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When Quality Matters! CSR Disclosure and Value Creation

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ABSTRACT

This paper examines corporate social responsibility (CSR) disclosure of financial institutions in Malaysia and investigates the influence of CSR disclosure quantity and quality on the value creation of a firm. Study sample includes 80 observations, comprising 20 financial institutions in Malaysia over a four-year period from 2008 to 2011. Content analysis was performed on the annual and sustainability reports to measure the CSR reporting among the financial institutions. The CSR reporting was measured in terms of both quantity and quality of information disclosed. A value-creation index, comprising both financial and non-financial measures, was developed to measure the resultant effect of such CSR information on creating value for the financial institutions. Results of this study provide evidence of an improvement in the quantity and quality of CSR disclosure among the financial institutions in Malaysia over the four-year period from 2008 to 2011, three years after the introduction of CSR framework to all Malaysian Public Listed Companies. Additionally, it was found that the concentration of the CSR activities among the financial institutions was towards the well-being of the community in which they operate. Study findings also indicate that quality of CSR disclosure matters more than quantity, as disclosure quality was found to be the only significant predictor of value creation for organizations. These findings have important implications, as they suggest that stakeholders require more non-financial information in order to evaluate social performance of a company. The positive link between the quality of CSR and value creation

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can create a bandwagon effect and encourage more firms to engage in the practice and disclosure of strategic CSR in line with their core business..

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Keywords: CSR Disclosure; Corporate Social Responsibility; Financial Institutions; Value Creation

INTRODUCTION

Financial institutions globally have been facing pressures from various stakeholder groups to act in a more responsible and ethical manner. The pressure has become more intense after the emergence of various corporate failures and scandals linked to financial institutions. The concern for financial institutions to behave responsibly is due to their role in providing goods and services that are essential to the public at large. As such, their operations, policies, and practices are tied to public interest (Miles, 1987).

Stakeholder groups are becoming more sophisticated and assertive in requiring organizations to be transparent and open in their business practices. They also require business organizations to be more concerned with the interest of their customers, employees, suppliers, communities, and the society. The Equator Principles Financial Institutions (EPFI) was introduced in 2003 to provide guidelines to financial institutions to behave responsibly in their lending decisions. They took into consideration the environmental and social risks of the funded projects in addition to financial risks (Equator Principle, 2012). Even though the activities of financial institutions do not directly impact the environment and community, the projects that are funded by them may have negative consequences on the environment and community.

Corporate social responsibility (CSR) has been the subject of enormous debate in the past several decades (Quazi *et al*., 2015). Prior literature has provided evidence that the involvement by companies' CSR activities would subsequently create value for them (Nejati *et al*., 2014). For example, Gholami (2011) offered evidence that CSR practices of a firm towards the community would subsequently create value for both parties. However, there is limited literature on the link between CSR reporting and creating value for financial institutions, especially in an emerging economy such as Malaysia. In addition, what type of CSR information disclosed will create value to the financial institutions? Prior studies on financial institutions have focused on other aspects such as corporate governance and risk identification system (Htay *et al*., 2013; Arora and Sharma, 2014).

Therefore, the current study aims to examine the impact of CSR disclosure in generating value creation for financial institutions in Malaysia. This study seeks to answer the following research question: Does CSR reporting create value for financial institutions?

Stakeholder theory is used as the governing theory in the current study to underpin the motivations for financial institutions to publish CSR information for their stakeholders. This study provides evidence on the nature of CSR reporting that can create value for financial institutions. By investigating how CSR reporting can create value for financial institutions, the findings from this study can be applied to motivate financial institutions to be more concerned about their social responsibility activities. This is crucial since such actions could have positive implications and values for their organizations.

The remaining of the paper covers literature review and hypotheses development. The next sections include research methodology and findings. Final two sections present the conclusions and future research.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Stakeholder Theory

Stakeholder theory is used in this study as the dominant theoretical perspective to explain CSR disclosure made by financial institutions (Menassa, 2010; Branco and Rodrigues, 2006). Stakeholder refers to "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984, p. 46) and these groups can influence firms' achievement as they provide resources to firms (Freeman, 1984).

