International Journal of Business and Technopreneurship
Volume 5, No. 1, Feb 2015 [99-114]

Directors Culture and Environmental Disclosure Practice of Companies in Malaysia

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ABSTRACT

This study sets out to investigate the effect of director's culture on the level of environmental disclosures among companies quoted on the main stream of the Bursa Malaysia. The study uses the ethnic background of the directors to categorize the culture of the board. The dependent variable environmental disclosure in the annual report of the selected companies is measured by an index score based on the content. The study employed the multiple regression technique to estimate the data. Our result indicate a significant relationship between environmental disclosure and boards dominated by Bumiputra directors, board dominated by foreign directors, firm size and leverage. The study has public policy implications for Malaysia as well as a number of developing countries.

Keywords: accounting; environmental disclosure; corporate social responsibility; directors culture; Malaysia

1. INTRODUCTION

Prevailing issues about the state of the environment have taken centre stage globally and locally. Natural and man-made environmental issues are increasingly becoming popular such as pollution of all kinds, oil spills and landslides (Yusoff, Lehman & Nassir, 2006). This has indeed increased the awareness among parties concerned to take the initiative to conserve the natural environment and ensure sustainability of future generations.

Corporate social responsibility accounting and by extension environmental accounting has received a lot of attention from academicians and researchers in the areas of business and accounting (Ghazali, 2007). The increasing awareness by stakeholders on the importance of environmental reporting as a critical component of corporate social responsibility reporting, has led corporate organizations to begin to inculcate environmental reporting into their reporting practice (Sulaiman & Mokhtar, 2012). Environmental information in annual report could be defined as "a subset of the corporate social responsibility, which includes information regarding waste management, recycling programs and environment control" (Ahmad, Hassan &

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Mohammad, 2003). This view point reiterates the point that environmental information is embodied in the broad concept of corporate social responsibility reporting.

Studying the Malaysian business environment is both interesting and peculiar considering the involvement of government as can be seen in government shareholdings in privatized companies. As a fall out of the privatization policy in 1983, private companies were now set up to meet social concerns rather than just concentrating on the sole purpose of making profit (Mohd Ghazali, 2007). Despite the attention and agitations by stakeholders on the issue of the sustainability of the environment, it has being observed that the level of corporate social and environmental accounting by companies though on the increase is still very low (Haniffa & Cooke, 2005; Thompson & Zakaria, 2004). Similarly, Buniamin (2010) asserts that the average of environmental sentences disclosed in the annual report for the year 2005 was 4.70 sentences, while the average quality of the reported environmental information by a company was as low as 3.24%, which has led to continuous research in the area.

The inclusion of the ethnicity of major players within an organisation is important because the tradition of a nation is embedded in its people and might help to explain the way things are. Therefore, it is safe to say the line of action of a firm will be influenced by the social values of the people running it (Deegan & Rankin, 1996; Lehman, 1995). The decisions of Malaysian directors is strongly influenced by ethnicity (Haniffa & Cooke, 2005), therefore we proxy culture with ethnicity. Further in countries where there is strong presence of racial divisions it is important to consider the culture of directors, most especially as they oversee the information content in annual reports (Gibbins, Richardson & Waterhouse, 1990).

While there have being a lot of studies that have focused on corporate social responsibility in Malaysia (see for example, Ahmad et al., 2003; Alarussi, Hanefah & Selamat, 2009; Arussi, Selamat & Hanefah, 2009; Buniamin, 2010; Elijido-ten, 2009; Ghazali, 2007; Haji, 2013; Haniffa & Cooke, 2002, 2005; Janggu, Joseph & Madi, 2007; Mohd Ghazali & Weetman, 2006; Said, Zainuddin & Haron, 2009; Saleh, Zulkifli & Muhamad, 2010; Smith, Yahya & Amiruddin, 2007; Sulaiman & Mokhtar, 2012; Thompson & Zakaria, 2004), examining various issues such as the extent of disclosures looking at the quality, quantity and trend over the years, others have centred on the motivation and determinants, looking at role of firm specific factors. Furthermore, others have centred on the role the various corporate governance attributes play in determining the level or extent of disclosures (Haji, 2013; Haniffa & Cooke, 2002, 2005).

