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## Factors Influencing Corporate Donations Among Shariah-Compliant Companies in Malaysia

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### Abstract

Within the context of publicly traded Sharia-compliant companies in Malaysia, this study investigated the influence that board and company characteristics have on corporate donations. The primary focus of the study was (i) two board characteristics derived from upper echelons theory, namely gender composition and education level, and (ii) four firm variables derived from stakeholder theory, specifically company size, profitability, leverage, and industry category. This study used a total of 402 Shariah-compliant companies that operated in accordance with Shariah law. The information utilized in this study was culled by hand from the annual reports of various companies covering the years 2017 through 2019. According to the findings, the educational level of a company's board of directors has a significant impact on the amount of money donated to charitable organizations by Shariah-compliant companies. The level of expertise possessed by board members can be of assistance to businesses in becoming more aware of the necessity of making contributions or donations. Corporate contribution practices among Shariah-compliant companies in Malaysia were also significantly influenced by the firm's size, profitability, and the industry category in which the business was classified. The findings of the study contribute to a better understanding of the impact that board and company variables have on the activities of corporate donors.

**Keywords:** Corporate Donation, Shariah-Compliant, Education, Board, Malaysia

**JEL Classification Code:** M14, M21, M41

### 1. Introduction

Corporate donations are a major source of funding for numerous organizations that have spent a lot of money promoting social welfare. Stakeholders are informed of these corporate donations through annual reports, company

websites, and social media. A business commits to making charitable contributions as a sign of its commitment to the community (Saiia & Schwartz, 2022). It shows the kindness and generosity of the company (Kim et al., 2021). The action of humankind may root in many factors, such as internal or within the corporation. Internal factors are crucial to encourage firms to make corporate donations. Internal factors, such as the board of directors and their personalities, can impact a company's strategic decisions (Ali et al., 2017). The board members' traits will encourage corporate contribution (Han et al., 2022) because they are responsible for making decisions.

According to prior surveys, organizational and board responsibility for business choices are highly discussed subjects as the impacts on society are grown (Alodia & Atmadja, 2016). Making business choices and governing the organization are two of the board's main priorities. Although numerous research was undertaken on the issue, disputes concerning the impact of various types of boards still exist (Frijins et al., 2016) and are not confined to the board's

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characteristics. On the other hand, firm variables are crucial in determining the impact of corporate donations.

Furthermore, previous studies had undervalued the impact of religious motivations and rules on a company's operating performance. Shariah-compliant businesses are thought to operate in accordance with a society based on Islamic restrictions and values. This study focuses on Shariah-compliant companies as they operate in a controlled environment where the companies are investing and operating as per Shariah law. The number of Shariah-compliant securities issued in Malaysia has increased yearly (Said et al., 2018), enabling Malaysia to become one of the best Islamic capital markets in Asia (Securities Commission Malaysia, 2013). Despite this acknowledgment, very few studies on corporate donations made by Shariah-compliant companies in Malaysia have been conducted. The Islamic governance and values within Shariah-compliant companies may result in good monetary and non-monetary management. Given the Islamic nature of operations of Shariah-compliant companies, they may be prone to make more donations as it shows the good values of the company.

This study offers empirical evidence regarding the effect of the board's characteristics and the firm's characteristics on corporate donation practices among Sharia-compliant companies. The findings of this study are beneficial to promote understanding and provide knowledge on the internal factors which refer to the effect of the board's characteristics and the firm's characteristics on corporate donation.

The present study explores the impact of the board's features related to personality and cognitive base and the firm's elements related to the company size, profitability, leverage, and industry classification on the company's donation. The findings of this study may bridge the existing gap in the lack of evidence examining the link between the boards and the firm's characteristics and corporate donation practices among Sharia-compliant companies. Specifically, this study aimed to determine:

- (i) The extent of corporate donation practices among Shariah-compliant firms in Malaysia.
- (ii) Whether board characteristics influence corporate donation practices among Shariah-compliant firms in Malaysia.
- (iii) Whether firm factors influence corporate donation practices among Shariah-compliant firms in Malaysia.

