

Corporate Social Responsibility Disclosure and Financial Performance of Shariah PLCs in Malaysia

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Abstract

Corporate social responsibility disclosure (CSR/D) has become a critical issue, as evidenced by an increasing number of studies conducted in both developed and developing countries. As such, this study will examine the CSR/D of Shariah-compliant PLCs in Malaysia and its relationship to financial performance. From 2007 to 2017, 175 Shariah PLCs listed on Bursa Malaysia's Main Market were chosen as samples for this study. The findings indicate that the level of CSR/D in Shariah PLCs in Malaysia remains low. Additionally, the CSR/D is positively correlated with financial performance (ROA and Tobin's Q). Also, Muslim directors have a negative correlation with financial performance (ROA and Tobin's Q), whereas board size has no such correlation with ROA or Tobin's Q. There is a need for additional encouragement from the Malaysian government or regulatory bodies to encourage all PLCs to include CSR activities in their annual reports, particularly Shariah PLCs in Malaysia. Future research can therefore examine the determinants and extent of CSR/D in Shariah and non-Shariah PLCs in Malaysia or by industry or compare Shariah PLCs to other Shariah PLCs in ASEAN countries (Indonesia, Singapore, Brunei Darussalam, Thailand, Cambodia, or Bangladesh); and employ alternative financial performance measures (e.g., stock returns, market capitalization, or dividend yields).

Introduction

Since the 20th century, the CSR/D concept has been used (Gray, 2000; Guthrie and Parker, 1989; Sarkar et al., 2021). The period from the 1970s to 1990s could be regarded as an excellent point in the development of CSR/D (Andrew and Baker, 2020; Mathews, 1997). Apparently, the features and the area of CSR/D appears to have changed continually between various countries (Bhatia and Makkar, 2019; Gray, 2000). There is evidence that companies based in developed countries more extensively report about their CSR activities than those operating in developing countries (Ali et al., 2017; Bhatia and Makkar, 2019; Douglas et al., 2004). Vitolla et al (2019) stated that differences in nationality and culture may influence the accounting practices, and CSR reporting practices.

In Malaysia, CSR had started to give attention in 2006 when the Prime Minister of Malaysia said that all PLCs are required to disclose their CSR activities in the annual report. BM highlighted CSRD's four-dimensional disclosures, including community, workplace, marketplace and environment. Bursa Malaysia (2006) defined CSR as open and transparent business practices that are based on ethical values and respect for the community, employees, the environment, shareholders and other stakeholders. Bursa Malaysia (BM) issued a CSR's framework that encourages Malaysian PLCs to become more socially accountable (Bursa Malaysia, 2006). Bursa Malaysia has also continuously taken a proactive role in driving the promotion of CSR in the Malaysian business environment.

All PLCs in Malaysia were concerned and aware of the value of CSR to the society and community. Campbell (2007) states that companies less likely to engage in CSR when they are: (i) experiencing a weak of financial performance, (ii) operating in an unhealthy economics environment; and (iii) there is either too much or too little competitions. However, a quite number of researchers arguing that the low level of CSR reporting among Malaysian companies showed that CSR reporting was still in its infancy (Abdul Wahab et al., 2017; Ahmed, 2013; Lui et al., 2021; Mamun et al., 2017; Othman et al., 2011; Thompson and Zakaria, 2004; Yang and Yaacob, 2012; Zainal et al., 2013; Zainal and Zainuddin, 2013; Zainon et al., 2014). There is a significant issue at stake for Shariah PLCs in terms of establishing a competitive edge that distinguishes them from non-Shariah PLCs in Malaysia.

Therefore, based on eleven years (2007 to 2017) of data, the primary objective of this study is to address this research gap by looking into the CSRD reporting levels, particularly for Shariah PLCs in Malaysia. This study will also examine the association of CSRD with Shariah PLC's financial performance due to the limited number of previous studies reported by Lee and Isa (2020). This study analyzes using Generalized Methods of Moment (GMM) because this method could resolve the endogeneity issue. To summarize, this study contributes to the body of knowledge not only regarding the impact of CSRD on the financial performance of Shariah-compliant PLCs in Malaysia, but also regarding the use of a broad study period and a large number of observations to achieve greater generalization. Additionally, this study will examine the effect of Muslim directors and board size on the financial performance of Shariah-compliant PLCs in Malaysia, while controlling for certain financial characteristics such as firm size, firm age, and firm leverage.