Studies that have focused on environmental disclosures alone, examining the extent, degree and determinants of disclosures among companies in Malaysia are still at its infancy stage and considering the importance of the environment as an aspect of CSR that affects all stakeholders and is currently generating a lot of noise. Furthermore, in some developed countries it has become mandatory to prepare a separate report for environmental information, outside the general CSR report (Sun, Salama, Hussainey & Habbash, 2010). Hence, the importance of this study which comes in to examine the extent of disclosure and also to investigate the role director's culture plays in determining the degree or extent of environmental disclosure among companies in Malaysia.

Our study is significant for three reasons. This study crops up as one of the pioneering studies examining the role directors culture plays in determining the level of environmental disclosure in Malaysian companies using secondary data from the annual reports of companies quoted on the Bursa Malaysia. In addition, the study will provide evidence as to the extent companies in Malaysia have embraced the practice of environmental reporting as the study will utilize content analysis to show the extent of disclosure by the companies. Finally, the study will provide support for the legitimacy theory in justifying the motivating factors for disclosure among the companies. The other sections of the paper include the review of literature section, methodology, analysis of data and conclusion.

2. LITERATURE REVIEW

Our review of prior studies on corporate social and environment disclosures can be summarized into two perspectives. Firstly, we will look at studies that have examined the extent of corporate social and environmental disclosures and then we will dive into the determinants or factors that can influence the level of disclosure all within the context of Malaysia a developing nation.

2.1 Environmental Disclosure Extent

The disclosure of environmental information is an important detail presented by companies mostly through their annual reports (Hackston & Milne, 1996; Haji, 2013; Haniffa & Cooke, 2005). Setyorini and Soedirman (2012) assert that it is sometimes found outside the annual report which opines that there are other means by which companies can present the environmental report or disclose information relating to their environmental performance. This view was supported by (Yusoff & Lehman, 2009) in their study of corporate environmental reporting through the lens of semiotics which could simply be described as the act of studying signs, how they are classified, disseminated and understood by the receiving party. In a similar vein Williams and Ho Wern Pei (1999) also demonstrated that another source through which companies can present their environmental information is through their websites. Environmental disclosures are used by entities in Malaysia to put across signals regarding their operations and also the motivating factors for the disclosures (Yusoff et al., 2006). They further assert that the motivations centre on the view of all those concern, the compliance on regulations that have been set aside and the organizations environmental concern, shareholder value and better performance of the company.

Studies that have examined the extent of corporate social disclosures in Malaysia have used content analysis based on the number of sentences, words and items to establish an index (see for example, Alarussi et al., 2009; Buniamin, 2010; Elijido-ten, 2009; Haji, 2013; Haniffa & Cooke, 2005; Janggu et al., 2007; Mohd Ghazali & Weetman, 2006; Said et al., 2009; Smith et al., 2007; Williams, 1999). While some studies have simply used dummy variable (Ahmad et al., 2003). Haniffa and Cooke (2005) examined the corporate social and disclosures of 139 non-financial companies listed on the Kuala Lumpur Stock Exchange. They found a significant difference between the disclosure content of the periods 1996 and 2002 with disclosure in the latter increasing from the earlier period. Their study attributed this difference to getting awards, enhancing corporate image, receiving government support, obtaining funds and a bandwagon effect.

Similarly, Haji (2013) examining corporate social responsibility disclosure practices of s*hari'ah* compliant companies in Malaysia before and after the event of global financial information. He found that these significant changes that had hit the economy led to an increase trend in both the extent and quality of CSR disclosures between the periods 2006 and 2009 though the level was still very low. Also reiterating the low level of environmental disclosures among companies in Malaysia, Buniamin (2010) revealed that the average of environmental sentences disclosed in the annual report for the year 2005 was 4.70 sentences, while the average *quality* of the reported information by a company was as low as 3.24%.