This paper is presented as follows. The following section summarises the literature on corporate donations and Shariah-compliant companies. Subsequently, Section 3 focuses on the theoretical construct, explaining the upper echelons theory and stakeholder theory. Section 4 presents the research method and design that explains the analysis

approach utilized in this study. Section 5 discusses the findings, while the final section concludes the study.

## 2. Literature Review and Hypotheses Development

### 2.1. Corporate Donations

A voluntary transfer of a company's resources to low-income individuals is known as a corporate donation. According to Shahrier et al. (2018), three points describe corporate donation. First, the definition of corporate donation is providing benefits to the impoverished that are not intrinsically aimed against the donor's overarching social justice purpose to support human welfare. Second, the owners' donation in the form of a personal gift does not qualify as a corporate donation because the gifts are not made on behalf of the businesses. Third, traditional monetary and financial property gifts, product and service exchanges, and time spent working with charities are corporate philanthropy aspects. In this study, corporate donation refers to the amount of money and in-kind contribution spent by a company on social and humanitarian activities.

Corporate donation differs from business sponsorship because it is made without the expectation of receiving a direct financial advantage (Ali et al., 2017). Furthermore, corporate donations are rarely linked to profitability or ethical behavior (McAlister & Ferrel, 2002). In contrast, sponsorship refers to monetary and in-kind donations provided to a specific event for acknowledgment and gratitude. Companies may believe that they have a financial duty to promote and improve society's social and cultural well-being by making corporate donations.

Before the obligation to give, the organization may prosper, which can be seen as self-interest rather than generosity. Consumers may perceive the aforementioned as self-interest and charity manipulation rather than altruism or generosity. In this case, this form of advertising might backfire, leading to a loss of faith in the firm. A group of academics examined the accounting literature on corporate donation practices, concentrating on factors that impact donation activities. Nevertheless, past studies tend to focus on external factors that influence corporate giving practices, leaving internal issues largely unexplored in corporate donation practices. Thus, the current study focuses on the internal factors, namely the traits of boards of directors and corporations, and their effect on corporate donation activities.

Internal factors play a significant role in influencing businesses to make charitable contributions. Internal elements such as the board of directors' personalities impact the company's strategic decisions (Hambrick & Mason, 1984). The features of the board of directors may impact corporate donations because they make numerous decisions.

## 2.2. Shariah-Compliant Firms

Since the Malaysian Securities Commission launched the Islamic Capital Market in 1999, Shariah-compliant businesses have flourished. This move aligns with the Ninth Malaysia Plan, which targets to alleviate Malaysia to become a global center for the Islamic Capital Market. A basic percentage standard created by the government (5%, 10%, 20%, and 25%) is widely applied to determine the Shariah-compliant status in Malaysia. Resultantly, Shariah-compliant businesses are required to demonstrate their commitment to Islamic principles. The adherence to Shariah principles appears to be a strategic strategy to persuade Muslim investors and stakeholders, particularly those from the oil-rich Arab Gulf Region, well-known for their wealth. This initiative can be accomplished by implementing a thorough strategy, thus sustaining Malaysia's momentum to becoming a leader in the Islamic Capital Market.

Islamic countries, such as Kuwait and Saudi Arabia, pioneered the notion of Shariah-compliant businesses (Stephenson et al., 2010). Muhammad (2009) stated that an Islamic firm adheres to health, environmental, and safety standards appropriate for human identities, such as faith, race, and culture. According to Steinmetz (2008), only a few firms in the United Arab Emirates follow the Islamisation idea but are not Shariah-compliant. The Shariah-compliant company idea is comparable to the Islamic Banking concept. The concept was first proposed in 1970 and gradually gained momentum to adhere to Shariah-based principles (Olayemi & Siddiqui, 2018).