Stakeholder theory emphasizes the way firms react to the pressure imposed by their stakeholders. Prior literature provides evidence that the stakeholder theory is an appropriate foundation for empirical analysis of CSR disclosure (Roberts, 1992; Ullmann, 1985; Liu and Anbumozhi, 2009; Yusoff *et al*., 2013). Freeman (1983) states that as the power of stakeholders increases, the responsibility of the management to meet their demands will increase. According to Ullman (1985), firms may adopt active or passive strategic posture to manage their stakeholders. Active strategic posture requires a firm to influence its important stakeholders. Inability to manage stakeholders appropriately would be damaging for the firms (Neely *et al*., 2002).

Interaction between a firm and its stakeholders is usually a key feature of the CSR concept since CSR activities performed by a firm represents an "answer" to stakeholders' expectations (Fontaine *et al*., 2006). A firm would exert more efforts to manage and manipulate firm-stakeholder relationship if it believes that stakeholders are important (Aburaya, 2012). CSR activities are normally used as a medium of communication to manage the relationship between the firm and its stakeholders (Liu and Anbumozhi, 2009).

In this study, it is argued that stakeholder groups can exert pressure on financial institutions to be more involved in CSR activities. Prior literature suggests that such pressures influence CSR practices among financial institutions to a certain extent (Callado-Munoz and Utrero-Gonzales, 2009; Said *et al*., 2009; Ian, 2005; Haniffa and Cooke, 2002; Roberts, 1992; Yusoff *et al*., 2013). Liu and Anbumozhi (2009) stated that the level of environmental disclosure for Chinese firms increased the intensification of stakeholders' concern about corporate environmental behaviour. As such, the stakeholder theory is applied in the present study to explain financial institutions' motivation in disclosing CSR information.

CSR and Financial Institutions

A review of prior literature revealed that financial institutions focus on human resources for their CSR activities (Azim *et al*., 2011; Sobhani *et al*., Amran and Zainuddin, 2012; Khan *et al*., 2009; Abu-Baker and Naser, 2000; Douglas *et al*., Doris and Johnson, 2004; Menassa, 2010). Azim *et al*. (2011) conducted a descriptive study on CSR for several banking, insurance, and investment leasing companies in Bangladesh and found that more than 50% of the finance companies in Bangladesh disclose their social information. However, the information provided was mostly qualitative in nature. Meanwhile, Sobhani *et al*. (2012) found that listed banks in Bangladesh prefer to disclose their CSR activities through their annual reports rather than corporate websites. This is consistent with findings by Branco and Rodrigues (2006) who found that Portuguese banks prefer to use the annual reports as a medium for CSR disclosure rather than using the internet. However, in terms of CSR dimensions, Portuguese banks place more emphasis on the community dimension. In addition, it was found that environmental issues are given the least attention compared to the other CSR dimensions such as community or human resources. This is in convergence with the findings of a study by Darus *et al*. (2014b) who revealed that Indonesian Islamic banks give little attention to environmental issues. Meanwhile, Yusoff and Darus (2014) stated that in terms of environmental issues, Islamic financial institutions in Malaysia focus more on climate change mitigation and adaptation activities. Khan *et al*. (2009) in a study conducted on twenty banking companies listed in the Dhaka Stock Exchange (DSE) found that half of the financial institutions report their involvement in social activities and create a separate foundation to support their community activities. However, they concluded that CSR reporting among financial institutions in Bangladesh are still inadequate. This is in accordance with the findings of other studies in developing countries (Khan *et al*., 2011; Branco and Rodrigues, 2006).

Hence, this study concentrates on the disclosure of CSR information by financial institutions in emerging economies due to the lack of literature in this area and because of the indirect impact from giving financing to corporations.

CSR Disclosure and Value Creation

Firms' involvement in the CSR agenda is usually driven by certain motivations. Idowu *et al*. (2010) indicated that corporate entities have realized that CSR activities could help in adding value to the company, while avoiding reputation risk. Value can be defined as consumers' willingness to pay a premium for the firm's products and services due to their involvement in social issues (Husted and Allen, 2007). Moran and Ghoshal (1999) stated that innovation is a basis for creating value as the value creation process starts when firms combine their resources in such a way to increase potential productivity. Meanwhile, Sharma and Vredenburg (1998) concluded that many strategic management studies agree that innovation can be achieved by CSR. However, Husted and Allen (2007) argued that top management is sceptical about how CSR can create value for companies.