2.2 Determinants of CSR Disclosures in Malaysia

Studies that have investigated determinants of CSR in Malaysia have indeed progressed over time. The studies have focussed on a number of firm specific factors and corporate governance attributes (Haji, 2013; Haniffa & Cooke, 2005; Mohd Ghazali, 2007; Said et al., 2009). Haniffa and Cooke (2005) investigated the potential effects of culture and corporate governance on social disclosures. The ethnic background of directors and shareholders was used as a proxy for culture while the corporate governance characteristics included board composition, multiple directorships and type of shareholders. The dependent variable was measured by an index score as well as in terms of number of words. The study found the presence of Malay directors, executive directors and foreign shareholders positive related to disclosure.

Similarly, Ghazali(2007) using a disclosure index examined the influence of ownership structure on corporate social responsibility disclosure in Malaysian companies. The study found directors ownership to have an inverse relationship with disclosures, while government ownership showed a positive relationship. Also, Said et al., (2009) using disclosure index, examined corporate websites alongside annual reports. Their model included a number of corporate governance attributes namely size, board independence, duality, audit committee, managerial, government and foreign ownership. They find government ownership and audit committee positively related to disclosure.

Lastly we examined the model of Haji (2013), investigating corporate governance attributes with focus on Shari'ah compliant companies. The findings support a positive relationship between the size of the board, family members on the board and the level of disclosure. In summary, as can be seen from the review, most of the studies have centred on the broad concept of CSR, examining the impact of various corporate governance attributes on CSR. There is paucity of studies that have focussed exclusively on the environmental aspect of CSR, thereby providing justification for this study.

2.3 Theoretical Framework: Legitimacy Theory

The decision for companies to engage in environmental disclosure can be explained by legitimacy theory (Buniamin, 2010). Guthrie and Parker (1989)defined legitimacy theory as a "social contract where it agrees to perform various socially desired actions in return for approval of its objectives, other rewards and its ultimate survival" (p.344). The theory alludes that organizational survival depends not just on profit making but upon the acceptance of methods of operation utilized to come by the profit (Milne & Patten, 2002). In the event that stakeholders perception of an organisational behaviour deviates from the societal norms and values, then such organisations legitimacy is threatened and a "legitimacy gap" may arise (Sethi, 1978). Therefore, to protect organisations legitimacy, management may result in various means of legitimation (Ashforth & Gibbs, 1990; Suchman, 1995). One of such means will include providing information regarding its operation to society including environmental information, thereby repairing its image (O'Donovan, 2002).

Prior studies have used a number of proxies to help explain test legitimacy theory and provide an explanation for CSR disclosures for instance culture and governance (Haniffa & Cooke, 2005), ownership and governance (Haji, 2013). This study considers directors culture in terms of Bumiputra and foreign directorship as well as governance mechanisms on environmental disclosure in Malaysia.

2.4 Hypotheses Development

2.4.1 Bumiputra Directors

The role of ethnicity in studying the nature and extent of disclosures in an organization cannot be overemphasized. The core values or traditions of a particular race are instilled in the people and explain how they perceive or react to changes in their immediate environment. As such it could be inferred that how an organization reports will be influenced by the societal value system of the community where it exists (Deegan & Rankin, 1996).

