

The Influence of Financial Transparency and Corporate Social Responsibility Transparency on the Performance of Public Listed Companies in Malaysia

¹Kavitha a/p Manoharan, ²Azahari Jamaludin*, ³Mohamed Suhaimi Yusof, ⁴SalamiahMuhdKulal ,
⁵MohdNazriMohd Rahim

¹²³Faculty of Business, Accountancy and Social Sciences
Universiti Poly-Tech Malaysia
Kuala Lumpur, Malaysia

⁴University Malaysia of Computer Science & Engineering, Malaysia

⁵UniversitiGeomatika Malaysia, Kuala Lumpur, Malaysia

Abstract

The purpose of this study is to investigate the relationship between financial transparency and corporate social responsibility transparency on the performance of publicly listed companies (PLCs) in Malaysia. The primary respondents in this study are the Managers of PLCs in Malaysia. The quantitative research approach is being applied through the dissemination of the questionnaire created by the researchers via Google Form. A total of 243 questionnaire samples were collected from Managers in PLCs in Malaysia. Version 29 of the Statistical Package for the Social Sciences (SPSS) software was employed to assess the significance of the data. The findings indicate that each element has a significant impact on the firm's performance. Therefore, prioritizing the organizational structure is essential to enhance company performance in the workplace while also improving the understanding of financial transparency and corporate social responsibility transparency.

Keywords: Financial transparency, Corporate social responsibility transparency, Firm performance, Public listed companies.

1.0 Introduction

Financial and corporate social responsibility (CSR) are all depend on transparency, and its effects on stakeholders have been thoroughly researched. Higher transparency is positively correlated with firm value, particularly for businesses with greater information asymmetry (Bingwen, 2019). Transparency in corporate social responsibility has been connected to better stock returns and a lower likelihood of market crashes (Abdullah, 2019).

The effect of financial transparency on Malaysian public listed companies (PLCs) has been the subject of several studies. Accessible and understandable financial reporting and statements are referred to as financial transparency. According to Shah (2019), there is a link between financial transparency and business performance. Syed (2021) discovered a correlation between higher degrees of financial openness and higher market values, and Ho (2018) discovered that more financially transparent businesses typically generate larger profits. Financial reporting quality and business success are positively correlated,

according to Baharom A. H. (2019), while Razali (2020) observed that voluntary disclosure had a beneficial effect on business success. Procedures for regulatory oversight and financial reporting must be improved to increase investor trust and improve financial performance.

The effect of corporate social responsibility (CSR) on the performance of publicly traded businesses (PLCs) in Malaysia has been the subject of substantial research. CSR refers to a company's commitment to social and environmental responsibility as well as its legal obligations to stakeholders. Studies by Abdullah N.A. (2019), MohdFauzi (2021), Zulkifli (2018), Haron (2019), and Rahaman (2021), among others, discovered a favourable association between corporate social responsibility (CSR) and firm performance, demonstrating that businesses that prioritise CSR generally outperform their competitors financially. However, the lack of transparency and CSR accountability in Malaysian PLCs has generated distrust among stakeholders, which may restrict access to capital and cause stock values to fall. To ensure accurate and transparent reporting and

promote sustainable development, the literature advises greater CSR practises and regulatory control. CSR has a good overall impact on Malaysian PLCs' business performance.

This study holds paramount significance as it aims to address the inconclusive findings of previous research by investigating the profound impact of financial transparency and corporate social responsibility transparency on the performance of publicly listed companies in Malaysia.

2.0 Contribution Of Study

Business performance (i.e., financial performance) and corporate social responsibility are all impacted by transparency. Recent study examined the impact of transparency on Malaysian PLC performance, emphasising its importance in generating stakeholder confidence, boosting reputation, and boosting financial performance. The study's conclusions are pertinent to Malaysia's corporate sector and should be used to guide policies that support open and honest reporting for accountability and sustainability. The report offers insightful information for corporate sector decision-makers by highlighting the advantages of transparency. The findings can also affect investment choices because investors can gauge a company's transparency for long-term viability. The findings can also be used by policymakers to create rules that support ethical behaviour and transparency in the corporate world of Malaysia.

3.0 Research Questions

The following are the research questions for this study:

1. Is there a significant relationship between financial transparency and firm performance in public listed companies in Malaysia?
2. Is there a significant relationship between corporate social responsibility (CSR) transparency and firm performance in public listed companies in Malaysia?

