30	50%	224	59	26	44	83	124	56	117	57	28	1.254	48
Employee	30	46%	346	72	74	90	31	316	116	105	212	43	1.787	76
Shareholders	28	40%	96	42	6	6	17	90	40	31	61	5	1.320	51
Customers	30	26%	92	3	6	6	36	86	6	40	53	4	520	24
Suppliers	10	10%	15	1	1	2	1	13	2	0	13	3	51	2
Debtors	20	43%	26	17	0	15	0	19	15	1	0	25	29	1
Other Business Partner	11	12%	18	0	0	0	1	18	0	1	5	13	63	3
Government	29	53%	48	15	0	14	8	39	15	12	25	11	86	3
Community	29	23%	140	55	39	30	10	145	70	29	15	105	517	37
Environment	26	29%	164	5	21	18	10	159	23	46	93	21	517	39
Total items disclosed			1169	269	173	225	197	1009	343	382	534	258		
No of items/words/sentences disclosed by each company			39	9	6	8	7	34	11	13	18	9	6.143	285
Percentage of disclosure			34%	8%	5%	7%	6%	30%	10%	39%	36%	27%		

Co's: Total Number of disclosing companies
 %: Percentage of disclosure
 All: Total number of disclosed items
 TFC: Item disclosed in table/figure/chart
 M: Item disclosed in monetary unit
 NM: Item disclosed in non-monetary unit
 VG: Item related to vision and goal

MA: Item related management approach
 PI: Item related performance indicators
 Ess: Essential responsibility
 Com: Complementary responsibility
 Emb: Embellishment responsibility
 AW: Average number of words
 AS: Average number of sentence

With regard to the disclosure of each item, Table 6-6 summarizes the ten most frequent items and the ten most important items disclosed in Pakistani SACs' annual report. The table shows that the most frequent item disclosed in the annual report is un-Islamic activities/revenue. All SACs listed in Karachi Mizan index disclosed the item. The disclosure of this item merely contains information related to interest payment and interest income. There is no other un-Islamic activity reported in the annual reports. The table also shows that the ten most common item disclosed in the annual reports is dominated by the disclosure of employee category.

**Table 6-6 Ten Most Frequent and Most Important Items
in Indonesian SACs' Annual Reports**

Item Description	No of disclosing companies	Item Description	Average no of words to disclose
Un-Islamic activities or revenues	30	Business risk and strategy	1016
Compensation and other benefits	28	Compliance Statement	559
Business risk and strategy	27	Health and safety	424
Vision, mission, and strategy	26	Pension and retirement	305
Health and safety	26	Statement of CSR concern	217
Learning and development	26	Product quality and safety	170
Pension and retirement	25	Anti-Corruption and other work ethics	164
Product quality and safety	25	Public health support	160
Direct economics contribution	25	Business development and continuity	158
Statement of CSR concern,	24	Compensation and other benefits	157

For the amount of disclosure, the table shows business risk and strategy as the item with the highest number of word averagely. It indicates that Pakistani SACs place the responsibility to safeguard shareholders right as the most important responsibility. Besides business risk and strategy, business development and continuity to protect shareholders' investment are also found as one of the ten most important items disclosed in the annual reports. Though protection of shareholder investment seems to be the most addressed responsibility, the ten most important items are still be dominated by items relates to companies responsibilities to their employees including the responsibility to protect employees' health and safety, pension and retirement, anti-corruption and work ethics for the employee as well compensation and other benefit.

Pakistani SACs did not disclose six items in their annual reports. The items are shariah supervisory board, analyst perception, fair payment to supplier, possible cooperation with competitor, natural disaster relief and restoring a historic building.

6.4.2. Disclosure in Annual Reports by Category

This section presents the main findings of the content analysis of Pakistani SACs' annual reports by category. The ten categories of CSR are presented in order of importance, measured by the amount of disclosure illustrated in Table 6-5. Again, for the brevity of the thesis, the quantitative summary of the content analysis results are not presented in this thesis. But, it can be provided if it is needed.

6.4.2.1. Disclosure of Employee Category

The disclosure of employee category in each Pakistani SAC's annual report was covered in 1,787 words, on average, similar to 76 sentences. Most of the employee disclosures are qualitative in nature. It can be seen from the coverage of quantitative disclosure as well as the comprehensiveness of disclosure. In term of quantitative disclosure, both monetary and non-monetary disclosure only covered 17% of the disclosed items, respectively. Additionally, most of the disclosure contained information related to management approach (92% of the disclosed items), which were narrative in nature.

Employee category is also found as the most frequent category disclosed by Pakistani SACs in their annual reports. In total, there are 349 items disclosed by all Pakistani SACs in their annual reports, indicating that each SAC disclosed nearly 12 items or 43% of the potential items relate to employee category. All 27 items under employee category were recognized in the annual report. The number of disclosing companies for each item ranged from only one company observed in the disclosure of employee satisfaction to 28 companies observed in the disclosure of compensation and other benefits. The disclosure of employee satisfaction only covered information relates to vision and goal, as stated below:

In 2012, the company continued to work toward enhancing employee satisfaction. (Engro Food Ltd Annual Report, 2013).

Unfortunately, the above statement was rhetoric in nature. It has not been translated into action/approach to enhance employees' satisfaction or into measurable employee satisfaction indicator.

For the most frequent item, compensation and other benefits, it was disclosed in qualitative and quantitative form. In summary, the qualitative disclosure of employee category contain information about the types of short-term compensations offered by Pakistani SACs, compensation strategies, performance measurement as the basis for remuneration calculation, employee share option scheme, and non-interest bearing loan for the employee. In term of quantitative disclosure, the disclosure related to the amount paid by the company for their employee as compensation and other benefit as well as number of share owned by an employee based on employee share option scheme. SACs commonly practice the non-interest bearing loan for employee in Pakistan. Below is the example the loan. The disclosure contains information relate to both management approach and a performance indicator.

Loans to employees are for miscellaneous purposes which are recoverable in 24, 36, and 60 equal monthly installments depending on case to case basis and are secured by a charge on the asset purchased and amount due to the employee against provident fund or a third party guarantee. These are interest-free loans. These include an amount of Rs 6.029 million (2011: Rs 2.951

million) receivable from Executives of the Company and does not include any amount receivable from Directors or Chief Executive. The maximum amount due from executives of the Company at the end of any month during the year was Rs 7.131 million (2011: Rs 5.022 million). (Attock Refinery Ltd. Annual Report, 2013)

Turn to the disclosure of responsibilities based on Islamic requirement, the highest coverage of disclosure was observed in the disclosure of essential responsibilities. Averagely, each Pakistani SACs disclosed more than half of the essential responsibilities (58%). The disclosure of compensation and other benefits was found essential responsibility with the highest number of disclosing companies. It was followed by disclosure of employees' health and safety (27 SACs), anti-corruption and work ethics (20 SACs), protection of employees' basic right (15 SACs), protection of employees' data (nine SACs) and employees' welfare (six SACs). All essential responsibilities have been translated into management's action, and more than half of them are measurable. This finding indicates that Pakistani SACs have a relatively good record in following Islamic disclosure requirement considering that such requirement has not been implemented in screening SACs.

The next responsibilities disclosed by Pakistani SACs are complementary responsibilities. On average, each SAC disclosed at least seven items relate to complementary responsibilities, covering 44% of the 16 complementary responsibilities under employee category. Similar to essential responsibilities, most of the complementary employee disclosure contained of information related to management approach and half of it contained information related to both management approach and performance indicators. Employees' learning and development, as well as employees' pension and retirement, are considered as the two most common complementary responsibilities disclosed in the annual reports of Pakistani SACs. Employees' learning and development are manifested through facilitating employee to enhance their knowledge and skills, intrinsic training, job rotation for an employee with knowledge and skill to optimize their performance, implementing knowledge management and diversifying talent pool. About pension and retirement, most of the disclosure communicates what retirement benefit plans provided by the companies, how contribution plans were calculated and paid, what benefits would be received by employees post their employment period, and how the expected retiree benefits would be calculated and distributed.

For embellishment responsibilities, the disclosure of embellishment responsibilities to the employee only covered 37% of the expected disclosure. The most common disclosures are disclosure of employees' information followed by disclosure of employees' appreciation and recognition, the disclosure of employee turnover and lastly, the disclosure of employee satisfaction.

6.4.2.2. Disclosure of Shareholder Category

The second most important category based on the number of disclosing word is shareholder category. In general, the results of the content analysis show that seven out of eight items under this category were recognised in Pakistani SACs' annual reports, leaving companies' responsibility to provide analyst perception about the companies as the only undisclosed item in Pakistani SACs' annual reports. The total number of items disclosed by the 30 Pakistani SACs is 137 items, consisting of monetary disclosure (43%) and non-monetary disclosure (6%). It shows that nearly half of shareholder disclosure is quantitative in nature. In term of the comprehensiveness of disclosure, the disclosure of shareholder category was still dominated by the disclosure of information containing of management approach (92%). However, three items were disclosed comprehensively, containing information related to vision and goal, management approach and performance indicators. The items are business risk and strategies, business development and continuity and dividend or other investor values. Those three items are also reported as the three most frequent items as well as the three most important items disclosed under this category.

With regard to the disclosure of responsibilities as instructed by Islam, the main responsibility under this category is the protection of shareholders' wealth (fund). It can be done through protecting shareholders' right including the right of minority shareholders, ensuring business development and its continuity and, most importantly, paying zakah of the income resulting from the investment. The responsibility to protect shareholders' right, to protect minority shareholder and to ensure business development and the continuity were recognised in eight, one and 21 annual reports of Pakistani SACs, correspondingly. On average, every SAC disclosed one essential responsibility toward shareholders, covering one-third of the essential responsibilities under this category. For complementary responsibilities and embellishment responsibilities, the disclosure covered 51% and 17% of the potentially disclosed items, respectively.

6.4.2.3. Disclosure of General Category

As the disclosure of general category by each SAC is presented in 1,245 words, this category can be ranked as the third most important category in Pakistan. The total number of incidence of disclosure by all companies is 219 incidents, ranging from no company disclosing the existence of *shariah* supervisory board and all companies disclosing un-Islamic activities of revenue. Unlike the disclosure of employee and shareholders categories that were dominated by the disclosure of information containing management approach, the disclosure of general category seems to be more spreading. It spread into the disclosure of information related to vision and goal (37%), management approach (55%) and performance indicators (26%).

For the disclosure of responsibilities as instructed by Islam, the results show that Pakistani SACs have disclosed their responsibilities based on the order of importance. The essential responsibilities that must be prioritised according to Islam are found for having the highest number of word to disclose (859 words). Then, it was followed by the disclosure of complementary responsibilities (315 words) and embellishment responsibilities (67 words). However, in term of disclosure coverage, the highest coverage was observed in the disclosure of complementary responsibilities (63%) and followed by embellishment responsibilities (47%). The essential responsibilities have the least percentage (37%).

In addition to the above findings, there are three other interesting findings relate to this category. Firstly, there are 21 companies disclosing economics values added for stakeholders in the monetary unit and presented in table format. It shows that, besides publishing the standard financial statements such as balance sheet, income statement, statement of changes in owners' equity and cash flow statement, those companies also published a statement of value addition in their annual reports. Value added statement is a statement reporting the amount of wealth generated by the companies, how the wealth is distributed to all stakeholders such as employee, government, capital providers, and society as well as the amount of wealth retained for companies' business.

The second interesting finding is that more than one-third of Pakistani SACs recognized the existence of God in their annual reports. Some companies explicitly stated that their success in business was part of God's mercy. Therefore, to express their gratitude to God, the companies tried to fulfill their Islamic obligation such as paying zakah and avoid any prohibited activities. The disclosure of Fauji Fertilizer Bin Kasim Ltd stated below is the examples of such disclosures. It illustrates the disclosure of God awareness, zakah payment and avoiding prohibited activities (Fauji fertilizer bin Kasim Ltd Annual Report, 2013).

By the Grace of Almighty Allah, results of year 2013 have shown marked improvement as compared to the previous year signifying better management of limited resources, a commendable effort in the given circumstances.

Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

The use of alcohol, drugs other than for medication and gambling is prohibited on the location or premises of the Company.

In addition to praising God for His mercy, the disclosure of God awareness was also used to glorify His name. It can be considered as the application of the concept of *tawhid*, especially in relation to the highest level of faith (*ihsan*).⁴⁹ The *basmallah* statement is found as the

⁴⁹ See Chapter Three Section 3.6 for the reference.

opening of Director Statement, Chairman Review or even as the opening page of the annual report of several Pakistani SACs.⁵⁰ It signifies that their activities could not escape from God's sight. Therefore, the activities must be God inspired. Several other companies disclosed God awareness to state their submission to God explicitly or as a wish for their sustainability. Below are the examples of such disclosure, respectively.

We bow to Allah and pray for His blessings and guidance. (Indus Motor Ltd's Annual Report, 2013)

May Allah grant us the fortitude to sustain our growth – Ameen (Mari Gas Ltd's Annual Report, 2013)

The third interesting finding found in the general disclosure of Pakistani SACs was disclosure of stakeholders' engagement. The content analysis observed that Pakistani SACs have good practice in appreciating and engaging with their stakeholders. Nearly half of Pakistani SACs disclosed their approach to appreciating and engaging with their stakeholders. Companies like Attock Refinery Ltd., Fauji Fertilizer Ltd., Karachi Electric Ltd. developed their comprehensive framework to maintain stakeholder engagement. For example, Attock Refinery Ltd. adopted three steps to engage with their stakeholders. The first step was conducting stakeholders' needs analysis. Based on the results of need analysis, ARL identified what response need to be performed to fulfil the needs. Finally, the company engaged with their stakeholder through a number of engagement channels. Fauji Fertilizer Ltd also took a quite similar approach. The company divided the engagement into three steps, which were identifying its stakeholders, determining how each type of stakeholders affect their business, and lastly choosing the best avenue to manage company's relationship with each type of stakeholder. A more comprehensive stakeholders' engagement framework was developed by Karachi Electric Ltd., namely Stakeholders Engagement and Enrichment Drives for Sustainability (SEEDS).

SEEDS is a holistic approach that fully recognises the impact of our performance in sustainable development across our stakeholders' universe. A 360-degree value creation model, SEEDS essentially drives four distinct programmes – ESG Initiatives, Social Investment Programmes, Stakeholder Engagement and Thought Leadership. (Karachi Electric Ltd's Annual Report, 2013)

Unfortunately, the content analysis also found that none of the SACs in Pakistan provide disclosure of *shariah* supervisory board. Though the existence of *sharia* supervisory board is supposed to be essential according to Islam, there is no requirement for disclosing such information in Karachi Stock Exchange. The existence of SSB was not taken into consideration in conducting screening process in the Karachi Mizan Index.

⁵⁰ Basmallah is a statement stating "*Bismillaahi Ar-Rahman Ar-Rahiim*" that can be translated into "In the name of Allah the Most Gracious, the Merciful". It is one of testimonies of faith in Islam for which Muslims are expected to realize the existence of God and to purify their intention and action in accordance to God's guidance.

6.4.2.4. Disclosure of Community Category

The results of content analysis place community category at the fourth position of Islamic CSR disclosure in Pakistan with 635 words used by each company to disclose the category. Averagely, each company disclosed five items; covering 26% of 20 items should be disclosed under this category. All of the 20 items were recognised in the annual reports of Pakistani SACs in which the number of disclosing companies ranged from one company to 21 companies. The disclosure was made in both qualitative and quantitative form. All qualitative disclosure contained information related to management approaches, and 7% contained information related to vision and goal. The quantitative disclosure was presented in monetary (39% of the total disclosure) and non-monetary (1% of the full disclosure). The results of content analysis also indicate that based on Islamic teaching, community disclosure by Pakistani SACs covered 32% of the essential responsibilities to the community, 25% of complementary responsibilities and 25% embellishment responsibilities.

Some interesting findings found in the disclosure of community category in Pakistan are discussed here. Firstly, public health support was found as the most common and also the most important item disclosed under the category. As one of the essential responsibilities, this item was disclosed by 21 companies. The disclosure of this item was made comprehensively covering vision and goals (5%), management approach (100%) and performance indicators (57%). Among the programme taken by the management of Pakistani SACs to support public health were are free eye screening, maintaining general hospital and field hospital, running poor patient fund, arranging medical camps and medical unit for rural area, blood donation campaign, sponsoring eye tests and procedures, educating school-going children on the basic principles of road safety, establishing technical centre for deaf, encompassing free medical services, and supporting health infrastructure and running child immunization. Some performance indicator used to measure the programme/activities were the number of participating students, the number of medical staff, the number of wards, the amount spends to provide medical equipment, the number of patients, and the number of surgery sessions. In short, supporting public health seems to be one of the most prioritized responsibilities toward community addressed by Pakistani SACs.

The second most common and most important item highlighted under community disclosure was supporting education and training. Similar to supporting public health, this item was also disclosed by 21 companies though in a fewer number of words (125). Some activities were executed by Pakistani SACs to support education for the public. For example operating primary, secondary and academic school, funding universities' development activities, arranging young leadership conference, providing a scholarship for the community, adopting

the local primary school as a role model, helping in construction new classroom, launching adult literacy programme and providing educational opportunities to the community. Additionally, the disclosure also provided information related to key indicators such as the number of students receiving scholarships, the amount of scholarship distributed, cost to operate the school, the number of new classrooms constructed, the number of participating community members and others. Briefly, Pakistani SACs did not only support education for young members of the community but also supporting all members of the community especially to improve the literacy rate in their surroundings.

The next most common and most important in community disclosure is the disclosure of companies' responsibilities to support economics empowerment for the community. The content analysis results reveal that there were fourteen Pakistani SACs recognising community empowerment as part of their responsibilities. There were four main programmes executed by the disclosing companies, which were empowering rural women, investing in low-income communities, developing entrepreneurial skills in young people and establishing a thriving community through designing model village. All those programmes were intended to help the community, especially those who were economically vulnerable, to be self-sufficiency. Some performance indicators to measure those programmes were also reported in the annual reports. Among the indicators are the amounts of direct payment to the community, the number of rural women participating the programmes, the number of villages participating, monthly income of the participating community, the number of young people participating the programmes, the number of model village, and the amount spent to fund the model village.

6.4.2.5. Disclosure of Customer Category

Customer category is perceived as the fifth most important category in Pakistani SACs. Content analysis results of this category show that all items identified as part of companies' responsibilities toward their customers were recognised in the annual reports of the sample companies with number of disclosing companies ranging from one to 25. The disclosure covered 40% of the 12 items potentially disclosed under this category and was dominated by the disclosure of information related to management approach (92%). Disclosure of information related to vision and goal only covered 38% of the total disclosure, whereas disclosure of information related to performance indicator only covered 6% of the total disclosure.

With regard to the disclosure of essential, complementary and embellishment responsibilities, the content analysis marked several findings. Though all essential responsibilities were recognised in the annual reports of SACs, none of the responsibilities was disclosed by all companies. As a result, the disclosure of essential responsibilities was

low, covering only 26% of the benchmark. One of essential responsibilities with low disclosure is a responsibility to inform products' halal status, disclosed by one company from the food industry. This finding seems to be unexpected as this responsibility is essential to be fulfilled. There is a possibility that management of SACs did not see the necessity of disclosing such information. It could be because they assumed that their products were already halal by default or simply because there was no requirement made by Karachi Stock Exchange authority to disclose it. As SACs in Pakistan come from diverse industries⁵¹, it will be more accountable if product's halal status can be guaranteed. According to Islam, the concept of halal status does not only relate to products from the food industry. Every product consumed by Muslim must be halal, in term of both product's ingredients and production process. Therefore, companies from beverages, services, personal care/household, pharmacy and retail industries have to guarantee the halal status of their products.

Even though the least common item disclosed under customer category came from the essential responsibilities, the most common item disclosed under customer category was also classified under essential responsibilities. More than 80% of SACs in Pakistan disclosed product quality and safety in their annual reports. The disclosure was not only rhetoric in nature, but also contains management's actions to guarantee product quality and safety. Even better, one company disclosed the indicator of their product quality and safety. Considering that the disclosure of this item is still voluntary in Pakistan, the high coverage of product quality and safety disclosure may reflect that SACs in Pakistan have realized the important of disclosing such information to the public.

Similar to the disclosure of essential responsibilities, disclosure of complementary responsibilities was also low. The coverage of disclosure was just slightly above the coverage of essential responsibilities disclosure. The important finding related to this disclosure is disclosure of customer satisfaction. It was disclosed by 17 companies, in which 11 of them disclosed customer satisfaction in rhetoric and normative manner. Those companies recognised customer satisfaction as a corporate mission, corporate strategic objectives, quality policy, corporate value, corporate sustainability policy or ethical conduct. These rhetoric statements were also translated into management's actions to achieve the satisfaction. The content analysis observed some actions taken by Pakistani SACs to meet customer satisfaction. It included conducting customer satisfaction surveys, developing customer satisfaction index, delivering value to customer, maintaining customers engagement, offering quality product at competitive price, adhering to promised standard of service quality, anticipating customers' needs, and appreciating customers' patronage.

⁵¹ For reference, see Chapter Five Section 5.3.1.2 discussing about characteristic of the sample of this study.

For disclosure of embellishment responsibilities, the only one embellishment responsibility under customer category is after sale provision. The disclosure of this responsibility was only made by four companies, containing information related to management approaches. Facilitating services delivery and providing products' warranty were two management's approach to fulfil this responsibility. For optimization and better management of the transportation function, one of the disclosing companies developed a custom application, namely "Shipment Planning and Processing Application." Another company disclosed the amount of money spent for product warranty.

6.4.2.6. Disclosure of Environment Category

The content analysis observed that disclosure of environment category in Pakistani SACs was covered in 517 words on average, placing this category at the sixth position. In term of the incidence of disclosure, the disclosure covered 25% of the total items classified under this category. All disclosure was made in qualitative, containing of information related to management approaches (97%) and information related to vision and goal (6%). Additionally, 14% of the disclosure was quantitative, presented in monetary (4%) and non-monetary (15%). It was also observed that the disclosure met Islamic requirement up to 38% of the essential environment responsibilities, 26% of the complementary environment responsibilities, and 18% of the embellishment responsibilities.

As proposed in this current study, company responsibilities toward the environment are classified into responsibility to prevent any environmental damages, responsibility to conserve and preserve the environment while utilizing it, and responsibility to maintain and enhance environment beauty. Based on the content analysis results, Pakistani SACs took several management approaches to prevent any environmental damages. The most common action taken by the management was utilizing eco-friendly technology or policy, disclosed by 20 companies. Installing replacing external sodium lights with LED lights, using bio-degradable bags for product packaging, promoting the use of non-CFC products at all manufacturing unit, deploying business models that steward eco-friendliness, replacing product sampling from destructive testing to non-destructive testing are among strategies and policies observed in the annual reports of Pakistani SACs. Below is the example of the disclosure, which contains information related to vision and goal as well as management approaches.

The Company has a strong commitment to protecting the environment for future generations. We therefore adopt policies, technologies and practices that are compatible with industry growth, yet do not impact negatively on the environment. Innovative products and solutions, such as introduction of EuroII compliant engine and exhaust systems are aimed at limiting our carbon footprint. We believe that industrial growth and preservation of the environment are not mutually exclusive activities. It is our desire to bequeath to our children

a world whose ecology has been preserved as far as possible. This requires the introduction of environment-friendly solutions and an unwavering commitment to evolving products and strategies that will diminish our carbon footprint. (Indus Motor Ltd's Annual Reports, 2013).

Additionally, performance indicators related to the responsibility to prevent any environmental damages were also disclosed by the companies. Among the indicators are the percentage of carbon footprint reduction, the amount of energy reduction, the amount of energy saving, the percentage of material usage reduction, the percentage of waste reduction, the amount of Green House Gas reduction, and total emission.

For company's responsibilities to conserve and preserve the environment while utilizing it, the content analysis marked interesting findings in waste management disclosure as well as biodiversity and forestry disclosure. It can be noted from the disclosure that there were three types of waste being treated by Pakistani SACs, which were water waste, solid waste, and noise. Water waste management started from environment monitoring program to collect water waste sample for determining further treatment. Solid waste had been recycled as an alternative source of energy, while noise was treated by careful handling and providing noise filter. The concept of reuse and recycle was widely recognised by the disclosing companies. Additionally, companies such as Cherat Cement and Nishat Mill did not only treat solid waste and water waste resulted from their production, but they also helped to treat the waste from their surrounding and their municipalities. Waste management disclosure contained information related to management approach (92%) and performance indicators (23%).

About the disclosure of biodiversity and forestry, the results show that Pakistani SACs took some actions to protect biodiversity and forestry. Each disclosing company had their programme, but the most common one was tree plantation programme. Besides helping preserve biodiversity, this programme also beneficial in creating awareness and initiating proactive actions among stakeholders. Some other programmes were supporting biodiversity parks, protecting rare flora and fauna, and participating in the World Environment Day. All disclosures of biodiversity and forestry were presented in a qualitative form containing information related to management approach. Additionally, the disclosures were also made in a quantitative form containing information related to performance indicators (53%). Most of the quantitative disclosures were in non-monetary unit informing the number of a tree planted, the area covered in the programmes, the number of employees involved and the number of fauna protected. Two companies disclosed performance indicators in a monetary unit, representing the amount spent on the programmes.