The remainder of this research is structured as follows. The following section discusses the literature review of related studies on CSRD and financial performance; the formulation of hypotheses; and the study's data and methodology. The section then discusses the findings and the analysis, and the final section concludes the study by discussing some policy implications.

Literature Review and Theory

Corporate Social Responsibility Disclosure

The last few decades have witnessed an increased interest in corporate social responsibility (CSR). Prior studies showed that there is an increasing number of interest in CSRD study since the 1980s (Hassan, 2013; Sekhon and Kathuria, 2019). Today, various stakeholder groups are starting to require financial companies to provide information on social and environmental issues. Companies must justify all of their activities to a broader public by expanding their communications on a variety of issues, rather than focusing solely on the economic aspects of their operations (Daub, 2007).

Previous scholars have defined a number of CSR perspectives (Huang and Watson, 2015). CSR can act as the information that a company discloses about its environmental impact and its relationship with its stakeholders by using the proper communication channel (Gamerschlag et al., 2011). Hackston and Milne (1996) defined CSR as the provision of financial and non-financial information relating to an organization's interaction with its physical and social environment, as stated in annual reports. According to the researcher, CSR is a critical tool for businesses in providing relevant or appropriate information in their financial reports or on their website to meet the needs of stakeholders and shareholders, such as information on charitable activities.

CSR studies in developing countries mainly focused on a narrow range of emerging economies including Malaysia, Indonesia, South Africa, and China, which falls in line with the findings of other literature review studies (Ali et al., 2017; Fifka, 2011) and there is a limited number of CSR studies undertaken in the developing context (Alotaibi and Hussainey, 2016; Hamid et al., 2020; Ismail et al., 2018; Kamel and Awadallah, 2017; Khemir and Baccouche, 2010). Therefore, there is a need for further investigation on the CSR studies in developing countries, specifically in Malaysia context.

Moreover, Hizam et al (2019) indicated the bright future of CSR expansion in Malaysia and the situation of CSR practices and disclosure is emerging. Prior studies showed that there is an increasing number of CSR's trend in Malaysia (Ahmed Haji, 2013; Amran et al., 2017; Esa and Mohd Ghazali, 2012; Hizam et al., 2019). The level of CSR reporting was increasing over time due to certain factors such as legislation enforcement, pressure groups' increased demand and ethical investors, the establishment of awards for good CSR practice by companies, increased economic activities and societal awareness; and politics (Azid and Tahir, 2019; Nasir et al., 2015; Zahid et al., 2019).

However, the existing body of literature on disclosure of Shariah PLCs are still limited in number. Prior studies on CSR in Malaysia are mostly focused on various type of companies and area rather than Shariah PLC, see for examples, Malaysian Government Linked Companies (Abd Rahman et al., 2019; Esa and Mohd Ghazali, 2012; Esa and Zahari, 2017; Hamid et al., 2014; Norhayati and Siti-Nabiha, 2009; Wan Abd Rahman et al., 2011), financial institutions (Amran et al., 2017; Hamid, 2004; Handayati et al., 2017; Lui et al., 2021; Yusoff et al., 2018) and telecommunication (Abdul Hamid and Atan, 2011; Ibañez, 2013; Mohamed and Sawandi, 2007; Zhang et al., 2020). There is a limited in a number from prior studies that provide a clear picture of CSR reporting practising regarding the Shariah PLCs in Malaysia.

Stakeholder Theory

Another significant theory used to provide theoretical justifications for CSR is stakeholder theory. Freeman (1984) described a stakeholder as "any group or person that may influence or is influenced by an organization's achievement of its goals," and recommended that companies should recognize their direct and indirect stakeholders. Later, Freeman, Wicks and Parmar (2004) redefined the stakeholder as those groups who are vital to the survival and success of the corporation.