4.0 Literature Review

4.1 Financial Transparency

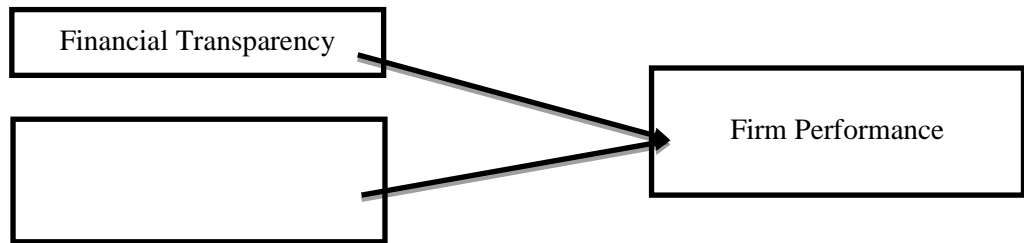
Due to corporate scandals and governance failures, financial transparency in corporate governance has received more attention. In Malaysian listed firms, Bujang and Zainal (2021)

discovered a strong correlation between financial openness and profitability. According to Kengatharan's (2021) research on the building industry, success was boosted by financial transparency. According to Mohd Nasir, et al. (2021), businesses benefited from financial transparency during the COVID-19 pandemic. However, Abdul Rashid, et al. (2020) found that institutional ownership levels constrained the impact of financial openness on business performance. For investors, financial data accuracy and accessibility, as well as the disclosure of relevant information, are essential. It greatly affects a company's performance and positively correlates with Tobin's Q (Edogbanya & Hasnah Kamardin, 2016; Zaman, Arslan, & Siddiqui, 2015; Omondi, 2015). According to Bujang and Zainal (2021), financial openness can enhance risk management, competitiveness, profitability, and long-term financial success in Malaysia. The relationship between financial openness and business performance, however, can be impacted by the extent of state ownership (Abdul Rashid, et al., 2020).

4.2 Corporate Social Responsibility Transparency

The importance of corporate social responsibility (CSR) has increased, and CSR openness is now understood to be crucial to economic success. According to research conducted in Malaysia, there is a strong correlation between a company's performance, including its market value, return on equity, and return on assets. The success and financial performance of a firm can be greatly enhanced by CSR transparency, according to studies by Heng et al. (2021) and Tan et al. (2020). However, Ahmed (2019) discovered that the relationship between CSR transparency and company success can be influenced by the extent of government ownership. Corporate social responsibility (CSR) refers to moral behaviour that puts the needs of the community, employees, the environment, and shareholders ahead of those of the company's stockholders. According to recent studies, CSR openness enhances business performance and can boost profitability, risk management, and competitiveness. A favourable association has been found between CSR

transparency and corporate performance in studies on Malaysian businesses and banks (Tarus&Omandi, 2013; Neu, Warsame, &Padwell, 1998).



4.4 Firm Performance of PLCs In Malaysia.
To satisfy stakeholders, publicly traded companies in Malaysia must perform effectively. Financial performance is improved by investments in intellectual capital and corporate social responsibility, claim Fauzi and Rahman (2021) and Yap (2020). Increased spending in these areas can improve profitability and competitiveness. Environmental performance investments can boost reputation and competitiveness, according to Abdullah (2019). Contradictory findings were found by Hassan(2019), who found that the industry sector masked the impact of business size, debt, and liquidity on financial performance.

4.5 Underpinning Theory
According to the agency theory, corporate openness can lessen the conflict of interest between shareholders and the company's managers. According to Sulong (2021), financial openness and CSR disclosure can increase stakeholder confidence, which can promote corporate performance by reducing agency costs and fostering trust. By developing trust with stakeholders, transparent businesses can improve their access to capital, borrowing costs, and competitive position.

4.6 Theoretical Framework
The research identifies two categories of transparency: financial transparency and corporate social responsibility (CSR) transparency which stand as independent variables, and firm performance stand for dependent variable. Figure 2.1 shows the theoretical framework for the study.

Figure 1: Theoretical Framework
(Bujang and Zainal, 2021; Heng et al., 2021; Akhtar et al., 2021)

4.7 Research Hypothesis
From the above discussions, the following are current study hypotheses.

1. H1. There is a positive relationship between financial transparency and firm performance in public listed companies in Malaysia.
2. H2. There is a positive relationship between corporate social responsibility transparency and firm performance in public listed companies in Malaysia.