The last companies' responsibility toward the environment is to beautify the environment. The content analysis results show six companies disclosed the contribution to the beautifying environment and facilitating cleanliness. For contributing to enhancing the beauty of the environment, SACs in Pakistan took several actions. The actions were refurbishment programmes to improve architecture and to ensure a more comfortable environment to all stakeholders, establishing horticulture department for making the environment pleasant, green and full of flowers, participating in various horticulture competition, conducting Rose Festival to promote natural beauty, developing children and community park. For cleanliness, the disclosure was only rhetoric in nature, stating that company was aiming to provide a clean, healthy and safe environment for employees, customers, and community. There was no further explanation on how the company would maintain the cleanliness.

6.4.2.7. Disclosure of Government Category

All three items identified as companies responsibilities to their government were recognised in Pakistani SACs' annual reports. In general, the incidence of government disclosure in Pakistani SACs' annual reports covered 40% of the total number of potential incidence under this category. The disclosure was made in both qualitative and quantitative. The qualitative disclosure contained information related to vision and goals stating companies' commitment to comply with the regulation, to contribute economically to the government and to support government project and support (17% of the disclosure). It also contained information related to management approaches in translating the three responsibilities into actions (81% of the disclosure) such as paying taxes, duties, and other levies, fulfilling all legal requirements related to their core business, following the Pakistani laws and funding government projects. For quantitative disclosure, the disclosure merely contained information on the amount of national exchequers contributed to the government in term of income taxes, sale taxes, value added taxes and customs duties. The disclosures were placed either in income statement financial statements' notes or value added statement.

In relation to Islamic teaching, it is mandatory for each SAC to comply with government regulation in which the SAC is located or operated. As an essential responsibility, compliance with government regulation should be disclosed by all companies. However, SACs' responsibility to comply with government regulation in Pakistan was only disclosed by 12 SACs. There are two possible explanations for the non-disclosure by the rest of the companies. Firstly, it might be because there was no disclosure requirement related to companies' compliance with government regulations made by KSE authority. Secondly, the managements of SACs might not see the benefit of disclosing such information in the annual reports.

6.4.2.8. Disclosure of Other Business Partners Category

The content analysis results reveal that the disclosure of other business partners in Pakistani SACs was observed 18 times in all annual reports, representing only 10% of the total potential incidence of disclosure. All disclosure contained information related to management approach, one disclosure contained information related to vision and goal, and none of the disclosure contained information related to performance indicator. It indicates that the disclosure was qualitative in nature, covered by nearly 63 words, on average. The most common responsibility disclosed by Pakistani SACs was being active in an industry association. Nine out of thirty SACs in Pakistan disclosed their involvement in industry association. In general, the disclosure provided some information on how SAC being active in the industry. It included assisting other companies through provision of technical services and training, maintaining direct dialogue with all key trade associations and industries to keep them informed about the real-time challenges and problems faced, participating in promoting CSR principles, and practice in the industry.

The next responsibility was maintaining a good relationship with distributors and resellers. Five out of thirty SACs in Pakistan disclosed this responsibility in qualitative form. The disclosure only contained information relate to management approaches, informing several actions taken by the companies. Among the actions were working together in research to achieve sustainability of the partnership with mutual benefit, conducting various activities as a mode of engagement like an annual convention, providing training to dealers (distributors), ensuring the integrity and reputation of the partner if the relationship becomes public knowledge.

From an Islamic perspective, a company in Islam is required to maintain fair competition with their competitors. The disclosure of this responsibility was only found in one annual report, recognised qualitatively in company's CSR policy and purchasing policy. The low recognition of this item indicates that management was likely unaware of the importance of disclosing such item according to Islam.

6.4.2.9. Disclosure of Supplier Category

The disclosure of supplier category in the annual reports of Pakistani SACs only covered 8% of the total items should be disclosed under this category. On average, the disclosure of each company was described in 51 words. The most frequent disclosed item was maintaining a mutually beneficial relationship, followed by assisting supplier to enhance sustainable business activities, choosing a local supplier, and lastly, supplier appreciation. All those items were disclosed in a qualitative form containing information related to management action. The quantitative was only observed in two companies, disclosing the

amount spent to appreciate the supplier and the number of company visit to suppliers to maintain a good relationship with them.

6.4.2.10. Disclosure of Debtor Category

Lastly, the results of content analysis placed debtor category as the least important category based on the number of disclosing words. It was observed that 20 out of 30 Pakistani SACs disclosed their policy in dealing with debt and only six companies wrote off their receivables to the debtors. The disclosure of debt policy was presented in both qualitative and quantitative. The qualitative disclosure provided information on how debts were recognised and how doubtful debts would be treated; while the quantitative disclosure was presented in the aging schedule.

6.5. Discussion of the Main Findings

The results of both quantitative and qualitative content analysis show a number of prevailing findings. Firstly, in line with the findings of prior studies from the mainstream perspective (Guthrie and Parker; 1989) and Islamic perspective (Abdul-Rahman *et.al.*, 2010), employee category seems to be the predominant theme elaborated in annual reports of SACs in the sample countries. It can be seen from the number of words and sentences representing the amount of disclosure and the number of disclosed items representing the incidence of disclosure. The importance of employee as the backbone of companies as well as the closest party to companies is recognised in the annual reports of SACs in the sample countries. As companies' operation heavily relies on their employees, addressing employees' interests and communicating the effort would likely help companies running more smoothly. Following employee category, shareholder category was also reported as a dominant category in the reports. Similar to employees, shareholders or financiers also play a critical role for companies by financing companies' operation (Hall and Soskice, 2001; Chen and Bouvain, 2008). Islamic CSR disclosure could be used as a way to show companies' accountability toward shareholders, especially in ensuring that their funds had been invested in Islamic ways. The placement of employee and shareholder category as the two most important categories was in line with Islamic teachings. Islam instructs companies to firstly address the interest of the closest parties before moving to stakeholders with less interaction with or role for companies. This finding supports the opinion of Belal (2015) that classified employee and shareholder/financier as the first two important stakeholders in Islam.

Moreover, the growing public demand for companies to become more responsible toward community seems to get SACs' attention. It can be seen from the findings showing that community was always placed as the third most important stakeholders of SACs after employees and shareholders. All content analysis for overall categories always put

employees, shareholders and community in the first layer of the importance level. The next group of stakeholders placed in the second layer is the environment, customer, and government.⁵² The last group of stakeholders placed in the third layer is debtors, supplier, and other business partners.

The above findings are in line with stakeholder theory elaborated by Freeman (1983). Freeman suggested that owners/shareholders are not the only claimants of a business entity, but there are some other stakeholders like employees, suppliers, customers, public and environment whose interests are to be protected. The findings are also consistent with stakeholder theory from an Islamic perspective as all types of stakeholders identified by Belal *et al.* (2015) were recognised in this study. However, the classification of stakeholders in this study slightly departs from the classification made by Belal *et al.* (2015). As stated earlier, the results of this current study put stakeholders into three group in the order of importance: 1). Employees, shareholders, and community; 2) Environment, customers, and government; 3). Debtors, suppliers and other business partners. But, Belal *et al.* (2015) classified stakeholders of Islamic business institution into three groups: 1). shareholders/financiers and employees; 2). Suppliers, customers and debtors; 3). Other external parties including distributors and competitors, government, community, and the environment. The classification of stakeholders found in this study also slight departs from the classification from Western perspective as suggested by Clarkson (1995). Clarkson classified stakeholders into primary stakeholders (employees, shareholders, customers, suppliers and other business partners) and secondary stakeholders (government, community, and environment).

The second prevailing finding related to the content and level of Islamic CSR disclosure results show that the percentage of disclosure ranged between 6% and 68%. It indicates that 68% of the ideal items proposed in this study have been communicated in the annual report of PT Semen Gresik Indonesia, and only 6% of Pakistan Suzuki Limited. The average percentage of disclosure in the sample countries was 34%. The average figure was four percent higher than the average percentage of disclosure observed in the previous studies summarised in Chapter Three. But, it is still considered low. According to Islam, companies in Islam are expected to show their accountability to their entire stakeholders and their ultimate accountability, which is accountability to God, by fulfilling and communicating those responsibilities. In relation with the extent of disclosure, the averages number of words

⁵² General category is not included in the classification of stakeholders as it does not associate to a specific type of stakeholder. Instead, it is considered as companies' general responsibilities that, in Islamic term, refer as companies' responsibilities toward God. It is applicable for all types of stakeholders as accountability to God is intended to protect the interest of all stakeholders by ensuring that companies are operated in a way that does not violate God's prohibition.

used to disclose Islamic CSR disclosure by SACs in Indonesia, Malaysia and Pakistan are 9974, 6828, 6143 words, accordingly. These figures are higher than the number of words used to disclose CSR in prior studies such as Zeghal and Ahmed (1990) and Haniffa & Cooke (2005).

The findings suggest that there was large disparity between the communicated responsibilities had been performed by SACs in the sample countries and the ideal responsibilities as listed in the instrument should be performed. This disparity may be attributed to a lack of standardisation of Islamic CSR disclosure; thus, each company has its own standard to disclose its responsibilities. It may also be associated with secretive culture surrounded in the sample countries. Based on Hofstede's score of power distance, uncertainty avoidance and individualism of Indonesia, Malaysia, and Pakistan, the three countries were classified as secretive countries with the extent of secrecy of 112, 110, and 111, accordingly.⁵³ In secretive culture, the company tends to have a preference for confidentiality and restricted disclosure. (Gray,1988). Therefore, large disparity between the actual disclosure and the benchmark might be observed in the country with secretive culture like Indonesia, Malaysia and Pakistan.

The third main findings of the content analysis show that most of Islamic CSR communicated in the annual reports of Indonesian, Malaysian and Pakistani SACs was qualitative in nature. It can be traced from the comprehensiveness of disclosure showing that 88% of the disclosed items contained information related to management approaches and only 34% of the disclosed items contained information related to performance indicators. Referring to Bouten *et al.* (2012), information related to management approach is always qualitative as it consists of information on how companies address CSR concern into actions or practices, whereas information related to performance indicators is always quantitative as it covers all information reflecting actual CSR performances that are quantitatively measurable.

In term of qualitative approach, SACs in the sample countries adopted a number of management approaches to bring their concern and commitment to CSR into actions/practices. Item related to companies' business risk and strategies under shareholder category was reported as the most frequent disclosed item containing information related to management approach. This item was also observed for having the highest amount of

⁵³ Hope *et al.* (2008) developed a formula to calculate the extent of secrecy of any country in the world based on Gray (1988)'s hypothesis on the relationship between uncertainty avoidance (UA), power distance (PD) and individualism (IND). Using Hofstede's cultural dimensions, Gray (1988) hypothesized that "*the higher a country ranks in terms of uncertainty avoidance and power distance and the lower it ranks in terms of individualism and masculinity then the more likely it is to rank highly in terms of secrecy*". Thus, Hope *et al.* (2008) defined secrecy as $UA + PD - IND$.

disclosure measured by total number of words or sentences. Out of 90 SACs in the sample countries, 80 companies disclose their actions to identify business risks along with strategies to deal with the risks. Among the strategies adopted by SACs were maintaining a sound risk management framework and internal control system to protect shareholders' investment and companies' assets; covering financial, operational and compliance aspect of the business. According to Islamic teachings, companies are recommended to take any actions that support the protection of shareholders' wealth. Understanding business risk and having strategies to deal with the risks was one of those actions. This disclosure was in line with the requirement of AAOIFI standards on governance.

Additionally, Islamic CSR disclosure of SACs in the sample countries also contained information related to companies' vision and goal that was normative and rhetoric in nature. The disclosure covered 12% of the disclosed items. Consistent with the nature of the general category, nearly half of the disclosure of information containing of vision and goals was observed in this category. It disclosed SACs vision, mission, and strategies as well as SAC's commitment to avoid what Islam prohibits, comply with *shariah* and other statutes, conduct ethical business, comprehend the existence of God, and engage with the entire stakeholders.

The fourth main finding of the content analysis is that item related to un-Islamic activities/revenues was observed as the most common items appeared in the annual reports. All SACs in the countries disclosed information related to this item. The disclosure of such item sends bad news for stakeholders. However, as prescribed by Islam, the company has to be truthful though the truthfulness may jeopardize its reputation. Informing company's involvement in non-permissible activities is mandatory. It allows the entire stakeholders to have perfect knowledge about the company and act accordingly. Maali *et al.* (2003), Haniffa and Hudaib (2007) as well as AAOIFI (2011) state that the disclosure of un-Islamic activities should not only contain information on what are the activities. But, it should also include information on why the activities carried out, the percentage of profit from such activities and how the activities are handled. The un-Islamic activities disclosure found in this study only contained information about the un-Islamic activities involved, which was interest payment and interest revenue. There was no further disclosure information as suggested by Maali *et al.* (2003), Haniffa and Hudaib (2007) and AAOIFI (2011).

Next, the study observed that there were four items, six items and eight items that were not disclosed in the SACs' annual reports from Indonesia, Pakistan and Malaysia, respectively. However, there are only item related to shariah supervisory board that was

observed as undisclosed item in the three countries. None of the SACs in the sample countries disclosed *shariah* supervisory board (SSB) in their annual reports. This finding is rather daunting considering that there should be a board or at least a mechanism in the corporate governance structure of Islamic business institution to ensure that the institutions were run in accordance with *shariah*. A plausible reason for this non-existence may be attributed to the nature of SACs. Unlike Islamic banks in which the need for SSB on site for consultation purposes is high, the similar need by SACs seems to be low. Because of the nature of the operation, the function of SSB to determine the halal status of SACs' products as well as to ensure their operation comply with sharia can be performed occasionally. SSB's function to monitor SACs' compliance with *sharia* might be replaced by the National *Sharia* Board through shariah screening process. Nevertheless, the current researcher argues that similar to the case of Islamic banks, it is better for SACs to have SSB in their organizational structure.

6.6. Summary

This chapter reports the findings of content analysis to meet the second research objective, which is to document the level and the content of Islamic CSR disclosure in the sample OIC countries. The level of disclosure was presented quantitatively, in term of the amount of disclosure and the incidence of disclosure. The amount of disclosure is measured using the number of words and sentences to disclose. For incidence of disclosure, it is measured by total number of disclosed items, classified into disclosure of monetary or non-monetary, disclosure of vision and goal, management approach, and performance indicators as well as disclosure of essential, complementary and embellishment responsibilities. For the content of disclosure, the results were presented qualitatively. The chapter was started by discussing the results of content analysis of Malaysian SACs' annual reports, followed by those from Indonesia and Pakistan. Quantitatively, Indonesian SACs was reported for having the highest amount of disclosure, followed by Malaysians and Pakistanis. Indonesian SACs was also consistently reported for having the highest coverage of disclosure, followed by Pakistanis and Malaysians. In the qualitative disclosure, some interesting findings were also reported by SACs in the three countries. As this chapter merely discusses the results of content analysis by country, the next chapter is discussing the comparison analysis to get a better understanding of the practice of Islamic CSR disclosure in the OIC sample countries.

Chapter Seven: Comparison Analysis of Islamic CSR Disclosure in Indonesia, Malaysia, and Pakistan

7.1. Introduction

The aim of this chapter is to compare the results of content analysis of Islamic CSR disclosure in the annual reports of SACs in the sample of OIC countries. The analysis was conducted based on country background. It is intended to answer the third research question of the current study, which is the question about whether there is any difference in Islamic CSR disclosure among countries in the sample of the study. As stated in Chapter Three, at present there is no research on Islamic CSR disclosure in SACs across industry that was conducted at the international level. Comparing the Islamic CSR disclosure in the three countries is expected to fill the gap of the prior studies. Additionally, Indonesia, Malaysia and Pakistan are considered as the three countries with different background in term of economics development, socio-political structure as well as the growth of Islamic finance. Therefore, it is expected that the comparison analysis between the three countries could provide an empirical evidence for the variation of Islamic CSR disclosure in similar Muslim majority countries but different country background.

For answering the question, quantitative comparison analyses were conducted. The quantitative analyses used in this study consist of an analysis of variance, multiple comparisons analysis, Kruskal-Wallis test, and Mann-Whitney test. Those analyses were used to investigate whether there was any difference in the amount of disclosure, breadth of disclosure and depth of disclosure among SACs from the three sample countries. The comparison analyses were executed based on the overall data as well as data by category. The analyses were conducted using the assistance of Statistical Package for the Social Sciences (SPSS) version 22. As discussed in the methodology chapter; this current research uses three types of measurement to gauge CSR disclosure level. The first type is the extent of disclosure, measured by number of words and number of sentences. The second type is the breadth of disclosure, measured by un-weighted disclosure index (index). The last type of measurement is weighted disclosure index covering the breadth and the depth of disclosure. The weighted disclosure index was measured by the quantitative index, a comprehensive index, and Islamic index.⁵⁴

The remainder of this chapter is structured as follows. Section two reports the finding of descriptive statistics of the disclosure level. Comparison analysis by country including

⁵⁴ How to calculate each index has been presented in Chapter Five and summarized in Table 5.5.

analysis for disclosure of overall data and analysis for disclosure of data per category is presented in section three. Section four is a preliminary discussion of the findings. And finally, section five provides a conclusion.

7.2. Descriptive Statistics

This section reports the results of descriptive statistics analysis of the level of Islamic CSR disclosure. Table 7-1 summarizes the results of the analysis in overall countries as well as in each country.

Table 7-1 CSR Disclosure Level: Overall and by Country

Country	Measurement	N	Mean	Standard Deviation	Median	Minimum	Maximum
Overall	Word	90	7,391	5761	5,530	366	22,663
	Sentence	90	311	244	234	24	924
	Index	90	34%	31%	33%	6%	68%
	Index_quan	90	9%	6%	10%	1%	82%
	Index_compre	90	15%	14%	7%	2%	32%
	Index_islam	90	33%	33%	14%	6%	66%
Indonesia	Word	30	9,974	6,777	7,458	1,146	22,663
	Sentence	30	425	282	321	57	924
	Index	30	36%	14%	36%	7%	63%
	Index_quan	30	14%	16%	9%	1%	82%
	Index_compre	30	17%	8%	15%	4%	32%
	Index_islam	30	36%	14%	32%	6%	66%
Malaysia	Word	30	6,145	5,163	5,539	1,883	22,567
	Sentence	30	232	196	146	69	865
	Index	30	26%	13%	23%	8%	56%
	Index_quan	30	5%	3%	5%	2%	13%
	Index_compre	30	13%	7%	10%	4%	29%
	Index_islam	30	27%	14%	23%	9%	59%
Pakistan	Word	30	6,053	3,302	5,956	366	13,245
	Sentence	30	276	172	239	24	802
	Index	30	32%	13%	32%	6%	54%
	Index_quan	30	6%	3%	6%	1%	12%
	Index_compre	30	15%	6%	15%	2%	27%
	index_islam	30	36%	13%	36%	7%	58%

Table 7-1 demonstrates that the standard deviation of each measurement was quite high. It indicates that the variability of the disclosure among SACs in the three countries was quite high as well. This finding was also supported by the finding of the range between the minimum value and the maximum value of each measurement. For example, the amount of

disclosure as measured by number of words had a maximum value that was more than 60 times of its minimum value. Even for Islamic CSR disclosure measurement with the lowest range, the maximum value was still ten times higher than its minimum value. Again, it indicates that there was a high variability of Islamic CSR disclosure practice in the sample companies. There might be two possible explanation of the variability. Firstly, it could be because of the diversity of SACs' background. As summarized in the research methodology chapter, all SACs in the sample of OIC countries belong to 12 different industries. Different ownership structures were also observed in the sample companies. SACs from different industries might provide different disclosure. Likewise, different ownership structure might result in difference disclosure. Secondly, the large gap between the minimum and maximum of disclosure could be because of a lack of standardization in Islamic CSR disclosure. As there was no standard on CSR disclosure by SACs, each SAC might have their standard or might follow the different standard to disclose their CSR.

About the descriptive statistics of Islamic CSR disclosure level in Indonesia, Malaysia and Pakistan sub-samples, Table 7-2 provides rank of the country by mean values. It summarises mean values of descriptive statistics presented in Table 7-1 to simplify the comparison by country. As seen in the table, five out of six measures of CSR disclosure level of Indonesian SACs had the highest mean value as compared to those from Malaysia and Pakistan. It placed Indonesian SACs always at the first rank. Only CSR disclosure level as measured by Islamic index (*index_Islam*) showed the similar value of mean between Indonesian SACs and Pakistani SACs. It confirms that in term of the extent, the breadth, the quantitative, and the comprehensiveness of disclosure, SACs from Indonesia were better than SACs from Malaysia and Pakistan in disclosing Islamic CSR information. Related to the disclosure of Islamic CSR as instructed by Islam, SACs from Indonesia and Pakistan shown a similar level of disclosure, which was nearly 10% higher than the disclosure level of SACs from Malaysia.

Table 7-2 also presents a summary of mean values of each disclosure level in sub-samples as compared to the mean values of disclosure level in overall sample. The table shows that all mean values of Islamic CSR disclosure level in Indonesia were always found to be higher than the mean values of the overall sample. On the other hand, all mean values of Islamic CSR disclosure in Malaysia were always lower than the mean value of the overall sample. For Islamic CSR disclosure level in Pakistan, the results show various pattern. Three mean value of Islamic CSR disclosure level (measured by words, sentences, and quantitative index) were found to be lower than the mean values of the overall sample. Two mean values of Islamic CSR disclosure level (measured by index) and the depth of disclosure as instructed by Islam were higher than the average value of the overall sample. And, Islamic

CSR disclosure level as measured by the comprehensiveness of disclosure were similar to the mean value of the overall sample.

Table 7-2 Rank of Country by Mean Values

Measurement	Rank	Country	Mean	Comparison with the Overall Mean
Word	1	Indonesia	9,974	More
	2	Malaysia	6,145	Less
	3	Pakistan	6,053	Less
Sentence	1	Indonesia	425	More
	2	Pakistan	276	Less
	3	Malaysia	232	Less
Index	1	Indonesia	36%	More
	2	Pakistan	32%	More
	3	Malaysia	26%	Less
index_quan	1	Indonesia	14%	More
	2	Pakistan	6%	Less
	3	Malaysia	5%	Less
index_compre	1	Indonesia	17%	More
	2	Pakistan	15%	Similar
	3	Malaysia	13%	Less
index_islam	1	Indonesia	36%	More
	1	Pakistan	36%	More
	2	Malaysia	27%	Less

The above discussion on descriptive statistics of Islamic CSR disclosure level signifies that, in general, Islamic CSR disclosure level in Indonesia seems to be the highest as compared to the disclosure in the other two countries. However, as Islamic CSR disclosure are combined from ten different categories, a further analysis need to be undertaken to find whether a similar pattern was also found in each category of disclosure. For that reason, the mean value of each measure of disclosure level was calculated by category. Table 7-3 summarises the results.

It is noted from Table 7-3 that there are several findings differ from the general pattern as discussed earlier. Firstly, the best practice of disclosure under general category and other business partner category were observed in Pakistan. Secondly, Malaysia was not always ranked in the lowest place of Islamic CSR disclosure level. Instead, Malaysia had the highest level of disclosure in shareholder and debtor category in term of the breadth and the quality of disclosure. And lastly, Pakistan seemed to be the best in disclosing Islamic CSR information as instructed by Islam. These findings, however, do not statistically guarantee the differences among countries as well as between countries. Therefore, further analyses to find the significance of those differences are required.

Table 7-3 Mean Value of Islamic CSR Disclosure Level by Category

Category	Country	Word	Sentence	Index	Index_ quan	Index_ compre	Index_ Islamic
General	Indonesia	860	36.1	39%	9%	17%	31%
	Malaysia	505	17.9	29%	8%	15%	28%
	Pakistan	1,212*	46.7*	50%*	11%*	18%*	43%*
Employee	Indonesia	3,195*	126.5*	50%*	10%*	29%*	71%*
	Malaysia	1,410	53.9	33%	4%	18%	36%
	Pakistan	1,727	73.5	43%	9%	25%	48%
Shareholder	Indonesia	2521*	104.0*	42%	11%	22%	42%
	Malaysia	2136	81.1	51%*	17%*	29%*	52%*
	Pakistan	1275	49.0	36%	11%	20%	41%
Customer	Indonesia	769*	44.2*	27%*	3%*	12%*	26%
	Malaysia	531	14.3	17%	0%	7%	18%
	Pakistan	503	23.0	24%	1%	10%	27%*
Supplier	Indonesia	36	1.8	15%*	3%*	7%*	19%*
	Malaysia	65*	2.3*	11%	1%	4%	12%
	Pakistan	49	2.0	8%	1%	3%	10%
Debtor	Indonesia	105*	4.1*	30%	15%	28%	43%
	Malaysia	57	2.0	47%*	27%*	29%*	72%*
	Pakistan	28	1.4	29%	13%	15%	43%
OBP	Indonesia	48	2.1	6%	0%	2%	9%
	Malaysia	19	.5	4%	0%	1%	5%
	Pakistan	61*	2.5*	10%*	0%	3%*	11%*
Government	Indonesia	122	4.8	34%	9%	17%	40%
	Malaysia	191*	5.4*	27%	15%*	18%	33%
	Pakistan	84	3.3	40%*	8%	18%	54%*
Community	Indonesia	1281*	54.0*	41%*	10%*	20%*	37%*
	Malaysia	702	27.2	26%	6%	14%	23%
	Pakistan	614	36.1	26%	8%	14%	27%
Environment	Indonesia	1034*	48.0*	28%*	4%*	13%*	29%
	Malaysia	529	21.8	20%	2%	10%	22%
	Pakistan	50	38.1	26%	2%	11%	30%*

* The highest level of Islamic CSR disclosure for each measurement

7.3. Comparison Analysis by Country

As stated earlier, the aim of this current chapter is to answer the research question of whether there are any differences in Islamic CSR disclosure among countries in the sample of the study. The results of descriptive statistics have indicated that there is variability in the level of Islamic CSR disclosure by SACs in Indonesia, Malaysia, and Pakistan. The results, however, cannot ensure whether or not the variability leads to statistically significant differences in the level of Islamic CSR disclosure among the sample countries. For that reason, this current study applies comparison analysis.

