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THE MALAYSIAN ACCOUNTANTS'  
PERCEPTION OF CORPORATE SOCIAL  
RESPONSIBILITY

BY

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INTERNATIONAL ISLAMIC UNIVERSITY  
MALAYSIA

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## **ABSTRACT**

The study mainly investigates the Malaysian accountants' perception of corporate social responsibility (CSR). In addition, it examines the impact of the ethical ideology of accountants on shaping their perception. Based on Carroll's four classification of CSR, it was found that the Malaysian accountants perceived the social responsibility of corporations as economic, legal, and ethical and philanthropy (discretionary). However, the evidence showed that Malaysian accountants do not differentiate between the economic and legal responsibility of the firm. Such perception was evidenced to be affected by the ethical ideology of accountants. The idealism ideology especially, seems to be the predictor of Malaysian accountants. The findings indicate towards the possibility of culture and religion influencing perception of Malaysian accountants.

## مُلخَص البَحْث

تبحث الدراسة الحالية في مدى استيعاب المحاسبين الماليين للمسؤولية الاجتماعية للشركات اعتماداً على تقسيم كارول (1979) لها. إضافة الى ذلك تتحقق الدراسة من مدى تأثير القيم الأخلاقية للمحاسب على استيعابه لمسؤوليات الشركة. أثبتت الدراسة بأن المحاسبين الماليين يتبعون تقسيم كارول ، حيث وُضعت الاولوية الاقتصادية كأهم مسؤولية اجتماعية للشركة و من ثم المسؤولية القانونية فالأخلاقية و أخيراً المسؤولية الاختيارية. لكن أظهرت اختبارات (تي / تي) لفروق المتوسطات، بأن المحاسب المالي لا يميز ما بين المسؤولية الاقتصادية و القانونية للشركة. بينما بينت الاختبارات الاحصائية للارتباط و الانحدار بأن هناك تأثير للقيم الأخلاقية للمحاسب على استيعابه لمسؤولية الشركة الاجتماعية. حيث وجد بأن القيم المثالية (التي تهتم بعواقب أداء الشركة و احترام المعايير و القوانين الاخلاقية) اكثر تأثيراً على المحاسب المالي في تحديد مسؤولية الشركة من القيم النسبية القائمة على رفض وجود معايير اخلاقية. اظهرت نتائج الدراسة امكانية تأثير العامل الثقافي و الديني في تشكيل استيعاب المحاسب المالي للمسؤولية الاجتماعية لمنظمات الاعمال.

## 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.

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Nazli Anum Mohd Ghazali  
Supervisor

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Mansor Hj. Ibrahim  
Dean, 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.

Adnan Ameen Abdullah Bakather

Signature ..... Date .....

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**THE MALAYSIAN ACCOUNTANTS' PERCEPTION OF CORPORATE  
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*I dedicate this work to my parents who have leant me the first sound, letter, and word in this world.*

***ADNAN***

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## LIST OF ABBREVIATIONS

AIS	Accounting Information System
BIDR	Balanced Inventory of Desirable Reporting
CAPM	Capital Asset Pricing Model
CEOs	Chief Executive Officer s
CER	Corporate Ethical Responsibility
CPAs	Certified Public Accountants
CSP	Corporate social performance
CSR	corporate social responsibility
CSRO	corporate social responsibility orientation
CSRV	competing social responsibility values
EPQ	ethics position questionnaire
EU	European Union
FASB	Financial accounting standards Boards
GAAP	Generally Accepted Accounting Principles
GC	Global Compact
GRI	Global Reporting Initiatives
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFC	International Financial Corporation
ISCT	Integrative Social Contract Theory
KLSE	Kuala Lumpur Stock Exchange
Mach IV	Machiavellianism

MIA	Malaysia Institute of Accountants
MLQ	Multifactor Leadership Questionnaire
NGOs	Non –Governmental Organizations
PAID	Professional Accountants in Business
PLCs	Public Listed Companies
PRESOR	Perceived Role of Ethics and Social Responsibility
ROA	Return on Assets
SCT	Social Contractual Theory
SEA	Social Environmental Accountability
SEAAR	social, ethical accounting, auditing and reporting
SEAAR	Social and Ethical Accounting, Auditing and Reporting
SER	Social Environmental Reporting
SPSS	Statistical Package for the Social Science
SSB	Shariah Supervisory Board
SVS	Schwartz’s Value Survey
TBL	Triple Bottom Line
TEC	Theory of Event Coding
UN	United Nations
WB	World Bank



# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 INTRODUCTION**

Shareholders' primacy, traditionally, dominated the classical paradigm of corporate responsibility and the corporate role in society. However, in today's businesses, corporations have to redefine their societal role and responsibility towards human rights and the environment (Azer, 2001). This shift of responsibility of corporations towards society is termed "corporate social responsibility" (CSR). The substance of CSR appeared from a need for ethical obligation and to evaluate the effects of business organisations' decisions and activities on the whole social system (Davis and Blomstrom 1971; as cited in Gavin and Mynard, 1975). In other words, contemporary corporate management should balance their decisions and actions among the interests of different stakeholder groups of a company (Doukakis et al, 2006). This is not an easy task; hence is seen as a challenge facing the corporate world of today.

These challenges are also faced by the corporate sector in Malaysia. Recently, the Malaysian government encouraged all public listed companies (PLCs) to report their CSR activities and practices. As a consequence of this request, Bursa Malaysia [BM] developed a CSR framework for Malaysian public listed companies, even though companies are free to adopt what is appropriate for them from that framework (BM, 2007). Although, the CSR is not a new idea in Malaysia, it is a new governmental announcement and initiative of CSR (e.g. Teoh and Theong, 1981, 1986). The government requirement on CSR may lead to many issues regarding the CSR phenomena in Malaysia, but the main question may be the extent of Malaysian

accounting system readiness, in particular, the readiness of accounting practitioners of CSR. This is because there is no doubt that Malaysian accountants will have to contribute to CSR, at least in relation to its disclosure. Unfortunately, there is a lack of literature about the Malaysian accountants' CSR involvement. The initial step to such literature is to study the accountants' perception and attitudes towards CSR. After all, if the people involved are not inclined towards it, the possibility of CSR's success would be considerably reduced.

Therefore, this study aims to investigate the Malaysian accountants' perception on CSR. In addition, the study intends to determine whether ethical reasoning has an affect on the accountants' perceptions of CSR.

## **1.2 PROBLEM STATEMENT**

As inferred before, the focus of corporate responsibilities shifted from shareholders to stakeholders' primacy by ingraining the concept of ethics in the firm's operations. Since the firm's operations are reflected in financial reporting, as a result, the accounting information system of firms has to change due to this phenomenon of CSR. In this context, the Social, Ethical Accounting, Auditing and Reporting (SEAAR) has been proposed to deal with the expanded corporate responsibilities (Gray et al. 1996). This is necessary to allow accounting systems to trace the expansion of corporate responsibilities in stages of recognition, measurement and disclosure (Godfrey et al. 2000).

Since numerous changes in accounting are expected as a consequence to the establishment of CSR, the question that may be constantly in our minds is 'what is the perception and attitudes of accountants towards these changes, i.e. in a multi – responsibility business environment. This is particularly important, if we believe that

the liberal economic democracy is still dominating the conventional accounting education (Gray et al. 1996). According to Ravenscroft and Williams (2005), the problems of conventional accounting are on the 'principles of neoclassical economy'. In other words, there may be a contradiction between the social responsibility objective and the organisational nature and function of an accountants' job that emphasizes on profit maximisation. Such a situation is expected to be a dilemma for accountants, therefore, it is fundamental to obtain the perception of accountants.

Also, as mentioned before, Malaysian PLCs are encouraged to disclose their CSR practices. However, Malaysian accountants, similar to accountants from other countries, are still highly influenced by the traditional conventional accounting system (Lehman, 1988; Gray, et al., 1993; Petrick and Schere, 1993; Gray et al., 1994; Gray et al., 1996; Kelleher, 2005; Mintz, 2006; Ibrahim et al., 2006; Block and Cwik 2007; Cooper and Owen, 2007). Thus, their reporting may still be considerably profit driven, although, there may be efforts towards social accounting. These ideologies of the practitioners, will, therefore subsequently have an effect on accounting (Francis, 1990). Hence, an investigation of the Malaysian accountants' perception towards any CSR is vital and worthwhile.