5.0 METHODOLOGY
This section discusses the research design, target population, sample size, data collection techniques, research instrument/questionnaire, and data analysis of the current study. Further details on the process are provided in Table 1 below.

Table 1: Research methodology

Research Design	This quantitative correlation study focused on the correlations between financial transparency and corporate social responsibility (CSR) transparency towards the firm performance in order to define a relationship between two or more variables using statistical data. Using the correlation method makes sense because it is simple to get reliable and essential information based on the components of the research question. This approach aids in confirmation and guards against interview
-----------------	--

	<p>bias (Sekaran U., 2001). The researcher can collect numerous samples that can be generalised for the full population by using a quantitative research approach (Sekaran & Bougie, 2017). Instead of trying to modify samples like experimental research, the study's pertinent data will explain any potential links. To sum up, only one moment in time is covered by this data collection. Since a longitudinal examination is more complex and expensive, a random cluster sampling approach was chosen. In addition, it makes it possible to finish data collecting quickly. The Statistical Package for Social Science (SPSS) version 29 was used to analyse the independent and dependent variables once the questionnaire surveys were finished.</p>
Target Population	<p>The 130 respondents (130 x 5 = 650 respondents in total) who work in upper and mid-level management for the subject company make up the target population of this study, which consists of selected PLCs from 5 different industries. The information was acquired from five distinct PLC businesses, including those in the following sectors: energy (two companies), financial services (two companies), health care (one company), telecommunications and media (one company), and consumer products and services (four firms).</p>
Sample Size	<p>By using Sekaran and Bougie (2013) as a reference, 300 samples were the intended sample size. After deleting the incomplete questionnaire, 243 samples of data have been determined as being usable. To quantify and analyse the effects of financial transparency and CSR transparency on firm performance, a Google form was used.</p>
Data Collection	<p>Questionnaire was distributed to the target employees through Google Form as that is the most convenient way to reach the respondents.</p>
Instrument/ Questionnaire	<p>Survey instrument was based on Nominal scale and Likert scale consisting of 35 questions in the form of Online questionnaire constructed in Google Form. The survey instrument has three sections, including independent variable: Financial transparency (6 questions) and CSR transparency (6 questions), dependent variable (6 questions) and demographic information (11 questions).</p>
Data Analysis	<p>Data analysis is a crucial component of quantitative research, which employs numerical data and statistical analysis to assess hypotheses and offer solutions to research questions. The research's data are analysed using statistical tests in SPSS version 29, which is the statistical package for social science. A questionnaire was used to gather the data, after which the associations between the variables were looked at. In this study, financial transparency and CSR transparency are independent variables, and firm performance is the dependent variable. Multiple regression analysis is used to investigate the relationship between the independent variables and firm performance, as well as to determine which independent variable contributes to variation in firm performance.</p>

6.0 FINDINGS

This section presents the findings on respondents' demographic information, binary questions analysis, reliability analysis, normality analysis, and

regression analysis outcomes, and answers to the study research questions and hypotheses.

Demographic Information Refers to Table 2.

Table 2: Represented the study demographic data

Characteristic		Frequen cy	Percenta ge (%)
Gender	Male	136	56.0
	Female	107	44.0
Age	26-35	44	18.1
	36-45	136	56
	46 and above	63	25.9
Position	Senior Manager and above	35	16
	Manager and below	189	84
Industry	Energy	45	18.5
	Financial Services	30	12.3
	Health Care	27	11.1
	Telecommunication	59	24.3
	Consumer Products	82	33.7

Binary Questions Analysis Refers to Table 3

Current study also tests the understanding of the participants on how the transparency leads to the PLCs performances. The following are the questions asked to the participants and to be answered based on their preferences and experiences on their working area. In summary, Table 3 provides insights into the perceptions of respondents regarding transparency leads to the PLCs performances in Malaysia. The majority of respondents on average 82.4% believe that transparency leads to the PLCs performances in Malaysia, while a smaller percentage 17.5% believe it is not.