In Malaysia, shareholders can be broadly classified to include the Malays or Bumiputras, Chinese and foreign shareholders (Ahmad, 2001). The Malays exhibit different values from the Chinese, they appear to be united at the national level and protect common interest (Alarussi, Selamat, et al., 2009). In an attempt to encourage the Bumiputras in business, the Malaysian government came up with the New Economic Policy (NEP) in 1970 aimed at actualizing a 30% ownership of the corporate sector by Bumiputras in 1990 (Hashim, 2012). The policy that replaces NEP namely National Development Policy (NDP) and other policies are also favourable towards Bumiputra participation in business although there is no new specific targeted ratio. Haniffa and Cooke (2005) further support this position that the government policies favour the Bumiputras by offering them business opportunities putting them at a favourable position. Furthermore, Che-Ahmad (2001) asserts that the Bumiputras were the major beneficiaries of the government programme involving privatization of businesses. This advantaged position can influence their corporate activities which by extension could include their environmental disclosure practice. Hence this study argues in this direction that firms dominated or managed by Bumiputras will tend to disclose more environmental information as a means of legitimizing their position and proving to other stakeholders that their close relationship with the government is not an excuse for not being environmentally responsible. Therefore,

H_1: The extent of environmental disclosure is greater for companies with boards dominated by Bumiputra directors.

2.4.2 Foreign Directorship

It is expected that where a substantive amount of shares is owned by foreign investors there would be a need to bridge the geographical gap by an increased disclosure. Haniffa and Cooke (2002) found evidence in support of this position; they found a positive significant association between foreign investors and the extent of voluntary disclosure. Similarly Che-Ahmad (2001) assert that foreign controlled companies in Malaysia are subsidiaries of Multinational companies having their controlling entity in Europe, North America, Japan and other developed nations were the level of disclosures is high. Such companies are likely to adopt similar reporting styles as their parent counterparts. Therefore,

H_2: The extent of environmental disclosure is greater for companies with boards dominated by foreign directors

2.4.3 Independent Non-Executive Directors

The empirical evidence supporting the role of independent non-executive directors on the level of corporate social and environmental disclosure is mixed. Studies opposing the view that the presence of independent non-executive directors in the board leads to more CSED argue that the presence of independent non-executive directors in the board is sometimes seen as an excuse by management not to disclose (Barako, Hancock & Izan, 2006). Also, the independent non-executive directors are perceived to lack the relevant knowledge and experience to contribute or influence firm's disclosure patterns (Haniffa & Cooke, 2005). Contrary to this view Haji (2013) asserts that the independent non-executive directors are expected to serve as a check and balance that the company is operating within the confines of the acceptable societal norms. Furthermore, their knowledge on core Islamic values such as transparency issues is expected to guide management on social issues. Therefore, it is expected the non-executive directors will always mount pressure on companies to engage in CSED to align organization operations with the society expectations. Thus, boards with more non-executive directors are expected to disclose more CSED. Therefore

H_3: The extent of environmental disclosures is greater for companies with boards dominated by independent non-executive directors.

2.4.4 Board Meetings

The number of board meetings held in a particular year has been used by prior studies as indicator for the wellbeing of an organization. (Vafeas, 1999) assert that there are costs including the cost of travelling, fees associated with director meetings and benefits including more time for directors to set strategy and monitor management associated with the number of board meetings. Overemphasizing either the costs or benefits could determine the impact on the firm value which could lead to an increased disclosure. It has being argued that the more the meetings, the more effective will be the board in solving issues (Xie, Davidson & DaDalt, 2003). Therefore,

H_4: The greater the number of board meetings the greater will be the extent of environmental disclosure

2.4.5 Audit Committee

Prior studies have demonstrated the role of the audit committee in financial reporting (Said et al., 2009; Xie et al., 2003). The audit committee is responsible for monitoring financial performance and reporting (Xie et al., 2003). Their study investigated the influence of audit committee on earnings management. It was found out that an active audit committee which is evidenced by the number of meetings leads, to a lower earnings management. Similarly, Said et al., (2009) found a significant positive relationship between audit committee and the extent of corporate social responsibility disclosure, highlighting the influence of the presence of independent directors in the audit committee as a proxy for their activity.