Gholami (2011) argued that CSR is part of the sustainable operational elements and thus it can lead to higher performance. Gholami (2011) proposed a theoretical model for a value creation cycle through CSR. This framework consists of four dimensions namely economic, legal, ethical, and philanthropic (Carroll, 1999). Under the economic dimension, firms have an obligation to create wealth and fulfil stakeholders' demands. The economic dimension is important as it maximizes returns on shares, creates strong competitive advantage, and enhances operational effectiveness. The legal dimension requires firms to carry out their operations according to the legal requirements by producing goods and services that are bound to minimum legal requirements. Ethical responsibilities encourage firms to be fair and honest, and to do what is right according to moral rules. This is important in order for the firms to gain recognition from the society and to fulfil moral expectations and norms. Finally, the philanthropic agenda focuses on contributing resources to the community to improve their quality of life, while portraying a good corporate citizen's image.

Husted and Allen (2009) argued that CSR programs that are in-line with a business mission would enable the firm to create value because the firm would then have to use its creativity in solving social problems by generating resources and capabilities that can be applied in its day-to-day operation. The value created for an organization as a result of its CSR activities can be either tangible or intangible in nature (Gholami, 2011; Low, 2000; Lapointe and Cimon, 2009). It has been shown in extant literature that there is a significant positive relationship between CSR and financial performance (Ullman, 1985; McGuire *et al*., 1988; Cochran and Wood, 1984; Margolis and Walsh, 2003; McWilliams and Siegal, 2001). These findings indicate that the involvement in CSR portrays a better image of organizations in terms of management. It can also send a signal that the risks associated with social and environmental issues are being properly managed (Gray, 2006). In addition, company values can be represented by non-financial indicators. According to Low (2000), tangible assets only account for 10% of the total company values. It was pointed out that intangible assets account for 50% of the traditional companies' market values. However, 90% of e-commerce companies' total values are represented by intangible assets. Since intangible assets are typically difficult to replicate, it can be used to create value and to gain a sustainable competitive advantage (Lapointe and Cimon, 2009). Low (2000) and Kalafut and Low (2001) attempted to measure value creation by using a value creation index to measure intangible value via nine dimensions. These dimensions represent the company's performance across the most critical intangible categories including innovation, quality, customer relations, management capabilities, alliances, technology, brand value, employee relations, and environmental and community issues.

In this study, value creation is defined as the notion of creating value for all stakeholders that goes beyond economic extrinsic value to include other types of value which stakeholders need (Argandona, 2011). This definition is appropriate to the current study as the value creation in this study was measured both in terms of financial and non-financial attributes to form a value creation index.

Hence, in this study it is expected that CSR reporting can create value for financial institutions. Husted and Allen (2007) argued that firms which focus and are concerned with CSR projects will create value to the firm when the activities conducted are highly visible to the public. This suggests that the disclosure of CSR information by organizations will create value to the organizations. Financial institutions in Malaysia are beginning to take the initiatives to disclose more CSR information in their annual and sustainability reports (Zakaria and Dewa, 2010; Darus et at., 2014b; Yusoff and Darus, 2014) as such disclosures are viewed as a symbol of responsible corporate citizenship. For example, Public Bank Berhad in 2007, was chosen as the winner of the Malaysian Business Corporate Social Responsibility (CSR) Awards 2007 for public listed companies (Bernama, 2008). In addition, Malayan Banking Berhad was announced as the winner of the ACCA Malaysia Sustainability Reporting Awards (ACCA MaSRA) for 2014 (ACCA, 2014). In 2013, Maybank was also selected as the winner of the Best Workplace Practices Award for the ACCA MaSRA due to the company's extensive discussion of their sustainability report on workplace best practices, diversity, and inclusion initiatives (ACCA, 2014). These recognitions suggest that the disclosure of CSR information has created value for the financial institutions in Malaysia. In this study, the type of CSR disclosure that creates value to the financial institutions forms the basis of investigation. The potential of both the quantity and quality of CSR information disclosed in creating value for financial institutions will therefore be investigated. In line with these discussions, the following hypotheses are formulated to examine the influence of CSR information disclosure on creating value for financial institutions. Therefore, the following hypotheses are stated:

H1: The quantity of CSR information disclosed is positively related to value creation.

