



الجامعة الإسلامية العالمية ماليزيا
INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA
بِوَسِيْلَةِ سُنَّتِيْ اِسْلَامِيَّةٍ اِنْجَارِيْجِيَّةٍ مَلِيْسِيَا

THE INFLUENCE OF TAXES ON CSR AS A DIRECT
VOLUNTARY CONTRIBUTION APPROACH

BY

SHAHARIAH BINTI ABDULLAH

A dissertation submitted in partial fulfilment of the
requirements for the degree of
Master of Science in Accounting

Kulliyyah of Economics and Management Sciences
International Islamic University Malaysia

FEBRUARY 2010

ABSTRACT

Currently a tax deduction is given to contributions made by companies for community projects related to education, health, housing, infrastructure and ICT. The tax deduction is applicable for the business incurs expenses on the approved charitable institutions (or organizations) or community projects which relate to education, welfare, and societies' betterment. The objectives of this study are to further analyze the relationships between CSR and tax, and to investigate further the influence of taxes on CSR adoption. This study highlights the additional approach to encourage more corporations to participate in the CSR programmes. Therefore, the study provides the empirical evidence from the Malaysian stakeholders' perspectives on whether direct tax incentives do motivate corporations to contribute and/or participate more in CSR programmes. This study surveys a sample population consists of corporations and tax officials groups via questionnaires. The results reveal that there is a direct relationship between CSR and tax, and the direct tax incentives do influence the CSR adoption among the corporations.

ملخص البحث

إنّ الضرائب المحسومة في الوقت الراهن ممنوحة على إسهامات الشركات ذات الصلة بالتعليم، والصحة، والإسكان، والتسهيلات العامة، وتقنية الإتصال والمعلومات (ICT) ، إذ إن محسوم الضرائب ممنوحة للشركات من أجل القيام بالأعمال التي تتطلب التكاليف المالية لدى المؤسسات أو المنظمات الخيرية عند القيام بالمشاريع الإجتماعية المعترف بها، ذات الصلة بالتعليم والمصالح الخيرية وتحسين حياة المجتمع العام. وتهدف هذه الدراسات إلى التحليل الدقيق للعلاقة والترابط بين المسؤولية الإجتماعية للمؤسسة التجارية التعاونية (CSR) والضرائب، كما تهدف الدراسة إلى تقصي تأثير محسوم الضرائب على تبني المشاريع الخيرية من قبل المؤسسة التجارية التعاونية. كما تلقي الدراسة الضوء على الإستراتيجية الجديدة من أجل تشجيع الشركات للإشتراكات في المشروع الإجتماعي للمؤسسة التجارية التعاونية. ولتحقيق أهداف الدراسة فإن هذه الدراسة تأتي بالإثباتات التجريبية المستمدة من وجهات نظر أصحاب المصالح في ماليزيا، وهي فيما إذا كانت حوافز الضرائب المباشرة تشجع الشركات أو المؤسسات بصورة أكثر على الإشتراك والإسهام في المشروع الإجتماعي للمؤسسة التجارية التعاونية. وتتكون عينة هذه الدراسة من مجموع الموظفين في الشركات وفي دائرة الضرائب من خلال توزيع الإستبانات الخاصة. وكشفت نتائج الدراسة أن هنالك ترابط مباشر بين المسؤولية الإجتماعية للمؤسسة التجارية التعاونية والضرائب، كما أن الحوافز المباشرة للضرائب لها تأثير على الشركات لتبني المسؤولية الإجتماعية.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science in Accounting.

.....
Siti Normala Sheikh Obid
Supervisor

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science in Accounting.

.....
Nazli Anum Mohd. Ghazali
Examiner

This dissertation was submitted to the Department of Accounting and is accepted as a partial fulfilment of the requirements for the degree of Master of Science in Accounting.

.....
Nazli Anum Mohd. Ghazali
Head, Department of Accounting

This dissertation was submitted to the Kulliyah of Economics and Management Sciences and is accepted as a partial fulfilment of the requirements for the degree of Master of Science in Accounting.

.....
Khaliq Ahmad
Dean, Kulliyah of Economics and
Management Sciences

DECLARATION

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

SHAHARIAH BINTI ABDULLAH

Signature:

Date:

INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

**DECLARATION OF COPYRIGHT AND AFFIRMATION
OF FAIR USE OF UNPUBLISHED RESEARCH**

Copyright © 2010 by Shahariah binti Abdullah. All rights reserved.