It is therefore expected that an active audit committee will influence an increased disclosure of environmental information. Therefore,

H_5: The extent of environmental disclosures is greater for companies with active audit committee

2.4.6 Profitability

Previous studies have provided evidence to prove the significance of profitability on voluntary disclosures (Haji, 2013; Haniffa & Cooke, 2005; Smith et al., 2007) though the relationship appears to be inconclusive. Smith et al. (2007) focus on the relationship between prior performance and environmental disclosure trying to reveal the causal nature found a negative relationship. Contrary to this view Haniffa and Cooke (2005) argue that profitable organizations will tend to disclose more in a bid to legitimize their operations and justify their responsibility programs to their shareholders. Similarly Haji (2013) supports this view in a study of Islamic compliant companies attributing increase disclosure to the Islamic nature of sharing wealth to less privilege following a period of increased profit. This study argues in this direction

H_6: The extent of environmental disclosures is greater for highly profitable companies

2.4.7 Firm size

Total assets has being used by previous studies as a proxy for the size of the company (Buniamin, 2010; Haniffa & Cooke, 2002, 2005) most of the studies found the variable positive and significantly related to corporate social and environmental disclosure arguing that large firms will likely disclose more to maintain the demand for their shares (Buniamin, 2010). Thus

H_7: The extent of environmental disclosure is greater for large firms

2.4.8 Leverage

Studies on leverage have also presented mixed results. While a school of thought supporting the agency theory presents a negative relationship arguing that firms with low debt tend to disclose more in order to improve their credit rating and ensure their financial risks is well assessed (Ahmad et al., 2003). Opposing this view, Barako et al., (2006) assert that the more debt a company has the more disclosures it will make to please its creditors. Furthermore, an attempt to legitimize its activities can lead management to more disclosures (Alarussi, Selamat, et al., 2009; Haniffa & Cooke, 2005). Therefore we hypothesize that

H_8: The extent of environmental disclosures is greater for highly geared firms

3. METHODOLOGY

This section is concerned with all the methods employed in the study. The research design adopted, the source from which the data was collected, the study population, the sample and the data analysis technique used.

The population of the study consists of all companies in the non-financial sector in the main board of the Bursa Malaysia as at 2013. The sectors include consumer, construction/property, trading/services, plantations/mining and industrial sectors. It is perceived that the activities of the companies in these sector have a substantive impact on the environment (Haniffa & Cooke, 2005). The sample of 229 companies was selected on a purposive proportional allocate basis based on the availability of data and to ensure a representative selection from all the sectors. This study utilized the company's annual report as its instrument of data collection due to the degree of reliability and credibility it exhibits (Haji, 2013; Haniffa & Cooke, 2005; Thompson & Zakaria, 2004). Also, the annual reports are widely accepted by a variety of users (Deegan & Rankin, 1997). The study also used percentages to show the extent of environmental accounting disclosures by the companies.

3.1 Measurement of Variables

3.1.1 Environmental Disclosure Index

Content analysis is a method of eliciting information from a statement or report. Guthrie and Abeysekera (2006) opined that using content analysis requires a number of criteria to be established and put in place. Firstly, their study argue that the groupings must be visibly defined in such a manner that any reference to it could easily specify which category an item falls into. Secondly, the entire process must follow a logical scientific manner in a way that the judgment bias is reduced to the barest minimum. Finally, as a research instrument it must be reliable and valid.

The procedure for measurement of an item or theme is dichotomous such that if an item appears in the instrument the value is one otherwise zero, although no score or penalty is assigned if the item is deemed to be irrelevant. To ensure that no item is left out, the whole report is read before assigning values (Haniffa & Cooke, 2005). The scores for each theme are then summed to arrive at the final score for the respective company. The formula for arriving at the index is shown below:

$$EDI_j = \sum_{t=1}^{nj} X_{ij} / n_j$$

Where EDI_j= environmental disclosure index
$n_j =$ number of items expected for jth firm
X_{ij}= 1 if ith item is disclosed, 0 if ith item not disclosed