Before determining statistical analysis used for comparison analysis, the normality of data distribution was tested. While standard deviation and median value provide an indication for the normality of data distribution, a test of normality provides a more reliable sign for evaluating the normality of data distribution. As discussed in the methodology chapter, the Kolmogorov-Smirnov test was used to check the normality. Table 7-4 shows the result of the test.

Table 7-4 Descriptive Statistics – Test of Normality

	Kolmogorov-Smirnov		
	Statistic	df	Sig.
Word	.868	90	.000
Sentence	.873	90	.000
Index	.974	90	.067
Index_quan	.530	90	.000
Index_compre	.952	90	.002
Index_islam	.983	90	.274

It is clear from the table that the result of Kolmogorov-Smirnov test shows different significance values among the measures of Islamic CSR disclosure level in the sample companies. The number of words (word), the number of sentences (sentences), and weighted Islamic CSR index based on quantitative disclosure (index_quan) as well as the comprehensiveness of disclosure (index_compre) had significance p-value less than 5%. It indicates that distribution of data of Islamic CSR disclosure as measured by those four measurements were not normal. For the un-weighted Islamic CSR disclosure index (index) and the weighted Islamic CSR disclosure index based on Islamic teaching (index_islam), the significance p-values were more than 5%. Hence, the data of CSR disclosure level based on both measurements were normally distributed.

As a result of normality data test, a parametric analysis was applied to test the significance of differences in Islamic CSR disclosure level as measured by un-weighted disclosure index and weighted disclosure index based on Islamic requirement (index and index_islam). For data that were not normally distributed (word, sentence, index_quan and index_compre), non-parametric analysis was applied to test the significance of the differences in Islamic CSR disclosure. The findings of the analyses are presented based on overall data and data per category. A discussion of the findings in the comparison by country is also presented to conclude this section.

7.3.1. Comparison of the Overall Disclosure Level

For answering the question of whether there are any differences between CSR disclosure made by SACs in Indonesia, Malaysia, and Pakistan, analysis of variance (ANOVA) and Kruskal-Wallis test were applied separately. ANOVA was used to test for significant difference between means value of Islamic CSR disclosure level in Indonesia measured by un-weighted CSR disclosure index (index) and weighted CSR disclosure index based on Islamic requirement (index_islam). Whereas, Kruskal-Wallis test was to test for significance difference between ranks of Islamic CSR disclosure level in those three countries as measured by number of words, number of sentences, weighted disclosure index based on quantitative disclosure (index_quan) and comprehensiveness of disclosure (index_compre). Table 7-5 to 7-9 present the results of those two analyses.

Table 7-5 Results of Analysis of Variance

		Sum of Squares	Df	Mean Square	F	Sig.
Index	Between Groups	.134	2	.067	3.774	.027*
	Within Groups	1.544	87	.018		
	Total	1.678	89			
Index_islam	Between Groups	.167	2	.083	4.547	.013*
	Within Groups	1.597	87	.018		
	Total	1.764	89			

*significant at 5% significant level

The results presented in Table 7-5 show that the p-values produced from ANOVA of Islamic CSR disclosure measured by index and Islamic index was less than the significance level (5%). It can be concluded that there were statistically significant differences in the level of CSR disclosure practiced by SACs from Indonesia, Malaysia, and Pakistan. It confirms that the different levels of the breadth of disclosure and the quality of Islamic disclosure as found in the descriptive statistics analysis were statistically significant. The ANOVA, however, cannot show which of the specific groups significantly differed. Therefore, a post hoc test was conducted to understand which of the specific group differed. The results of the test can be found in multiple comparison tables shown in Table 7-6.

Table 7-6 Multiple Comparisons

Dependent Variable	CTRY	Mean Difference	Std. Error	Sig.
Index	Indonesia-Malaysia	.094000*	.034394	.021*
	Indonesia-Pakistan	.038667	.034394	.502
	Pakistan-Malaysia	.055333	.034394	.247
Index_Islam	Indonesia-Malaysia	.091367*	.034984	.028*
	Indonesia-Pakistan	.000000	.034984	1.000
	Pakistan-Malaysia	.091367*	.034984	.028*

*significant at 5% significant level

The multiple comparisons presented in Table 7-6 show which of the specific groups differed. For Islamic CSR disclosure level measured by un-weighted disclosure index (index), the result shows that Islamic CSR disclosure level made by SACs in Indonesia statistically significantly higher than the level of SACs in Malaysia. The results, however, did not show any significant differences between Islamic CSR disclosure level in Indonesia and Pakistan as well as between Pakistan and Malaysia. It signifies that SACs in Indonesia disclosed more items than those in Malaysia, but relatively similar to those in Pakistan.

About the level of Islamic CSR disclosure as measured by weighted Islamic index based on Islamic teachings (index_islam), the results show that there was no significant difference in the quality of Islamic CSR disclosure based on Islamic requirements between Indonesia and Pakistan. The comparison between Indonesia and Malaysia as well as Pakistan and Malaysia shows that there were statistically significant differences between Islamic indexes in those two comparisons. It indicates that the quality of Islamic CSR disclosure by Indonesian SACs and Pakistan SACs as governed by Islam was statistically significantly higher than that of Malaysian SACs.

For comparison between Indonesia and Pakistan, the results show that there was no statistically significant difference between the two groups. Instead, Islamic CSR disclosure level of the both countries was precisely similar. It implies that, in term of the adherence to Islamic teachings, Indonesian SACs disclosed their adherence as much as Pakistani SACs did.

Turning to the Kruskal-Wallis test, the test was started where all the data were ranked, and then the distribution of ranks was compared against a uniform distribution, using a chi-square test. The results of Kruskal-Wallis test of Islamic CSR disclosure level as measured by number of word (word), number of sentence (sentence), and weighted disclosure index based on quantitative disclosure (index_quan) and comprehensiveness of disclosure (index_compre) are presented in Table 7-7 and Table 7-8.

Table 7-7 Results of Kruskal-Wallis Test – the Ranks

	CTRY	N	Mean Rank
Word	Indonesia	30	55.22
	Pakistan	30	43.32
	Malaysia	30	37.97
Sentence	Indonesia	30	56.00
	Pakistan	30	44.87
	Malaysia	30	35.63
Index_quan	Indonesia	30	58.33
	Pakistan	30	43.30
	Malaysia	30	34.87
Index_compre	Indonesia	30	52.97
	Pakistan	30	48.55
	Malaysia	30	34.98

Table 7-7 shows the mean ranks of Islamic CSR disclosure level disclosed by SACs listed in Indonesia, Malaysia, and Pakistan. It is noted that, regardless different measurements, the

that Islamic CSR disclosure level as measured by number of words and quantitative index were found to be significantly different. The last comparison between Islamic CSR disclosure in Malaysia and Pakistan shows that there was only Islamic CSR disclosure level measured by the comprehensiveness of disclosure found to be significantly different.

To conclude the discussion of whether there is any difference in Islamic CSR disclosure level in the overall sample, Table 7-10 is drawn below. For ease of reference, the table summarises the findings of overall data.

Table 7-10 Summary of Significant Differences in ICSRD level for Overall Disclosure

ICSRD level	All Group	Pair Group					
		Indonesia-Malaysia		Indonesia-Pakistan		Pakistan-Malaysia	
	Sig.	Mean Diff.	Sig.	Mean Diff.	Sig.	Mean Diff.	Sig.
Word	*	3,829	*	3,921	*		
Sentence	*	193	**				
Index	*	9%	*				
index_quan	**	9%	**	8%	*		
index_compre	*	4%	**			2%	*
index_islam	*	9%	*			9%	*

*significantly different at 5% level

**significantly different at 1% level

It is clear from the table that there were statistically significant differences in the level of Islamic CSR disclosure among Indonesia, Malaysia and Pakistan for all types of measurements. The further analyses in pair groups found that differences between Islamic CSR disclosure level in Indonesia and Malaysia were statistically significant for all types of measurements, in which disclosure level of Indonesian SACs were always higher than those in Malaysia. The differences between Indonesia and Pakistan were only significant when the Islamic CSR disclosure level was measured by number of word and quantitative index. Again, Indonesian SACs were found for having a higher disclosure level than Pakistan. For the comparison between Pakistan and Malaysia, the further analysis showed that the differences only occurred in two measurements which were comprehensiveness index and Islamic index. Pakistani SACs were reported for having higher level of Islamic CSR disclosure than Malaysian SACs.

7.3.2. Comparison of Disclosure Level per Category

To further understand about Islamic CSR disclosure made by SACs in Indonesia, Malaysia, and Pakistan, a more specific analysis need to be conducted. Islamic CSR disclosure discussed in this study consists of ten different categories. Hence, there is a possibility that each SAC in the three countries focused their disclosure at a different category. This section discussed which category leads to the differences in the overall data. The discussions are divided based on the measurement of Islamic CSR disclosure, which are the amount of disclosure, the breadth of disclosure and the depth of disclosure.

7.3.2.1. The Amount of Disclosure

This section reports the results of the comparison analysis of the amount of disclosure by category. The results are presented in Table 7-11 to Table 7-14.

Table 7-11 Results of Kruskal-Wallis Test –Amount of Disclosure

Categories		Chi-Square		Df	Asymp. Sig.	
		Word	Sentence		Word	Sentence
1	General	12.934	15.169	2	.002**	.001**
2	Employee	11.303	13.520	2	.004**	.001**
3	Shareholder	12.816	12.936	2	.002**	.002**
4	Customer	3.885	6.324	2	.143	.042*
5	Supplier	2.762	2.663	2	.251	.264
6	Debtor	5.435	4.726	2	.066	.094
7	Other Business Partner	2.002	3.243	2	.368	.198
8	Government	.158	.389	2	.924	.823
9	Community	10.786	10.769	2	.005**	.005**
10	Environment	6.928	6.794	2	.031*	.033*
Overall		6.854	9.143	2	.032*	.010*

a. Kruskal-Wallis Test

** significant at the significance level of 1%

b. Grouping Variable: Country

*significant at the significance level of 5%

Table 7-11 shows that the number of words was found to be significantly different among the grouping countries for five categories including general, employee, shareholder, community, and environment. For the number of sentences, the results also show similar finding with the addition of customer category, leading to the conclusion that the number of sentences used to disclosed Islamic CSR under the categories of employee, shareholder, customer, community, and environment was significantly different among the grouping countries.

Though there was statistically significant difference in the amount of Islamic CSR disclosure in the overall category, the table illustrates that the significant difference was not observed in four categories including supplier, debtor, other business partner and government. It indicates that SACs from the three countries disclosed the relatively similar amount of information related to their responsibilities toward supplier, debtor, government, and other

business partners. It is true that there is a little disclosure, the possibility of observing significant different may be low. But, it is not the case of the current study since the incidence and the coverage of disclosure of debtor category and government category were high. (See Chapter Six). Additionally, as discussed in Chapter Six, the content and amount of disclosure of debtor, government, supplier, and other business partners were quite similar.

As overall comparison analysis shows that there were significant differences in the amount of disclosure of the six categories mentioned above, Table 7-12 and Table 7-13 provides the pairwise comparisons to provide further information on which of country group differed. Mann-Whitney Test was applied to carry out the analysis.

Table 7-12 The Results of Pair-Wise Comparisons – Number of Words

		General	Employee	Shareholder	Community	Environment
Ina-May	Mann-Whitney U	307.500	235.500	448.500	267.000	281.000
	Wilcoxon W	772.500	700.500	913.500	732.000	746.000
	Z	-2.107	-3.171	-.022	-2.706	-2.502
	Asymp. Sig. (2-tailed)	.035*	.002**	.982	.007**	.012*
Ina-Pak	Mann-Whitney U	332.000	296.000	281.000	249.500	353.000
	Wilcoxon W	797.000	761.000	746.000	714.500	818.000
	Z	-1.745	-2.277	-2.499	-2.965	-1.435
	Asymp. Sig. (2-tailed)	.081	.023*	.012*	.003**	.151
May-Pak	Mann-Whitney U	217.000	362.500	203.000	447.500	353.000
	Wilcoxon W	682.000	827.500	668.000	912.500	818.000
	Z	-3.445	-1.294	-3.652	-.037	-1.437
	Asymp. Sig. (2-tailed)	.001**	.196	.000**	.971	.151

** significant at 1% significant level

* significant at 5% significant level

Table 7-12 shows that statistically significant differences in the number of words used to disclose general category were observed between Indonesia and Malaysia as well as between Malaysia and Pakistan. It implies that the amount of Islamic CSR disclosure under general category in Indonesia was relatively similar to those in Pakistan.

The table also shows that the significant difference in the number of words under employee category and community category was only observed between Indonesia and Malaysia as well as Indonesia and Pakistan, whereas the difference in the number of word under environment category was only observed between Indonesia and Pakistan. This finding implies that the amount of disclosure of employee and community categories were higher than the amount disclosed by Malaysian and Pakistani SACs for the similar categories. For shareholder category, the total number of words in this category was found to be significantly different between Indonesia and Pakistan and between Malaysia and Pakistan.

Turning to the amount of disclosure as measured by number of sentences, Table 7-13 shows the result of Mann-Whitney U test between Indonesia and Malaysia, Indonesia and

Pakistan as well as Malaysia and Pakistan. It indicates that the significant difference in number of sentences used to disclose Islamic CSR information under general category represented the difference between Indonesia and Malaysia as well as between Malaysia and Pakistan. This finding was also similar to the findings in customer category. The difference in the number of sentences under customer category was observed between SACs in Indonesia and Malaysia as well as between Malaysia and Pakistan.

Table 7-13 The Results of Pair-Wise Comparisons – Number of Sentences

		General	Employee	Shareholder	Customer	Community	Environment
Ina- May	Mann-Whitney U	268.500	216.000	430.000	313.000	247.000	279.500
	Wilcoxon W	733.500	681.000	895.000	778.000	712.000	744.500
	Z	-2.685	-3.460	-.296	-2.064	-3.003	-2.525
	Asymp. Sig. (2-tailed)	.007**	.001**	.767	.039*	.003**	.012*
Ina- Pak	Mann-Whitney U	356.500	312.500	269.500	442.000	275.000	370.000
	Wilcoxon W	821.500	777.500	734.500	907.000	740.000	835.000
	Z	-1.383	-2.033	-2.669	-.119	-2.589	-1.184
	Asymp. Sig. (2-tailed)	.167	.042*	.008**	.906	.010*	.236
May- Pak	Mann-Whitney U	201.000	311.500	210.500	295.000	409.500	346.000
	Wilcoxon W	666.000	776.500	675.500	760.000	874.500	811.000
	Z	-3.682	-2.048	-3.542	-2.304	-.599	-1.542
	Asymp. Sig. (2-tailed)	.000**	.041*	.000**	.021*	.549	.123

** significant at 1% significant level

Ina: Indonesia

May: Malaysia

* significant at 5% significant level

Pak: Pakistan

For employee category, the difference in the number of sentences was found to be statistically different in all three pairs, indicating that the number of sentences differed among as well as between the samples of OIC countries. The difference in a total number of sentences used to disclose information under community category was found between Indonesia and Malaysia and between Indonesia and Pakistan. The difference in number of sentences under environment category was only found between Indonesia and Malaysia.

In summary, Table 7-14 provides the significance of the difference between each group of the country by category. As far as the amount of disclosure is concerned, the difference in Islamic CSR disclosure in the three countries that previously observed to be significant under overall category was actually driven by the difference in the six categories illustrated in Table 7-14. Additionally, most of the differences occurred between Indonesia and Malaysia, showing that Indonesia always had the higher amount of disclosure than Malaysia especially in the disclosure of general category, employee category, customer category, community category and environment category. The differences also occurred between Malaysia and Pakistan in which two directions of differences were observed. Pakistan had a higher amount of Islamic CSR disclosure than Malaysia in the disclosure of general category, employee category, and customer category. On the other hand, Malaysia had higher amount of disclosure of shareholder category than Pakistan. Also, the difference between

Indonesia and Pakistan was dominated by the higher amount of disclosure of employee category, customer category and community category made by SACs in Indonesia as compared to those in Pakistan.

Table 7-14 Summary of the Significant Differences in the Amount of Disclosure between Countries

Category	WORD				SENTENCE			
	All Group	Ina-May	Ina-Pak	May-Pak	All Group	Ina-May	Ina-Pak	May-Pak
General	Sig	Sig (+)		Sig (-)	Sig	Sig (+)		Sig (-)
Employee	Sig	Sig (+)	Sig (+)		Sig	Sig (+)	Sig (+)	Sig (-)
Shareholder	Sig		Sig (+)	Sig (+)	Sig		Sig (+)	Sig (+)
Customer					Sig	Sig (+)		Sig (-)
Community	Sig	Sig (+)	Sig (+)		Sig	Sig (+)	Sig (+)	
Environment	Sig	Sig (+)			Sig	Sig (+)		

Ina: Indonesia *Sig: significantly different*
May: Malaysia *Sig (+): significantly higher*
Pak: Pakistan *Sig (-): significantly lower*

7.3.2.2. The Breadth of Disclosure

In overall category, the breadth of disclosure was found to be statistically different among the sample countries. For getting an understanding which of the categories that drove the differences, Table 7-15 summarizes the result of ANOVA by category.

Table 7-15 The Results of ANOVA – The Breadth of Disclosure

	F	Sig.
Index_General	12.114	.000**
Index_Employee	6.476	.002**
Index_Shareholder	6.261	.003**
Index_Customer	2.333	.103
Index_Supplier	1.529	.222
Index_Debtor	5.642	.005**
Index_OBP	1.745	.181
Index_Government	3.884	.024*
Index_Community	7.400	.001**
Index_Environment	1.606	.207

**** Significant at 1% level**
***Significant at 5% level**

The table indicates that there was statistically significant difference in the breadth of disclosure reported by SACs among the three countries under the categories of general, employee, shareholder, debtor, government, and community category. The differences under the other categories were not statistically significant. It means that in term of the breadth of disclosure, the disclosure of Islamic CSR under customer category, supplier category, other business partners category, and environment category were relatively similar among SACs in Indonesia, Malaysia, and Pakistan. To understand which of country

group differed, multiple comparisons were further carried out. The results are presented in Table 7-16.

Table 7-16 Multiple Comparisons – The Breadth of Disclosure

Dependent Variable	Country	Mean Difference	Std. Error	Sig.
Index_General	Indonesia-Malaysia	.106767	.042902	.039*
	Indonesia-Pakistan	-.104400	.042902	.044*
	Malaysia-Pakistan	-.211167	.042902	.000**
Index_Employee	Indonesia-Malaysia	.171633	.048087	.002**
	Indonesia-Pakistan	.066633	.048087	.353
	Malaysia-Pakistan	-.105000	.048087	.080
Index_Shareholder	Indonesia-Malaysia	-.085333	.041092	.101
	Indonesia-Pakistan	.059300	.041092	.324
	Malaysia-Pakistan	.144633	.041092	.002**
Index_Debtor	Indonesia-Malaysia	-.166967	.059375	.017*
	Indonesia-Pakistan	.011000	.059375	.981
	Malaysia-Pakistan	.177967	.059375	.010*
Index_Government	Indonesia-Malaysia	.075000	.047963	.267
	Indonesia-Pakistan	-.058333	.047963	.447
	Malaysia-Pakistan	-.133333	.047963	.018*
Index_Community	Indonesia-Malaysia	.153333	.046532	.004**
	Indonesia-Pakistan	.156667	.046532	.003**
	Malaysia-Pakistan	.003333	.046532	.997

** . Significant at 1% significant level

* Significant at 5% significant level

Table 7-16 summarises the results of multiple comparisons to identify further which of the group of countries had statistical differences in the breadth of Islamic CSR disclosure. The table shows that the breadth of disclosure of general category was found to be statistically different in three pairs of countries group. It means that the difference in the breadth of Islamic CSR disclosure between Indonesia and Malaysia, Indonesia and Pakistan, as well as Malaysia and Pakistan were statistically significant. The table also shows that Pakistani SACs had the broadest disclosure than those in Indonesia and Pakistan.

Unlike general category, the difference in the breadth of disclosure under employee category was only significant between Indonesia and Malaysia; whereas the difference in the breadth of disclosure under shareholder category was only significant between Malaysia and Pakistan. Similarly, the breadth of disclosure under government category was also only different between countries in the third group.

About debtor category and community category, the significant differences occurred in two pairs of countries group. In term of the breadth of disclosure, the disclosure of debtor category made by SACs in Indonesia was statistically different from the disclosure made by SAC in Malaysia; and the disclosure made by SACs in Malaysia was also statistically significant from the disclosure made by SACs in Pakistan. For community category, the

disclosure was found to be significantly different between Indonesia and Malaysia as well as Indonesia and Pakistan.

In conclusion, Table 7-17 summarises the significant differences in the breadth of disclosure by category in all group, between Indonesia and Malaysia, between Indonesia and Pakistan as well as between Malaysia and Pakistan. It is clear that the differences in the breadth of disclosure under overall categories in all countries were actually driven by the differences in the breadth of disclosure under general category, employee category, shareholder category, debtor category, government category and community category.

Table 7-17 Summary of Differences: Breadth of Disclosure

Category	Index			
	All Group	Ina-May	Ina-Pak	May-Pak
General	Sig	Sig (+)	Sig (-)	Sig (-)
Employee	Sig	Sig (+)		
Shareholder	Sig			Sig (+)
Debtor	Sig	Sig (-)		Sig (+)
Government	Sig			Sig (-)
Community	Sig	Sig (+)	Sig (+)	

Ina: Indonesia *Sig: significantly different*
May: Malaysia *Sig (+): significantly higher*
Pak: Pakistan *Sig (-): significantly lower*

However, further analysis shows that the differences under those categories did not occur in all pair groups. They were only observed under four categories between Indonesia and Malaysia as well as between Malaysia and Pakistan, and two categories between Indonesia and Pakistan. Two interesting findings are observed in the breadth of disclosure that seems to depart from the overall pattern. Firstly, Malaysia that was usually found for having the lowest level of Islamic CSR disclosure was observed for having statistically higher disclosure under debtor category than Indonesia and Pakistan. Secondly, Pakistan was reported for having statistically higher coverage on Islamic CSR under general category than Indonesia and Malaysia

7.3.2.3. The Depth of Disclosure

Table 7-18 to Table 7-23 present the results of comparison analysis in the depth of disclosure by category. Table 7-18 shows that the statistically significant difference in the depth of disclosure based on quantitative disclosure among Indonesia, Malaysia and Pakistan were found in six categories. The differences in quantitative disclosure were observed in the categories of general, employee, shareholder, supplier, debtor, government, and environment. The quantitative disclosure of the other categories was not significantly difference.

**Table 7-18 Results of Kruskal-Wallis Test
-Quantitative and Comprehensiveness**

Category	Chi-Square		Df	Asymp. Sig.	
	Index_quan	Index_compre		Index_quan	Index_compre
General	8.364	4.244	2	.015*	.120
Employee	19.748	14.284	2	.000**	.001**
Shareholder	4.381	12.227	2	.112	.002**
Customer	1.868	4.309	2	.393	.116
Supplier	9.446	5.779	2	.009**	.056
Debtor	8.984	11.429	2	.011*	.003**
Other Business	2.000	2.571	2	.368	.276
Partner					
Government	7.554	.590	2	.023*	.745
Community	4.664	7.803	2	.097	.020*
Environment	6.832	2.695	2	.033*	.260

a. Kruskal-Wallis Test

**Significant at 1% significant level

b. Grouping Variable: Country

*Significant at 5% significant level

The table also summarizes the results of Kruskal-Wallis test in analysing differences in the comprehensiveness of the disclosure among the sample of OIC countries. It shows the comprehensiveness of disclosure among the sample SACs were observed in four categories, which are employee category, shareholder category, debtor category, and community category.

As there were six categories reported for having differences in the incidence of quantitative disclosure among the grouping countries, Table 7-19 further reports the findings of pairwise comparison to understand which of the pair of countries that significantly differed in disclosing quantitative information. The table illustrates that quantitative disclosure of general category was only significantly different between Malaysia and Pakistan. For employee category, quantitative disclosure under this category was found to be significantly different between Indonesia and Malaysia as well as Malaysia and Pakistan. Similar to employee category, the incidence of quantitative disclosure under debtor category and government category were also significantly different between Indonesia and Malaysia as well as Malaysia and Pakistan.

The table also reports that disclosure of quantitative information under supplier and environment category between Indonesia and Malaysia, also, Indonesia and Pakistan were significantly different. It signifies that there was no significant difference in the disclosure of quantitative information under supplier and environment category between SACs in Malaysia and Pakistan.