Table 3: Summary of Binary Questions Analysis

Question	Results			
	YES		NO	
	Frequen	Perce	Frequen	Perce

	cy	nt	cy	nt
Question 1: Do you believe that the performance of PLC's in Malaysia is currently strong?	198	81.5	45	18.5
Question 2: Do you think that economic conditions have significant impact on the performance of PLC's in Malaysia?	202	83.1	41	16.9
Question 3: Do you think that current market conditions in Malaysia are conducive to sustainable growth and performance by PLCs?	199	81.5	44	18.1
Question 4: Do you believe that current industry trends are creating	203	83.5	40	16.5

opportunities and challenges for PLCs in Malaysia?				
Question 5: Do you believe that current levels of competition in the Malaysian market are healthy for the performance of PLCs?	200	82.3	43	17.7
Question 6: Do you think company transparency can positively impact a company's brand recognition and reputation for PLCs in Malaysia?	202	83.1	41	16.9
Question 7: Do you believe company transparency helps PLCs in Malaysia differentiate itself from competitors and increase	201	82.1	42	17.9

customer loyalty?				
-------------------	--	--	--	--

Reliability Analysis

Table 4 represents the result of reliability analysis which revealed higher Cronbach's alpha values for each variable suggest that the measures used to assess Financial Transparency (FT), Corporate Social Responsibility Transparency, and Firm Performance (FP) are internally consistent and reliable.

Table 4: Result of Reliability Statistics

Instrument	Cronbach's Alpha	N of Items
FT	.928	6
CSRT	.931	6
FP	.941	6

Normality Analysis

The normality test provided below tests whether the data for the dependent variable, Firm Performance, is normally distributed. Normality is an assumption of many statistical tests, including regression analysis, and violations of normality can affect the accuracy and reliability of statistical inferences. Based on the normality test results, the Kolmogorov-Smirnov test statistic is 0.394, with 243 degrees of freedom, and the p-value is less than .001. This indicates that the distribution of the data is significantly different from a normal distribution. The Shapiro-Wilk test statistic is 0.686, with 243 degrees of freedom, and the p-value is less than .001. This also indicates that the distribution of the data is significantly different from a normal distribution. The Lilliefors Significance Correction is a method for correcting the p-values of the Kolmogorov-Smirnov test for sample sizes less than 50. In this case, the correction is not relevant since the sample size is larger than 50.

Table 1: Normality test on Firm Performance

Tests of Normality

Kolmogorov-Smirnov ^a	Shapiro-Wilk
---------------------------------	--------------

	Statistic	df	Sig.	Statistic	df	Sig.
Firm Performance	.394	243	.000	.686	243	.000

a. Lilliefors Significance Correction

Regression Analysis

The regression analysis provided below shows the results of a multiple regression model that includes Financial Transparency and Corporate Social Responsibility Transparency (CSR) as predictors of Firm Performance. The results include the multiple R, R-squared, adjusted R-squared, and the standard error of the estimate. Based on the multiple regression results, the multiple R is 0.981, which indicates a very strong positive correlation between the independent variables (FT and CSRT) and the dependent variable (Firm Performance). The R-squared value of 0.963 indicates that 96.3% of the variation in the dependent variable (Firm Performance) can be explained by the independent variables (FT and CSRT) included in the model. The adjusted R-squared value of 0.963 indicates that the model is still a good fit for the data, even after adjusting for the number of predictors included in the model. The standard error of the estimate of 0.15233 represents the average distance that the observed values deviate from the predicted values. In other words, this is the average difference between the actual Firm Performance values and the predicted values based on the regression model.

Table 6: Model Summary Analysis

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.981 ^a	.963	.963	.15233

a. Predictors: (Constant), Financial Transparency and Corporate Social Responsibility Transparency (CSR)

Referring to Table 7, the results of the study support all two hypotheses, indicating that there is a positive relationship between each type of transparency (financial transparency and corporate social responsibility transparency) and Firm Performance. The study suggests that companies that prioritize transparency in their operations are more likely to achieve better financial or market performance. These findings can have implications for policy and practice, as they provide insights into the factors that drive Firm Performance and highlight the importance of transparency for companies operating in Malaysia.

Table 7: Summary of Hypothesis

N O	HYPOTHESIS	RES ULT S
H 1	There is a positive relationship between financial transparency and firm performance in public listed companies in Malaysia.	Sup por ted
H 2	There is a positive relationship between corporate social responsibility transparency and firm performance in public listed companies in Malaysia.	Sup por ted

7.0 Conclusion

In a nut shell, this study provides insights into the impact of financial transparency and CSR transparency on firm performance, which can be beneficial for policymakers, stakeholders, and organizations. By analyzing the data gathered from employees of selected companies, this study contributes to the understanding of how transparency can impact the success and financial performance of a firm. The results of this study can guide organizations in making informed decisions and adopting strategies that can promote transparency and enhance their performance.