The notion of Shariah-compliant businesses relies on recognizing religious characteristics (Alam et al., 2017). Procedures, design and interiors, and the financial component of a Shariah-compliant firm's operation have been previously studied. The collection of qualities provided by most researchers, industry analysts, and practitioners is widely accepted. Organizations that identify themselves with Shariah must express their administrations according to Islamic principles (Alam et al., 2017). Shariah-compliant companies' budgetary activities should be consistent with Shariah regulations, such as requiring a percentage of money to be donated as Zakat (almsgiving) (Alam et al., 2017). The Malaysian Securities Commission has released a list of Shariah-compliant companies providing Muslim investors with opportunities, guidance, and trust when making business investment decisions (Said et al., 2018).

From an Islamic perspective, money is a gift from Allah to Muslims and humankind, which must be used wisely, such as in the administration of equality and justice. Resultantly, no company can dispute the necessity for corporate gifts, which companies positively contribute to society. Besides, Shariah-compliant businesses may provide the finest service to their customers, workers, suppliers, and others.

## 2.3. Underpinning Theoretical Framework

### 2.3.1. Upper Echelons Theory

Hambrick and Mason (1984) proposed a more sophisticated decision-making process that includes strategic measures and, more significantly, individual decision-making factors such as age, domicile, and specialization. The central tenet of the upper-echelon theory is the different characteristics of top managers, such as age or professional experience. The characteristics of top managers influence their decisions on system and structure, which directly impacts the company's crucial decisions and hierarchical execution (Hambrick & Mason, 1984). In addition, the upper-echelon hypothesis stresses that the leaders defined by their personalized abilities are the most powerful.

The characteristics of the upper echelons impact the adoption of corporate strategy decisions. The distinguishing traits encourage problem-solving by deciding (making a decision) and balancing, particularly in implementing welfare programs. Top management strategic choices, applied differently across businesses, could be influenced by social identity and community characteristics.

### 2.3.2. Stakeholder Theory

Freeman (1984) defines a stakeholder as "any group or individual who can affect or is affected by the achievement of the firm's objectives." Shareholders, creditors, workers, consumers, suppliers, public interest organizations, and governmental agencies are a company's stakeholders. The basics of stakeholder theory provide an empirical technique for observing the firm from a stakeholder's perspective. According to the concept, companies better at addressing multiple stakeholders or boards must have a competitive edge (Garfatta, 2021). Stakeholder theory attempts to increase businesses' efficiency by transferring new responsibilities. Hence, this idea encourages firms to take the initiatives to solve their stakeholders' issues instead of focusing on their operations. In the long run, a company's long-term viability necessitates a management strategy that prioritizes the advantages and interests of all stakeholders.

## 2.4. Hypotheses Development

### 2.4.1. Board Characteristics

Board characteristics have been defined as the aptitudes, information, basis, and experience that contrast board adequacy and firm performance in certain publications (He et al., 2015). These qualities can ensure that the board of directors makes the best decisions for the company.

Non-owning managers, outside members, and owners have different perspectives on issues, such as management control, which can influence the board's decisions (Coffey & Wang, 1998). According to Demb and Neubauer (1992), higher talent and competence would result in more attention, inclusion, and responsibility for the firm's objectives due to understanding the firm and the business.

### **Gender Composition**

Female directors are more open to corporate social outcomes than male directors (Rao & Tilt, 2016). As a result of their participation in the board, corporate donations are virtually always increased. Women directors are more likely to advocate for outside stakeholder groups due to their social and economic backgrounds. According to Harrigan (1981), female CEOs are more likely to originate from legal, professional, or non-profit backgrounds. Female directors are expected to have professional credentials outside the firm and diverse experiences (Hillman et al., 2002). Resultantly, expecting female directors to be more approachable to stakeholders from the outside is realistic.

Women on boards are more likely to make philanthropic contributions (Kruger, 2009; Terjesen et al., 2009). Garcia-Torea et al. (2016) evaluated the gender composition of boards to determine how successful they were. The inclusion of female directors was discovered to be a key determinant of board performance. To broaden the board's decision-making process, female directors should provide various sociological viewpoints and understandings (Haque, 2017). A strong correlation exists between a board's gender composition and a company's likelihood of being listed among the most prestigious firms, the most ethical businesses, and the best places to work (Haque, 2017).