**THE INFLUENCE OF TAXES ON CSR AS A DIRECT VOLUNTARY
CONTRIBUTION APPROACH**

No part of this unpublished thesis may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of the copyright holder except as provided below:

1. Any material contained in or derived from this unpublished research may only be used by others in their writing with due acknowledgement.
2. IIUM or its library will have the right to make and transmit copies (print or electronic) for institutional and academic purposes.
3. The IIUM library will have the right to make, store in a retrieval system and supply copies of this unpublished research if requested by other universities and research libraries.

Affirmed by Shahariah binti Abdullah.

.....
Signature

.....
Date

I wish to dedicate this dissertation to my beloved parents;
Haji Abdullah Mohamed and Hajjah Noraini Hashim.

ACKNOWLEDGEMENTS

I am greatly indebted to my lovely supervisor, Dr. Siti Normala binti Sheikh Obid, who has been a continual source of intellectual stimulation and encouragement. In spite of her extremely busy timetable and schedule, had tiny time to guide and read my thesis in a critical manner and helped me with many useful and constructive ideas and comments. Without Dr. Siti Normala's encouragement and support, this thesis would not have been made possible.

I would like to express my gratefulness to all my lecturers, Dr. Hafiz Majdi Abdul Rashid, Associate Professor Dr. Abdul Rahim Abdul Rahman, and Dr. Fatima Abdul Hamid. Also dedicating my special thanks to these three special names (even though not in IIUM anymore); Dr. Shahul Hameed Mohamed Ibrahim, Dr. Asyraf Wajdi Dato' Dusuki and the late Dr. Unvar Rahman Abdul Muthalib. May ALLAH s.w.t. gives His blessings for all of you.

I would like to take this opportunity also to thank all IIUM's officers, corporations group as well as tax officials who has give excellent cooperation to me in order to gain the information for this thesis. Due to limited space, I am unable to write down all the names and sincerely pray that ALLAH s.w.t. will rewards your kind helps.

Last but not least, my deepest gratitude to my beloved parents; ***Haji Abdullah Mohamed and Hajjah Noraini Hashim***, I owe a special debt of gratitude for their encouragement and support. To my beloved husband; ***Nik Facaruddin Shah Nik Hasni Shah***, for your patience, encouragement and understanding. His support made me cheer up and feel happy when times were hard. To all my dearest siblings and brother-in-laws, who have always been there for me especially during the hard time, I will never forget the memories that we shared together.

And above all, many thanks are due to ALLAH, The Almighty, The Merciful, The Benevolent. His grace alone brings succour.

TABLE OF CONTENTS

Abstract	ii
Abstract in Arabic	iii
Approval Page	iv
Declaration Page	v
Copyright Page	vi
Dedication	vii
Acknowledgments	viii
List of Tables	xii
List of Figures	xiii
List of Abbreviations	xiv
CHAPTER ONE: INTRODUCTION	1
1.0 Background	1
1.1 Motivation of the study	4
1.2 Objectives of the study	5
1.3 Organization of the study	7
CHAPTER TWO: THE DEVELOPMENT AND PRACTICES OF CSR AND TAXATION IN THE FORM OF APPROVED DONATIONS IN MALAYSIA	
2.0 Introduction	8
2.1 CSR development and evolution in Malaysia	8
2.2 Development of tax incentives in relation to CSR as approved donations	11
2.3 Conclusion	14
CHAPTER THREE: LITERATURE REVIEW	15
3.0 Introduction	15
3.1 General tax incentives granted for corporations to participate in the CSR programmes	15
3.2 Theory underpinning the concept of CSR and taxation – tax incentives influence CSR	18
3.3 CSR contribution and tax incentives enjoyed by the corporations from the Islamic perspective	25
3.4 Conclusion	27
CHAPTER FOUR: SURVEY DEVELOPMENT AND METHODOLOGY ...	28
4.0 Introduction	28
4.1 Survey coverage	28
4.1.1 Rationale for survey	28
4.1.2 Target respondents	29
4.1.3 Time and place of the survey	30