REFERENCES

[1] Abdullah, N. A. (2019). Corporate Social Responsibility and Financial Performance: The Moderating Role of Environmental Disclosure. *International Journal of Ethics and Systems*.

- [2] Abdul Rashid, H. R. (2020). *Financial transparency and firm performance: Moderating role of institutional ownership. Journal of Financial Reporting and Accounting.*
- [3] Ahmad Firdhauz Zainul Abidin, H. A. (2019). Ethical Practice Disclosure of Malaysian Public Listed Companies.
- [4] Ahmed, K. I. (2019). *The moderating role of government ownership on the relationship between corporate social responsibility transparency and firm performance. Journal of Cleaner Production.*
- [5] Akhtar, A. L. (2021). *Corporate governance transparency and firm performance in the banking sector: Evidence from Malaysia. Journal of Business Research.*
- [6] Baharom, A. H. (2019). Financial Reporting Quality and Firm Performance: Evidence from Malaysian Public Listed Companies. *Asian Journal of Accounting Perspectives.*
- [7] Baharom, A. H. (2020). The Relationship between Corporate Governance Transparency and Firm Performance: Evidence from Malaysian Public Listed Companies. *Journal of Governance and Integrity.*
- [8] Bingwen Liu, M. L. (2019). *Can we use interleukin-6 (IL-6) blockade for coronavirus disease 2019 (COVID-19)-induced cytokine release syndrome (CRS)?*
- [9] Bujang, A. S. (2021). *Factors influencing consumers' intention to adopt halal cosmetic products: A review. Journal of Islamic Marketing.*
- [10] Edogbanya, A., & HasnahKamardin. (2016). Company Reporting Transparency And Firm Performance In Nigeria. *Asia Pacific Institute of Advanced Business and Social Studies, Volume : 2*, p 346-356.
- [11] Fauzi, M. F. (2021). *The effect of intellectual capital on firm performance: Evidence from Malaysian public listed companies. Journal of Intellectual Capital.*
- [12] Haron, H. R. (2019). The Relationship between Corporate Social Responsibility Disclosure and Firm Performance: Evidence from Malaysian Public Listed Companies. *International Journal of Business and Society.*
- [13] Hasan, M. R. (2019). The Impact of Corporate Governance on Firm Performance: Evidence from Malaysian Listed Manufacturing Companies. *Journal of Business and Retail Management Research.*
- [14] Heng, M. S. (2021). *Corporate social responsibility transparency and business performance in the Malaysian construction sector. Journal of Construction in Developing Countries.*
- [15] Ho, J. A. (2018). The Influence of Financial Reporting Transparency on Profitability: Evidence from Malaysian Listed Firms. *Asian Academy of Management Journal of Accounting and Finance.*
- [16] Kengatharan, L. A. (2021). Financial transparency and disclosure in the not-for-profit sector: A systematic review. 31(2), 170-187.
- [17] Mohd Fauzi, W. N. (2021). Corporate Social Responsibility and Financial Performance: Evidence from Malaysia. *Journal of Asian Finance, Economics and Business.*
- [18] Mohd Nasir, N. F. (2021). *The impact of financial transparency on the financial performance of Malaysian listed firms during the COVID-19 epidemic. Journal of Financial Reporting and Accounting.*
- [19] Neu, D., Warsame, H., & Padwell, K. (1998). Managing Public Impressions: Environmental Disclosures in Annual. *Accounting, Organizations, and Society, Vol. 18* (3), p 374-389.
- [20] Omondi, D. (2015). Mumias Sugar Company doubles full year loss to Sh6 billion on . *Standard Digital.*
- [21] Rahaman, M. M. (2021). The Effect of Corporate Social Responsibility Disclosure on Financial Performance: Evidence from Malaysian Public Listed Companies. *International Journal of Ethics and Systems.*
- [22] Razali, M. A. (2020). Voluntary Disclosure and Firm Performance: Evidence from Malaysian Public Listed Companies. *Journal of Financial Reporting and Accounting.*
- [23] Sari, R. N., & Anugerah, R. (August, 2011). The Effect of Political Influence and Corporate Transparency on Firm Performance: Empirical Evidence From.