Although the perception of accountants may be a function of different variables, ethical reasoning (ideology) is considered to be the most influential (Barnett et al., 1994; Allmon et al., 1997; Bass et al., 1999; Singhapakdi et al., 1999, Davis et al., 2001; Singhapakdi et al., 2001; Elias, 2002; Karande et al., 2002; Kleiser et al., 2003; Vitell and Paolillo, 2004; Coyne et al., 2005; Singh et al., 2007). It is expected that the correlation and integration between the CSR and ethics of an individual exists. In order to test the relationship between the ethical reasoning and perception on CSR, the

Carroll's classification of CSR and Forsyth's classification of ethical ideologies are used.

Based on the above discussion, the research objectives and research questions are stated clearly in the following section.

### **1.3 RESEARCH OBJECTIVES**

The main objective of this study is to investigate the Malaysian accountants' perception of CSR. Then, the accountants' ethical reasoning (ideology) will be used to explain and predict their perception of CSR. Therefore, based on these objectives, the following are the research questions that this study attempts to answer:

- i. What is the Malaysian accountants' perception towards corporate social responsibility (economic, legal, ethical or philanthropy)?
- ii. Is there a relationship between Malaysian accountants' ethical ideologies and their perceptions of CSR?

### **1.4 MOTIVATION OF THE STUDY**

The CSR phenomenon is considered to be a crucial aspect for all, national and international enterprises. Since it is of importance, it should attract accounting research. It is particularly of interest as the notion of CSR may be contrary to the nature of accountants to be profit and firm performance oriented. Due to this possible contradiction, the researcher was motivated by the need to understand the perception of Malaysian accountants towards CSR and to find out whether the accountants' ethical ideology (idealism or relativism) could affect their perception. This study is particularly timely after the Malaysian government's requirement of CSR disclosures.

## **1.5 CONTRIBUTION OF THE STUDY**

The arena of CSR opens a door for more serious research towards profound understanding of the corporation's role in society. The literature review of CSR shows that there are different approaches and perspectives to the discussion of CSR (Lockett et al, 2006). Although, there is a long and varying literature on CSR, this study still adds to the CSR literature, particularly in the Malaysian context. This study is also of value as it departs from the previous studies' methodology of accountant's perception of CSR in terms of depending on the precise definition of CSR (Carroll's typology) rather than current practices of CSR.

Furthermore, this study is expected to reveal some important points. For instance, such study may form a platform to examine the liberal economics democracy theory effects on the Malaysian accounting profession. This can be realised through the examination of the ethical ideology influence on the accountants' perception towards social business involvement. In other words, this study may provide some insights to a diagnosis of a profound accounting education problem.

Moreover, the current study may be the first study in Malaysia to test the relationship between the CSR perception and ethical reasoning, particularly in the accounting literature. Therefore, it is expected that the study can provide insights into the status of accounting ethics courses. In addition, this study may add something to the efforts of ethical professional development, in the sense that CSR may constitute the ethical business framework in future business enterprises.

In brief, the study can contribute to CSR and accounting literature. It is expected that it constitutes a door for a more detailed future research to understand the relationship between CSR practices and the ethical stance of the accounting practitioners.

## **1.6 ORGANISATION OF THE STUDY**

This dissertation is organised into six chapters, including this introductory chapter. The second chapter reviews the current corporate social responsibility literature. It presents the concepts and construct chapter for this study. It includes a discussion of definitions and dimensions of CSR, as well as a discussion of the business and society relationship. In addition, chapter two reviews the relevant empirical CSR studies, in particular perception studies and some determinants of it.

The third chapter has been devoted to the theoretical framework of this study and hypotheses development. The fourth chapter contains the research methodology. For that, it describes the sample selection, research instrument, procedures of the data collections, and statistical tests.

The fifth chapter analyses the collected data. For this purpose, different descriptive and inferential analyses are used to obtain the findings of this study. The sixth chapter, which is the last chapter, concludes this research and its discussion. It provides potential limitations and recommendations for future research. The structure of this dissertation is clearly shown in the following figure.