4.1.4 Methodology of the survey	30
4.2 Presentation of questions in the questionnaire	31
4.3 Survey procedure	32
4.4 Pilot test	32
4.5 Sample and respondents	33
4.6 Data distribution and collection	34
4.7 Process of checking the accuracy of data entry	35
4.8 Analysis tool	36
4.8.1 Descriptive statistics	36
4.8.2 Statistical techniques	36
4.8.2.1 Parametric Statistics	36
4.8.2.2 Non-parametric Statistics	36
4.9 Conclusion	37
CHAPTER FIVE: ANALYSIS OF THE QUESTIONNAIRES FOR THE CORPORATIONS GROUP	39
5.0 Introduction	39
5.1 Frequency test	39
5.1.1 Attributes of the sample of respondents (Section A)	39
5.1.2 Understanding and knowledge of CSR (Section B)	42
5.1.3 Relationship between CSR and tax (Section C)	43
5.1.4 Effects of CSR onto corporations (Section D)	45
5.2 Conclusion	45
CHAPTER SIX: ANALYSIS OF THE QUESTIONNAIRES FOR THE TAX OFFICIALS GROUP	46
6.0 Introduction	46
6.1 Frequency test	46
6.1.1 Attributes of the sample of respondents (Section A)	46
6.1.2 Understanding and knowledge of CSR (Section B)	47
6.1.3 Relationship between CSR and tax (Section C)	48
6.1.4 Effects of CSR onto corporations (Section D)	49
6.2 Conclusion	50
CHAPTER SEVEN: DATA ANALYSIS	51
7.0 Introduction	51
7.1 Hypothesis development	51
7.2 Normality test	52
7.2.1 Corporations	53
7.2.2 Tax Officials	54
7.3 Parametric and Non-parametric Statistics	54
7.4 Conclusion	57
CHAPTER EIGHT: FINDINGS, DISCUSSION AND RECOMMENDATIONS	58
8.0 Introduction	58

8.1 Discussion of the research questions	58
8.1.1 Is there a direct relationship between CSR and tax?	58
8.1.2 Do direct tax incentives influence CSR adoption?	59
8.2 Recommendations	59
8.3 Conclusion	60
CHAPTER NINE: CONCLUSION	61
9.0 Introduction	61
9.1 Summary of the research	61
9.2 Significance of the study	62
9.3 Limitations and suggestions for future research	62
BIBLIOGRAPHY	64
APPENDIX 1: COVERING LETTER FOR QUESTIONNAIRE	71
APPENDIX 2: CORPORATION'S QUESTIONNAIRE	72
APPENDIX 3: TAX OFFICIAL'S QUESTIONNAIRE.....	76

LIST OF TABLES

<u>Table No</u>		<u>Page No</u>
1.1	Organization of the study	7
4.1	List of Questions in the Questionnaire (Corporations)	31
4.2	List of Questions in the Questionnaire (Tax Officials)	32
4.3	Questionnaires Distributed and Collected from the Corporations Group	34
4.4	Questionnaires Distributed and Collected from the Tax Officials Group	35
5.1	Profile of the respondents (Corporations)	41
5.2	Understanding and knowledge of CSR (Corporations)	42
5.3	Understanding and knowledge on the relationship between CSR and tax (Corporations)	43
6.1	Profile of the respondents (Tax Officials)	47
6.2	Understanding and knowledge of CSR (Tax Officials)	48
6.3	Understanding and knowledge on the relationship between CSR and tax (Tax Officials)	49
7.1	Assessing Normality for the Corporations Group	53
7.2	Assessing Normality for the Tax Officials Group	54
7.3	The independent t-test result on considering CSR as approved donations	55
7.4	The Mann-Whitney U test result on considering CSR as approved donations	55
7.5	The independent t-test result on tax incentives encourages corporations to participate in CSR	56
7.6	The Mann-Whitney U test result on tax incentives encourages corporations to participate in CSR	56

LIST OF FIGURES

<u>Figure No</u>		<u>Page No</u>
3.1	Direct Voluntary Contribution Approach	18

LIST OF ABBREVIATIONS

e.g	<i>(exempligratia)</i> ; for example
et al.	<i>(et alia)</i> : and others
etc.	<i>(et cetera)</i> : and so forth
AGI	Aggregate Income
AI	Adjusted Income
CSR	Corporate Social Responsibility
ITA	Income Tax Act
PLCs	Public Listed Companies
SC	Security Commission
TI	Total Income
YA	Year of Assessment

CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND

The legislation governing income tax in Malaysia is the Income Tax Act 1967 (hereafter the Malaysian ITA 1967) (Act 53) (Fatt, 1999). A single rate of 28% was payable by all the companies on the taxable income determined for an accounting financial year where the corporate tax rate was reduced from 27% in the year of assessment (hereafter YA) 2007 to 26% in YA 2008, and to 25% in YA 2009 (Kasipillai, 2009).

In ascertaining the taxable profits of a business, the Malaysian ITA 1967 in Part III provides certain specific expenses and deductions under Section 33 (Kasipillai, 2009):

- a) outgoings and expenses;
- b) wholly and exclusively incurred during that period; and
- c) in the production of gross income.

One of the expenses which is allowed to be deductible is “approved donations”. These are governed under Section 44(6) of the Malaysian ITA 1967. Section 44(6) stipulates that (1) only approved cash donations are deductible; and (2) deduction is made on a calendar basis. Donations made by companies to approved institutions or organizations are limited to 7% of the Aggregate Income (hereafter AGI) of the company in the relevant year. With effect from YA 2008, the 7% restriction is extended to a body of persons, individuals and a corporation sole. From YA 2009, the limit for tax deduction for companies has been increased from 7% to

10% of the AGI. This is one of government's incentives to further encourage corporations to contribute for the betterment of the community (this can be referred to as 'corporate social responsibility', hereafter CSR).

Currently a tax deduction is given on contributions made by companies for community projects related to education, health, housing, infrastructure and ICT (Malaysian Budget 2008). The tax deduction is applicable for the business which incurs expenses on the approved charitable donations or organizations or community projects which relate to education, welfare, or for the benefit of the poor and needy. Further, the government in the Malaysian Budget 2009 proposed that the scope of community projects eligible for tax deduction is to be extended to projects enhancing the income of the poor, as well as those promoting conservation and the preservation of the environment.

The Malaysian ITA 1967 stated that corporations need to pay income tax at the rate of 25% and Section 44(6) allows 10% deductions from the AGI. Thus, the researcher classifies the rate of this 28% as *Compulsory/Statutory CSR* and Section 44(6) as *Voluntary CSR*. These are the approaches according to which the public (particularly corporations) contribute to charity; (1) *Compulsory/Statutory CSR*, i.e. by paying tax. According to this approach, the government will spend the money directly for the benefit of the community, and (2) *Voluntary CSR*, i.e. through 10% tax deduction from the AGI given by the government for the contribution made to approved charitable institutions. However, this 10% voluntary contribution of CSR by the corporations in Malaysia is still not enough to encourage corporations to participate in CSR programmes. This is supported by Zakaria and Thompson (2004), according to whom, based on the scrutiny and content analysis of the annual reports of

Malaysia's 250 largest companies, the findings reveal that the CSR practices are still in their infancy in Malaysia.

In this study, the researcher is concentrating on enhancing the direct contribution from corporations to society. The researcher proposes a new approach, namely the "*Direct Voluntary Contribution*" (hereafter the DVC) where the contribution is made *directly* from the corporations to the communities. The expenses incurred shall be treated as 100% *wholly and exclusively allowable expenditure*. In this approach, any contribution expenses in the form of approved donations will be treated as allowable expenses and are deducted on arriving at the company's Adjusted Income (hereafter AI). Thus, the 10% deduction is no longer applicable since the companies are enjoying the 100% deduction in the computation of their taxes. There are three ways in which the public can be involved in and/or participate in CSR programmes:

- a) Contributions in terms of money alone; *or*
- b) Contributions in terms of money and corporations' involvement; *or*
- c) Contributions in terms of money, corporations' involvement and giving out the products.

The Malaysian government encourages the participation of corporations, especially Public Listed Companies (hereafter PLCs) since the government believes that companies involved in CSR activities will benefit socially and economically. Corporations should commit to fulfil the welfare as well as act for the betterment and benefit of society. They can be involved in society programmes in order to promote human welfare by, for example, giving donations, sponsoring social programmes, or being involved in voluntary work. Apart from contributing towards the well-being of society, corporations are expected to contribute to the financial resources of the

community and to improve the quality of life. Thus, this will indirectly improve their image and build a strong reputation in the eyes of society.