The participation of women on boards of directors in companies should be allowed since board diversity is crucial for improving board independence (Ghabayen et al. 2016). In addition, female directors on board might improve competitive advantages. According to their findings, women directors boost the company's corporate social responsibility (CSR) efforts. As corporate donations are CSR components, these reasons indicate that appointing women to the board of directors may result in corporate donations. Although the above perspectives favor female directors, the board's gender composition is dominated by male directors in this study. Thus, the following hypothesis is developed:

**H1:** *Gender composition factors significantly impact corporate donation practices among Shariah-compliant firms in Malaysia.*

### **Education Level**

The board's education level affects the members' level of knowledge and competency. Several researchers have analyzed the link between board education and business performance. Many of these studies have provided evidence that the board of directors' education level impacts business efficiency. Similarly, corporate donation necessitates a wide range of education within a company's board of directors to meet different stakeholders' interests and demands. Furthermore, a corporate donation may help to suggest different talents, perspectives, and understandings of societal roles.

Previous research has found a link between the formal education level of the board of directors and business innovation. Alshareef and Sandhu (2015) reported that high-level directors provide rational and strategic decision-making on CSR integration. The educational level of the board potentially influences corporate donation activities in their business. Kyun et al. (2017) examined the link between board qualities and CSR. Using a Korean sample, they focused on three critical variables of board characteristics: social links, board independence, and diversity. The board's educational variety includes two education levels: Western European and advanced degree education. Since corporate donations may positively influence firms, the academic level of the board may enhance the evaluation of prospective corporate donations. Thus, the following hypothesis is developed:

**H2:** *Educational level factors have a significant impact on corporate donation practices among Shariah-compliant firms in Malaysia.*

### **2.4.2. Firm Characteristics**

To investigate the influence of corporate donation policies, this study focuses on several business factors, such as firm size, leverage, and profitability. Businesses may make a corporate donation for financial reasons. High profitability and low impact may affect their decision to make a corporate donation. Additionally, the size of a company may motivate it to make a corporate donation (Ali et al., 2009). Nevertheless, Zhou et al. (2015) suggested that a company will still make a corporate donation regardless of whether or not it is operating well. Among the reasons for such companies to make corporate donations are building consumers' consciences and wants and evading regulation, such as reporting to the Inland Revenue Department, as a business expense (Diamond & Kashyap, 1997). Companies who engage in corporate donation frequently think that the abovementioned behavior influences their reputation. Thus,



their survival is heavily contingent on how their stakeholders and the general public perceive them. Alodia and Atmadja (2016) investigated factors that influence CSR performance and, in turn, the firm's future performance. They emphasize profitability, firm size, and firm leverage.

### **Firm Size**

Firms are more likely to develop and evolve CSR-related practices. A company is more inclined to engage in CSR initiatives when a company is short on cash. Brown et al. (2006) stated that prominent firms make large donations. Conversely, smaller businesses will be unable to perform CSR due to a lack of resources. Large corporations seek to raise cash and get closer to the financial markets more frequently than small businesses. According to Alodia and Atmadja (2016), firm size influences CSR and future firm performance. This variable was used by Frijins et al. (2016) to study the impact of firm characteristics on firm performance. Company size and industry were also investigated as control variables. The findings showed that company size and CSR reporting have a favorable link and effect. Ghabayen et al. (2016) employed company size as one of the control variables in their research. Nonetheless, they concentrated on the banking sector and omitted publicly traded firms in the targeted nation, although their sampled companies were headquartered in Jordan. Resultantly, larger corporations may donate more, while smaller companies may contribute less due to a lack of resources. Thus, the following hypothesis is developed:

**H3:** *Company size has a significant impact on corporate donation among Shariah-compliant firms in Malaysia.*

### **Profitability**

The relationship between productivity and corporate donation activities has also been studied. Successful organizations have advantages over less productive enterprises, such as the ability to raise their resources under optimal conditions. Corporate donations are predicted to be higher in companies with better output. Profit margin, net income, return on assets, and return on equity are used to determine profitability (Nguyen & Nguyen, 2021). Alodia and Atmadja (2016) concluded that profitability impacts future business performance and CSR. According to Ghabayen et al. (2016), profitability indicates a company's capacity to generate more money and maintain short and long-term growth. Profitability is a major consideration in this study because businesses' prominence and responsibility make them more susceptible to public pressures than economic factors. Thus, the following hypothesis is developed:

**H4:** *Profitability has a significant impact on corporate donation among Shariah-compliant firms in Malaysia.*

### **Leverage**

A few research groups have assessed the link between corporate donation activities and firm leverage (Ali et al., 2009). For example, Ali et al. (2009) discovered a negative relationship between company leverage and corporate donation. Greater leverage leads to higher monitoring expenses. Leverage refers to increased risk, debt percentage, and costs in businesses. Thus, the following hypothesis is developed:

**H5:** *Leverage has a significant impact on corporate donation among Shariah-compliant firms in Malaysia.*

### **Industry Types**

There are approximately 15 industry types<sup>1</sup>, including retail, media, personal and household goods, healthcare, utility, telecommunication, automobiles and parts, chemicals, essential resources, oil and gas, technology, travel and leisure, food and beverages, industrial goods and service, construction, and material resources. Based on a regression analysis, his research exhibited a strong relationship between the type of industries (firm characteristics) and gender composition (board characteristics). Nevertheless, this research emphasized company performance, board effectiveness, and firm outcomes. In contrast, the current study focuses on corporate donations among Shariah-compliant businesses. Different types of industries face different circumstances. Thus, industry types can be a significant determinant of corporate donations. Therefore, the following hypothesis is developed:

**H6:** *Industry has a significant impact on corporate donation among Shariah-compliant firms in Malaysia.*

## **3. Research Design and Method**

### **3.1. Sample**

The study samples were Shariah-compliant publicly listed firms in Bursa Malaysia from 2017 to 2019. This period has the advantage of being based on recent annual reports containing a whole-year report of the selected firms. Until the end of 2019, there were 877 publicly listed firms in Bursa Malaysia, but only 134 firms were Shariah-compliant. The minimum sample size is around 47 firms (Bougie & Sekaran, 2013). Thus, the financial reports of 134 firms were selected for three consecutive years, from 2017 to 2019. The sample excludes the finance industry, with different regulations, such as closed-end funds securities, insurance, and banks. The sample in this study covers various industries, namely,

trading/services, construction, consumer, industrial product, plantation, properties, and infrastructure/technology. Various industries are likely to exhibit different donation patterns, and different sectors can be compared.

In general, companies publicize their company's information to the stakeholders through the company's websites, annual reports, and media. Nevertheless, this study relies on annual reports as the primary data collection method. Most information required in this study is available on annual reports, mainly information on the board's characteristics, financial figures, and corporate donations. The information on the board's characteristics is obtained from the directors' profile section. The information on corporate donation is derived from the Corporate Event Section and CSR Statement. Several companies mentioned donations in the Chairman Statement section. Another method used in this study to obtain donation information is by searching keywords such as "donat," "donate," and "donation". The searching method using keywords has been applied in previous studies (Pegels et al., 2000; Ali & Taylor, 2014).

### 3.2. Logistic Regression

Logistic regression is a regression method employed in this study as the dependent variable is dichotomous and categorical, which constrains the linear regression analysis. Hence, logistic regression is more convenient than discriminant analysis, which combines categorical and numerical variables. In logistic regression, other than predicting the value of a variable,  $Y$ , from a predictor variable,  $X$ , or several predictor variables ( $X_k$ ), the probability of  $Y$  occurring given the known values of  $X$  (or  $X_k$ ) is also predicted. In mathematics, possibilities are always in the range between 0 and 1. An unachievable event has a probability of 0, while a possible event is 1.