- Journal of Modern Accounting and Auditing*, Vol. 7, p 773-783.
- [24] Sekaran, U. (2001). *Research Methods For Business : A Skills Building Approach. (2ED)*. New York: John Wiley & Sons.
- [25] Sekaran, U., & Bougie, R. J. (2017). *Research Methodology For Business (7ED)*. New York: John Wiley & Sons.
- [26] Sekaran and Bougie R. (2013). *Research Methods for Business: A Skill-Building*. Wiley.
- [27] Shah, M. A. (2019). The Impact of Financial Transparency on Firm Performance: Evidence from Malaysian Public Listed Companies. *Journal of Financial Reporting and Accounting*.
- [28] Sulong, Z. Y. (2021). *Corporate social responsibility (CSR) transparency and business performance: Evidence from Malaysian listed companies. International Journal of Business and Society*.
- [29] Syed, M. H.-R. (2021). Financial Transparency and Firm Value: Evidence from Malaysian Listed Firms. *Journal of Financial Reporting and Accounting*.
- [30] Tan, B. W. (2020). *Corporate social responsibility disclosure, stakeholder accountability and firm value during the COVID-19 pandemic. International Journal of Business Research*.
- [31] Tarus, D. K., & Omandi, E. M. (2013). Business Case for Corporate Transparency: Evidence from Kenya. *European Journal of Business and Management*, Vol. 5(No. 3).
- [32] Yap, Y. C. (2021). *Corporate governance transparency and firm performance in Malaysian listed firms. International Journal of Ethics and Systems*.
- [33] Zaman, R., Arslan, M., & Siddiqui, M. A. (2015). Corporate Governance and Firm Performance: The Role of Transparency & Disclosure in Banking Sector of Pakistan. *International Letters of Social and Humanistic Sciences*, Vol. 43, p 152-166.
- [34] Zulkifli, N. A. (2018). Corporate Social Responsibility and Financial Performance: Evidence from Malaysian Manufacturing Firms. *International Journal of Engineering & Technology*.



Source details

Harbin Gongcheng Daxue Xuebao/Journal of Harbin Engineering University

Scopus coverage years: from 2004 to Present
Publisher: Editorial Board of Journal of Harbin Engineering
ISSN: 1006-7043

Subject area: Energy: Nuclear Energy and Engineering Chemical Engineering: General Chemical Engineering
Engineering: Mechanical Engineering Engineering: Aerospace Engineering
Engineering: Control and Systems Engineering

Source type: Journal

[View all documents >](#) [Set document alert](#) [Save to source list](#)

[CiteScore](#) [CiteScore rank & trend](#) [Scopus content coverage](#)

CiteScore 2022 ①
0.8

SJR 2022 ①
0.184

SNIP 2022 ①
0.382

Improved CiteScore methodology ✕

CiteScore 2022 counts the citations received in 2019-2022 to articles, reviews, conference papers, book chapters and data papers published in 2019-2022, and divides this by the number of publications published in 2019-2022. [Learn more >](#)

CiteScore 2022

0.8 = $\frac{870 \text{ Citations 2019 - 2022}}{1,053 \text{ Documents 2019 - 2022}}$

Calculated on 05 May, 2023

CiteScoreTracker 2023 ①

0.9 = $\frac{934 \text{ Citations to date}}{1,011 \text{ Documents to date}}$

Last updated on 05 April, 2024 • Updated monthly

CiteScore rank 2022 ①

Category	Rank	Percentile
Energy		
Nuclear Energy and Engineering	#53/68	22nd
Chemical Engineering		
General Chemical Engineering	#227/272	16th

About Scopus

[What is Scopus](#)

[Content coverage](#)

[Scopus blog](#)

[Scopus API](#)

[Privacy matters](#)

Language

[日本語版を表示する](#)

[查看简体中文版本](#)

[查看繁體中文版本](#)

[Просмотр версии на русском языке](#)

Customer Service

[Help](#)

[Tutorials](#)

[Contact us](#)

ELSEVIER

[Terms and conditions ↗](#) [Privacy policy ↗](#)

All content on this site: Copyright © 2024 Elsevier B.V. ↗, its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the Creative Commons licensing terms apply.

We use cookies to help provide and enhance our service and tailor content. By continuing, you agree to the use of cookies ↗.