According to Freeman (1994), stakeholder theory is concerned with two primary issues. Firstly, it is concerned with the company's mission. The goal is to identify the company's core values and bring key stakeholders together. Secondly, it concerns management's responsibilities to their stakeholders. Stakeholder theory can provide managers with more resources and ability in dealing with challenges because they can offer not only financial reward but the language and action to show that they value relationships with other groups

and work to advance their interests over time (Freeman et al., 2004). In this present study, stakeholder theory has been used to explain what motivates companies to publicly disclose CSR information and how CSR reporting may affect financial performance.

Agency Theory

The agency relationship was defined by Jensen and Meckling (1976) as a contract under which a principal engages an agent in carrying out a service on their behalf. Additionally, they identified three distinct types of agency costs associated with agency issues: (i) monitoring costs are incurred as a result of providing specific incentives to the agent, which motivates him to act in the agent's best interests; (ii) bonding costs arise when the agent expends additional resources to ensure that his actions are consistent with the principle of interests; and (iii) the residual loss caused by the principal's welfare being diminished. Agency theory is generally a concept describing the contractual relationship between principles and agents. Principle is a party which gives the other party, an agent, a mandate to carry out all activities as decision makers on behalf of the directors (Jensen and Meckling, 1976).

Based on agency theory, managers can argue that they provide more voluntary information like CSR information to achieve a variety of benefits. Disclosure helps to alleviate conflicts between agencies, reduces asymmetry in information and provides stakeholders with information on company activities (Shehata, 2014); reduce agency costs (Barako et al., 2006); persuade different users to act optimally (Watson et al., 2002); and help companies to reduce their capital or debt costs (Lan et al., 2013). According to Huu Nguyen et al. (2020), numerous studies have been conducted to determine whether board size influences agency issues, and many people believe that a larger board performs better.

Prior Studies on CSRD and Financial Performance

Most of the prior studies on the relationship between CSRD and financial performance in developed countries were conducted or predominantly focused on US and European samples (Alshehhi et al., 2018; Galbreath and Shum, 2012; Saeidi et al., 2015). Evidence from empirical research suggests that several variables influence the relationship between CSRD and firm financial performance such as ROA, ROE, EPS, Tobin's Q, market return, price-earnings ratio and market value added (Lee and Isa, 2020; McWilliams and Siegel, 2010; Platonova et al., 2018; Razali et al., 2018; Waddock and Graves, 1997; Yusoff and Adamu, 2016).

However, the recent studies of CSRD and financial performance in developing countries had produced mixed results (Ali et al., 2017; Gi et al., 2015; Suhazeli et al., 2014; Szegedi et al., 2020). These studies includes (Bodhanwala and Bodhanwala, 2018; Dewi and Monalisa, 2016; Lee and Isa, 2020; Nireesh and Silva, 2018; Oh and Park, 2015; Platonova et al., 2018; Razali et al., 2018; Tsoutsoura, 2004; Waddock and Graves, 1997; Yusoff and Adamu, 2016) for positive correlation between CSRD and ROA, while (Abdul Wahab et al., 2017; Aras et al., 2010; Dkhili and Ansi, 2012; Lioui and Sharma, 2012; Trebucq and d'Arcimoles, 2002) failed to find an impact of financial performance on CSRD.

Another proxy for financial performance is Tobin's Q. Tobin's Q is a market-based measurement, and it is widely used in business research to measure corporate financial performance (Wang et al., 2015). Tobin's Q is also used in several studies to measure financial performance (Feng et al., 2017; Inoue and Lee, 2011; Rashid, 2018b; Saleh et al., 2011a; Surroca et al., 2010; Theodoulidis et al., 2017; Wang et al., 2015). The outcomes from the prior studies are mixed (Theodoulidis et al., 2017). This study adopts ROA (accounting-based

measure) and Tobin's Q (market-based measure) to investigate the relationship between CSR and firm financial performance. It is expected that there is a significant and positive relationship between CSR and firm financial performance. Following the above arguments, we test the following hypothesis:

H1 There is a positive relationship between CSR and financial performance (ROA)

H2 There is a positive relationship between CSR and financial performance (TQ)

Muslim Directors and Financial Performance

The presence of Muslim director in the companies would show us how the companies are dealing with their transparency and accountability issues in disclosing the CSR information in the annual report. The board of directors (BODs) could influence the management to honestly informing all activities ran by the companies in the annual report due to their responsibility and accountability to Islam. Baydoun and Willett (2000) mentioned that the concept of accountability in Islam in disclosing all information needed by the regulators could show their worship to Allah as a "Khalifah" and Islam. Moreover, Muslim directors can increase the reporting of information due to their excessive experience in Islamic concept including the approach on how to conduct the business activity in an ethical way (Anuar et al., 2009; Ghazali et al., 2019).