H2: The quality of CSR information disclosed is positively related to value creation.

RESEARCH METHODOLOGY

Sample

The sample for this study is based on licensed financial institutions, licensed insurance companies, and takaful operators drawn from the Central Bank of Malaysia's listing. The study focuses on financial institutions because studies on CSR will normally omit financial institutions as part of the sample due to the different nature of the industry. Therefore, it is timely that a study on CSR in Malaysia investigates financial institutions as they are the main providers of funds and indirectly their lending policies have an impact on the community and the environment. To test the hypotheses, publicly available CSR information from financial institutions' annual and sustainability reports are collected. A sample of 20 financial institutions and development financial institutions that disclosed their CSR activities in their annual and sustainability reports for a four-year period from 2008 to 2011 shaped the final samples for this study (80 observations in total). The range period of 2008 to 2011 is crucial to investigate since the introduction of the CSR reporting framework by Bursa Malaysia was issued in 2006. Hence, it is appropriate to consider the extent of CSR disclosures by Malaysian Listed Companies specifically among financial institutions after three years of its introduction. The sample for the current study includes all the financial institutions in Malaysia, except for foreign banks that are operating in Malaysia. This is because most of the foreign banks only publish financial information for the Malaysian operations and the CSR information is not presented at the country level, it is rather disclosed at group level by their parent companies. As such, they were excluded from this study. Only the parent bank of financial institutions that have operations in Islamic banks or investment banks, but disclose their CSR activities at the group level was included as part of the sample for the study. Table 1 presents the final sample for the study, categorized into banks, development financial institutions (DFIs), and investment institutions.

Table 1: Sample Financial Institutions based on Group

Group	No. of banks
Commercial banks	8
Islamic banks	2
Development Financial Institutions (DFIs)	6
Foreign banks	1
Investment Institutions	3
Total	20
Total Observations (4-year observation)	80

Content analysis of both annual and sustainability reports was performed to extract information for this study. Both annual and sustainability reports were used in this study because they are a common medium of communication for companies to disclose relevant information to shareholders (Desender, 2009; Guthrie and Parker, 1990; Gray *et al*., 1995 Yusoff and Darus, 2012). The use of the content analysis form is consistent with prior studies (Abdul Rahman *et al*., 2009; Jaafar *et al*., 2010; Yusoff *et al*., 2013; Yusoff *et al*., 2015).

Measurement of Variables

CSR Disclosure

In order to measure the quantity of CSR disclosure, the number of words related to CSR information disclosed was used as a unit of analysis. This is consistent with previous studies such as Darus *et al*. (2009), Gamerschlag *et al*. (2011), as well as Neu *et al*. (1998). Any graphical presentations were excluded from the word count, following the approach by Haniffa and Cooke (2005) and Darus *et al*. (2009).

In order to evaluate the quality of CSR disclosure, a CSR disclosure quality index was developed based on Branco and Rodrigues (2006), Sobhani *et al*. (2012), and Khan (2010) with modifications. A total of 26 items (total score of 26) was developed and categorized into four CSR dimensions of Bursa Malaysia's framework that was introduced in 2006 including community, work place, marketplace, and environment (Bursa Malaysia, 2006). For the community dimension, the evaluation concentrated on whether the company supported volunteer activities, provided charitable donations or sponsorships that helps promote economic development. The work place dimension on the other hand, focused on the improvements made by the company towards employee benefits and support. Meanwhile for the marketplace dimension, evaluation was based on how the financial institutions had integrated responsible business conduct into their practice and operation. For the environment dimension, the focus was on the efforts of the financial institutions to protect and preserve the natural resources and environment. Table 2 presents the maximum score for the CSR disclosure quality index categorized into four dimensions, while Table 3 presents the items under each dimension.