Table 7-19 Results of Pair wise Comparisons – Quantitative Disclosure

Country		Gen	Emp	Sup	Debt	Gov	Env
Ina-May	Mann-Whitney U	337.000	217.000	340.500	303.000	326.500	321.500
	Wilcoxon W	802.000	682.000	805.500	768.000	791.500	786.500
	Z	-1.720	-3.468	-2.411	-2.328	-2.160	-2.049
	Asymp. Sig. (2-tailed)	.085	.001**	.016*	.020*	.031*	.040*
Ina-Pak	Mann-Whitney U	343.000	449.500	340.500	393.000	427.500	301.500
	Wilcoxon W	808.000	914.500	805.500	858.000	892.500	766.500
	Z	-1.608	-.007	-2.411	-.932	-.381	-2.353
	Asymp. Sig. (2-tailed)	.108	.994	.016*	.351	.703	.019*
May-Pak	Mann-Whitney U	273.000	167.000	450.000	280.500	300.000	444.000
	Wilcoxon W	738.000	632.000	915.000	745.500	765.000	909.000
	Z	-2.677	-4.209	.000	-2.676	-2.634	-.104
	Asymp. Sig. (2-tailed)	.007**	.000**	1.000	.007**	.008**	.917

a. Grouping Variable: Country **significant at 1% level

*significant at 5% level

Turning to the pairwise comparisons for the comprehensiveness of disclosure, Table 7-20 provides the basis for determining which of the countries group differed in disclosing the comprehensiveness level of disclosure under employee category, shareholder category, debtor category and community category. The table indicates that the difference in the comprehensiveness of employee category disclosure was found to be statistically significant between Indonesia and Malaysia as well as between Malaysia and Pakistan, which was similar to the differences in the disclosure of shareholder category. For debtor category, the significant differences in the comprehensiveness of disclosure were found between Indonesia and Pakistan as well as between Malaysia and Pakistan. And lastly, the differences in comprehensiveness of community category disclosure were statistically significant between Indonesia and Malaysia as well as Malaysia and Pakistan.

Table 7-20 Results of Pair-wise Comparisons –Comprehensiveness of Disclosure

Country		Emp	Share	Debt	Com
Ina-May	Mann-Whitney U	206.500	271.000	434.500	286.500
	Wilcoxon W	671.500	736.000	899.500	751.500
	Z	-3.603	-2.654	-.234	-2.419
	Asymp. Sig. (2-tailed)	.000**	.008**	.815	.016*
Ina-Pak	Mann-Whitney U	397.500	405.500	257.000	291.000
	Wilcoxon W	862.500	870.500	722.000	756.000
	Z	-.777	-.662	-2.901	-2.352
	Asymp. Sig. (2-tailed)	.437	.508	.004**	.019*
May-Pak	Mann-Whitney U	262.000	229.000	255.500	410.000
	Wilcoxon W	727.000	694.000	720.500	875.000
	Z	-2.781	-3.276	-2.952	-.592
	Asymp. Sig. (2-tailed)	.005**	.001**	.003**	.554

**significant at 1% level

* significant at 5% level

The last measurement for the depth of disclosure in this current study is the breadth and the depth of disclosure of responsibilities as required by Islamic teachings. Table 7-21

summarises the results of ANOVA for Islamic CSR disclosure index based on Islamic requirement.

Table 7-21 Results of Analysis of Variance –Islamic Index

	F	Sig.
Index_Islam_General	8.987	.000**
Index_Islam_Employee	19.118	.000**
Index_Islam_Shareholder	3.842	.025*
Index_Islam_Customer	2.207	.116
Index_Islam_Supplier	2.604	.080
Index_Islamc_Debtor	6.932	.002**
Index_Islam_OBP	.917	.404
Index_Islam_Government	5.896	.004**
Index_Islam_Community	4.515	.014*
Index_Islam_Environment	1.444	.242

The table illustrates that there were statistically significant differences in the Islamic index of six categories between Indonesia, Malaysia and Pakistan. The categories are general category, employee category, shareholder category, debtor category, government category and community category. Then, a multiple comparisons was conducted to identify further which of the group statistically differed. Table 7-22 illustrates the results of the multiple comparisons.

Table 7-22 Results of Multiple Comparisons –Islamic Index

Categories	Country	Mean Difference	Sig.
General	Ina-May	.032433	.679
	Ina_Pak	-.122633*	.006**
	May-Pak	-.155067*	.000**
Employee	Ina-May	.347967*	.000**
	Ina_Pak	.223933*	.001**
	May-Pak	-.124033	.081
Shareholder	Ina-May	-.098167	.074
	Ina_Pak	.014800	.940
	May-Pak	.112967*	.033*
Debtor	Ina-May	-.283333*	.005**
	Ina_Pak	.000000	1.000
	May-Pak	.283333*	.005**
Government	Ina-May	.072367	.481
	Ina_Pak	-.138800	.073
	May-Pak	-.211167*	.003**
Community	Ina-May	.135800*	.012*
	Ina_Pak	.095067	.107
	May-Pak	-.040733	.655

Table 7-22 provides information that the Islamic CSR disclosure index based on Islamic requirement was statistically different between Indonesia and Pakistan as well as Malaysia Pakistan. Interestingly, the mean difference reported in the table further indicates that SACs

in Pakistan had the highest level of Islamic disclosure under general category if compared to SACs in Indonesia and Malaysia. This pattern departed from the overall pattern of Islamic CSR disclosure in these three countries that always showed Indonesia for having the highest level of disclosure.

Back to the previous pattern, a significant difference in Islamic under employee category can be found in the disclosure made by SACs in Indonesia and Malaysia, as well as Indonesia and Pakistan. For shareholder category, there was only disclosure made by SACs in Malaysia and Pakistan that had a significant difference in their Islamic index. The difference in Islamic index under debtor category was observed in the disclosure made by SACs in Indonesia and Pakistan, as well as Malaysia and Pakistan. The table also shows that the disclosure levels based on Islamic requirement under debtor category made by SACs in Indonesia and Pakistan found to the same.

For the last category found as a category with a significant difference in the overall analysis, which is community category, the table shows a similar finding to the findings of general category. It is shown in the table that the difference in Islamic index between Indonesia and Malaysia as well as between Malaysia and Pakistan were found to be significantly different. As the main difference in those two groups (Indonesia-Pakistan and Malaysia-Pakistan) shows a negative value, it can be concluded that SACs in Pakistan significantly had the highest Islamic index under community category. Again, together with the general category, this finding was departed from the common finding that always placed SACs in Indonesia in the highest level of Islamic CSR disclosure among the sample of OIC countries.

To conclude the discussion of the depth of disclosure, Table 7-23 summarises the significant differences in the depth of disclosure based on quantitative disclosure, comprehensiveness disclosure and Islamic teachings. As far as the depth of disclosure is concerned, the breadth of disclosure shows statistically difference in Islamic CSR disclosure level among the three countries under eight categories. Several interesting findings are notable from the results of comparison analysis by category based on the breadth of disclosure. Firstly, when monetary and non-monetary forms of disclosure are assigned differently in the analysis, it is shown that Malaysia was found for having higher disclosure under debtor category and government category than Indonesia and Pakistan. Secondly, based on the comprehensiveness of disclosure, Malaysia was also observed for having higher disclosure level under shareholder category than Indonesia and Pakistan. Thirdly, as far as Islamic teachings is concerned, the disclosure level under general category made by SACs in Pakistan was found to be statistically higher than those in Indonesia and Malaysia, whereas Indonesia and Malaysia was reported for having relatively similar disclosure level under this category.

Table 7-23 Summary of Differences in the Depth of Disclosure

Category	All	Index_quan			Index_compre			Index_Islam		
		Ina-may	Ina-Pak	May-Pak	Ina-may	Ina-Pak	May-Pak	Ina-may	Ina-Pak	May-Pak
General	Sig			Sig (-)					Sig (-)	Sig (-)
Employee	Sig	Sig (+)		Sig (-)	Sig (+)		Sig (-)	Sig (+)	Sig (+)	
Shareholder	Sig				Sig (-)		Sig (+)			Sig (+)
Supplier	Sig	Sig (+)	Sig (+)							
Debtor	Sig	Sig (-)		Sig (+)		Sig (+)	Sig (+)	Sig (-)		Sig (+)
Government	Sig	Sig (-)		Sig (+)						Sig (-)
Community	Sig				Sig (+)	Sig (+)		Sig (+)		
Environment	Sig	Sig (+)	Sig (+)							

Ina: Indonesia
May: Malaysia
Pak: Pakistan

Sig: significantly different
Sig (+): significantly higher
Sig (-): significantly lower

7.4. Discussion of the Main Findings

In general, this chapter observed that there were statistically significant differences in the level of Islamic CSR disclosure among SACs in the sample countries in all types of measurements. The pair group analysis showed that the differences also occurred between SACs in Indonesia and Malaysia in all measurements, between Indonesia and Pakistan in two measurements, and between Pakistan and Malaysia in two measurements. It supports the findings of prior studies conducted in multi-countries from both developed (Chen & Bouvain, 2009) and developing countries (Wanderley *et al.*, 2008) reported that business in the different countries varied significantly in the extent of disclosure. Additionally, the results of the pair group analyses placed Indonesia as the country with the highest level of Islamic CSR disclosure, followed by Pakistan, then Malaysia.

The results of the further analyses to identify which of the ten categories of Islamic CSR disclosure contributed to the differences were summarised in Table 7-24. It displays the ranking of each category based on the number of the measurements of CSR disclosure level that were found to be different for the three pairs group of comparison. It also shows the sequence of the three countries based on the level of Islamic CSR disclosure in descending order.

The table indicates that nearly all categories contributed to the differences in Islamic CSR disclosure level in Indonesia, Malaysia, and Pakistan. Only the category of other business partners that showed no significant differences, implying that SACs from the three countries disclosed relatively similar information related to SACs responsibilities to their other business partners. The table also reports that employee category seemed to have the biggest role in making the differences, whereas supplier category has the least contribution.

Table 7-24 Summary of the Findings of the Comparison Analyses

Ranking	Category	Number Measurement found to be different				Sequence of the Disclosure Level
		Ina-May	Ina-Pak	Pak-May	Total	
1	Employee	6 (+)	3 (+)	3 (+)	12	Ina, Pak, May
2	General	3 (+)	2 (-)	5 (+)	10	Pak, Ina, May
3	Community	5 (+)	4 (+)		9	Ina, May/Pak
4	Shareholder	1 (-)	2 (+)	5 (-)	8	May, Ina, Pak
5	Debtor	2 (-)	1 (+)	4 (-)	7	May, Ina, Pak
6	Environment	4 (+)	1 (+)		5	Ina, May/Pak
7	Government	1 (-)		1 (+) 1 (-)	3	May, Pak/Ina (Index_quan) Pak, May/Ina (index)
8	Customer	1 (+)		1 (+)	2	Ina/Pak, May
9	Supplier	1 (+)	1 (+)		2	Ina, Pak/May

By referring to the sequence of the disclosure level as illustrated in the table, it can be seen that Indonesian SACs had the highest disclosure level in the categories of employee, community, environment and supplier. Pakistani SACs had the highest level of disclosure in general category and the broadest disclosure in government category. For Malaysian SACs, they were observed for having the highest level of disclosure in shareholder category and debtor category. Additionally, Malaysian SACs were also reported for having the highest quantitative disclosure in government category. This finding implies that Indonesian SACs tend to be social and environmentally friendly, Malaysian SACs are generally economical, whereas Pakistani SACs are generally religious.

The findings of the comparison analysis in overall countries are consistent with the opinion of Wanderley *et al.* (2008), Chen and Bouvain (2009) and Ioannou and Serafeim (2012). Those studies stated that despite the increment of global CSR standardization such as GRI, AAA1001 or UN Global Compact, significant country differences remain observed in CSR disclosure. The study provides evidence from Islamic CSR disclosure in the three sample countries indicating that different country has a different level of Islamic CSR disclosure. Regardless the measurements used to gauge CSR disclosure level; there were notable differences in the level of Islamic CSR disclosure of SACs from Indonesia, Malaysia, and Pakistan. Significant differences were observed in the amount, the breadth and the depth of disclosure including quantitative disclosure, comprehensiveness of disclosure, and adherence to Islamic teachings among companies in the three countries.

Indonesian SACs was reported for having the highest amount of disclosure as well as the highest incidence of disclosure, averagely. Malaysian SACs and Pakistani SACs had quite similar pattern in term of the amount and incidence of disclosure. The former had slightly higher amount of disclosure than the latter. On the other hand, the latter had slightly broader coverage of disclosure than the former SACs. This finding could be associated with

social and political state of each country. According to Freedom in the World report produced by Freedom House (2015), Indonesia was classified as a free country in term of its freedom rating, political rights, and civil liberty.⁵⁶ Both Malaysia and Pakistan were classified as partly free countries, though Malaysia had a slightly better score. William (1999) suggested that limited political right and civil liberties in a country could restrict the practice of full and fair disclosure in the country.

In term of depth of disclosure, the disclosure of Indonesian SACs was found to be more comprehensive and more Islamic than the disclosure of Malaysian SACs. Similarly, Pakistani SACs was also reported for having more comprehensive and more Islamic disclosure than Malaysian SACs. The findings seem to be surprising considering that Malaysia usually perceived as having a better practice and regulation on Islamic capital market in which *shariah*-approved companies are listed. According to Malaysian Securities Commission (2009), Malaysia has been recognised as the pioneer and is at the forefront in Islamic finance. It even surpasses other Muslim countries regarding market infrastructure with unflagging support from the Malaysian government for the growth of the Islamic Capital Market (Malaysian Securities Commission, 2009). A possible reason why such findings were observed is that CSR disclosure has not been used as part of criteria or requirements in the screening process of *shariah*-approved companies. All *shariah* screening processes in Indonesia, Malaysia and Pakistan focus only on negative screening such as the avoidance of un-Islamic activities or the maximum interest-bearing activities (Indonesian Securities Monitoring Agency, 2012; Al Meezan Investment Management, 2011; Malaysian Securities Commission, 2009). The process only considers the minimal level of *shariah* compliance. It does not consider positive screening consideration beyond the minimum level of compliance such as ethical and social aspect or how companies fulfill their responsibilities toward stakeholders. Since CSR disclosure practice is not considered in the process, more advanced Islamic capital market structure is likely not associated with better CSR disclosure. Hence, it is no longer surprising when Malaysia with more advanced Islamic capital market has a lower level of Islamic CSR disclosure than Indonesia and Pakistan with less advance Islamic capital market.

The different level of CSR disclosure in the three countries can also be associated with different focus or priority that is given to each type of stakeholders. Unlike in the overall categories analysis in which the findings showed a straight forward pattern by placing Indonesia with the highest level of Islamic CSR disclosure and Malaysia with the lowest, more diverse findings highlighting companies concern toward stakeholders were observed

⁵⁶ Freedom House is an American based independent watchdog organization, dedicated to promote democracy change, greater political right and civil liberty.

when the analysis was done in a more specific way based on stakeholders category. It is in line with the conclusion of Gao (2009) in analysing the content of annual reports and sustainability reports of 80 public companies in China. Gao found that specific analysis based on stakeholders classification provides more accurate information about CSR disclosure.

The comparison analyses by category found that Indonesia was no longer considered as a country with the best practice of CSR disclosure. In some categories, Indonesia had a similar level of disclosure to Pakistan and Malaysia. For example, SACs in Indonesia, Malaysia and Pakistan had the relatively similar amount of disclosure under government, suppliers, debtors and other business partners. As far as the depth of disclosure is concerned, SACs in the three countries had a similar level of disclosure in customer category and other business partners category. Even more interesting, Indonesia also found for having a lower level of disclosure than Pakistan and Malaysia in some other categories. For instances, Malaysia had a higher level of the incidence of quantitative disclosure under debtor category and government category than Indonesia. For general category, Pakistani SACs also showed more adherences to Islamic teachings than Indonesia.

Parallel to the quantitative comparison showing that there was no significant difference in the disclosure of debtor, supplier, government and other business partners, a quite similar pattern was also observed in qualitative comparison. The narrative disclosure of government, suppliers, debtors, and other business partner tends to be more uniform in content. The disclosure of government category was dominated by disclosure of SACs' responsibilities to provide direct economics contribution to the government, comply government regulation, and support government's project. Most of the supplier disclosure in the three countries related to SACs' responsibilities to assist supplier in enhancing sustainable business activities, while debtor disclosure related to disclosure of debt policy and disclosure of bad debt written off. The disclosure of other business partner was about companies' responsibilities in maintaining a good relationship with a business partner and being active in the industry.

The results of the qualitative comparison of general category display that Pakistani SACs had several strong points than those of Indonesian and Malaysian SACs. Firstly, while SACs in Malaysia and Indonesia had a very limited disclosure of value addition distributed to all stakeholders, most of the Pakistani SACs published Statement of Value Addition as one of the financial statements in the annual reports. The publication of the statement provides evidence on how company's value addition should be distributed among all stakeholders as recommended by GRI (2013). It also provides an illustration on how such statement should

be presented in Islamic corporate report as suggested by Baydoun and Willet (2000) as well as Sulaiman and Willet (2003). Secondly, unlike Malaysian and Indonesian SACs in which the existence of God was recognized marginally in their annual reports, Pakistani SACs recognized the existence of God in more mindful and respectful manners. Some companies explicitly stated that their success in business was part of God's mercy. Some other companies recognized the existence of God to glorify His Name; several others used the recognition to state their submission to God or to make a wish for their sustainability. The use of *basmallah* statement was observed in some annual reports as the opening of Director Statement, Chairman Review and even as the opening page of the reports. The presentation explicitly expressed SACs' testimony in purifying their intention and action in accordance with God's guidance. Such presentation was commonly found in financial statements of *Bayt al-Maal* (public treasure) in the early Islamic state (Zaid, 2000). Thirdly, when none of the Indonesian SACs and only two Malaysian SACs disclosing zakat payment, most of the Pakistani SACs provides disclosure on zakat payment. Disclosure of zakat payment is supposed to be essential. Lastly, Pakistani SACs were also good in maintaining stakeholders' engagement. While Malaysian and Indonesian SACs disclosed stakeholders' engagement in simple ways, Pakistani SACs tend to disclose more comprehensive information. Even better, some Pakistani SACs developed stakeholders' engagement framework to help the companies dealing with their stakeholders in more effective ways.

The above findings regarding the general disclosure might provide a hint that SACs in Pakistan was more Islamic than those in Indonesia and Malaysia. This indication is supported by the results of quantitative comparison analysis showing that Islamic index of the general category of Pakistani SACs were significantly higher than those of Malaysian SACs and also Indonesian SACs. The findings could be associated with countries' political background. Though the three countries are classified as Muslim majority countries in the geopolitical map (Pew Forum, 2014), only Pakistan is declared as an Islamic state. Pakistan promotes Islam as an ideology of the state. As a result, Islam plays important roles in Pakistan's political and economic development, and no laws could be made against *shariah* (Akbar, 2015).

In conclusion, the findings of the comparison analyses show SACs from the three countries had different focus in addressing their CSR concerns. Indonesian SACs tend to focus on social and environmental issues; Malaysian SACs are generally economical; whereas Pakistani SACs are generally religious.

7.5. Summary

This chapter reports the results of comparison analysis of Islamic CSR disclosure level among SACs in the sample of OIC countries as well as between SACs from Indonesia, Malaysia, and Pakistan. Before results of comparison analyses were presented, descriptive statistics of the amount of disclosure, the breadth of disclosure and the depth of disclosure were communicated to provide a quantitative description about Islamic CSR disclosure level. In general, the results of comparison analysis show that there were marked differences in the level of Islamic CSR disclosure as measured by number of words, the number of sentences, index, quantitative index, comprehensiveness index and Islamic index among SACs from Indonesia, Malaysia, and Pakistan. Further analyses also found that there were noticeable differences in the disclosure level of SACs from the three countries, especially related to the disclosure of employee, shareholder, customer, community and environment categories.

The results of comparison by category may lead to the need for further analysis to identify whether the country background matters for the disclosure of Islamic CSR under specific stakeholder category. Similar to the overall countries analysis, the finding of comparison by category may also drive another question of whether there is any other factor influencing the differences in Islamic CSR disclosure level other than the country background. In answering those questions, an analysis of the determinants of Islamic CSR disclosure needs to be executed. For that purposes, the next chapter presents the results of the determinants analysis of Islamic CSR disclosure level in the sample of OIC countries.

Chapter Eight: The Determinants of Islamic CSR Disclosure in OIC Countries

8.1. Introduction

The aim of this chapter is to report the results of multiple regression analysis to answer the fourth research question. The analysis is used to test several determinants of Islamic CSR disclosure in the OIC sample countries that have previously been found to be significant determinants of CSR disclosure in the previous studies. Variables related to company's specific characteristics (size, profitability, and ownership structure), industry specific characteristics (industry sensitivity) and country specific characteristics (country and media exposure) were selected as independent variables. Those variables were regressed toward Islamic CSR disclosure level using multiple regression analysis. As a dependent variable, Islamic CSR disclosure level was measured using six different measurements. Those measurements are total number of words, total number of sentences, un-weighted disclosure index, weighted disclosure index based on quantitative disclosure (quantitative index), weighted disclosure index based on comprehensiveness of disclosure (comprehensive index) and weighted disclosure index based on adherence to Islamic teachings (Islamic index).

To provide a better understanding of the independent variables and their relationship with the dependent variable as well as among the independent variables themselves, descriptive statistics analysis and correlation analysis were also conducted. As there are more than one dependent variables representing Islamic CSR disclosure level, it is expected that the understanding of correlation among the variables can provide an explanation of why the regression analyses provide same results in several things and different results in several other things. For example, based on the result of comparison analysis in Chapter Seven, regression analysis with number of word as the dependent variable will likely have quite similar results with regression analysis with sentence as the dependent variable. On the other hand, the result of regression analysis with word as the dependent variable is more likely to differ from the result of regression analysis with indexes as the dependent variables.

The rest of this chapter is presented as follow. Following the introduction section, the results of descriptive statistics analysis are presented in section two. Section three discusses the results of correlation analysis. The results of regression analysis that were used as the basis for identifying the significant determinants of Islamic CSR disclosure

level are presented in Section Four, and the a first level discussion of the main findings and conclusion are provided in Section Five and Section Six, respectively.

8.2. Descriptive Statistics Analysis

Table 8-1 presents the descriptive statistics of the variables used in this present study. All SACs selected from the sample countries provided their annual reports on their website. Thus, there is no missing data. It is noted that the mean value of total assets owned by SAC in the three countries is £733.8 million⁵⁷. This value is higher than the average assets owned by companies listed in Kuala Lumpur Stock Exchange as reported by Amran *et al.* (2012) as well as Haji (2013). It is also higher than the average assets owned by companies listed in Indonesian Stock Exchange as reported by Setyorini and Ishak (2012). It could be an indication that *shariah*-approved companies as the sample of this study came from relatively big companies if compared to companies included in Amran (2012), Setyorini and Ishak (2012) as well as Haji (2013). The average value of total assets in their natural logarithm form, however, was lower than the average of 8.9 for the study of corporate social performance in 42 countries as reported by Ioannou and Serafim (2012).⁵⁸ It indicates that, though SACs might be considered as big companies in Indonesia and Malaysia, they were still smaller than the average size of companies included in the 42 countries of Ioannou and Serafim's study. The descriptive statistics of total assets also provides information that SACs from Indonesia had the average size two times bigger than those in Malaysia and three times bigger than those in Pakistan.

Interestingly, SACs in Pakistan, whose average value of total assets in their natural logarithm form were the smallest among the sample countries, were reported for having the highest return on assets (12.9%), on average. Another interesting finding is also observed in Table 8-1 in relation with descriptive statistics of media exposure. Though SACs in Pakistan were considered small in term of the natural logarithm of total assets if compared to those in Indonesia and Malaysia, they also had the highest media exposure on average (642 articles). Up until 30th of June 2014, the coverage of the online news channel of *Dawn* in Pakistan was three times higher than the coverage of *Detik* in Indonesia and *The Star* in Malaysia.⁵⁹

⁵⁷ Originally, the total assets from the three countries had different currency, in which Indonesia used Indonesian Rupiah (IDR), Malaysia used Ringgit Malaysian (RM), and Pakistan used Pakistani Rupee. For the purpose of this study, the unit monetary of the total assets were translated into Great Britain Pound (GBP).

⁵⁸ Using secondary data provided by Thomson and Reuters in their Datastream, Ioannou and Serafim (2012) conducted their research based on data from both developed and developing countries across the globe, covering 42 countries and 5 continents.

⁵⁹ As discussed in Chapter Five, *Dawn*, *Detik*, and *The Star* were the most popular online news channel based on Alexa website index in Pakistan, Indonesia and Malaysia, respectively.

Table 8-1 Descriptive Statistics

Variables	Mean				Minimum	Maximum	Std. Deviation
	INA	MAY	PAK	Total			
Total Asset	1,285,666,753	565,504,194	350,366,462	733,845,803	374,798	6,141,648,000	1,055,017,772
LNTA	8.73	8.30	8.40	8.48	6	10	.88
ROA	10%	8.9%	12.9%	10.6%	0	45%	9.6%
MEDIA	298	283	642	407.9	5	2670	538.4
WORD	9,974	6,145	6,053	7390.5	366	22663	5529.8
SENTENCE	425	232	276	311	24	924	234.4
Index	36%	26%	32%	31.4%	6%	63%	13.7%
Index_quan	14%	5%	6%	8.5%	1.3%	82%	10.4%
Index_compre	17%	13%	15%	15.2%	.2.4%	31.5%	7.1%
Index_Islam	36%	27%	36%	32.8%	6.1%	66.1%	14.1%
	Frequency						
	INA	MAY	PAK	Total	Percentage		
<u>Industry sensitivity:</u>							
Low Sensitivity Industry	11	18	7	36	40%		
High Sensitivity Industry	19	12	23	54	60%		
<u>Ownership structure:</u>							
State-owned company	7	1	3	11	11%		
Non-State owned company	23	29	27	79	89%		

With regard to ownership structure, Table 8-1 shows, besides dominating the sample of this study with their size, SACs in Indonesia also had domination in the number of state-ownership. It could be an indication why the mean values of Islamic CSR disclosure level as discussed in the previous chapter always show that Indonesia has the highest values. Based on legitimacy theory and political economy theory, prior studies reported that company size and state-ownership had a positive impact on CSR disclosure. (Hackstone and Milne, 1996; Amran and Devi, 2008; Tagesson *et al.* 2009, 2011; Amran *et al.* 2012; Bouten *et al.*, 2012; Haji, 2013).