Malaysia is a multicultural country with three main ethnic groups which are: (i) Malay; (ii) Chinese; and (iii) Indian communities. Malay is the biggest population in Malaysia and invariably Muslim (Alazzani et al., 2019). The existence of Islamic Capital Market (ICM) in Malaysia was purely to promote the Shariah-compliant investment and to enable Muslim or non-Muslim in understanding the nature of Shariah approved companies. Nevertheless, since Malaysia aims to become a world Islamic hub, the Shariah PLCs should disclose all information required by the current and potential shareholders.

Prior research has established a positive correlation between Muslim directors and financial performance (Haron, 2018; Hooy and Ali, 2017), but Muslim directors of the Islamic organization did not result in improved CG or disclosure of information (Che-Adam et al., 2019; Hassan and Christopher, 2005); and underperform (Eldaia, 2020). Therefore, this study proposes the following hypothesis based on these arguments:

H3a There is a positive relationship between Muslim directors and financial performance (ROA)

H3b There is a positive relationship between Muslim directors and financial performance (TQ)

Board Size and Financial Performance

The size of the board can impact on the CSR level and the level of disclosure is the strategic decision taken by the board. Huu Nguyen et al. (2020) stated that many studies have been conducted to determine whether board size has an impact on agency issues, and many people believe that the bigger the board is, the better it performs. Kaymak and Bektas (2017) claimed that a higher number of directors in the board would improve the monitoring capabilities and indirectly affects both their transparency and disclosure activities. It could be argued that directors on larger boards have a greater incentive to communicate their role in

performance improvement to various stakeholders and to raise awareness of CSR reporting. A large board of directors (BOD) can help to bring together expertise and advice on strategic options, and more business performance information can be provided to shareholders (Al-Matari, 2019; Uadiale, 2010).

Prior studies showed that there is a positive relationship between the size of the board and financial performance (Abidin et al., 2009; Haniffa and Hudaib, 2006; Haron, 2018; Kabir and Thai, 2017; Uadiale, 2010), while (Lee and Isa, 2020; Said et al., 2015; Shamsudin et al., 2018; Zahid et al., 2020) failed to find an impact of CSR on financial performance. Khan (2010) and Abu Qa'dan and Suwaidan (2019) stated the benefit of a larger board is that it can increase a company's value by providing members with diverse areas of expertise. Based on these arguments, this current study sets the following hypothesis and expect that:

H4a There is a positive relationship between board size and financial performance (ROA)

H4b There is a positive relationship between board size and financial performance (TQ)

Methodology

Since this study assesses CSR of Shariah PLCs in Malaysia and examines the impact of CSR on Shariah PLC's financial performance, the sample is selected from the Securities Commission of Malaysia (SCM) database which is approved by the Shariah Advisory Council (SAC). All of these companies are listed in the Bursa Malaysia. The Shariah-compliant securities were introduced in June 1997, the total companies that comply with the Shariah criteria which are managed by SAC were 478 companies. Table 1 shows the number of Shariah PLCs in Malaysia from the year 2007 to 2017.

Year	Number of Shariah PLCs	Total PLCs	Percentage of Shariah PLCs
2007	853	991	86%
2008	855	980	87%
2009	846	959	88%
2010	846	961	88%
2011	839	946	89%
2012	817	923	89%
2013	653	914	71%
2014	673	905	74%
2015	667	901	74%
2016	672	904	74%

2017	686	902	76%
Source: Securities Commission of Malaysia			

The number of Shariah PLCs listed in the Bursa Malaysia is not consistent due to the screening process and conditions which are approved by the SAC. This study excludes Shariah PLCs in the ACE market in order to prevent issues with comparative quality, since companies in that market differ from the Main Board in terms of listing requirements. Therefore, this study will also involve the screening process in selecting the sample of Shariah PLCs due to the inconsistency of data and information needed. This study applied three conditions in order to select the sample which are:

- i) A Shariah PLC must be consistently listed in Shariah-compliant listing from 2007 to 2017 (Ramli and Haron, 2017).
- ii) A Shariah PLC must be consistently listed on the Main Board of Bursa Malaysia from 2007 to 2017.
- iii) A Shariah PLC must be consistent in providing the annual report in the Bursa Malaysia website from 2007 to 2017.