Table 2: CSR Dimensions and the Maximum Score for each Dimension

No.	Dimensions	Score
1	Community	8
2	Workplace	6
3	Marketplace	6
4	Environment	6
	Total Scores	26

Table 3: Items for each CSR Dimension to measure the Quality of CSR Disclosure

No	Items
	Community:
1	Charitable donations and fundraising activities
2	Support for education (adoption), scholarship
3	Support for the arts and culture
4	Support for public health and public safety
5	Sponsoring or organizing sports or recreational projects
6	Supporting and financing SMEs
7	Community activities within the corporate vicinities
8	Internship placement for internee students
	Workplace:
1	Employee health and safety, conducive working environment
2	No discrimination among employees (male and female ratio, diverse human capital)
3	Employee training & human capital development
4	Employee assistance/benefits such as relief funds for employees
5	Employee remuneration (salary, remuneration package)
6	Appreciating & motivating employees for their efforts (award, appreciation dinner)
	Marketplace:
1	Customer relationship management program
2	Provision for disabled, aged, and difficult-to-reach customers, for example, rural area
3	Customer services and facilities (customer service, mobile banking)
4	Anti-crime policy such as whistle blower, anti-fraud policies
5	Protecting stakeholders by communicating with them, demonstrating openness, transparency, & accountability
6	Educating stakeholders by providing them with knowledge (educate stakeholders about financial management, Islamic banking, etc.)

Table 3 (Cont.)

	Environment:
1	Environmental policies or company concerns for the environment (save energy policies and waste management program)
2	Conservation of energy in conducting business operations
3	Undertaking tree planting/afforestation programmes
4	City beautification programmes/gotong royong
5	Aiding environmentally friendly programmes (environmental campaign, educating community about environment)
6	Protecting wildlife

The quality of CSR disclosure was assessed using an equal-weighted index. Therefore, a point was awarded for each item that constituted the CSR disclosure quality index as listed in Table 3. Pilot test was conducted using a sample of six annual reports, to ensure the suitability of the items in the context of Malaysia. A disclosure score for each company was totalled. No specific percentage was given to any item since all items of disclosure are equally important (Patton, 2002). The CSR disclosure quality index for each dimension is constructed as follows:

$$\sum_{i=1}^{m_j} \frac{d_j}{N}$$

The index indicates the quality of CSR disclosure for a company *j*, where *N* is the maximum number of relevant items a company may disclose and d_j is equivalent to 1 if the item is disclosed and 0 if otherwise. The maximum score for quality score index is 26, comprising community (8), workplace (6), marketplace (6), and environment (6). The score for each of the four dimensions was totalled and averaged, yielding a CSR disclosure quality score for each financial institution.

Value Creation

According to Laitenin (2004), profitability is one of the predictors of value creation. As Low (2000) and Kalafut and Low (2001) pointed out, there are nine attributes of non-financial performance that can determine value creation for an organization, namely innovation, quality, customer relations, management capabilities, alliances, technology, brand value, employee relations, and environment and community issues. In this study, value creation was measured both in terms of financial and non-financial attributes to form a value creation index. Financial attributes were measured using return on assets (Darus *et al*., 2009; Abdulle and Kassim, 2012), while non-financial attributes were measured using two (2) attributes namely innovation and brand value (Kalafut and Low, 2001). The choice of using only two (2) measures for the non-financial attributes is because innovation and brand value are two critical attributes that the financial institutions need to focus on in order to create value for the organization. The increasing need of digital consumers for innovative digital technology is expected to increase the revenue and build the brand name of the organization. Table 4 presents the value creation index developed for this study.

Table 4: Value Creation Index

No.	Attribute	Measurement	Score
1	Profitability	ROA against average ROA for all samples	Value "1" if ROA above average ROA for all samples and "0" if otherwise
2	Innovation	Evidence of introduction of new product to market	Dichotomous value "1" is assigned if there is new product and "0" if otherwise
3	Brand Value	Brand Award (local)	"0" if no local brand award received "1" for local brand award
		Brand Award (international)	"0" if no international brand award received "1" for international brand award
	Total Maximum Score		**4**

To investigate the relationship between the CSR disclosure and value creation, multiple linear regression was performed to test the following regression equation:

$$VC = \beta_0 + \beta_1 \, CSRQUAN + \beta_2 \, CSRQUAL + \varepsilon_t$$

where VC represents the value creation, β_0 is intercept, CSRQUAN is the quantity of CSR disclosure, CSRQUAL is the quality CSR disclosure, and ε_t is the error term.