For industry sensitivity, 77% of SACs in Pakistan came from high sensitivity industry. Therefore, besides having the highest average of ROA and media exposure, SACs in Pakistan also had domination in the number of companies under high sensitivity industry. As Islamic CSR disclosure level in Pakistan did not seem to follow the findings of previous studies suggesting that media exposure positively associated to CSR disclosure level (Branco & Rodriguez, 2008; Reverte, 2008, Gamershlag *et al.*, 2010; Bouten *et al.*, 2012), further analysis using correlation and regression analysis will provide better explanation for the inconsistency. The next sections discuss the result of those further analyses.

8.3. Correlation Analysis

This section discusses the key results of correlation analysis among six dependent variables and eight independent variables as well as between each dependent variable and each independent variable. As stated in Chapter Five, the correlation coefficient can indicate to what extent there is a relationship between two variables, as well as the direction. It can be used to understand the association between variables and to provide useful information for regression analysis.

The specific tests for correlation are the Pearson correlation test and the Spearman correlation test. The Pearson correlation test is usually used for analysing parametric data, while Spearman correlation is for non-parametric data. Both of them were applied in this current study. The rationales of using both tests are as follows. Firstly, some variables in this study were identified as having a normal distribution, but some others were not normally distributed.⁶⁰ Secondly, the measurement scales of some variables are ratio, and some other variables are dichotomous.⁶¹ Lastly, most of the previous studies utilized both types of correlation analyses.

⁶⁰ See Chapter Seven for Section 7.3, Table 7-4.

⁶¹ The measurement scales of company size (LNTA), profitability (ROA), media exposure (MEDIA), total number of word, total number of sentence and all indexes are ratio scales, whereas ownership structure (OWN_SOE), industry sensitivity (INDSENT), country are dichotomous (nominal) scale.

Table 8-2 shows a correlation matrix extracted from the results of correlation analyses. The results of both Pearson and Spearman correlations show that natural logarithm of total asset and state ownership are always found to statistically correlate with all dependent variables representing Islamic CSR disclosure level. Positive relationships were observed between company size and Islamic CSR disclosure level. It shows that as company size increases, Islamic CSR disclosure level including the amount of disclosure, the breadth of disclosure as well as the depth of disclosure also increases. Similar to company size, state ownership (SOE) also has a positive correlation with Islamic CSR disclosure level, indicating that state-owned company has higher Islamic CSR disclosure level than the non-state owned company. With respect to the correlation coefficient, each of those relationships has value of coefficient correlation less than 0.5, indicating that the relationship is not strong (Bryman and Cramer, 1999).

The next independent variable statistically correlates with Islamic CSR disclosure level is media exposure. Media exposure has a positive sign of correlation with Islamic CSR disclosure level measured by all measurements except weighted average of quantitative disclosure (quantitative index). It means that as the exposure of company in the most popular national media increases, Islamic CSR disclosure level also increases. However, the value of coefficient correlation for each of relationship is less than 0.5, ranging from 0.265 to 0.349. It means that the relationship between media exposure and Islamic CSR disclosure level is weak; it is weaker than the relationship between company size and Islamic CSR disclosure level or state ownership and Islamic CSR disclosure level.

Table 8-2 also illustrates that the both Pearson and Spearman correlation analysis found a significant correlation between the country variable and the number of words and sentences, disclosure index, quantitative index, comprehensive index, and Islamic index. It indicates that country variable significantly associated with the amount of disclosure, the breadth of disclosure, and the depth of disclosure including quantitative disclosure, comprehensiveness of disclosure as well as islamic disclosure. For the other independent variables, which are profitability measured by return on asset, industry sensitivity, country of Pakistan, the table shows that those variables do not have a significant correlation with Islamic CSR disclosure level.

Table 8-2 Correlation Matrix of the Variables

Pearson Correlation

Variables	LNTA	ROA	MEDIA	OWN SOE	IND SVT	Country			WORD	SEN- TENCE	Index	Index -quan	Index- compre	Index- Islam	
						INA	MAY	PAK							
LNTA	1	.081	.223*	.331**	.135	.207	-.144	-.063	.451**	.389**	.364**	.273**	.356**	.359**	
ROA	.099	1	-.052	.116	.103	-.044	-.129	.173	-.021	-.048	.013	.075	.033	.032	
MEDIA	.292**	.043	1	.304**	.133	-.145	-.165	.309**	.201	.201	.260*	.055	.209*	.250*	
OWN-SOE	.366**	.141	.443**	1	.181	.059	.000	-.059	.490**	.461**	.462**	.442**	.463**	.386**	
INDSENST	.146	.119	.096	.181	1	.048	-.289**	.241*	.069	.095	.136	-.018	.156	.195	
Country	INA	.339**	.075	-.029	.059	.048	1	-.500**	-.500**	.332**	.347**	.229*	.401**	.223*	.154
	MAY	-.189	-.237*	-.151	.000	-.289**	-.500**	1	.500**	-.160	-.240*	-.258*	-.226*	-.250*	-.308**
	PAK	-.150	.162	.180	-.059	.241*	-.500**	-.500**	1	-.172	-.108	.029	-.175	.027	.154
WORD	.474**	.000	.332**	.408**	.056	.264*	-.205	-.059	1	.943**	.854**	.600**	.820**	.761**	
SENTENCE	.444**	-.017	.333**	.398**	.078	.286**	-.269*	-.017	.978**	1	.838**	.553**	.808**	.756**	
Index	.386**	.028	.349**	.422**	.113	.227*	-.279**	.052	.912**	.905**	1	.551**	.905**	.918**	
Index_quan	.319**	.100	.105	.371**	-.001	.349**	-.290**	-.060	.624**	.610**	.684**	1	.591**	.527**	
Index_compre	.385**	.033	.265*	.380**	.134	.203	-.286**	.083	.837**	.833**	.904**	.773**	1	.952**	
Index_Islam	.364**	.025	.300**	.358**	.195	.148	-.321**	.173	.800**	.797**	.908**	.687**	.959**	1	

Spearman Correlation

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

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

On the correlation among the independent variables, company size was found for having significant positive correlation with media exposure, state ownership, and country. Additionally, media exposure also had a significant correlation with state ownership. Industry sensitivity significantly correlated with country variable so did profitability.

Even though there are some significant correlations among the independent variables, the values of coefficient correlation among those variables are low. None of the coefficient correlation is exceeding the moderate level of 0.5 coefficient correlation as stated by Bryman and Cramer (1999). This finding provides a good signal for further analysis using regression analysis as there is no indication of multicollinearity problem that may lead to difficulties in analysing the impact of the independent variables on the dependent variables. As discussed in Chapter 5, multicollinearity exists when the independent variables tend to associate amongst themselves (Bryman and Cramer, 1999). Cooper and Schindler (2008) said that this problem would be classified as a material problem when the value of the correlation is greater than 0.80.

Turn to the correlation among the dependent variables; Table 8-2 reports all variables to be significantly correlated one another. The values of coefficient correlations range from 0.610 to 0.978 for the Pearson correlation; and 0.551 to 0.952 for Spearman correlation. It indicates that there were moderate to adamant association among the dependent variables. The strongest relationship was found between the number of words and the number of sentences. It is just under the coefficient correlation of one that indicates a perfect association between two variables. The stronger the correlation among the dependent variables might lead to the more similar results in the further analysis using regression analysis. Therefore, there would be a high possibility that the results of further analysis using regression analysis between total number of words and total number of sentences as the dependent variables would be relatively similar.

In conclusion, the results of correlation analyses discussed in this section show that the relationships between the independent variables and the dependent variables seem to be in line with the expectation as discussed in the earlier chapters. However, this relationship is unable to show whether it is true that the independent variables are the variables that affect the dependent variables or perhaps the relationship is the other way round. Likewise, correlation analysis is unable to show to what extent the impact occurs.⁶² According to Bryman and Bell (2011), correlation analysis only uncovers precisely relationship, not causality relationship. It means that it cannot be used to infer that one variable causes

⁶² It is also applicable for the relationship among the independent variables. Correlation analysis cannot show what variable influencing the other variable. It cannot show to what extent the relationship among the variables exists either.

another. For that reason, a further analysis using regression analysis is useful to overcome those limitations. A further reason for moving beyond correlation to regression is to isolate the amount of variation in the dependent variable(s) associated with the particular independent variable. The next section provides the discussion on regression analysis conducted in this study and how the results are relevant to this current study's research aims.

8.4. Regression Analysis

As in many previous studies which relate to the determinants of CSR disclosure as discussed in Chapter Two the fundamental test in this current study is regression analysis. (Hakstone and Milne, 1996; Haniffa and Cooke, 2005; Reverte, 2008; Tagesson, 2010; Li *et al.*, 2013, and others). This section reports the results of regression analyses that were used as the basis for answering the current study's research question number four in relation with the determinants of Islamic CSR disclosure. The analyses were divided into three: analysis for the overall category, analysis by country and analysis by category. The first analysis was used to identify the determinants of Islamic CSR disclosure for all categories within the three countries. The second analysis was for analysing the determinants of Islamic CSR disclosure in each country for all categories. Whereas, the third analysis was used to identify the determinants of the disclosure of companies' general responsibilities and the disclosure of companies' responsibilities toward each of their stakeholders, including community disclosure as well as environmental disclosure. As regression analysis is based on several assumptions and work well under certain conditions as discussed in Chapter Five, some tests for examining outlier data and influential values as well as checking the regression assumptions are discussed first.

8.4.1. Examining Data for Outlying and Influential Values

Outlier and influential values are two material problems that should be taken into consideration in conducting regression analysis. As an extreme value, an outlier can distort the range of standardized residuals and the determination coefficient, whereas influential values can greatly affect the slope of the regression line (Bryman and Bell, 2011). Those two problems can jeopardize the result of regression analysis. Consequently, examining data for specific outlier and influential values become unquestionable necessary to generalize and interpret the results of regression analysis accurately. Though tests to examine the influential values are more stringent than the test to examine outlier, this study does not only consider the influential values. Instead, both problems were checked and discussed to provide a better understanding of the data.

According to Field (2009), the existence of outliers can be detected by looking at the value of standardized residuals; any cases above 2.5 can be considered as an outlier. The multiple

regressions produced by SPSS can provide information to identify any cases considered as an outlier. It is done by selecting a Case-wise Diagnostics option in the regression analysis that is run with the assistance of SPSS version 22 software. For this study, Table 8-3 shows that there was only one case considered as an outlier in the regression model with number of sentence as the dependent variable and one case in the regression model with index quantitative as the dependent variable. Therefore, further investigation was conducted to examine whether those outliers would cause any problem for each model. Regression analysis was run again for each model after omitting the outlier from each model. The results of the regression analysis without the outlier cases did not differ from the results that were already obtained with the outliers; hence all cases were retained for further analysis.

**Table 8-3 Outlier and Influential Values
Regression Model for All Categories**

Dependent Variable of Regression Model	Outlier		Mahalanobis Distance*	Cook's Distance*	Centred Leveraged Value*
	Case Number	Std. Residual			
Critical Values		≤ 2.5	≤ 15	≤ 1	≤ 0.267
Word	-	-	12.363	.128	.139
Sentence	72	3.166	12.363	.178	.139
Index	-	-	9.541	.126	.107
Index quan	27	6.914	5.623	1.381**	.063
Index compre	-	-	9.514	.133	.107
Index Islam	-	-	9.514	.127	.107

* The maximum values ** Only 1 case has Cook Distance value >1 (Case number 27)

On the influential values, three tests have been commonly used by previous studies for identifying the existence of influential values. Those tests are Mahalanobis Distance, Cook's Distance and Centred Leverage Value. Field (2009) suggested that a value/point is considered for having a potential great influence on regression coefficient estimates if the value of Mahalanobis Distance is more than 15. Also, influential value may exist when the value of Cook's distance is more than 1 and the value of Centred leverage less than $3((k+1)/n) = 3((7+1)/90) = 3(8/90) = 0.267$. By referring to Table 8.3, none of the maximum value of Mahalanobis test and Centred Leverage Value is more than the critical values mentioned earlier. For Cook Distance test, there was only one case in the regression model with the quantitative index as the dependent variable with the value of Cook Distance more than the critical value of 1. It is case number 27 that has previously been identified as an outlier. Again, regression analysis with quantitative index was run once more time after

omitting case number 27. The result shows that the regression did not make any difference from the results that were already obtained with case 27 in it. Thus, all cases are retained.

With regard to the outlier and influential values of regression models by country and per category, the results of Casewise Diagnostics, Mahalanobis' Distance, Cook's Distance and Leverage Value were similar to those of regression for all categories as mentioned above. Thus, there was no concern over the problem of outlier and influential values in both regression models for overall categories and regression models per category.

8.4.2. Checking of Regression Assumptions

As discussed in Chapter Five, Santosa (2001), Green and Salkind (2008) as well as Bryman and Bell (2011) said that four assumptions are underlying multiple regression analysis. Those four assumptions must be met; otherwise, the results of regression analysis cannot be interpreted and generalized accurately. The discussion of the four assumptions and how they have been checked in this study is provided below.

The first assumption is the assumption of normality. Regression analysis works based on the assumption that residuals of the dependent variable, which is variance between the observed value and the expected value of the variable, is normally distributed. In this study, all normal probability plot resulted by all regression analysis showed that residuals of the dependent variable disperse around the line of best fit.⁶³ It means that the assumption of normality is satisfied.

The second assumption is the non-existence of correlations among the independent variables (multicollinearity problem). Regression result will not be questionable when there is no problem of multicollinearity. As mentioned by Cooper and Schindler (2008), this problem will be classified as a material problem when the value of the correlation among the independent variables is 0.80 or above. Additionally, multicollinearity can also be seen from the value of Variance Inflation Factor (VIF), which is defined as $1/\text{tolerance}$, is more than 10 (Netter *et al.*, 1990). Some others are even more conservative. Montgomery and Peck (1982) and Santosa (2001) suggested that multicollinearity may exist when the value of the VIF is more than the conservative threshold of 5. By referring to the discussion of the correlation coefficient in the previous section, there is no very high correlation of 0.8 or above among the independent variables. Moreover, all regression analyses also found that the values of VIF for every significant independent variable were less than 2. Based on that, it can be confirmed that the regression analysis met the assumption of the absence of multicollinearity.

⁶³ See Appendix 4 for the figure showing the normal probability plot for regression overall model with number of words as the dependent variable.

The third assumption is the assumption of homoscedasticity (homogeneity of variance). It refers to the assumption that dependent variables show an equal level of variance across the range of the independent variables (Hair *et al.*, 2006). The regression model will provide a good prediction if all random variables in the sequence or vector have the same finite variance. According to Field (2009), Cooper and Schindler (2008) and Santosa (2001), scatter plot can be used to detect the existence of heteroscedasticity problem. Heteroscedasticity exists when the residual data shown in the scatter plot do not show a random pattern; instead, they show any specific pattern like funnel shape. Based on scatter plots, all regression models run in this study met the assumption of the homoscedasticity. Thus, the results of regression analyses discussed in the next section are not questionable.

In addition to the assumption of normality, multicollinearity, and homoscedasticity, there is the fourth assumption that needs to be taken into consideration, which is the independence of the outcome variables values. It assumes that, for any two observations, the residual terms should be unrelated; there should be no correlation between the adjacent residuals (Hair, *et al.*, 2006). Aczel (1999) suggests that this assumption is met when the value of Durbin-Watson test is close to 2 or at least it ranges from 0 to 3. As all of the Durbin-Watson values are very close to 2, it is confirmed that the assumption is met. Therefore, the results of regression analysis as discussed in the next section are not questionable.

Checking of regression assumptions was also conducted to each regression model developed to identify the determinants of Islamic CSR disclosure by country and by category. Consistent with the results for the overall model, there was no concern over the problem of regression assumptions in both regression models by country and regression models by category.

8.4.3. Regression Results

Having examined and checked the existence of outlier, influential values and a number of regression assumptions and found that there was no problem related to them in every regression models, the results of the regression analyses are reported and discussed in this section. The discussion is divided into three parts. The first part is the discussion of regression analyses results for overall categories, in which the dependent variable is the disclosure level of Islamic CSR disclosure consisting of the ten categories. The second part is the discussion of regression analyses results for overall categories by country, in which the dependent variable is the disclosure level of Islamic CSR disclosure made by SACs in each country. The third part is the discussion of regression analyses results per category, in which the dependent variable is the disclosure level of each category. The regression

analysis was conducted six times for the overall categories, six times for the overall categories in each country as well as six times for each category. As mentioned in the previous chapter, the stepwise method of regression was used to analyse the data.⁶⁴ The discussion of the findings is presented below.

8.4.3.1. Determinants of Islamic CSR Disclosure: Overall Categories

Table 8-4 presents the results of regression analyses for the overall categories in the three countries. The table shows that the stepwise method accommodates three independent variables, which have statistically significant impacts on the determination of Islamic CSR disclosure level in Indonesia, Malaysia, and Pakistan, in the six regression models. Those variables are state-ownership, company size (natural logarithm of total asset), and country. Though six different measurements were used to measure the level of Islamic CSR disclosure, a quite similar message was conveyed by all regression models. All the regression models, except model with the quantitative index as the dependent variable, found that there were three independent variables out of seven variables that significantly affect the level of Islamic CSR disclosure in the OIC sample countries regardless of the measurements of Islamic CSR disclosure used.

Table 8-4 Regression Results for Overall Category

	β Coefficient and Significance Level			Adj. R ²	F(test) Sig Level
	OWN_SOE	LNTA	Country		
WORD	.39**	.27**	.25**	37%	18.696**
SENTENCE	.38**	.21*	.28**	33%	15.557**
Index	.40**	.20*	-.23*	32%	13.165**
Index_Quan	.42**		.38**	32%	22.103**
Index_Compre	.40**	.20*	-.22*	28%	12.791**
Index_Islam	.31**	.22*	-.28**	26%	11.351**

It can also be noted from the table that the signs of the coefficient produced by the regression analyses are as predicted. The coefficient of state-ownership and company size were positive, indicating that state-ownership and company size has a positive impact on the level of Islamic CSR disclosure. The non-directional expectation for country variable was found for having a significant impact on CSR disclosure level with all measurements.

⁶⁴ All results of the regressions are presented in the tables consistent with the output of stepwise regression; hence it only reports the significant variables. However, for the discussion of hypotheses testing in overall category for overall countries, all independent variables are discussed regardless significant or insignificant.

With respect to the values of coefficient of determination (adjusted R^2), Table 8-4 shows that the values range from 26% to 37.4%. The highest coefficient of determination was observed in the first model with total number of word as the dependent variables. The value of adjusted R square of the first model is 37.4% and the value the F test is 18.696 ($p < 0.000$). It suggests that the model is highly significant with a good predictive model for the determination of Islamic CSR disclosure in Indonesia, Malaysia, and Pakistan. It indicates that 37.4% of the variation of Islamic CSR disclosure level in the OIC sample countries can be explained by state ownership, company size and country variable. This finding shows that the regression model of this current study is better than those of the prior studies. As reported in Chapter Four Table 4-2, the average value of the adjusted R^2 of the prior studies was 35%. The adjusted R^2 value of this study is also better than the value reported by Ousama & Fatima (2010), Farook *et al.* (2011), Wardiwiyono (2011), Abdul-Rahman & Bukhair (2013), and Mallin *et al.* (2014) in investigating the determinants of Islamic CSR disclosure in Malaysian SACs (19%), Islamic banks in 14 countries (35%), Indonesian SACs (25%), Islamic banks in six Gulf countries (21%), and Islamic banks in 13 countries (27%), respectively.

Furthermore, the effect of each independent variable on the dependent variable is discussed further in the hypotheses testing below. As the findings reported in this section only related to the overall model, the discussion does not include the relevance of the current study's findings with the theories on CSR disclosure and the findings of the prior studies as discussed in Chapter Two and Chapter Three. For allowing a comprehensive discussion involving the results from the model by country and category, the discussion on that issue will be presented in Section 8.5 in the discussion of the main findings. The hypotheses formulated in Chapter Four are reiterated here for ease of reference.

Hypothesis 1: There is a positive association between company size and Islamic CSR disclosure level. The result of company size variable as measured by the natural logarithm of total assets (LNTA) is strong. Company size is positively associated with Islamic CSR disclosure level and highly significant at a 1% significance level when Islamic CSR disclosure was measured by total number of word. It has a beta coefficient of 0.39, indicating that as LNTA increases by 1, total number of word increases by 0.39. In other words, as company size increases by £1,000, total number of word for disclosing Islamic CSR increases by 39 words. Company size is also positively associated with Islamic CSR disclosure and significant at a 5% significance level when Islamic CSR disclosure was measured using total number of sentences, index, comprehensive index and Islamic index. Moreover, based on the values of the beta coefficient, as the size of company increases by 1 unit of LNTA, the amount of disclosure measured by number of sentences increases by

0.21, the breadth of disclosure increases by 0.20, the comprehensiveness of disclosure increases by 0.20 and the Islamic index also increases by 0.22. This result supports legitimacy theory, as the size of the company increases it becomes more visible to public; hence, disclosing more information related to CSR will help the company to legitimize its going concern status. The result also provides information that the relationship between company size and Islamic CSR disclosure level is considered as causality relationship in which company size affects Islamic CSR disclosure level. Hence, the first hypothesis of this research in its alternative form is accepted.

Hypothesis 2: There is a positive association between profitability and Islamic CSR disclosure level and profitability. Return on assets, which was used as a proxy of company profitability, is not accommodated by the stepwise method of regression analysis. Therefore, it is found that, statistically, company profitability does not have any significant impact in explaining the variation of Islamic CSR disclosure in the OIC sample countries.⁶⁵ Companies with higher returns on assets did not disclose the higher level of Islamic CSR disclosure; thus, there is no evidence of Islamic CSR disclosure based on the company's profitability in the SACs listed in Indonesia, Malaysia, and Pakistan. Therefore, the results fail to reject the second hypothesis in its null form. Hence, the second hypothesis in its alternate form is not supported.

Hypothesis 3: There is a positive association between state-ownership and Islamic CSR disclosure level. The results of all regression analyses show that state-ownership was always found as the most significant variable in explaining Islamic CSR disclosure level. It is positively associated with Islamic CSR disclosure level and highly significant at a 1% significance level in all models, regardless different measurements of the dependent variable. It indicates that SACs owned by a state agency or government had a higher level of Islamic CSR disclosure than non-state-owned SACs. By referring to the values of the beta (β) coefficient, the positive impact of state-owned on Islamic CSR disclosure level can describe as follows. State-owned SAC (SOEs) had 39% higher amount of disclosure than non-SOEs; SOEs had 40% broader items being disclosed than non-SOE; SOEs had 40% higher quantitative index than non-SOE; SOEs had 40% more comprehensive disclosure than non-SOE; SOEs had 31% higher in Islamic index than non-SOE. State-owned SACs had a higher propensity to address most of CSR issues, which may reflect that SOEs are more politically sensitive than non-SOEs. Additionally, the government has more power than any other stakeholders; hence, the government has more power to force the company to become more responsible. It supports the political economy theory as well as stakeholder

⁶⁵ This finding reaffirms the finding of correlation analyses that found no significant correlation between ROA and any dependent variables.

theory. In conclusion, the results of regression analysis were strong enough to support the acceptance of the third alternate hypothesis, confirming that state-ownership is positively associated with Islamic CSR disclosure level.

Hypothesis 4: There is a positive association between industry sensitivity and Islamic CSR disclosure level. Based on the results of regression analyses summarised in Table 8-4, it is noted that industry sensitivity is not accommodated in the stepwise method.⁶⁶ It indicates that industry sensitivity does not have any significant impact on the level of Islamic CSR disclosure in Indonesia, Malaysia, and Pakistan. This result strengthens the result of the earlier correlation analysis showing that there was no significant correlation found between industry sensitivity and Islamic CSR disclosure level. Thus, the results fail to reject the fourth hypothesis in its null form. Therefore, the fourth alternate hypothesis is not supported.

Hypothesis 5: There is a positive association between media exposure and Islamic CSR disclosure level. Similar to profitability and industry sensitivity, media exposure is not accommodated by a stepwise method either. Despite the fact that media exposure is found to be significantly correlated with Islamic CSR disclosure level as shown in Table 8-2, the correlation is not strong enough to have an impact on the determination of Islamic CSR disclosure level.⁶⁷ Therefore, the fifth alternate hypothesis is not supported in all regression models under overall category; confirming that media exposure does not have a significant impact on the level of Islamic CSR disclosure for overall categories reported by SACs in Indonesia, Malaysia, and Pakistan.

Hypothesis 6: There is an association between company's country of origin and Islamic CSR disclosure. It is clear from Table 8-4 that country variable was always found for having an impact on Islamic CSR disclosure. In line with the political economy theory, the results of regression analyses in six models are strong enough to be used as the basis for accepting the sixth alternate hypothesis of this study.

8.4.3.2. Determinants of Islamic CSR disclosure by Country

Table 8-5 provides a summary of the results of regression analyses for overall categories by country. Regression analyses were run eighteen times based on the data of the dependent and independent variables of SACs in Indonesia, Malaysia, and Pakistan. The stepwise method of regression analysis did not accommodate any independent variables in all regression models of SACs in Pakistan. It indicates that none of the independent variables

⁶⁶ This finding also strengthen the result of correlation analyses reporting that there was no significant correlation between industry sensitivity and the level of Islamic CSR disclosure for overall categories.