In this study, the dependent variable is corporate donation. The possibility of a company making a corporate donation is obtained from a dichotomous measurement. If the company is performing corporate donation, this variable takes a value of 1 and 0 if otherwise. Thus, the model proposed in this study is expressed as follows:

$$\text{DON}_i = \beta_0 + \beta_1 \text{GEN}_i + \beta_2 \text{EDU}_i + \beta_3 \text{InSIZE}_i + \beta_4 \text{PROF}_i + \beta_5 \text{LEV}_i + \beta_6 \text{IND}_i + \varepsilon_i$$

Where,

- i) DON is a dummy variable. It is coded as 1 for the firm with a corporate donation and coded as 0 if otherwise
- ii) GEN<sub>*i*</sub> is the gender composition
- iii) EDU<sub>*i*</sub> is education level
- iv) InSIZE<sub>*i*</sub> is obtained from the natural log of net sales
- v) PROF<sub>*i*</sub> is the firm's profitability

- vi) LEV<sub>*i*</sub> is the total debt or total assets
- vii) IND<sub>*i*</sub> is an industry classification
- viii) ε<sub>*i*</sub> is the error term

## 4. Results

### 4.1. Descriptive Statistics

Shariah-compliant firms' descriptive information shows a total of 402 firms for the years 2017, 2018, and 2019. The majority of Shariah-compliant companies are in the trading or services industry with 132 (32.8%), followed by the industrial product industry, with 99 companies (24.6%). Most companies were in operation for more than three years. The descriptive statistics also show that 182 (45.3%) companies did not donate, while the remaining 220 companies (54.7%) donated.

### 4.2. The Characteristics of Board and Firm

Table 1 describes the descriptive statistics of Shariah-compliant companies' board characteristics and firm characteristics. The firm size among Malaysian Shariah-compliant companies is 8.943, with a minimum value of 3.00 and a maximum of 16.00. The table shows that the minimum number of male directors on the board is 0.375. The maximum number is 1.000, of which 100% of the board directors are male. The average gender composition of 402 firms used in this study is 0.891. The result indicates that, on average, 89% of male directors sit on the board, while only 11% are female directors on the board.

Concerning the board's education level, the descriptive analysis demonstrates the diverse education level among the board members. The educational level comprises below a bachelor's degree, bachelor's degree, master's degree, and doctoral degree. Table 3 shows that the education level for those below a bachelor's degree ranged from 0.4 to 1.0, bachelor's degree ranged from 0.00 to 1.0, master's degree ranged from 0.13 to 1.0, and doctoral degree ranged from 0.6 to 1.0. On average, members of the board mostly possess either a doctoral degree or a bachelor's degree.

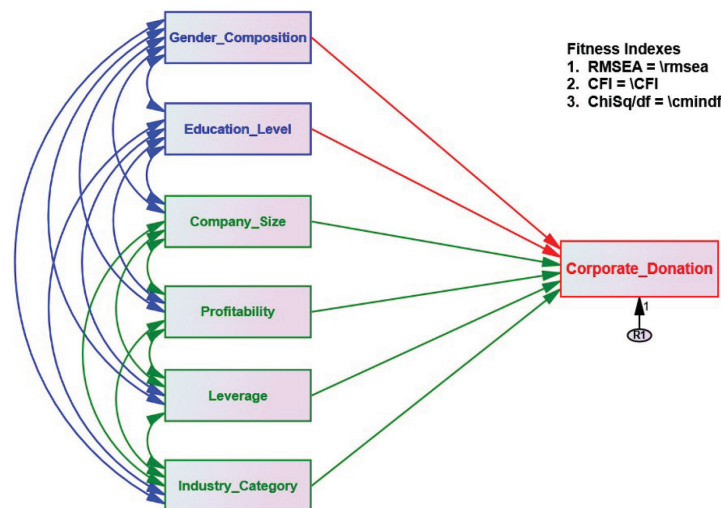
Based on Table 1, the mean value for the profitability of the sample companies is RM 967,000. The minimum value is -1,223,473 and the maximum profitability is 33,430,331. The table also exhibits the leverage of the sample companies. The mean value of leverage is 0.243, with the range starting from 0.00 until 6.28.