As an important source of funding for approved charitable institutions is charitable donations (besides the government grants) by individuals and businesses, tax incentives are one of the factors which influence the extent of contributions among the donors. By extending the study of Wong et al., (1998) according to which lowering tax payments through tax incentives to potential donors can be an effective way of raising private donations to charitable organizations, the underlying theme of this research is that tax incentives are of great value in promoting CSR activities among the corporations. This research, by employing an empirical approach, obtaining opinions from among the Malaysian stakeholders, is to find out whether direct tax incentives do motivate corporations to contribute and/or participate more in CSR programmes.

1.1 MOTIVATION OF THE STUDY

There has been a scarcity of studies on the relationships between tax and the CSR concept itself (Olin, 2004; Desai, 2006; William, 2007; Chua & Wong, 1999; Pittel & Rubbelke, 2006 and Wong et al., 1998). Desai (2006) stated that corporate tax payments are the largest and most obvious contributions of firms to non-shareholders and non-employees. Nevertheless, taxation does not typically figure in the analysis of CSR. Thus, the study aims to bridge the gap in the relationships between taxes and the CSR concept.

Wong et al. (1998) claimed that the tax deductibility of charitable contributions has been an important policy instrument to encourage private donations. Thus lowering the price of donations, for example, through tax incentives to potential

donors, can be a very effective means of raising private donations. This is supported by Chua and Wong (1999) who revealed that lowering the price of making donations through tax incentives can be very effective in encouraging private donations to charity. However, this has not yet been tested in Malaysia. Therefore, the study attempts to gauge the opinions of Malaysian stakeholders as to whether direct tax incentives do influence CSR adoption among Malaysian companies.

1.2 OBJECTIVES OF THE STUDY

As society comprises stakeholders, i.e. shareholders, customers, employees and suppliers, the corporation is expected to treat society fairly and be responsible for both profit and CSR. This means that companies are not only concentrating on profit making per se but also participate in social interest. In other words, instead of focusing on generating profits for the organization, corporations are also responsible for protecting the environment as well as caring for public welfare as society expects that any action taken by the corporations must protect society's rights and interests.

There are two approaches in which the public contributes to charity;

- (1) *Compulsory/Statutory* CSR (by paying 25% corporate tax), and
- (2) *Voluntary* CSR (10% deduction from AGI).

However, based on the previous research done (Said et al., 2009 and Zarina & Thompson, 2004), the level of participation of CSR among the corporations is still low. Thus, the researcher proposes the DVC approach where the contribution made directly from the corporation is considered as ***wholly and exclusively allowable expenditure*** and enjoys 100% deduction from their AI. The researcher believes that this approach will encourage more corporations to participate in CSR programmes.

In view of the above statements, the research questions are:

1. Is there a direct relationship between CSR and tax?
2. Do direct tax incentives influence CSR adoption?

Thus, the objectives of the study are:

1. To further analyze the relationships between CSR and tax.
2. To investigate further the direct influence of taxes on CSR adoption.

1.3 ORGANIZATION OF THE STUDY

This study is presented as follows:

Table 1.1
Organization of the Study

Chapter	Title	Description
Chapter 1	Introduction	Highlights the background of the study, motivation as well as the objectives of the study.
Chapter 2	The development of practices of CSR and Taxation in the form of approved donations in Malaysia	Discusses the CSR development and evolution in Malaysia and the development and/or evolution of tax incentives in relation to approved donations.
Chapter 3	Literature review	Explains the approaches for corporations to participate in CSR programmes, the theory underpinning the CSR concept and taxation as well as the Islamic perspective on CSR contribution.
Chapter 4	Survey development and methodology	Highlights the research design specifying the methods and the procedures used for data collection and analysis.
Chapter 5	Analysis of the questionnaires for the corporations group	Analyzes the questionnaires for each section.
Chapter 6	Analysis of the questionnaires for the tax officials group	Analyzes the questionnaires for each section.
Chapter 7	Data analysis	Explains the analysis of the data collection in detail.
Chapter 8	Findings and discussion	Explains the findings of the survey referring to the research questions and the new proposed approach.
Chapter 9	Conclusion	Concludes the study by highlighting the main findings of the thesis, the importance of and the contribution made by the study as well as its limitations and suggestions for future research.