⁶⁷ It is also found in the correlation coefficient shown in Table 8-2 that the correlation between media exposure and company size were positively significant. It indicates that if media exposure higher, all accounted for by company visibility.

had a significant effect on the level of Islamic CSR disclosure in Pakistan. Hence, Table 8-5 only reports the result of regression analysis based on Indonesian and Malaysian data. The discussion of this section is also limited to the discussion of determinants of Islamic CSR disclosure in Indonesia and Malaysia.

Table 8-5 Regression Results Overall Categories by Country

	β Coefficient, Significance Level, Determination Coefficient				
	Indonesia		Malaysia		
	OWN_SOE	R ²	LNTA	OWN_SOE	R ² /adj. R ²
WORD	.64**	40.6%	.69**		47.5%
SENTENCE	.60**	35.5%	.70**		48.6%
Index	.70**	48.8%	.58**	.31*	59.1%
Index_Quan	.67**	44.6%	.55**		30.5%
Index_Compre	.74**	55.2%	.68**		46.6%
Index_Islam	.70**	48.7%	.72**		51.5%

** Significant at 1% significance level * Significant at 5% significance level

The table shows that there was only dummy variable of state-ownership that was found to be statistically significant in influencing Islamic CSR disclosure level in Indonesia. Positive associations were observed between state-ownership and Islamic CSR disclosure level measured by all six measurements. It means that the disclosure of Islamic CSR level made by SOEs was higher than the disclosure made by non-SOEs. The values of beta coefficient further indicate that Islamic CSR disclosure level by SOEs was 74% higher in term of the number of words, 60% higher in the number of sentences, 70% higher in term of disclosure index as well as Islamic disclosure index, 67% higher in term of quantitative disclosure, and 74% higher in term of comprehensive disclosure than the disclosure by SOEs.⁶⁸

In relation with the determination coefficient, the values of coefficient determination ranged from 35.5% to 55.2%, indicating that 35.5% to 55.2% of the variation of Islamic CSR disclosure level in Indonesia was affected by state-ownership. Similar to the beta coefficient, regression model with comprehensive index as the dependent variable was found for having the highest coefficient determination. It means that comprehensive index can be considered as the best proxy for Islamic CSR disclosure level in Indonesian SACs.

⁶⁸ This finding was in line with the result of comparative analysis of Islamic CSR disclosure between Indonesian state-owned SACs and non-state-owned. It was found that the Islamic CSR disclosure level in Indonesian state-owned SACs as measured by number of words, number of sentences, index, comprehensive index, quantitative index and Islamic index was significantly higher than those of Indonesian non-state-owned SACs.

Turning to the results of regression analyses for SACs in Malaysia, Table 8-5 illustrates that all regression models of SACs in Malaysia produced company size measured by the natural logarithm of total assets as the most significant variable in explaining CSR disclosure level in Malaysia. Company size was positively associated with Islamic CSR disclosure level measured by all six measurements. In addition to company size, the existence of state-ownership was also found to be statistically significant in influencing CSR disclosure level, especially when it was measured by disclosure index. Positive association with 0.31 beta coefficient was observed between dummy variable of state-ownership and disclosure index, indicating that SOEs in Malaysia had 31% higher disclosure index than non-SOEs

With regard to the determination coefficient, regression models of SACs in Malaysia seem to have better explanation power than those of SACs in Indonesia. The values of determination coefficient indicate that 30.5% of 59.1% variation of Islamic CSR disclosure level in Malaysia could be explained by company size as measured by the natural logarithm of total assets. The highest determination coefficient in Malaysia was observed in the model with index as the dependent variable, indicating that nearly 60% of the variation of Islamic CSR disclosure level in Malaysia was affected by LNTA and state-ownership. It also indicates that un-weighted disclosure index could be the best proxy for Islamic CSR disclosure level in Malaysia.

The increasing value of the coefficient of determination (adjusted R^2) resulted from regression for the overall model to regression by country model is reasonable. The process of partitioning the sample of study into country groups increases the homogeneity within this sub-sample.

8.4.3.3. Determinants of Islamic CSR Disclosure by Category

The results of regression analyses for overall categories as discussed in the previous section might provide an explanation for the level of Islamic CSR disclosure in Indonesia, Malaysia, and Pakistan. However, those results might not be able to provide explanation for determinants of disclosure by category. It has been elaborated in Chapter Seven that the level of Islamic CSR disclosure for each category is not similar, indicating that companies' concerns toward each stakeholder were different. Thus, analysing the determinants of Islamic CSR disclosure by category might be useful to identify what factor influencing companies in disclosing their responsibilities toward each stakeholder. It might also be useful to understand the applicability of the extant theories of CSR disclosure on Islamic CSR disclosure as practiced by SACs in more specific issues related to SACs' stakeholders. Therefore, some regression analyses were conducted to identify the determinants of Islamic CSR disclosure by category. The results of the analyses are summarised in Table 8-6.

Table 8-6 Regression Results by Category

Category	Results	WORD	SENTENCE	Index	Index_Quan	Index_Compre	Index_Islam
General	OWN_SOE	.48**	.42**		.50**	.47**	.31**
	Media			.24*			
	MAY		-.36**	-.37**			
	PAK	.33*			.25**		.42**
Employee	OWN_SOE	.50**	.45**	-.20*	.45**	.48**	.38**
	LNTA			.25*			
	Media		.19*				
	INA	.36**	.40**				.62**
	MAY			-.27**	-.44**	-.35**	
	PAK						.24*
Shareholder	LNTA	.34**	.34**	.27**		.32**	
	OWN_SOE				.25*		.34**
	MAY			.36**	.28**	.36**	.28**
	PAK	-.30**	-.30**				
Customer	LNTA	.35**		.34**			.27**
	OWN_SOE				.31**	.35**	.22*
	INDSENST	-.23*					
	INA		.34*		.25*		
Supplier	INDSENST	-.29**	-.28**				
	INA				.36**	.23*	.23*
Debtor	ROA			-.27**	-.23*	-.22*	-.28**
	INA	.29**	.28**				
	MAY			.30**	.30**		.33**
	PAK					-.32**	
Other Business Partners	OWN_SOE					.42**	.37**
	LNTA				-.30**		
	INDSENST					-.21*	
	MEDIA	.24*	.27*				
	PAK					.25*	
Government	OWN_SOE				.21*	.24*	.25*
	MEDIA			.22*			
	MAY	.03*		.22*	.30**		
	PAK						.34**
Community	OWN_SOE	.39**	.29*	-.20*	.41**	.35**	.37**
	LNTA			.25**			
	INA	.22**	.27*	.29**		.23*	.27**
Environment	OWN_SOE	.39**	.24*		.32**	.34**	
	MEDIA			.29**			.23*
	LNTA			.25*			.26*
	INA	.22*			.22*		

***Significant at 1% significance level * Significant at 5% significance level*

Table 8-6 presents independent variables that were found to be statistically significant in influencing Islamic CSR disclosure by category, together with their significance values and their beta coefficient values. By referring to the table, six different regression analyses based on the six measurements of Islamic CSR disclosure level were run for each category. As a result, there were sixty regression analyses run in total. Out of those sixty analyses, only two regression analyses did not found any significant independent variable for explaining Islamic CSR disclosure. Those analyses were regression analysis for other business partners categories with index disclosure (index) as the dependent variable and regression analysis for government category with number of sentences as the dependent variable representing Islamic CSR disclosure level. The rest of this section summarises the

results presented in Table 8-6, indicating the determinants Islamic CSR disclosure by category.

The table also shows three independent variables as significant variables in determining the level of general disclosure, which are state-ownership, media exposure, and country. State-ownership has a significant impact on the level of Islamic CSR disclosure as measured by four measurements at 1% significant level. Positive significant effect of this variable was observed on the amount and the depth of general category disclosure. It indicates that SAC with state-ownership tends to have a higher amount of disclosure as well as deeper disclosure than SAC without state-ownership. Similar to state-ownership variable, country variable was also observed for having a significant impact on the disclosure level as measured by four measurements, excluding the comprehensiveness index. Therefore, different country leads to the different amount of disclosure, breadth of disclosure, quantitative disclosure and Islamic disclosure of general category. The last determinant of general category disclosure is media exposure. The table shows that media exposure has a significant positive impact on the breadth of disclosure. As the exposure of SAC in the national media gets higher, the company tends to disclose more number of items related to general category.

The table also reports that there are four independent variables observed as significant determinants of the level of employee disclosure, consisting of state-ownership, country media exposure, and company size. Similar to the determinant of general category, state-ownership was found for having a positive impact on the amount and the depth of disclosure, indicating that state-owned SAC had a higher amount of disclosure and deeper disclosure than non-state-owned SAC. The regression analysis using disclosure index as the dependent variable showed a contradiction finding. State-ownership had negative effect on the breadth of disclosure, signifying that state-owned SAC disclosed fewer items than non-state-owned SAC. The second determinant of employee disclosure was country variable. The variable had a significant impact on Islamic CSR disclosure for all measurements, indicating that SAC from different country tends to disclose the different amount of disclosure, a different number of disclosed items and different depth of disclosure. The next significant determinant of employee disclosure was media exposure. Media exposure had a positive impact on the amount of disclosure, indicating that the amount of disclosure will be increasing as media coverage about a SAC increases. Similarly, company size was also observed for having a significant positive impact on the amount of Islamic CSR disclosure.

Next, the determinants of shareholder disclosure as summarized in Table 8-6 consisted of country, company size, and state-ownership. Country variable was found to be significant determinants of Islamic CSR disclosure measured by all of the five measurements. It signifies that SAC from the different country had a different amount of disclosure, different

coverage of disclosure as well as the different quality of disclosure. A positive association was observed between company size as measured by the natural logarithm of total assets and the amount of disclosure, the breadth of disclosure and the comprehensiveness of disclosure.. A positive association was also observed between state-ownership and quantitative disclosure and Islamic disclosure.

For the determinants of customer disclosure, the results of regression analyses as summarised in Table 8-6 report that company size, state-ownership, industry sensitivity, and country variable had significant impact on the level of customer disclosure. It is noted from the table that company size as measured by natural logarithm of total assets had positive impact on the amount of disclosure, the breadth of disclosure and the Islamic disclosure. Positive association was also observed in the relationship between state-ownership variable and the depth of disclosure. As it was expected, the results indicate that state-owned SACs was likely to have more quantitative disclosure, more comprehensive disclosure, and more Islamic disclosure. The regression analysis also found that country variable was only significant in determining customer disclosure as measured by number of sentences and quantitative index. It implies that the coverage, the comprehensiveness and the Islamicity of customer disclosure were not affected by country variable. The last determinant of customer disclosure was industry sensitivity. Unlike the expectation, industry sensitivity had negative impact on customer disclosure level, showing that SAC from high sensitivity industry such as mining, agriculture, plantation, construction, and chemical tends to make less disclosure. The discussion of this unexpected result will be presented in Chapter Nine.

Industry sensitivity was observed for having a negative impact on the level of supplier disclosure. SACs from high sensitivity industry tend to disclose less amount of disclosure than SACs from low sensitivity industry. Additionally, country variable was also found for having significant impact on supplier disclosure level. SACs from different country seems to have different level of quantitative disclosure, comprehensiveness of disclosure and Islamic of disclosure.

Two significant determinants were also found to influence the disclosure level of companies' responsibilities toward debtors. Similar to the prior categories, country variable was consistently found to be significantly affecting debtor disclosure level in all types of measurements. Additionally, profitability, as measured by return on assets (ROA), was also found as a significant determinant. Contradict with the expected direction in the hypothesis Table 8-6 demonstrates that ROA negatively affected the level of debtor disclosure. As the profitability of a SAC got higher, the level of debtor disclosure as measured by index, quantitative index, comprehensiveness index and Islamic index would be decreasing.

A more diverse determinant was observed in the disclosure of other business partner category. There were five variables observed for having a significant impact on the level of other business partner disclosure, which was ownership structure, media exposure, country variable, company size, and industry sensitivity. The first two variables had a positive effect on the disclosure level of other business partners, whereas the last two variables had a negative effect.

A positive sign was also observed in the impact of ownership structure and media exposure on the disclosure level of government category. In line with the expected direction, government disclosure of state-owned SACs tends to be more quantitative, comprehensive and Islamic than the disclosure of non-state-owned SACs. Similarly, SACs with high media coverage tend to disclose more items than those with less media coverage. In addition to state-ownership and media coverage, country variable was also found as a significant determinant in explaining the Islamic index of government disclosure.

With regard to the determinants of community and environment disclosure, both categories shared similar significant determinants, which were state-ownership, country variable, and company size. State-ownership had a positive impact on the amount, the quantitative and the comprehensiveness of community and environment categories, whereas company size had a positive impact on the breadth of disclosure. In addition to those three variables, media exposure was also found for having a positive significant impact on the breadth and the Islamic index of environment disclosure. An interesting finding was observed in relation to the impact of state-ownership on the breadth of disclosure. On the contrary of the previous findings, state-ownership was found for having a negative impact on the breadth of community disclosure, indicating that state-owned SACs tend to disclose fewer items related to community category.

8.5. Discussion of the Main Findings

The results of six regression analyses for overall categories as presented in Section 8.4.3.1 shows that state-ownership was observed as the most common determinant of Islamic CSR disclosure. Regardless the measurement of the dependent variable, state-ownership was consistently found to be positively affecting Islamic CSR disclosure level. SACs whose majority of their shares were owned by government tend to disclose larger amount of disclosure, broader coverage of disclosure, more quantitative disclosure, more comprehensive disclosure and more Islamic disclosure. This finding supports the findings of prior studies (Amran and Devi, 2008; Tagesson *et al.*, 2009; Tagesson *et al.*, 2011; Amran *et al.*, 2012; Ghazali, 2013; Li *et al.*, 2013). It provides evidence for the applicability of stakeholder theory, legitimacy theory, and *shariah* enterprise theory in explaining the variability of CSR disclosure from an Islamic perspective. As major shareholders,

government has strong power to force the company to act responsibly, to respond any social and environmental issues and to enforce company to support the government in achieving social welfare.

The second most common determinant of Islamic CSR disclosure in the sample countries was country of origin. Supporting prior studies like Chan and Bouvain (2008), Wanderley *et.al.* (2008), Farook *et al.* (2011), Feijoo *et al.* (2012) as well as El-Halaby and Hussaeny (2015), SACs' country of origin was found to be significant in all regression analyses. This finding strengthens the findings of the comparison analysis showing that Islamic CSR disclosure level varied across countries. The political and economy of the country may lead to the difference level of CSR disclosure.

The last variable determining the level of Islamic CSR disclosure in the sample countries was company size that was measured by the natural logarithm of total assets. The finding supports legitimacy theory, stakeholder theory, agency theory and *shariah* enterprise theory. As the size of a company gets bigger, it becomes more visible to the public. Hence, it tends to be more highly exposed to public scrutiny. Similarly, the big company tends to have larger and more diverse stakeholders resulting in being more vulnerable to an adverse reaction. Thus, it needs more effort to reduce political cost. The big company also means bigger responsibility to its stakeholders and bigger accountability to God. As a result, as the size of company increases, it needs to provide more disclosure of CSR. Similar to prior studies such as Hakstone & Milne (1996), Haniffa & Cooke (2005), Bouten *et al.* (2012), El-Hallaby and Hussainey (2015), the statement was also proven in the case of SACs in Indonesia, Malaysia, and Pakistan.

The findings of the overall categories only managed to support state-ownership, country, and company size as the determinants of Islamic CSR disclosure. But, further regression analyses by category provide evidence to support all six independent variables as determinants of Islamic CSR disclosure. The analyses by category also support the applicability of the current theories referred in this study on Islamic CSR disclosure practiced by SACs. From sixty regression analyses by category, all independent variables were found at least once as significant determinants in explaining the variation of Islamic CSR disclosure of SACs in Indonesia, Malaysia, and Pakistan. The variables and their effect on Islamic CSR disclosure are discussed below.

Firstly, consistent with the results from the overall category, state ownership was found to be the most common variable significantly affecting the disclosure by category. It was highly significant at 1% significant level in eight categories. A positive association was

observed between state-ownership and the level of Islamic CSR disclosure in general category, employee category, customer category, other business partner category, government category, community category and environment category. It indicates that the propensity of SOEs to disclose information under those categories were higher than non-SOEs. The strongest impact of state ownership on the level of Islamic CSR disclosure was observed in the quantitative disclosure of general category and the amount of disclosure measured by number of word under employee category. Based on the value of beta coefficient the quantitative, disclosure index of general category and employee category by state-owned SACs was 50% higher than non-state-owned SACs, respectively. It indicates that the coverage of general category and employee category of state-owned SACs were greater than those of non-state-owned SACs.⁶⁹

The next significant variable in affecting Islamic CSR disclosure by category was company size as measured by the natural logarithm of total assets (LNTA). This variable was accommodated by stepwise method of regression analyses in six categories, which were employee, shareholder, customer, other business partners, community, and environment. A positive association was observed between LNTA and the level of employee disclosure, shareholder disclosure, customer disclosure, community disclosure and environment disclosure. Interestingly, in line with the finding of Rouf (2011), a significant negative relationship was found between LNTA and quantitative disclosure for other business partner category. It points out that as company size increases, the level of other business partner disclosure measured by quantitative index decreases. The possible explanation for the contradictory finding with the other categories is discussed below.

As elaborated in earlier chapters, the disclosure of other business partner category relates more on how SACs deal with their competitors, industry association, as well as distributors or resellers. Because of its power, a big company usually has strong position in the competition or industry association. On the other hand, smaller company tend to has a weaker position. Hence, disclosing more quantitative information about its responsibility toward those other business partners might be useful to strengthen company's position among the competitors or in the association or with its distributor of the reseller. Another possible explanation is that big company might have fewer distributors or resellers from outside its company than a small company. Distributors or reseller of big companies might come from its corporation. As a result, as company size increases, the quantitative disclosure for other business partners category likely decreases.

⁶⁹ To strengthen the finding, the 90 sample SACs were partitioned into two sub-samples consisting of 11 state-owned SACs and 79 non-state-owned SACs. The disclosure coverage of general category disclosure for each sub-sample were tested using Mann Whitney U test; revealing that there was significant different in the coverage of Islamic CSR disclosure between state-owned SACs and non-state-owned SACs.

Similar to the findings of the analyses for overall categories, country variable was found to be statistically significant in influencing Islamic CSR disclosure level in all categories. The discussion of this variable is presented in the earlier paragraph.

Next, media exposure was another independent variable that significantly affected the level of Islamic CSR disclosure in 5 categories consisting of general category, employee category, other business partner category, government category, and environment category. In line with the finding of prior studies (Branco and Rodriguez, 2008; Reverte, 2008; Bouten *et al.*, 2012; Wang *et al.*, 2013; Chiu and Wang, 2015), positive association were found in all significant relationships between media exposure and the level of Islamic CSR disclosure under those five categories. As the media exposure increases, the breadths of general category, government category, and environmental category increase, the amount of employee and other business category disclosure increase, and the quality of environment disclosure related to Islamic requirement also increases. This finding support legitimacy theory implying that as media exposure increases, company become politically more visible to the public, resulting in more public pressure. Disclosing company's responsibility toward stakeholders will help company legitimise its activity and maintain its sustainability. As media usually plays the role of watchdog with the power to choose what story worth reporting, company with high media coverage need to disclose more CSR to prevent any unfavourable stories being reported.

Results also demonstrate that industry sensitivity variable affects the level of Islamic CSR disclosure in three categories including customer, supplier category and other business partner categories. A negative association was observed between industry sensitivity and the amount of customer disclosure, industry sensitivity and the amount of supplier disclosure as well as industry sensitivity and the comprehensiveness of other business partner disclosure. It indicates that SACs from high sensitivity industry had a lower amount of disclosure related to customer and supplier category than SACs from low sensitivity industry. They also had less comprehensive of other business partner disclosure. This finding is on the contrary with the expected direction. Based on the previous studies, it was expected that industry sensitivity would have a positive relationship with Islamic CSR disclosure level. The possible reasons for the contradictive findings are explained below.

A quick look at the data showed that companies in the high sensitivity industry came from mining companies, agriculture companies, plantation companies, industrial companies and construction companies; whereas companies in low sensitivity industry came from retailer companies, consumer goods companies as well as services companies. As far as customer proximity is concerned, companies under high sensitivity industry are likely suitable to be classified as companies with low customer proximity, whereas companies under low sensitivity industry are likely suitable to be classified as companies with high customer

proximity. In other words, companies under low sensitivity industry are nearer to their customers than companies under high sensitivity industry. There is even a possibility that companies under high sensitivity industry do not have a direct relationship with their customer as companies under low sensitivity industry do. As a result, the amount of customer disclosure in high sensitivity industry tends to be lesser than the amount of customer disclosure in low sensitivity industry. Hence, negative relationship between industry sensitivity and the amount of customer disclosure is reasonable.

For the relationship of industry sensitivity and supplier disclosure, another quick look at the data showed that nearly 30% of companies under high sensitivity industry in this study were extractive companies including mining companies, agriculture companies, and plantation companies, whereas none of the extractive company was in low sensitivity industry. On the other hand, nearly 40% of companies under low sensitivity industry were retailer companies, whereas none of them was classified under high sensitivity industry. Suppliers usually exert a very little impact on extractive companies, while they are influential to most retailer companies. Therefore, it is reasonable that the amount of supplier disclosure in high sensitivity industry was lower than the amount of supplier category in low sensitivity industry. This explanation is likely also applicable to the relationship between industry sensitivity with the amount of other business partner category. Extractive companies likely have less number of competitors than retailer related companies. They also likely have less influential resellers or distributors. Hence, it is rational for high sensitivity industry for having less disclosure than low sensitivity industry as it was observed in this current study.

Lastly, the results also show that profitability, as measured by return on assets (ROA), was only found statistically significant for debtor category. Similar to the finding of previous studies (Hackston and Milne, 1996; Branco and Rodriguez, 2008; Reverte, 2008; Haji, 2013), ROA in this study did not significantly affect Islamic CSR disclosure level in the other categories. For debtor category, the significant associations between ROA and the breadth of disclosure, the quantitative disclosure, the comprehensives of disclosure and the Islamic disclosure shown in the table were negative. It indicates that better performing companies have lower disclosure of debtor category. The findings were on the contrary with previous studies such as Haniffa and Cooke (2005), Gamershlag *et al.* (2010), Lie *et al.* (2013), but it was in line with Hossain & Hammami (2009), and Fiory *et al.* (2007). The findings also support the opinion of Neu *et al.* (1998) and Reverte (2008) based on stakeholder theory stating that profitability can be regarded to either positively or negatively associated with CSR disclosure. Based on legitimacy theory as explained by Reverte (2008), a profitable company uses CSR disclosure to give confirmation to stakeholders who value the important of CSR that profit has not been at the expense of the social and environment. On the other

hand, CSR disclosure might be either directed at convincing to financial stakeholders that current CSR investment could result in a long-term competitive advantage. For the current research in which negative relationship was only observed in debtor category, it could be because managements in the less profitable company needs to ensure their stakeholders that they had been conservative in managing the company by disclosing more comprehensive and stringent debt policy.

For ease of reference, Table 8-7 sums up the findings of Islamic CSR disclosure determination in the OIC sample countries including the dominant direction noted from each independent variable in influencing the disclosure level. In line with the findings of descriptive statistics showing that the mean value of Islamic CSR disclosure level for each category considerably different one to another, there was also noticeable differences in the determinants of Islamic CSR disclosure for each category.

Table 8-7 Summary of the Determinants of Islamic CSR Disclosure Level

		LNTA	OWN_ SOE	ROE	IND_ SENS	MEDIA	INA	MAY	PAK
Overall		+	+				+	-	
Country	INA		+						
	MAY	+	+						
	PAK								
Category	General		+			+		-	+
	Employee	+	+			+	+	-	+
	Shareholder	+	+					+	-
	Customer	+	+		-		+		
	Supplier				-		+		
	Debtor			-			+	+	+
	OBP	+	+		-	+			+
	Government		+			+		+	+
	Community	+	+				+		
Environment	+	+			+	+			

The results of regression analyses summarized in Table 8-7 provide models for the determinants of Islamic CSR disclosure in term of company specific determinants, industry specific determinants and country-specific determinants. The present study confirms the significant importance of those determinants in affecting Islamic CSR disclosure. It also confirms that, as a complex phenomenon, Islamic CSR disclosure could also be explained using a multi-theoretical framework involving more than one theory.⁷⁰ The present study validates five theories on CSR disclosure that were previously proven by prior studies. The theories are legitimacy theory, stakeholder theory, agency theory, political economy theory and *shariah* enterprise theory.

⁷⁰ It is similar to the findings of Branco & Rodriguez (2008), Reverte (2008), Tagesson, *et al.* (2009), Gamerschlag (2010) and Tagesson *et al.* (2011) from Western perspective.

Based on legitimacy, prior studies reported that company size, media exposure and industry affiliation are usually associated with companies' visibility to public. As larger companies are deemed to be more visible to the public and highly exposed to public scrutiny (Watt and Zimmerman, 1986), they are expected to engage more heavily in legitimating their behaviour. Additionally, Hackstone and Milne (1996) stated that large company usually have a bigger effect on the community and normally have bigger group of stakeholders that influence the company. Larger companies also become subject to the attention of government regulations. Similarly, media exposure also raises companies' visibility to the public, inviting further public attention and scrutiny (Reverte, 2008). In the same way, an industry with proximity to the customer usually has high social visibility (Branco and Rodriquez (2008). As a result, companies with high social visibility use CSR disclosure to legitimate their behaviour. CSR disclosure can also be used as a mean to avoid regulations as well as to reduce political cost.