FINDINGS

Descriptive Statistics

Tables 5 and 6 present the results of the CSR disclosure for the financial institutions across four years. The results from Table 5 reveal that both the quantity and quality of CSR disclosure have increased over the four-year period. However, the quality of CSR disclosure has a slight decline in the mean score for the year 2011. The results suggest that the financial institutions are getting more involved in CSR activities and disclosing more information in the annual and sustainability reports to their stakeholders. Although there is an increase in CSR disclosure over the four-year period, the results from Table 6 reveal that the overall mean score for both the quantity and quality type of CSR disclosure among financial institutions is still at a moderate level. This, however, can be further improved.

Table 5: Descriptive Statistics on CSR Disclosure by Year

Level of CSR Disclosure Based on Year		N	Min	Max	Mean	Std. Deviation
2008	CSRQUAN	19	30	11096	2270.79	2835.28
	CSRQUAL	19	1	22	9.16	7.10
2009	CSRQUAN	18	72	11209	3104.06	3597.65
	CSRQUAL	18	3	22	11.56	6.38
2010	CSRQUAN	19	66	24432	4092.68	5892.14
	CSRQUAL	19	3	23	12.47	6.77
2011	CSRQUAN	20	33	24252	4124.50	6024.55
	CSRQUAL	20	1	23	11.85	6.99

Table 6: Descriptive Statistics on Overall CSR disclosure from 2008 to 2011

Level of CSR Disclosure	N	Minimum	Maximum	Mean	Std. Deviation
CSRQUAN Number of word disclosed	76	30	24432	3411.43	4795.36
CSRQUAL Content of CSR disclosure	76	1	23	11.26	6.81

Table 7 presents the quality of CSR disclosure based on the four dimensions, community, workplace, marketplace, and environment.

Table 7: Descriptive Statistics for the Overall CSR Disclosure Quality Score Index based on Dimensions for the Four-year Period (2008-2011)

Dimension	Max Score	Min Disclosure	Max Disclosure	Mean	Std. Deviation
Community	8	0	8	4.42	2.02
Workplace	6	0	6	2.84	2.17
Marketplace	6	0	6	1.96	1.84
Environment	6	0	6	2.04	1.90

The results from Table 7 reveal that the highest mean score pertains to community dimension (4.42), followed by workplace dimension (2.84), environment dimension (2.04), and lastly, marketplace dimension (1.96). These results suggest that the prime concern for financial institutions in Malaysia in practising CSR is the well-being of the community in which they operate. As such, financial institutions are directing their efforts towards community development, for example by providing donations, and supporting education and recreational activities in the community. These results indicate that financial institutions are more concerned with the community, and this is consistent with the findings of studies by Zakaria and Dewa (2010) and Branco and Rodrigues (2006). Marketplace is given the least emphasis by the financial institutions in Malaysia. This suggests that they are not addressing social issues in the context of their marketplace and are not engaging enough with their customers. This is in contrast with the arguments by Miles (1987) who narrated that as a provider of necessary goods and services, the banking industry's business policies and practices should be tied to the public interest. As such, business decisions should incorporate considerations for public interests.

Table 8 presents the value creation score for the financial institutions on a yearly basis. The results indicate that over the four-year period, the highest score for value creation ranges from 1 to 2, while the range for the maximum score of 4 ranges from 5.3% (in 2008) to 16.7% (in 2009). The year 2009 achieved the highest value creation score for most of the financial institutions. Overall, the value creation score for the four-year period is relatively low.

Table 8: Frequency of Value Creation Score Based on Year

Year	Value Creation Score	Frequency	Percentage
2008	0	3	15.8
	1	7	36.8
	2	4	21.1
	3	4	21.1
	4	1	5.3
2009	0	2	11.1
	1	4	22.2
	2	6	33.3
	3	3	16.7
	4	3	16.7
2010	1	9	47.4
	2	5	26.3
	3	3	15.8
	4	2	10.5
2011	0	3	15.0
	1	7	35.0
	2	4	20.0
	3	5	25.0
	4	1	5.0

Table 9 presents the overall value creation score for all the samples in the study. The highest score is 1 (35.5%), while the lowest score is 4 (9.2%). This indicates that the majority of the CSR disclosures made by the financial institutions are only able to generate a score of 1 in terms of creating value for the organizations.