3.1.2 Independent Variables

The operationalization of the independent variables are shown in table 1

3.2 Data Analyses

The study used regression analysis to estimate the relationship between the independent variables and the extent of environmental disclosure. The regression model adopted is as follows

$EDI=\beta 0 + \beta_1 BPLDIR + \beta_2 FORDIR + \beta_3 COMINED + \beta_4 BM + \beta_5 ACM + \beta_6 ROE + \beta_7 LEV + \beta_8 LNTA + \epsilon_t$

Table 1: Constructs of the Independent Variables

Explanatory variables	Measurement
Bumiputra directorship (BPDIR)	Proportion of Bumiputra directors to total directors
Foreign directorship (FORDIR)	Proportion of Foreign directors to total directors
Composition of independent non-executive directors (COMPINED)	Proportion of independent non-executive directors to total directors
Board meetings (BM)	Number of board meetings held in the year
Audit committee meetings (ACM)	Number of audit committee meetings held in the year
Profitability (ROE)	Profit after tax/total equity
Leverage (LEV)	Long term debt/ total equity
Firm size (LNTA)	Log of total assets

Researcher's computation (2014)

4. RESULTS AND DISCUSSIONS

4.1 Descriptive Analysis

The descriptive statistics of the variables used in the study is presented below:

Table 2: Descriptive Statistics

Variables	Mean	Std. Dev	Min	Max
EDI	0.411	0.264	0.000	1.000
BPDIR	0.320	0.256	0.000	1.000
FORDIR	0.090	0.162	0.000	0.818
COMINED	0.465	0.125	0.222	1.000
BM	5.555	2.243	1.000	21.000
ACM	4.869	1.088	1.000	11.000
ROE	0.129	0.527	-0.918	5.864
LEV	0.111	0.366	-2.428	2.273
LNTA	19.383	1.725	12.304	24.326

Researcher's computation (2014)

The table above shows the descriptive statistics of the variables used. On the average, the level of environmental disclosure was about 41%, 32% of the directors in companies quoted on the Bursa Malaysia are of Bumiputra origin and 9% foreign directors. The result also shows that about 46.5 % of the directors are independent non-executive directors. Furthermore, the result also shows that the maximum number of audit committee and board meetings were 11 and 21 respectively while the minimum was 1. The result of the standard deviation shows that the variables are stable and can be relied upon

Table 3: Multiple regression results

EDI	Coef.	Std. Err.	T	P>t		[95% Conf.	Interval]
BPDIR	0.146	0.07	2.08	0.019	**	0.008	0.285
FORDIR	0.171	0.104	1.65	0.050	**	-0.033	0.375
COMINED	0.125	0.133	0.94	0.175		-0.138	0.387
BM	-0.003	0.009	-0.34	0.366		-0.02	0.014
ACM	0.018	0.017	1.06	0.144		-0.016	0.052
ROE	0.014	0.031	0.44	0.329		-0.048	0.075
LEV	0.071	0.046	1.53	0.063	*	-0.02	0.161
LNTA	0.045	0.01	4.56	0.000	***	0.026	0.064

_cons	-0.663	0.21	-3.15	0.002	***	-1.077	-0.248

Adjusted R^2= 0.1646, *F*-statistic= 5.42, *p*=0.0000
* Significant at 10%, ** Significant at 5%, *** Significant at 1% (1-tail)
Researcher's computation (2014)

Table 3 shows the results of the ordinary least square regression results with environmental disclosure index as the dependent variable. The result with Adjusted R^2 = 0.1646 shows the explanatory variable explains about 16% of the changes in the dependent variable. The Adjusted R^2 differs from previous studies like Haniffa and Cooke (2005) with adjusted R^2 values of (0.453, 0.389, 0.438, and 0.485) for the four models in the study probably because the number of variables were more and their definition of the dependent variable appeared to be broader. The F-statistic value of 5.42 shows the overall statistical significance of the model. For a summary of the hypotheses see Table 6.