As far as this study is concerned, legitimacy theory is supported by the findings showing that company size was positively associated with Islamic CSR disclosure level in overall category and six different categories. As total assets increases, company becomes more visible to the public, resulting in more public pressure toward the company. Thus, the company reports CSR activities in order to respond to public pressure and to build sustain corporate legitimacy. (Belkaoui & Karpik, 1989; Hackstone & Milne, 1996; Haniffa & Cooke, 2005; Chen & Bouvain, 2008; Reverte, 2008; Bouten *et al.*, 2012; Li *et al.*, 2013). In line with Branco & Rodriquez (2008), Reverte (2008), Gamershlag *et al.* (2010), and Bouten *et al.* (2012), legitimacy theory is also supported by the significant effect of media exposure on the disclosure level of general category, employee category, other business partner category, government category and environment category. As the media coverage increases, the level of Islamic CSR disclosure related to those categories also increases. The significant finding of industry sensitivity also supports the applicability of legitimacy theory in explaining Islamic CSR disclosure in the OIC sample countries. The level of Islamic CSR disclosure increases as company's customer proximity gets higher. Hence, company size, media exposure and industry sensitivity in this study provide evidence that legitimacy theory can be considered as one of the theory in explaining the variation of Islamic CSR disclosure in Indonesia, Malaysia, and Pakistan.

With regard to stakeholder theory, prior studies found that ownership structure as measured by the existence of state-ownership and profitability as measured by ROA provide an explanation for the determination of CSR disclosure from stakeholders perspective. (Amran and Devi, 2008; Tagesson *et al.*, 2009; Gao, 2011; Tagesson *et al.*, 2011, Amran *et al.*, 2012; Haji, 2013). SOEs has a higher propensity to disclose more information on CSR

activities than non-SOEs. It is because as a major stakeholder, a government with all its supporting bodies, policies or regulations has stronger power to push the company to behave more responsibly than other stakeholders. As state-ownership was found to be positively significant in influencing Islamic CSR disclosure level in this study, it can be concluded that stakeholder theory can be considered as another theory to elucidate the determinants of Islamic CSR disclosure in Indonesia, Malaysia, and Pakistan.

In addition to state-ownership, stakeholder theory was also supported by the significant impact of ROA on the level of Islamic CSR disclosure related to debtor category. As discussed in the earlier section, when SACs have lower profitability, debtor disclosure related to debt write-off and debt policy increases. The disclosure shows that company had accommodated stakeholders' pressure to company for being responsible to all related parties in any circumstances. Moreover, as an agent of the company, management can also use the disclosure to strengthen their justification why company's profitability is low. Therefore, besides supporting stakeholder theory, the significance of profitability also supported the agency theory.

For country variable, this significant variable supports the political economy theory in explaining Islamic CSR disclosure. As stated by Gray *et al.* (1996) as well as Waller and Lanis (2013), political economy theory analyses the interplay between social institutions that are fortified by power and economy such as government, regulatory body, and industry association and their resultant effect on companies. Indonesia, Malaysia, and Pakistan as a representation of country variable show different institution in influencing Islamic CSR disclosure level across the regression models. It indicates that those country variables also play an important role in explaining Islamic CSR disclosure.

Lastly, the regression analyses that were carried out to achieve the current research's fourth objective report two important findings. Firstly, in general, Islamic CSR disclosure level in Indonesia, Malaysia and Pakistan were affected by state-ownership, company size and country background. Secondly, in ten specific categories, Islamic CSR disclosure in Indonesia, Malaysia and Pakistan were influenced by company specific determinants (state-ownership, company size, and profitability), industry specific determinants (industry sensitivity) and country-specific determinants (country background and media exposure). Those findings show that the determinants of Islamic CSR disclosure are not different from the determinants of CSR disclosure as reported in the previous studies conducted based on the mainstream theories. To sum up the discussion, Table 8-8 illustrates the comparison of the findings of this current study and the previous studies in relation with the determinants of CSR disclosure.

Table 8-8 Comparison of the Findings between this Study and Prior Studies

Studies	Adj R ² (R ²)	Country	Measures for CSR Disclosure Level	Sample	Determinants of CSR Disclosure Level					
					Size	INDSENST	Profit	Media	SOE	Country
This study (all categories)	37%	Indonesia, Malaysia, Pakistan	Word, sentence, index, index_quan, compre, Islam	90 shariah-approved companies	+	Insig	Insig	Insig	+	Sig
This study (by category)	43%				-	-	+	+	Sig	
Belkaoui & Karpik (1989)	(44%)	US	Rating scale 1 to 13	23 companies	+		Insig			
Hackston & Milne (1996)	46%	New Zealand	Sentences, pages	47 companies	+	+	Insig			
Haniffa Cooke (2005)	48%	Malaysia	Index, words	139 non-fin co's	+		+			
Amran & Devi (2008)	36%	Malaysia	Sentences	133 + 68 companies	+		Insig		+	
Branco & Rodriguez (2008)	35%	Portugal	Index	49 observations	+	+	Insig	+		
Chen & Bouvain (2008)	28%	US, UK, Aus, Ger	Incidence of disclosure	151 companies	Insig					Sig
Reverte (2008)	47%	Spain	Incidence, index	35 companies	+	+	Insig	+		
Wanderley <i>et al.</i> (2008)	-	8 emerging co's	Incidence	127 companies		+				Sig
Tagesson <i>et al.</i> (2009)	36%	Sweden	Index	267 companies	+	+	Insig		+	
Esa & Gazhali (2010)	26%	Malaysia	Index	27 GLCs	+		Insig			
Gamerslag <i>et al.</i> (2010)	48%	Germany	Index	130 companies	+	+	+	+		
Gao (2011)	-	China	Incidence	81 companies	+				+	
Li & Zhang (2010)	15%	China	Index	692 companies	+		+			
Osama & Fatima (2010)	19%	Malaysia	Index, index Islam	51 SACs	+	Insig				
Farook <i>et al.</i> (2011)	35%	14 countries	Index	47 Islamic banks	Insig					+
Mia & Mamun (2011)	24%	Australia	Index	48 small co's	+		Insig			
Tagesson <i>et al.</i> (2011)	37%	Sweden	Incidence	280 local gov's	+		+		+	
Al-Shubiri <i>et al.</i> (2012)	42%	Jordan	Incidence	60 industrial co's	+					
Amran <i>et al.</i> (2012)	50%	Malaysia	Index	100 companies	+	+	Insig		+	
Bouten <i>et al.</i> (2012)	(59%)	Belgium, US	Words,Index, Index_compre	108 companies	+	+	Insig	+		Sig
Iaonnou & Serafim (2012)	(40%)	42 countries	CSP index	12,764 observations	+	+	+			Sig
Setyorini & Ishak (2012)	34%	Indonesia	Index	911 observations	+		+			
Suttipun (2012)	-	Thailand	Words	75 companies	+	Insig	Insig		Insig	
Young & Marais (2012)	-	Australia & France	Index	220 companies		+				Sig
Abdulrahman&Bukhair (2013)	21%	6 Gulf countries	Index	53 Islamic banks	+		+			
Ghazali (2013)	50%	Malaysia	Index, index-quan	85 companies	+		Insig		+	
Khasharmeh & Desoky (2013)	19%	6 GCC countries	Index	163 companies	+	+	+			Sig
Li <i>et al.</i> (2013)	20%	China	Decision to disclose, index	1574 companies	+		+		Insig	
Tagesson <i>et al.</i> (2013)	12%	Sweden	Index	169 companies	+	+	Insig		+	
Wang <i>et al.</i> (2013)	23%	China	Index	200 companies	+	+		+		
Mallin <i>et al.</i> (2014)	(27%)	13 countries	Index	90 Islamic banks	+		+			
Sharif & Rashid (2014)	85%	Pakistan	Index	22 commercial banks	+		+			
Chiu & Wang (2015)	(62%)	Taiwan	Index_Quan	246 companies	+		+		+	
El-Halaby & Hussaeny (2015)	42%	25 countries	Index	226 138 Islamic banks	+					

8.6. Summary

Chapter Eight reports the results of regression analyses that were used to test the six hypotheses of this current research. The results of the hypotheses testing were further used as the basis for identifying the determinants of Islamic CSR disclosure level practiced by *sharia* approved companies in the OIC sample countries. Six independent variables derived from prior studies on the determination of CSR disclosure were regressed toward Islamic CSR disclosure level measured by number of words, number of sentences, index, quantitative index, comprehensiveness index and Islamic index. For getting a better understanding of the independent and the dependent variables, the results of descriptive statistics and correlation analysis of both types of variables were presented beforehand. Additionally, to ensure the quality of the regression analyses, the results of outlier, influential values and regression assumptions tests were also presented at first.

The results of regression analysis based on the overall categories show that country variable was always found as the significant determinants in explaining the level of Islamic CSR disclosure. State-ownership was also consistently found as significant determinants of Islamic CSR disclosure across the six different measurements, whereas company size as measured by natural logarithm of total assets was found as significant determinants when the disclosure level was measured by five measurements leaving out quantitative index. When the regression analyses were executed by category, all of the independent variables were found as the significant determinants of Islamic CSR disclosure.

Chapter Nine: Conclusion

9.1. Introduction

As discussed in Chapter One, the aim of this study was to investigate the practice of Islamic corporate social responsibility disclosure by *shariah*-approved companies in the Organisation of Islamic Cooperation countries. The aim was further specified into four specific objectives:

1. To develop an Islamic CSR disclosure instrument that can measure the level of CSR disclosure by *shariah*-approved companies.
2. To document the content and the level of Islamic CSR disclosure by *shariah*-approved companies in a sample of OIC countries.
3. To identify whether there was any difference in Islamic CSR disclosure between countries in OIC.
4. To identify the determinants of Islamic CSR disclosure by *shariah*-approved companies in a sample of OIC countries.

The aim of this chapter is to summarize the results and conclusion related to the above objectives. It is also intended to refer the findings of the current studies to previous studies as well as to identify and discuss the contribution of this study. This chapter is structured in five sections. Following this introduction section, the second section discusses the results of this current study. The section is devoted to explicating the results of the current study's four objectives. The third section is dedicated to discussing the contribution of the study, whereas the fourth section discusses the limitation of this study and recommendation for the future research.

9.2. Summary of the Results

In an attempt to achieve the aims of this study, an extensive review of the relevant theoretical and empirical literature both from mainstream and Islamic perspective was conducted (see Chapter One, Two and Three). A number of CSR disclosure frameworks had been developed, but all of them were based on the mainstream theory of CSR (see Chapter Two). Based on the concept of responsibility and accountability in Islam (see Chapter Three) as well as current CSR disclosure framework, an Islamic CSR disclosure instrument was developed (see Chapter Five). By using the instrument, content analysis of annual reports was applied to document the level and content of Islamic CSR disclosure in a sample of OIC countries (see Chapter Six). Further analyses were conducted to investigate the difference in Islamic CSR disclosure among countries of OIC (see Chapter Seven) and the determinants of Islamic CSR disclosure level (see Chapter Eight). The study used qualitative analysis, descriptive analysis, comparison analysis and multiple regression analysis to

achieve the research's aims. A summary of this study's major results are presented in this section. It includes discussion of the following results. Firstly, the results of literature study in developing of Islamic CSR disclosure instrument. Secondly, the results of the content analysis in documenting the level and the content of Islamic CSR disclosure. Thirdly, the result of comparative analysis of the disclosure of Islamic CSR in three different countries of OIC. Fourthly, the results of regression analyses in determining the factors influencing Islamic CSR disclosure level.

9.2.1. Islamic CSR Disclosure Instrument

The first objective of this study was to develop an Islamic CSR disclosure instrument that can measure the level of CSR disclosure by SACs. An extensive literature study involving literature on CSR disclosure from both mainstream and Islamic perspective was executed to meet the objective.

This study suggests that Islamic CSR disclosure instrument should include all areas representing dual responsibilities concept. Therefore, as explicated in Chapter Five, the Islamic CSR disclosure instrument proposed in this study covers three areas, which are the area of company relationship with God, company relationship with stakeholders and company relationship with the environment. Based on stakeholder theory from an Islamic perspective as suggested by Belal (2015), the areas were further classified into ten categories representing company responsibilities to God and all stakeholders in general, employee, shareholders/financiers, customers, suppliers, debtors, other business partners, government, community, and the environment.

A quite similar classification using stakeholder approach from the mainstream theory of CSR was also adopted by Bravo *et al.* (2011) and Jamali (2008). Bravo *et al.* explored the relevance of CSR as an element of corporate identity of Spanish financial institution, whereas Jamali reviewed the use of stakeholder theory approach to CSR in Libyan and Lebanese companies. Nevertheless, the both studies only recognized customer, society/community, employee, shareholders/investor, supplier and environment as a key stakeholder to which CSR was aimed for. This current study considers that the inclusion of God and stakeholders in general, debtors, government and other business partners in addition to those six stakeholders will make the instrument more comprehensive. It will be more representative to cover the concept of dual responsibilities as signified by the concept of *tawhid*.

With regard to what type of responsibilities should be addressed for each category, the hierarchy of responsibility derived from the concept of *maqasid al shariah* provides a guideline on what responsibilities are required, recommended or desired to be fulfilled.

However, as the guideline is still in a broad-spectrum, a more detail list of items of responsibilities was incorporated. In addition to the reliance on Islamic ethical system for developing the list of items, this study also took current CSR disclosure frameworks such as GRI, AAOIFI standard on CSR for Islamic financial institutions, UNGC, OECD into consideration. The instrument also accommodates the instruments developed by prior studies including Maali *et al.* (2003), Haniffa & Hudaib (2007), Hassan & Harahap (2010), and Belal *et al.* (2015). It also takes the suggestions provided by prior studies like Baydoun & Willet (2000), Sulaiman and Willet (2003), Dusuki & Abdullah (2010) into consideration. (See Chapter Four, Table 4-1).

Finally, the ten categories of the proposed instrument were further expanded into 114 items of responsibilities. This number is considered high considering that the average number of items used by prior studies on Islamic CSR disclosure was only 67 items (See Chapter Three). This instrument is also more comprehensive than the 78 items of Haniffa and Hudaib (2007)'s benchmark for Islamic banks. As it was expected, the current instrument was developed for measuring Islamic CSR disclosure level of SACs coming from diverse industries. This instrument was also more comprehensive than the 95 items based on GRI specific disclosure standard. It does not only concern on companies' economics, environment and social performance as it was pointed out by GRI, but it also covers a number of Islamic requirement. The instrument was expected to accommodate Islamic teaching; thus, the 114 items were made up 34 items related to essential responsibilities, 47 items related to complementary responsibilities and 32 items related to embellishment responsibilities. Such classification has not been observed in the previous studies on Islamic CSR disclosure.

9.2.2. The Content and the Level of Islamic CSR Disclosure

The second objective of this current study is to document the content and level of Islamic CSR disclosure by SACs in the sample of OIC countries. By using the instrument developed in this current study, the qualitative and quantitative content analyses were conducted to achieve the objective. Qualitative content analysis was used to document the content of disclosure, whereas quantitative content analysis was used to document the level of disclosure including the amount of disclosure, the breadth of disclosure, and the depth of disclosure (See Chapter Six).

The results of both quantitative and qualitative content analysis show five prevailing findings. Firstly, employee category seems to be the predominant theme elaborated in annual reports of SACs in the sample countries. Secondly, the level of Islamic CSR disclosure results show that the percentage of disclosure ranged between 6% and 68%. Thirdly, most of Islamic CSR communicated in the annual reports of Indonesian, Malaysian

and Pakistani SACs was qualitative in nature presented in 9974, 6828, 6143 words, accordingly. Fourthly, an item related to un-Islamic activities/revenues was observed as the most common items appeared in the annual reports. All SACs in the countries disclosed information related to this item. Fifthly, the study observes that none of the SACs in the sample countries disclosed *shariah* supervisory board (SSB) in their annual reports.

9.2.3. Islamic CSR disclosure level in Indonesia, Malaysia and Pakistan

The third objective of the current study is to identify whether there was any difference in the disclosure of Islamic CSR in the three countries. Comparative analysis using ANOVA, Post-hoc test, Kruskal-Wallis, Mann-Whitney U test were conducted to achieve the objective. The study provides evidence from Islamic CSR disclosure in the three sample countries indicating that different country has a different level of Islamic CSR disclosure. Regardless the measurements used to gauge CSR disclosure level; there were notable differences in the level of Islamic CSR disclosure of SACs from Indonesia, Malaysia, and Pakistan. Significance differences were observed in the amount, the breadth and the depth of disclosure including quantitative disclosure, comprehensiveness of disclosure, and adherence to Islamic teachings among companies in the three countries.

In general, SACs in Indonesia were observed for having the highest amount of disclosure, the broadest coverage of disclosure, and the most qualified disclosure followed by Malaysia and Pakistan. However, when come into comparison analysis by category, the findings show different pattern: Indonesia was found to be the best in disclosing employee, community, environmental and customer categories; Pakistan was the best in disclosing general category; Malaysia was the best in disclosing shareholders category; And there is no significant difference in the disclosure of government, supplier, debtor and other business partner categories in the sample countries.

In conclusion, the findings of the comparison analysis show SACs from the three countries had different focus in addressing their CSR concerns. Indonesian SACs tend to focus on social and environmental issues; Malaysian SACs are generally economical; whereas Pakistani SACs are generally religious.

9.2.4. The Determinants of Islamic CSR Disclosure Level

The last objective of this current study is to identify the determinant of Islamic CSR disclosure by SACs in the OIC sample countries. A number of regression analyses were conducted to identify the effect of six independent variables identified from prior studies on the level of Islamic CSR disclosure. The dependent variable was Islamic CSR disclosure level in term of the amount of disclosure measured by number of words and number of

sentences, the breadth of disclosure measured by un-weighted disclosure index, the depth of disclosure measured by quantitative disclosure index, comprehensiveness disclosure index and Islamic requirement disclosure index.

The results of six regression analyses for overall categories show that state-ownership, country variable and company size significantly affecting the level of Islamic CSR disclosure of SACs in the three countries. The regression analyses by category show the following findings: 1). State-ownership, media exposure and country significantly affected Islamic CSR disclosure level of general category; 2). Company size, state-ownership, media exposure and country significantly affected Islamic CSR disclosure level of employee category; 3). Company size, state-ownership, and country significantly affected Islamic CSR disclosure level of shareholder category; 4). Company size, state-ownership, industry sensitivity and country significantly affected Islamic CSR disclosure level of customer category; 5). Industry sensitivity and country significantly affected Islamic CSR disclosure level of supplier category; 6). Industry sensitivity and country significantly affected Islamic CSR disclosure level of debtor category; 7). Company size, state-ownership, industry sensitivity, media exposure and country significantly affected Islamic CSR disclosure level of other business partner category; 8). State-ownership, media exposure and country significantly affected Islamic CSR disclosure level of government category; 9). Company size, state-ownership, and country significantly affected Islamic CSR disclosure level of community category; 10). Company size, state-ownership, media exposure and country significantly affected Islamic CSR disclosure level of community category.

9.3. Contribution of the Study

This study produces both theoretical and practical findings that might have some contributions to the field of CSR disclosure from an Islamic perspective, *shariah*-approved companies (SACs) and possible for Islamic reporting. Furthermore, the contributions of this study are presented in this section.

9.3.1. Knowledge Contribution

There are three major knowledge contributions of this study. Firstly, this study introduces the concept of dual responsibilities that was derived from the concept of *tawhid*. The notion of dual responsibilities has never been mentioned by any previous study in the area of Islamic CSR, Islamic accounting or other contemporary Islamic teaching. Secondly, this study proposes an Islamic CSR model that was mainly derived from Imam Al Ghazali's concept of *maqasid ash syariah* and the five commandment of *shariah*. An Islamic CSR pyramid was constructed. The pyramid could also be regarded as a re-contextualization of the Carroll's Pyramid of CSR into Islamic context. Thirdly, another major knowledge contribution of this study is the development of Islamic CSR disclosure instrument. This

instrument is an operationalization of the dual responsibility concept and the Islamic CSR Pyramid into a more operational guideline. The development of this instrument allows the availability of common language that can be used by Islamic business institutions across industry in fulfilling and communicating their responsibilities.

The Islamic CSR disclosure instrument proposed in this present study complements CSR disclosure instruments developed by prior studies. It has several advantages than its predecessors. It is more comprehensive as it has more items than those of previous studies. Not only having more items, but the instrument was also derived from the two most important parts of Islamic teaching, which were *tawhid* and *shari'ah*, while still considering current CSR disclosure standards such as GRI. The instrument is supplemented with disclosure requirement for each item based on *maqasid al shari'ah* concept and is also accompanied with particular Islamic tenet underlying each item. The use of stakeholder theory from an Islamic perspective in developing the instrument allows its implementation on Islamic business institutions from different industries.

9.3.2. Methodological Contribution

The measurement of Islamic CSR disclosure level is considered is the major methodological contribution of this study. This study contributes for research methodology of Islamic CSR disclosure by offering three different measurements of the quality of CSR disclosure level, which are quantitative index, comprehensiveness index and Islamic index. Additionally, this study observed a very high correlation between number of words and number of sentences in measuring the amount of disclosure; it provides empirical support for applying either number of words or sentences as a proxy of the amount of disclosure. Thus, it may support future researchers who decide not to use both measurements at once. This support was also strengthened by the results of the regression analysis showing that the determinants of Islamic CSR disclosure level measured by number of sentences and number of words are similar. Also, the approach used by the current study in formulating the instrument by combining classic Islamic teachings and contemporary literature could provide insight for the implementation of Islamic teaching in any other area of research.

9.3.3. Theoretical Contribution

The current study offers some theoretical contributions that are useful for filling the gap in the literature of CSR disclosure and *shariah*-approved companies. Firstly, it provides an understanding of the concept of responsibilities, CSR and CSR disclosure from an Islamic perspective. As responsibility concept in Islam is primarily derived from the very basic philosophical foundation of Islam (*tawhid*) and the concept remains unchanged over time and from place to place, it might help to provide clear definition and justification for CSR.

Similarly, *shari'ah* with its five commandments and its objective may contribute to the development of a practical guideline for implementation of Islamic CSR and its disclosure.

Secondly, by investigating the practice of Islamic CSR disclosure in the sample of OIC countries, this study extends empirical studies on CSR disclosure that previously tend to ignore the contribution of religion. Islam, which does not recognise the separation between sacred and secular matters and therefore requires all economics activities have to be carried out Islamic responsible, has strong push factors to the establishment of Islamic business institutions. The concept of CSR based on religion that is usually normative in nature can be empirically observed and investigated in the case of Islam. This current study strengthens the findings of the very limited prior studies on the contribution of religion for CSR such as Brammer *et al.* (2007) and Graafland *et al.* (2007) confirming that religion does have contribution for explaining CSR disclosure.

Thirdly, this study enriches the limited empirical studies on Islamic CSR disclosure that previously only focus on Islamic financial institutions. It does so by offering an empirical investigation of CSR disclosure of *shari'ah*-approved companies, which are Islamic business institutions other than Islamic financial institutions. It provides evidence for the implementation of Islamic CSR concept, the variation of Islamic CSR disclosure in different countries and the determinants of the disclosure. Similar to the findings of the previous studies, this study confirms that SACs had disclosed their responsibilities toward all types of stakeholders, though the coverage was still low. It also strengthens the findings of prior studies confirming that different country showed a different level of disclosure. It has contributed to the understanding of what might determine Islamic CSR disclosure level, verifying that the determinants observed in prior studies were also applicable in Islamic CSR disclosure in the sample OIC countries.

Fourthly, the present study supports the applicability of agency theory, legitimacy theory, stakeholder theory, and political economy theory in explaining Islamic CSR disclosure. Legitimacy theory was validated by the significant impact of company size, media exposure and industry sensitivity, whereas stakeholder theory was supported by the significant impact of state ownership and profitability. Besides supporting stakeholder theory, the significance of profitability in explaining Islamic CSR disclosure especially debtor category also justified the applicability of agency theory. Similarly, agency theory was also justified by the significant impact of company size on CSR disclosure level. For political economy theory, the present study contributes in supporting the theory by observing that country with more freedom of political right and civil liberty tends to disclose more Islamic CSR information. The new *shariah* enterprise theory by Triyuwono (2003) was also supported. It

is confirmed that, as part of accountability, bigger company has more responsibilities than smaller company. Thus, big company tends to disclose more information.

Fifthly, this study contributes to the literature on CSR disclosure by reviewing 74 empirical studies from a Western perspective and twenty-five empirical studies from an Islamic perspective. The review of the studies could provide an insight of the current state of CSR disclosure development and the extant theories used to explain CSR disclosure from both perspectives. It might also be useful to provide future direction for research on CSR disclosure from both Western and Islamic perspectives.

Last but not least, this study open up our understanding that the concept of CSR from Western context may take a role as a bridge between the concept of accounting from Islamic point of view and accounting from the mainstream theory.