Table 9: Overall Frequency of Value Creation Score

Value Creation Score	Frequency	Percentage
0	8	10.5
1	27	35.5
2	19	25.0
3	15	19.7
4	7	9.2

Table 10 presents the results of the multiple regression analysis. No collinearity issue was observed, as the VIF values for all independent variables are below 5. The F-statistics for the model is 13.271, which is significant at 99% level of confidence, while the R^2 coefficient is 0.267. The results indicate that the quantity of CSR disclosure does not have a significant influence on value creation for a firm, rejecting H1. However, quality of CSR disclosure has been found to be a significant predictor of value creation at 99% level of confidence, supporting H2.

Table 10: Multiple Regression Results for Factors Affecting Value Creation

Dependent Variable: VC (Value Creation)
R Square = 0. 267, Adjusted R^2 = 0.247, F = 13.271, Sig. = 0.000

Variables	Beta	T	Sig.	Tolerance	VIF
(Constant)	0.798	3.290	0.002		
CSRQUAN	-1.394E-5	-0.377	0.707	0.425	2.354
CSRQUAL	0.095	3.635	.001**	0.425	2.354

Coefficient for each variable is shown with *t* – statistics in parentheses
** Significant at 1% level (1-tailed test);
* Significant at 5% level (1-tailed test)

Results of regression analysis show that only CSR disclosure quality is a significant predictor of value creation ($p < .01$). This indicates the higher the quality of CSR reporting made by the financial institution, the higher the extent of value created for the company. In contrast, the quantity of CSR disclosure does not appear to have any significant link to value creation. This interesting finding implies that quality counts more than quantity. Specifically, in order to ensure CSR disclosure leads to creation of value for the company, firms should focus on disclosing a quality report covering all major aspects of their CSR activities, rather than providing lengthy CSR reports. This finding implies that stakeholders nowadays require more non-financial information that will assist them in decision making, especially in evaluating the performance of the organizations. Lengthy and self-laudatory CSR information, which is repetitive and contain irrelevant information are therefore no longer appreciated by stakeholders and does not create value for organizations. As Cowen *et al*. (1987) stated, reliance on the quantity of disclosure might be misleading. The more number of words used does not indicate better CSR reporting.

CONCLUSION

Financial institutions as providers of financial services to the community have a responsibility beyond revenue generation and are expected to act in a more responsible and ethical manner towards stakeholders. This study examined the link between the involvement of financial institutions in CSR activities and value creation for the financial institutions. As a proxy for CSR activities, we examined the CSR disclosure of financial institutions in Malaysia over a four-year period, by analysing 80 observations. Results of the study revealed that financial institutions are becoming more involved in CSR initiatives and have increased the amount of CSR information disclosed to stakeholders. The results infer that financial institutions disclose more CSR information to the public about their involvement in CSR initiatives even though, the quality and quantity of CSR disclosure can be further improved. To achieve this, financial institutions need to embark on a holistic strategy to map out their CSR initiatives as currently their focus is only on community development.

An examination on the relationship between CSR disclosure and value creation evidenced a significant and positive relationship between the quality of CSR disclosure and value creation. The results from the study imply that stakeholders value the quality of CSR information disclosed more than its quantity. Therefore, the quality of CSR disclosure leads to value creation for businesses. Lengthy CSR disclosures do not necessarily bring significant meaning and can be distracting or confusing to readers. As such, the length of CSR disclosure does not influence value creation for an organization.

There are certain limitations in this study. We gathered data by analysing the content of the annual and sustainability reports. Findings of this study are therefore restricted to the amount of data available from these reports. Moreover, most of the primary banks in Malaysia only disclose their CSR information in their group annual reports, even though their unit of business consists of commercial, Islamic, and investment banks resulting in a smaller sample size.

FUTURE RESEARCH

Studies on the relationship between CSR disclosure and value creation is still new in the academic field especially in Malaysia, thus this study could be extended to other industries in order to reflect a better generalization and comparison. Furthermore, this study has employed the value creation index as suggested by Low (2000) as well as Kalafut and Low (2001). However, only two out of the nine dimensions of non-financial performance were used to create the value creation index. Future studies could expand the index to the other dimensions to measure value creation.

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