According to Sadou et al. (2017), the sample size of 30 to 500 is effective for most studies. In addition, this study excludes financial firms in relation to other sectors because of the various regulations enforced by these firms. The scope of this study consists of eleven years of observations from 2007 to 2017. This study chooses 2007 as the starting year since the implementation of the CSR framework by the Bursa Malaysia.

The selection of the Shariah PLC for this study is a challenging part throughout the study period due to some circumstances such as business's survivorship, Malaysia and world economic consequences or regulations made by regulators in Malaysia. Del Sarto et al. (2020) stated that business survival is a difficult issue to resolve. Moreover, another issue raised in this study is regarding the "Shariah" status of the PLC. Some of the Shariah PLCs are not consistently listed in the Shariah listing due to failure to fulfill the SCM's requirements. The study period of this study is 11 years, which is from 2007 to 2017. Therefore, a cross check process with the SCM online database is needed in order to clarify the "Shariah" status of the PLC. Due to the study's focus on Shariah PLCs from 2007 to 2017, only 175 Shariah PLCs met the study's criteria at the end of the sample selection process. The final sample of Shariah PLCs in Malaysia from 2007 to 2017 by industry type is shown in Table 2.

Table 2 <i>Number of Shariah PLCs in Malaysia Selected from 2007 to 2017 by Type of Industry</i>		
No.	Type of Industry	Number of Shariah PLCs
1	Industrial Products	51
2	Trading and Services	32
3	Consumer Products	31
4	Plantation	16
5	Property	21
6	Construction	16
7	Technology and Infrastructure	7
	Total	175

The purpose of this study is to examine the effect of CSRD on the financial performance of Shariah PLCs in Malaysia. The independent variable of this study is the CSRD index, Muslim directors and board size, while the dependent variable is financial performance (ROA and Tobin's Q). This study also used firm characteristics as control variable for both model, Model 1 and Model 2. This study analyzes using Generalized Methods of Moment (GMM) because this method could resolve the endogeneity issue (Haron, 2018). The following describes the panel regression model:

Model 1 (ROA)

$$ROA_{i,t} = \beta_1 ROA_{i,t(-1)} + \beta_2 CSRDi_{i,t} + \beta_3 MD_{i,t} + \beta_4 BS_{i,t} + \sum Control (Firm Charectistics)_{i,t} + \varepsilon$$

Model 2 (Tobin's Q)

$$TQ_{i,t} = \beta_1 TQ_{i,t(-1)} + \beta_2 CSRDi_{i,t} + \beta_3 MD_{i,t} + \beta_4 BS_{i,t} + \sum Control (Firm Charectistics)_{i,t} + \varepsilon$$

Table 3 shows the variables used for Model 1 and 2.

Table 3
The Variables for Model 1 and 2

Variable		Definition
Financial Performance	ROA	Return on asset
	TQ	Tobin's Q
Independent Variable	CSRD	Corporate Social Responsibility Disclosure index
	MD	Muslim directors (percentage of the Muslim directors on the board)
	BS	Board size
Control Variable	Firm characteristics	Firm size, firm age and firm leverage

Data Analysis and Findings

Descriptive Statistics

Table 4 shows the descriptive statistics of variables used for Model 1 and 2 from 2007 to 2017. The mean value of the CSRD quantity is 0.239, with a minimum and maximum value of 0 and 0.800, respectively. The standard deviation of CSRD is 0.155. Based on the findings, it is proposed that the Shariah PLCs in Malaysia were less likely in revealing their CSR activities in the annual report. The findings of the previous study are consistent with these results (see, for examples, Ahmed Haji, 2013; Othman et al., 2011; Sadou et al., 2017; Thompson and Zakaria, 2004; Yang and Yaacob, 2012; Zainal et al., 2013; Zainon et al., 2014). From these results, it shows that the level of CSRD of Shariah PLCs in Malaysia is low and not meet the researcher expectations.