9.3.4. Practical Contribution

The practical contribution of this study could be directed to three potential users, which are Islamic business institutions, policy makers, and practitioners. It has been understood that, as Muslims' awareness to conduct economic activities in accordance with *shari'ah* has been increasing, the quest for Islamic business institutions is undeniable. Relevant to the objectives of this study, Islamic business institutions might be benefited from this study are *shariah*-approved companies and Islamic capital market. The existence of both institutions allows Muslims to get *shariah* compliant products or to invest in *shariah* compliant investment. This fact is also true in the case of Indonesia, Malaysia, and Pakistan where the demand for such companies is high. But, the findings of the present study show that SACs in the sample OIC countries had a low level of Islamic CSR disclosure. Manager of SACs needs to understand how to communicate CSR effectively. This study could provide a guideline for the manager on that issue by offering an Islamic CSR disclosure instrument together with its philosophical foundation, its underlying Islamic tenets, and its disclosure requirement. Effective communication through Islamic CSR disclosure is not only good for companies' image and reputation, but it may also elevate companies' religious status. In turn, the objective of *shariah* in promoting the wellbeing of all stakeholders becomes more likely to achieve. Hence, the loyalty of stakeholders may increase. Additionally, the findings of the regression analyses used to investigate the determinants of Islamic CSR disclosure may also offer useful insight. The findings of Islamic CSR disclosure determination may guide SACs on how to best plan their behaviours for the best of the company as well as the stakeholders.

For Islamic capital market, this study may contribute to enhancing the screening process of *shariah*-approved companies. As discussed in the earlier chapters, the current screening

process in Islamic capital market is only based on negative approach, a minimum level of compliance. For encouraging SACs to go beyond the minimum level of compliance, Islamic capital market could adopt the positive approach of screening. The framework used in this study to develop Islamic CSR disclosure instrument could be used as a guideline for developing the positive screening process. Additionally, the Islamic CSR disclosure instrument could also be used as a tool to do the screening process and to measure CSR disclosure level of SACs. Measuring Islamic CSR disclosure level may help Islamic capital market to rank SACs based on their commitment and action to maintain a good relationship with God, stakeholders, and the environment.

Next, this study might offer a practical contribution for policy makers. It appeals to relevant authorities such as capital market advisory board, *shari'ah* national board and OIC stock exchange forum to develop CSR disclosure framework or guideline applicable for SACs from all types of industry. The high variation of Islamic CSR disclosure among SACs in similar countries and different countries observed in this study shows that the lack of standardization of CSR disclosure still exists. The existence of Islamic CSR disclosure framework may reduce the high variation of disclosure and make the disclosure among companies more comparable. It also allows relevant authorities to perform social audit. Social audit may encourage companies to perform better CSR and to communicate the performance effectively. The finding of this study also suggests the important of education promote a better understanding of CSR and its disclosure. The low level of CSR disclosure observed in this study may indicate that there is still a lack of public's understanding on CSR. Stakeholders and public might not realize their power to affect company behaviours. Therefore, relevant authorities need to develop certain policy to educate people about CSR and to enhance their CSR and ethical business awareness. The authorities could include CSR concept including its underlying Islamic tenets and Islamic requirement in the content of the education policy.

Lastly, practical contribution of this study could also be directed to business practitioners. Muslim entrepreneur or businessman may learn from this study how to run business in accordance with *shari'ah*. The concept of *tawhid* teaches those practitioners what Islamic tenets they should embrace and who related parties they should be responsible for. Similarly, the concept of *maqasid al shariah* could also teach the practitioners what responsibilities they should address to all related parties and how to address the responsibilities, especially when facing limited resources. Moreover, by examining the determinants of Islamic CSR disclosure level, this study allows practitioners to understand why such disclosure is needed and how to response any stakeholders' or public's movement toward their business effectively.

9.4. Limitations and Future Research

Although this present study has achieved its research objectives and provided a number of theoretical and practical contributions, it is not without limitations. Several limitations and recommendation for future research are presented in this section. Firstly, this study cannot observe the disclosure of *shariah* supervisory board (SSB) in the annual reports of SACs in the three sample countries. The researcher had tried to look at the website of each SACs, but there was no information regarding the existence of this board. Therefore, the current researcher concludes that none of SACs in the sample countries has SSB in their corporate governance structure. This finding is unexpected since *shariah* supervisory board is considered as an important body for ensuring the *shariah* compliance of Islamic business institutions including SAC. As discussed in Chapter Six, this non-existence could be because the functions of SSB to determine the halal status of SACs' products as well as to ensure their compliance with sharia can be performed occasionally. SSB's function to monitor SACs' compliance with *sharia* might be replaced by the National *Shariah* Board through shariah screening process. This rational is not confirmed yet. Therefore, future researcher could address this issue by seeking a clear answer of the non-existence of SSB in SACs.

Secondly, since there is no *shariah* supervisory board in all SACs in the three sample countries, this study could not use the existence of *shariah* supervisory board as one of the independent variables in determining the level of Islamic CSR disclosure. Initially, the current researcher expected that there will be an association between the existence of SSB and the level of Islamic CSR disclosure. As the function of SSB is to ensure that IBIs are operated in Islamic responsible ways, the level of Islamic CSR disclosure in SACs with SSB in their corporate governance will likely the be higher than the level of Islamic CSR disclosure in SACs without SSB.

Thirdly, at first, the current researcher planned to use sustainability reports in addition to annual reports as the source of the data. However, as the number of SACs published sustainability reports was limited, the plan cannot be executed. There are only nine, five and two sustainability reports published by SACs from Indonesia, Pakistan and Malaysia, accordingly.

Fourthly, the sample of this study only consists of SACs from Indonesia, Malaysia, and Pakistan since only Islamic capital markets from those countries provided a list of *shariah*-approved companies. In fact, there is eight countries member of OIC that have Islamic capital market. As stated in Chapter Five, the current researcher had tried to contact the other Islamic capital market member of OIC stock exchange forum such as Bahrain and Turkey to get the list of SACs. However, no response had been given until the time for

analysing data. Thus, the lists of SACs other than Indonesian, Malaysian and Pakistani were unable to be attained. The difficulty to get the list of SACs from Islamic capital market was also recognized by Nazam & Minhat (2012) who investigate the role Islamic finance in SACs. They decided to make a list by doing their screening process. The current researcher did not adopt a similar method to Nazam & Minhat (2012) to avoid any bias. As stated in Chapter One, to ensure the validity, the screening process of companies to be listed as SACs in Islamic capital market should be undertaken by *shariah* national board in collaboration with capital market authority. To get broader understanding, future research needs to think about how to get the list of SACs listed in Islamic capital market of the eight OIC countries.

Lastly, this study only relies on secondary data. It means that this study is only valid to the extent that the data contained in them is accurate, which is annual report. But normally, companies' annual reports are reliable because they are audited before being published. Future researchers might extend their researches by incorporating primary data gathered from SACs' managers and or SACs' stakeholders through interview and or survey. The use of primary data in addition to secondary data might help future researchers to find the reason behind the low disclosure. It may also allow future research to investigate whether the non-disclosure of a certain item of Islamic CSR disclosure is driven by the fact that SACs did not perform any concern/action related to the item or just because the managers did not see any necessity for disclosing it.

Appendices

10.1. The List of Companies included in the Sample

10.1.1. Indonesia

No.	Name of SAC	Code
1	PT. Astra Agro Lestasi, Tbk.	AALI
2	PT. Adaro Energy, Tbk.	ADRO
3	PT. AKR Corporindo, Tbk.	AKRA
4	PT. Aneka Tambang, Tbk.	ANTM
5	PT. Astra International, Tbk	ASII
6	PT. Alam Sutra Realty, Tbk	ASRI
7	PT. Sentul City, Tbk.	BKSL
8	PT. Global Mediacom, Tbk.	BMTR
9	PT. Bumi Serpong Damai, Tbk.	BSDE
10	PT. Charoen Pokphand Indonesia, Tbk.	CPIN
11	PT. Excel Axiata, Tbk.	EXCL
12	PT. Harum Energy, Tbk.	HRUM
13	PT. Indofood CBP, Tbk.	ICBP
14	PT. Inco Vale, Tbk	INCO
15	PT. Indofood, Tbk	INDF
16	PT. Indocement Tunggul Perkasa, Tbk.	INTP
17	PT. Indo Tambang, Tbk.	ITMG
18	PT. Jasa Marga, Tbk	JSMR
19	PT. Kalbe Farma, Tbk	KLBF
20	PT. Lipokaarawaci, Tbk.	LPKR
21	PT. London Sumatra Plantation, Tbk.	LSIP
22	PT. Mitra Adhiperkasa, Tbk.	MAPI
23	PT. Media Nusantara, Tbk.	MNCN
24	PT. Gas Negara, Tbk	PGN
25	PT. Bukit Asam, Tbk.	PTBA
26	PT. Semen Gresik, Tbk.	SMGR
27	PT. Telekomunikasi Indonesia, Tbk.	TLKM
28	PT. United Tractor, Tbk.	UNTR
29	PT. Unilever, Tbk.	UNVR
30	PT. Waskita Karya, Tbk.	UNVR

10.1.2. Malaysia

No.	Name of SAC	Code
1	Air Asia, Bhd.	AIRA
2	Ajinomoto, Bhd.	AJI
3	Asia Brand, Bhd.	ASIABRN
4	Berjaya Food, Bhd.	BJFOOD
5	Bina Good Year, Bhd.	BGYEAR
6	Damansara Realty, Bhd.	DBHD
7	Digi.Com, Bhd.	DIGI
8	D&O Green Technology, Bhd.	DOGT
9	Ekowood International, Bhd.	EKOW
10	FCH Holding, Bhd.	FCH
11	Friesland Campina, Bhd.	DLADY
12	Golden Land, Bhd.	GLBHD
13	Kawan Food, Bhd.	KFB
14	Kuantan Flour Mill, Bhd.	KFM
15	Kuchai Development, Bhd.	KUCHAI
16	Lingkar Trans Kota Holdings, Bhd.	LITRAK
17	London Biscuit, Bhd.	LONBISC
18	Malayan Flour Mill, Bhd.	MFLOUR
19	Malaysia Airlines, Bhd.	MAS
20	Malaysian Resources Corporation, Bhd.	MRCB
21	Nestle, Bhd.	NESTLE
22	Panasonic Manufacturing Malaysia, Bhd.	PANAMY
23	Petronas Dagangan, Bhd.	PETDAG
24	Petronas Gas, Bhd.	PETGAS
25	Sarawak Oil Palm, Bhd.	SOP
26	Shell Refining Company, Bhd.	SHELL
27	Telekom Malaysia, Bhd.	TM
28	TIME DOTCOM, Bhd.	TIMECOM
29	United Malacca, Bhd.	UMCCA
30	United Plantation, Bhd.	UTDPLT

10.1.3. Pakistan

No.	Name of SAC	Code
1	Abbot, Ltd.	ABBT
2	Atlas Battery, Ltd.	ATBA
3	Attock Cement, Ltd.	ACPL
4	Attock Refinery, Ltd.	ATRL
5	Cherat Cement, Ltd.	CHCC
6	D.G. Khan Cement, Ltd.	DG C
7	Engro Corporation, Ltd.	ENGRO
8	Fauji Fertiliser Bin Qosim, Ltd.	FBBL
9	Fauji Fertiliser, Ltd.	FFC
10	GlaxoSmithKline Pakistan, Ltd.	GLAXO
11	Hub Power Company, Ltd.	HUBC
12	ICI Power, Ltd.	ICIP
13	Indus Motor, Ltd.	IMC
14	Karachi Electric, Ltd.	KELE
15	Kohat Cement, Ltd.	KOHC
16	Lafarge Pakistan Cement, Ltd.	LPCL
17	Lotte Pakistan PTA, Ltd.	Lotte
18	Lucky Cement, Ltd.	LUCK
19	Maple Leaf Cement, Ltd.	MLCF
20	Mari Gas, Ltd.	MARI
21	Millat tractor, Ltd.	MILM
22	National Refinery, Ltd.	NRL
23	Nishat Mill, Ltd.	NML
24	Oil and Gas Development, Ltd.	OGDCL
25	Packages, Ltd.	PKGS
26	Pakistan Oil Field, Ltd.	POL
27	Pakistan Petroleum Ltd.	PPL
28	Pak Suzuki Motor Company, Ltd.	PSMC
29	Pakistan Telecommunication Company, Ltd.	PTCL
30	Shell Pakistan, Ltd.	SHEL

10.2. Coding Schedule

Company's Code :

No	Items	Item code	IR	No of incidence of Disclosure	Qualitative			Quantitative		Type of Information			Islamic Requirement		
					No of Words	No of Sentence	No of Tab/ Chart	Monetary	Non-monetary	VG	MA	PI	ESS	COM	EMB
1	Avoid what Islam prohibits	G1	ESS												
2	Compliance with statute Statement	G2	ESS												
3	Company's statement on CSR concern	G3	COM												
4	CSR related achievement	G4	EMB												
....												
110	Natural disaster rehabilitiion	Ev15	COM												
111	Waste managemen	Ev16	ESS												
112	Contribution to beautify environment	Ev17	EMB												
113	Facilitating cleanliness	Ev18	EMB												
114	Restoring historical building	Ev19	EMB												

1. Items: full name of the item
2. IR: Islamic requirement
3. VG: information related to vision and goal
4. MA: Information related to management approach
5. PI: Information related to performance indicator
6. ESS: Essential responsibility
7. COM: Complementary responsibility
8. EMB: Embellishment responsibility
9. For the quantitative, type of information, and Islamic requirement, each cell is written with the value of one (1) if the company made the disclosure related to the corresponding cell.

10.3. List of the Disclosed Items by Ranking

10.3.1. Indonesia

No	Item Code						
1.	G12	30.	Cm9	59.	C15	88.	Cm1
2.	Sh3	31.	Sh5	60.	Cm2	89.	Cm17
3.	Sh4	32.	C12	61.	Cm12	90.	G1
4.	G13	33.	Cm18	62.	G7	91.	G8
5.	E5	34.	Ev9	63.	E26	92.	C17
6.	E9	35.	G5	64.	C11	93.	OTB3
7.	E19	36.	E12	65.	Ev5	94.	Cm4
8.	E21	37.	Cm3	66.	Ev8	95.	Cm13
9.	Cm15	38.	Ev4	67.	Ev12	96.	Ev10
10.	G3	39.	E6	68.	G2	97.	Sh1
11.	E17	40.	C6	69.	E8	98.	Sh6
12.	Cm6	41.	E20	70.	C5	99.	C10
13.	G4	42.	C7	71.	G1	100.	OTB1
14.	E23	43.	G3	72.	Cm10	101.	Ev1
15.	Cm14	44.	E11	73.	Ev7	102.	G10
16.	E16	45.	E15	74.	G11	103.	E7
17.	D1	46.	C3	75.	Sh7	104.	E14
18.	E22	47.	C8	76.	C9	105.	C18
19.	Sh8	48.	Ev3	77.	C14	106.	OTB5
20.	G4	49.	E3	78.	C16	107.	Cm7
21.	E24	50.	E25	79.	Cm8	108.	Ev15
22.	G2	51.	Cm20	80.	Ev2	109.	Ev16
23.	Cm16	52.	E13	81.	Ev13	110.	Ev18
24.	Ev16	53.	Sh2	82.	E10	111.	G9
25.	G6	54.	Cm11	83.	C1	112.	G15
26.	E1	55.	Ev6	84.	OTB4	113.	C4
27.	E2	56.	Ev14	85.	Ev17	114.	OTB2
28.	Ev11	57.	G14	86.	C2		
29.	E4	58.	E18	87.	D2		

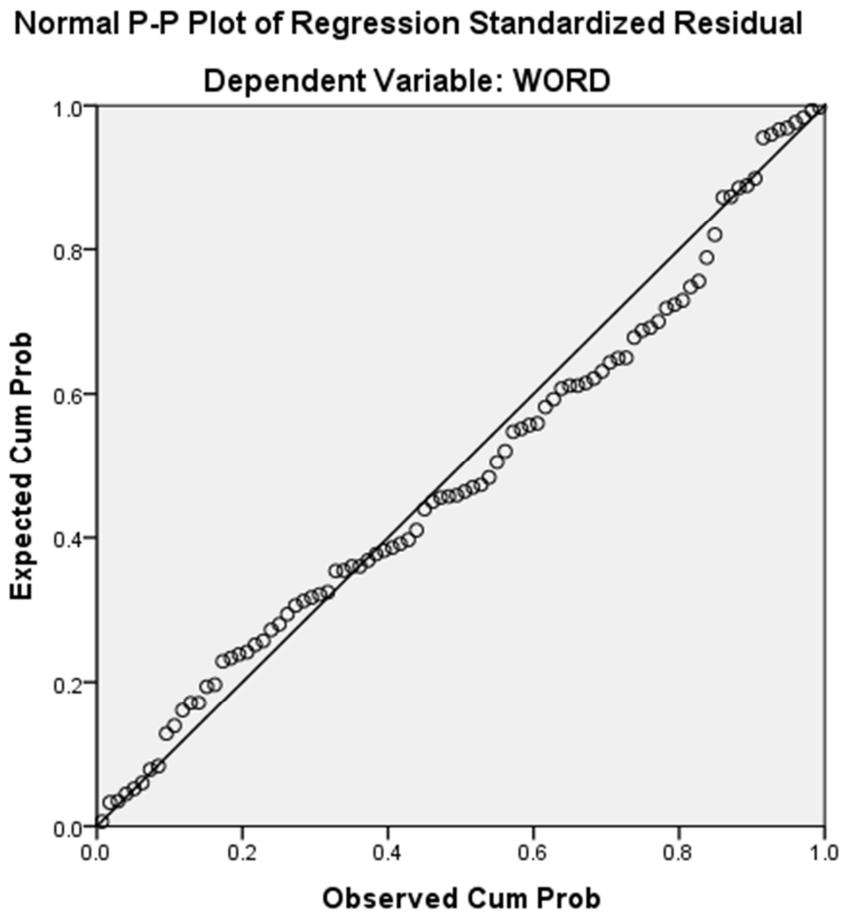
10.3.2. Malaysia

No	Item Code	No	Item Code	No	Item Code	NO	Item Code
1.	G12	30.	Ev9	59.	Cm9	88.	C11
2.	Sh3	31.	E1	60.	Cm13	89.	Sp4
3.	E5	32.	Ev3	61.	Cm18	90.	OBP1
4.	Sh8	33.	Ev11	62.	Ev2	91.	OBP3
5.	Sh4	34.	C3	63.	E9	92.	OBP4
6.	G3	35.	Ev4	64.	Sh1	93.	Cm1
7.	E19	36.	G2	65.	Ev1	94.	Cm10
8.	GOV2	37.	G11	66.	Ev12	95.	Ev10
9.	E21	38.	Sp1	67.	Ev16	96.	Ev14
10.	D2	39.	E6	68.	G5	97.	Ev18
11.	E16	40.	E22	69.	E25	98.	G1
12.	D1	41.	Sh6	70.	C2	99.	C1
13.	Cm6	42.	C6	71.	C9	100.	C4
14.	E12	43.	Cm3	72.	C10	101.	Sp2
15.	Sh2	44.	Cm12	73.	Sp5	102.	GOV1
16.	Sh5	45.	Cm14	74.	Ev7	103.	Ev8
17.	Cm15	46.	Cm16	75.	E8	104.	Ev13
18.	E17	47.	Ev5	76.	E13	105.	Ev17
19.	E24	48.	G13	77.	E15	106.	G7
20.	Cm11	49.	E3	78.	E18	107.	G9
21.	G6	50.	E20	79.	Sh7	108.	E11
22.	Ev6	51.	E23	80.	C5	109.	E14
23.	E4	52.	Cm5	81.	Sp3	110.	OBP2
24.	C12	53.	G10	82.	Cm7	111.	OBP5
25.	G4	54.	G14	83.	Cm8	112.	Cm4
26.	E2	55.	C7	84.	G8	113.	Cm17
27.	E26	56.	C8	85.	G15	114.	Ev15
28.	Ev16	57.	GOV3	86.	E7		
29.	Cm20	58.	Cm2	87.	E10		

10.3.3. Pakistan

No	Item Code	No	Item Code	No	Item Code	NO	Item Code
1.	G12	30.	Cm5	59.	E7	88.	Cm17
2.	E5	31.	Ev3	60.	E18	89.	Cm18
3.	Sh3	32.	Ev4	61.	Sh7	90.	Ev7
4.	G13	33.	Ev5	62.	Cm9	91.	G1
5.	E16	34.	Ev6	63.	G5	92.	G8
6.	E19	35.	E6	64.	C8	93.	E11
7.	E21	36.	Cm11	65.	Cm20	94.	Sh6
8.	C12	37.	Ev11	66.	Ev2	95.	Sp5
9.	GOV2	38.	Ev16	67.	E14	96.	Cm4
10.	G3	39.	G10	68.	C11	97.	Cm7
11.	Sh4	40.	E22	69.	Sp4	98.	Cm8
12.	G2	41.	E25	70.	D2	99.	Cm13
13.	G4	42.	E26	71.	Cm16	100.	Ev12
14.	G14	43.	C3	72.	E8	101.	E10
15.	G15	44.	GOV1	73.	E12	102.	C5
16.	E9	45.	Cm3	74.	Sh5	103.	C10
17.	Cm6	46.	Ev10	75.	OBP4	104.	OBP3
18.	Cm15	47.	G6	76.	Cm2	105.	Cm12
19.	Sh2	48.	E3	77.	Cm10	106.	Ev1
20.	D1	49.	E24	78.	Ev17	107.	Ev14
21.	Ev9	50.	Sh8	79.	E15	108.	Ev16
22.	E1	51.	GOV3	80.	C1	109.	G9
23.	E2	52.	G11	81.	C7	110.	Sh1
24.	E17	53.	E20	82.	Sp1	111.	Sp2
25.	C6	54.	Ev8	83.	Cm1	112.	OBP5
26.	G7	55.	C9	84.	C2	113.	Ev15
27.	E13	56.	OBP1	85.	C4	114.	Ev18
28.	E4	57.	Cm14	86.	Sp3		
29.	E23	58.	Ev13	87.	OBP2		

10.4. Normal Probability Plot for Overall Model with Number of Words as the Dependent Variable



10.5. Results of the Regression Analysis for the Overall Model with Number of Words as the Dependent Variable

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	OWN_SOE		Stepwise (Criteria: Probability-of-F-to-enter <= ,050, Probability-of-F-to-remove >= ,100).
2	LNTA		Stepwise (Criteria: Probability-of-F-to-enter <= ,050, Probability-of-F-to-remove >= ,100).
3	INA		Stepwise (Criteria: Probability-of-F-to-enter <= ,050, Probability-of-F-to-remove >= ,100).

a. Dependent Variable: WORD

Model Summary^d

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.490 ^a	.240	.231	4848.664	
2	.577 ^b	.333	.318	4566.733	
3	.628 ^c	.395	.374	4376.442	2.213

a. Predictors: (Constant), OWN_SOE

b. Predictors: (Constant), OWN_SOE, LNTA

c. Predictors: (Constant), OWN_SOE, LNTA, INA

d. Dependent Variable: WORD

Coefficients^a

Model		Unstandardized Coefficients		Standardized	t	Sig.	Collinearity Statistics	
		B	Std. Error	Coefficients			Tolerance	VIF
				Beta				
1	(Constant)	6044.097	571.421		10.577	.000		
	OWN_SOE	6732.069	1277.735	.490	5.269	.000	1.000	1.000
2	(Constant)	-10983.501	4904.425		-2.240	.028		
	OWN_SOE	5256.344	1275.445	.382	4.121	.000	.890	1.123
	LNTA	2043.312	584.977	.324	3.493	.001	.890	1.123
3	(Constant)	-9121.036	4742.144		-1.923	.058		
	OWN_SOE	5294.328	1222.366	.385	4.331	.000	.890	1.123
	LNTA	1706.512	572.073	.271	2.983	.004	.855	1.170
	INA	2955.754	1000.365	.253	2.955	.004	.957	1.045

a. Dependent Variable: WORD

Excluded Variables^a

Model		Beta In	T	Sig.	Partial Correlation	Collinearity Statistics		
						Tolerance	VIF	Minimum Tolerance
1	INA	.304 ^b	3.468	.001	.348	.997	1.003	.997
	MAY	-.160 ^b	-1.743	.085	-.184	1.000	1.000	1.000
	PAK	-.144 ^b	-1.556	.123	-.164	.997	1.003	.997
	INDSENST	-.020 ^b	-.212	.832	-.023	.967	1.034	.967
	LNTA	.324 ^b	3.493	.001	.351	.890	1.123	.890
	ROA	-.079 ^b	-.844	.401	-.090	.987	1.014	.987
	MEDIA	.058 ^b	.588	.558	.063	.908	1.102	.908
2	INA	.253 ^c	2.955	.004	.304	.957	1.045	.855
	MAY	-.116 ^c	-1.316	.192	-.141	.977	1.024	.870
	PAK	-.130 ^c	-1.489	.140	-.159	.994	1.006	.888
	INDSENST	-.046 ^c	-.509	.612	-.055	.961	1.041	.871
	ROA	-.093 ^c	-1.058	.293	-.113	.985	1.016	.882
	MEDIA	.014 ^c	.151	.880	.016	.891	1.122	.835
3	MAY	.007 ^d	.077	.939	.008	.746	1.340	.731
	PAK	-.007 ^d	-.077	.939	-.008	.746	1.340	.718
	INDSENST	-.051 ^d	-.598	.552	-.065	.960	1.041	.850
	ROA	-.078 ^d	-.920	.360	-.099	.981	1.020	.852
	MEDIA	.071 ^d	.777	.440	.084	.854	1.171	.828

a. Dependent Variable: WORD

b. Predictors in the Model: (Constant), OWN_SOE

c. Predictors in the Model: (Constant), OWN_SOE, LNTA

d. Predictors in the Model: (Constant), OWN_SOE, LNTA, INA

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