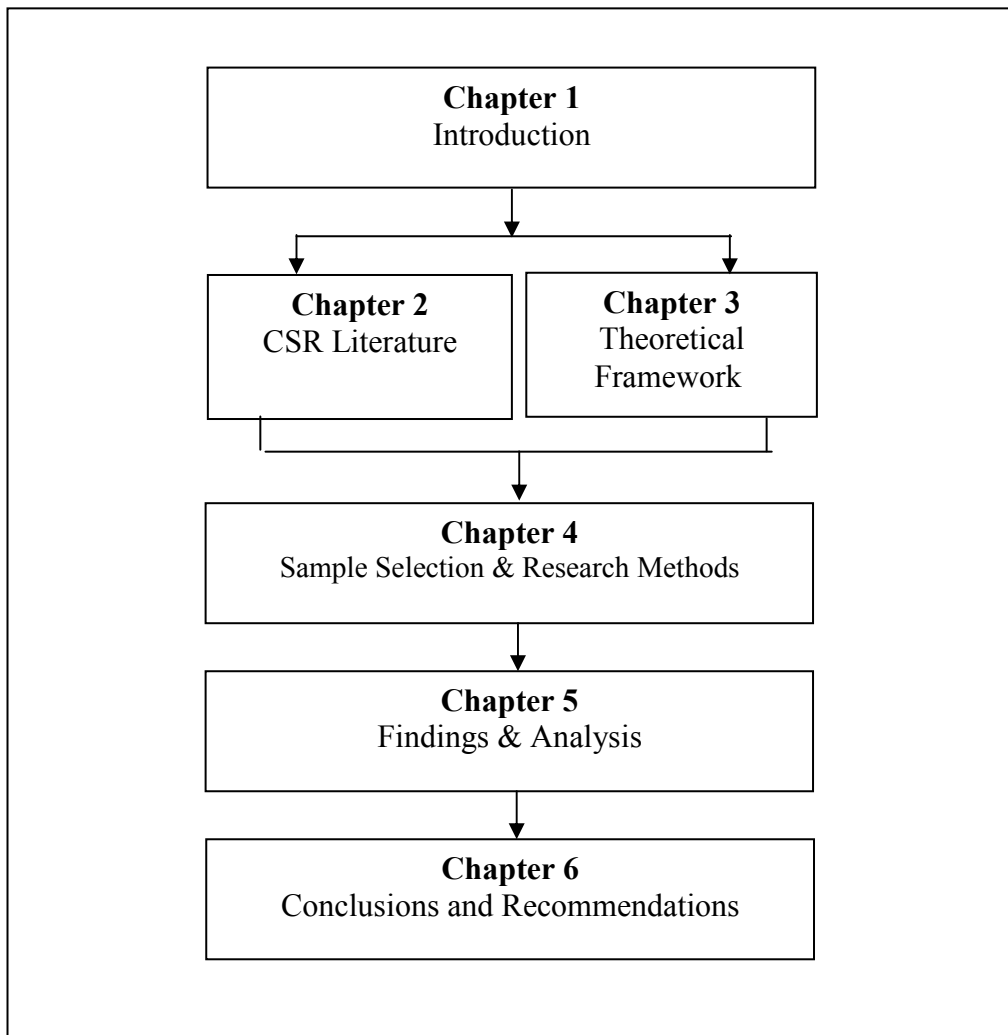


Figure 1.1: The structure of the study

# **CHAPTER TWO**

## **CORPORATE SOCIAL RESPONSIBILITY; DEFINITION, DIMENSIONS, THEORIES AND LITERATURE**

### **2.1 INTRODUCTION**

The purpose of this chapter is to review the literature pertaining to CSR. It consists of several sections, according to the issues flow and other pertaining topics of CSR. This chapter is supposed to define the chapter of CSR concept and construct of the current study. In addition, it contains the debate on business / society relationship as a premise to understanding the basis of the CSR phenomena. The current chapter is organised into different sections, starting from the definition of CSR concepts, followed by CSR theories. This is followed by a discussion on the association between corporate accountability, accounting, reporting and CSR literature. The last section briefly reviews the previous studies on the stakeholders' perception towards CSR.

### **2.2 CSR DEFINITION**

This covers four sections which form a basis of any CSR study. They are: discussion of the CSR meaning, CSR dimensions, history, and the business and society relationship debate.

#### **2.2.1 CSR Meaning**

According to Amaeshi and Adi (2007), CSR is defined by different researchers, and their definitions of CSR vary according to various theoretical resources of the CSR debate. Therefore, there are as many CSR definitions as there are number of