Moreover, the average mean of return on asset (ROA) is 5.169 with a maximum value of 41.68, while the minimum and maximum value of the Tobin's Q ratio are 0.227 and 7.192, respectively. Board size (BS) has a minimum value of 4 and a maximum value of 15; it shows the lowest and the highest numbers of members in the firm. The mean value for the board size of the sample is 7.665. Muslim directors have a minimum value of 0, and the mean value is 36.154. The maximum percentage of Muslim directors on the board from the sample is 100%.

There are three control variables used in this study, which are firm leverage, firm size, and firm age for Model 1 and 2, while six CG board attributes will be used as control variables for answering the RQ 4. Firm leverage (FL) has a mean value of 0.398 and a minimum value of 0. The minimum value of firm size is 0.301, the maximum value of firm size is 4.580, and its mean is 2.864. Firm age has a minimum value of 1, whereas the maximum value is 44. For 11 years of observations, the average age of Shariah PLCs listed in Bursa Malaysia is 14.33 years.

Table 4 <i>Descriptive Statistics of Variables for Model 1 and Model 2 from 2007 to 2017</i>					
Variable	Observations	Mean	Std. Dev.	Min	Max
ROA	1925	5.169	6.784	-60.63	41.68
TQ	1925	1.03	0.576	0.227	7.192
CSRDi	1925	0.239	0.155	0	0.800
MD	1925	36.154	29.37	0	100
BS	1925	7.665	1.796	4	15
FS	1925	2.864	0.587	0.301	4.580
FA	1925	14.33	5.897	1	44
FL	1925	0.398	0.532	0	8.944

Notes: *ROA* return on assets, *TQ* Tobin's Q, *CSRDi* corporate social responsibility disclosure index, *MD* Muslim directors, *BS* board size, *FL* firm leverage, *FS* firm size, and *FA* firm age.

Regression Results

Table 5 shows that there is a significant and positive correlation between CSR and ROA for Shariah PLCs in Malaysia. The level of significance is $p < 0.10$. Therefore, H_1 is accepted. This indicates that the Shariah PLCs in Malaysia with higher CSR involvement have higher profitability as described by the ROA. This finding is consistent with the studies by Bodhanwala and Bodhanwala (2018); Dewi and Monalisa (2016); Mohd Razali et al. (2018); Niresh and Silva (2018); Oh and Park (2015); Platonova et al. (2018), which also proved the positive association between CSR and ROA (financial performance).

The results also revealed that Muslim director were found to be negatively significant with the financial performance (ROA). The level of significant is at $p < 0.05$. The Muslim directors, which is defined as percentage of Muslim directors on the BOD, has a significant effect on profitability measured by ROA. This outcome meets the criteria and is in line with Hooy and Ali (2017); (Haron (2018) findings. Firm performance improves with the involvement of Muslim directors, as Muslim directors are expected to fulfil their duties and tasks with the maximum ethical values expected of them (Haron, 2018). Firm age also found to be statistically associated with ROA. This finding is consistent with the prior studies by Mohd Razali et al. (2018); Schreck (2011).

Moreover, board size, firm size and firm leverage were found to be not significant with the ROA. These findings contradict with the study by Kabir and Thai (2017), they found that board size, firm size and firm leverage statistically significant with the ROA. It can be argued that the findings of the study may be different with others due to the laws, legislation, standards or demographics of the countries concerned.

Table 5 <i>Results of Panel Data with two-step System GMM Testing between CSRD and ROA (Financial Performance)</i>				
Variable	Coefficient	t-Statistic	Sig.	VIF
ROA (-1)	0.1591	2.69	0.008***	
CSRD Index	4.2453	1.72	0.088*	1.23
Muslim Directors	-0.0659	-2.09	0.0368**	1.07
Board Size	2.6076	1.20	0.232	1.06
Firm Size	-1.1158	-0.50	0.616	1.18
Firm Age	-0.2665	-2.86	0.005***	1.17
Firm Leverage	-0.6250	-0.39	0.698	1.07
AR(1) <i>m</i> -statistics			0.004	
AR(2) <i>m</i> -statistics			0.813	
<i>J</i> -statistics			0.120	
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$				

Table 6 presents the results of the CSRD-financial performance relationship (TQ). It shows that CSRD is positively significant correlated with financial performance (TQ) at $p < 0.05$. Therefore, the hypothesis (H_2) is accepted. This finding is in line with the prior studies of Abdul Wahab et al. (2017); Choi et al. (2010); and Jo and Harjoto (2011). From the observations, it can be concluded that stakeholders do not react negatively when businesses use certain financial resources to support society's growth.