Table 4: Summary of Hypotheses

H_1	The extent of environmental disclosure is greater for companies with boards dominated by Bumiputra directors	Supported
H_2	The extent of environmental disclosure is greater for companies with boards dominated by foreign directors	Supported
H_3	The extent of environmental disclosures is greater for companies with boards dominated by independent non-executive directors	Not supported
H_4	The greater the number of board meetings the greater will be the extent of environmental disclosure	Not supported
H_5	The extent of environmental disclosures is greater for companies with active audit committee	Not supported
H_6	The extent of environmental disclosures is greater for highly profitable companies	Not supported
H_7	The extent of environmental disclosure is greater for large firms	Supported
H_8	The extent of environmental disclosures is greater for highly geared firms	Supported

4.2 Discussion of Findings

The result shows that there exists a significant positive relationship between boards dominated by Bumiputras and the extent of environmental disclosure with a t-value of 2.080. The result is in tandem with (Haniffa & Cooke, 2005), being the ethnic group highly favoured by the government with directors mostly politically connected. A board with majority of Bumiputra directors tends to adopt a legitimation strategy to divert attention of various stakeholders from the close relationship with the government by increasing the disclosures.

The influence of foreign director on environmental accounting disclosure was positive and also significant but at the 10% level. This also confirms the study by Haniffa and Cooke (2002) indicating that for boards dominated by foreigners there is a tendency for management to disclose more to bridge the geographical gap. With foreign directorship and Bumiputra directorship both exhibiting significant positive relationships with environmental disclosures it can therefore be implied that Chinese directorship will be negatively related to disclosure being the third component of most boards in Malaysian environment.

The results for number of board meetings (BM) and audit committee meetings (ACM) were both insignificant though the number of board meetings had a negative relationship which was in contrary to ourapriori expectations which could suggest that the more active the board is could be a sign that the organization is having issues which could include poor environmental performance. The other variables all appeared to be positively related to environmental disclosure, though only size and leverage proxy by log of total asset (LNTA) and leverage (LEV) was statistically significant which agreed with studies by (Barako et al., 2006; Buniamin, 2010; Haniffa & Cooke, 2002, 2005).

5. CONCLUSION AND RECOMMENDATIONS

This study has examined the extent of environmental accounting disclosure of companies quoted on the main board of the Bursa Malaysia as at 2013 and whether there is an association between director's culture and environmental disclosures of firms. In tandem with previous studies content analysis was used to determine the extent of disclosure. The result showed that the extent of disclosure is still low when compared to developed countries, though there has been improvement overtime. The regression analysis was used to test the variability of the dependent variable environmental disclosure index. The study finds that the two key variables of interest Bumiputra directorship and foreign directorship appeared to be statistically significant and positively related with environmental disclosure which signifies that disclosure has a close affinity with the structure of the board regarding their cultural background. The Bumiputra directors will strive for more disclosures as a way of diverting attention from their advantaged position as the government favoured ethnic group and other adverse business activities that may not be environmental friendly. Also as more companies with directors dominated by Bumiputra are state owned enterprises, there is the tendency to disclose more in order to create a positive impression on the public. In the case of foreign directorship Malaysian companies will disclose more were there is the presence of foreign directors as a precautionary legitimation strategy to ensure continued inflows of foreign capital and to please those investors that have environmental awareness.

The study has implication for companies in Malaysia as well as other developing countries where there is presence of diverse cultures which are reflected in the board of directors, especially in the Asia-Pacific region were differences between ethnic factors are embodied in institutions. The findings of the study are subject to several limitations. Firstly, this study examined only the disclosure practice of companies listed on the main board and not the entire companies on the Bursa Malaysia. Also, the study utilized only one year and as such cannot be generalized to other periods. Furthermore the study utilized only secondary data from annual reports. It is therefore recommended that future studies can carry out a longitudinal study, based on the company's website or a survey which is preferable for eliciting more detailed information on a particular subject.

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