CHAPTER TWO

**THE DEVELOPMENT AND PRACTICES OF CSR AND
TAXATION IN THE FORM OF APPROVED DONATIONS IN
MALAYSIA**

2.0 INTRODUCTION

This chapter discusses the development and studies of CSR and Taxation where Section 2.1 explains CSR development and its evolution in Malaysia and Section 2.2 discusses the development and/or evolution of tax incentives in relation to approved donations (also known as CSR). Lastly, Section 2.3 presents the conclusion.

2.1 CSR DEVELOPMENT AND EVOLUTION IN MALAYSIA

CSR has been recognized for a long time in the form of donations (or charity). Even in Malaysia, CSR already existed as early as the 1960s when there were already laws that regulated the provision of donations, i.e. Section 44 (6) of the Malaysian ITA 1967 where at that time any donations made to approved organizations would enjoy a tax deduction of 5% from the AGI.

In Malaysia, the private sector has come under tremendous pressure to accept social responsibility since the 1980s and the level of CSR among the Malaysian PLCs remains low (Said et al., 2009). This could be due to less concerted effort or motivation on the part of the top management to ensure that the companies are disclosing their corporate social responsibility activities. Companies should, therefore, report their economic, social and environmental performance to their stakeholders.

Top management should be responsible for ensuring that appropriate systems of control are in place, in particular, those that monitor risk, including potential environmental and social liabilities.

Raslan (2007, www.undp.org.my) stated that the development of CSR in Malaysia has grown in leaps and bounds, where the call for the adoption of good CSR leadership and practices is frequently heard in the form of various speeches made by the local authorities. He further stated that some Malaysian corporations had already been proactive in the CSR field, even though the voluntary adoption and compliance with the international best practices and standards on CSR appear to be at a nascent stage.

In the year 2004, the Malaysian Securities Commission (SC) supported an industry-driven initiative to explore the possibility of setting up a CSR organization in Malaysia which would encourage and facilitate the adoption of better CSR practices among Malaysian corporations. Apart from that, the SC and the British High Commission Kuala Lumpur co-hosted a conference on CSR, entitled "CSR: Creating Greater Competitive Advantage" from 21–22 June 2004. The conference was aimed at improving the degree of awareness of CSR and its growing international importance among local companies. The SC is also actively participating in the Working Committee on the National Integrity Plan-Strategy 1, which focused on the development of CSR in Malaysia (www.sc.com.my).

The Malaysian Securities Commission is hoping to see more Malaysian companies incorporating CSR into their corporate governance agenda in order to develop better corporate citizens as well as enhancing the recognition and profile of domestic companies in the eyes of international and domestic institutional investors. The push towards better CSR is consistent with the overall national agenda,

particularly in relation to achieving Vision 2020, meeting the objectives of the National Integrity Plan and generating greater economic and capital market growth. (www.sc.com.my).

On 16th November 2006, the CSR Malaysian organization was established. It is a network of corporate and academic institutions, committed to advancing responsible business strategy and practices that will have a triple bottom line impact, i.e. people, the environment, and economies. CSR Malaysia aims to create a level of CSR consciousness among Malaysian corporations, i.e. to increase the capacity and capability of social responsibility towards environmental and social concerns (www.bursamalaysia.com).

In 2006, Bursa Malaysia launched the CSR framework for Malaysian Public Listed Companies (PLCs) to guide them in implementing and reporting on CSR. The framework looks at four main dimensions of CSR practices, i.e. the environment, workplace, community and marketplace. It is designed to deliver sustainable value to society at large and involves the cultural transformation of a company as it integrates CSR concepts into its operations and decision-making (www.bursamalaysia.com).

Relating to the first area, the environment, it was stated that all business activities have an impact on the environment. This dimension provides information on how corporations are addressing and managing their environmental impacts. The concern is on protecting the air, water and soil for the future generations, and being indirectly responsible for the workers' health. The second area is the community where the focus is on how corporations are strengthening the local community in which they are located. Corporations live within the community, and thus, they depend on each other.