Table 6 also indicates that Muslim directors and firm age were statistically significant with the TQ. The level significance for both variables is at $p < 0.05$ or 95%. A public company that has been listed in the stock market for more than a certain time would have better financial results pattern relative to the "new" public company. Wahyuningrum and Djajadikerta (2019) stated that older businesses have more CSR activities than younger ones and indirectly boost financial results. However, the board size, firm size and leverage are found to be not statistically associated with financial performance (TQ).

Table 6 <i>Results of Panel Data with two-step System GMM Testing between CSRD and Tobin's Q (Financial Performance)</i>				
Variable	Coefficient	t-Statistic	Sig.	VIF
Tobin's Q (-1)	0.7828	19.03	0.000***	
CSRD	0.2308	2.04	0.043**	1.23
Muslim Directors	-0.0025	-2.54	0.012**	1.07
Board Size	-0.1187	-1.11	0.267	1.06
Firm Size	0.0170	0.76	0.447	1.18
Firm Age	0.0061	2.13	0.034**	1.17
Firm Leverage	-0.0089	-0.51	0.609	1.07
AR(1) <i>m</i> -statistics			0.000	
AR(2) <i>m</i> -statistics			0.765	
<i>J</i> -statistics			0.109	
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$				

Conclusions

The objective of this study is to measure the level of CSRD of Shariah PLCs in Malaysia and to examine the impacts of CSRD on the financial performance from the year 2007 to 2017. The main source in measuring the level of CSRD of Shariah PLCs is the annual report. The results showed that the level of CSRD among Shariah PLCs in Malaysia still at a low level which is 23.9% (11 years observations). The Shariah companies in Malaysia are still not aware of the importance of disclosing CSR information, and it is revealed that the transparency issues still exist among them. However, it also suggests that the Shariah PLCs in Malaysia have overlooked and are not adopting the CSR reporting standard, which is regulated by Bursa Malaysia.

Supposedly, Shariah businesses are allegedly expected to be more socially responsible and to disclose all CSR information in their annual reports as a result of their "Shariah" status. It will show the stakeholders that Shariah companies are more accountable to society than non-Shariah companies, indicating transparency and as part of their religious compliance. Therefore, Shariah PLCs are required to reveal all CSR details due to their duty to comply with the Islamic ethical norms (Platonova et al., 2018).

This research also adds to the current literature by assessing the effect of the CSRD on the financial performance of Shariah PLCs in Malaysia from 2007 to 2017. Two variables were used as a proxy for the financial performance, which are ROA, and Tobin's Q. This finding also showed that Muslim directors and firm age are negatively significant with ROA, while the firm size and firm leverage are found to be not statistically with ROA. The empirical analysis indicates that the CSRD is positively significant with financial performance among Shariah PLCs. Moreover, the study also revealed that CSRD is positively significant correlated with

financial performance (TQ). This finding also indicates that Muslim directors and firm age are statistically correlated with TQ. However, the board size, firm size and leverage are found to be not statistically associated with financial performance (TQ).

In summary, it can be concluded that effective CSR practices result in improved financial performance for businesses. Any of the possible causes of this association between CSR and certain financial performances that have not been positively discussed by CSR may be a lack of knowledge or comprehension of the concept of CSR and the range of CSR made by companies (Madugba and Okafor, 2016; Szegedi et al., 2020). This current study is restricted only to Shariah PLCs; future studies can therefore explore the determinants and the comparison of the extent of CSR between Shariah and non-Shariah PLCs in Malaysia or by type of industry or comparison between Shariah PLCs and other Shariah PLCs from ASEAN countries (Indonesia, Singapore, Brunei Darussalam, Thailand, Cambodia or Bangladesh); employ other financial performance measurements (e.g., stock returns, market to book value, return on share) to examine the relationship between CSR and financial performance.

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