### 4.3. Normality for All Constructs

This study evaluated the normalization division of all items measuring constructs before modeling the structure model and implementing the Structured Equation Model

**Table 1:** Descriptive Statistics of The Firm and Board Characteristics

Variables	N	Minimum	Maximum	Mean	SD
Firm Size	402	3.00	16.000	8.943	3.308
Gender	402	0.38	1.00	0.890	0/123
Company Size	402	0.000	15.997	7.58	2.013
Education Level	402				
Below Bachelor Degree	402	0.40	1.00	0.952	0.111
Bachelor Degree	402	0.00	1.00	0.585	0.183
Master Degree	402	0.13	1.00	0.822	0.153
PhD	402	0.60	1.00	0.964	0.755
Profitability	402	-1,223,473	33,420,331	967,000	12.823
Leverage	402	0.00	6.28	0.243	0.489
Donate/Not Donate	402	0.00	1.00	0.547	0.498



**Figure 1:** Structured Modeling for Structured Equation Modeling (SEM) Procedures

(SEM). The SEM uses a statistic-based approach to metrics. Thus, this study needs to evaluate the normalization division of all items that measure constructs. According to Awang (2015) and Chik and Abdullah (2018), this study must prove that the inclined value for all items does not deviate from normal. Therefore, the skewness value must be acceptable from -1.0 to 1.0.

The skewness value for all items in this model ranges between -1.0 and 1.0. Hence, its distribution does not deviate from normal (Awang, 2015). Thus, the data distribution meets the normal distribution requirements to use metrics statistical analysis.

#### 4.4. Inferential Study

This section aims to test the hypotheses proposed earlier. The hypotheses in this study were tested using SEM. The SEM is used to test the effect between the variables. Six (6) hypotheses were tested in this study to answer the research questions and fulfill the study purpose. Once all the validity requirements (construct validity, concentrating validity, and discriminant validity) and composite reliability were met, the researchers continued modeling all constructs into a structural model to perform SEM, test the hypotheses, and answer research questions. Figure 1 shows that all constructs

have been included in the structured model for the next procedure, SEM.

### 4.5. Results of the Structural Model

The SEM procedure provides two output types, namely graphic output and text output. These two types of graphical outputs will show the standard regression values between constructs and normal regression values between the constructs. Both outputs have their uses. Figure 2 shows the standardized regression weight findings, while Figure 3 shows

the normal regression values from the SEM procedure. The conclusions from both types of output are described in detail.

A critical summary of the SEM findings in Figure 2 (standard regression):

The value of  $R^2$  for the “Corporate Donation” (CD) construct is 0.43. This finding shows that the six (6) predictor constructs in the model (see arrow), namely “Gender Composition” (GC), “Education Level” (EL), “Company Size” (CS), “Profitability” (PF), “Leverage” (LE) and “Industry Category” (IC), contributed 43% to “Corporate Donation” (CD) among the study population.

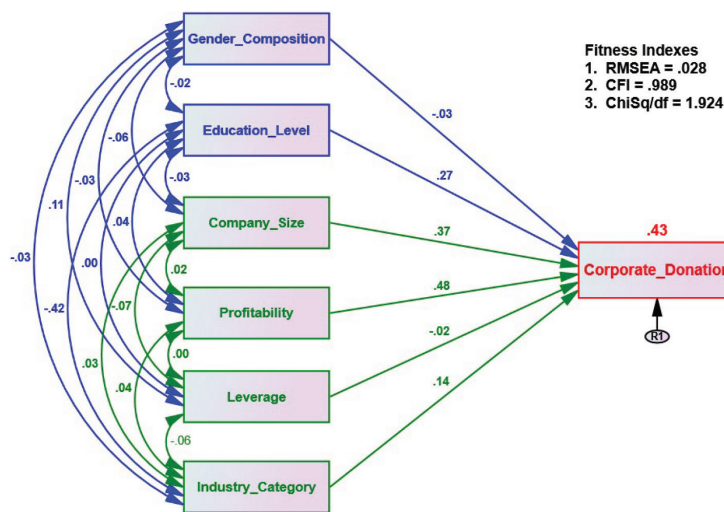


Figure 2: The Sem Findings Show Standard Regression Values Between Constructs

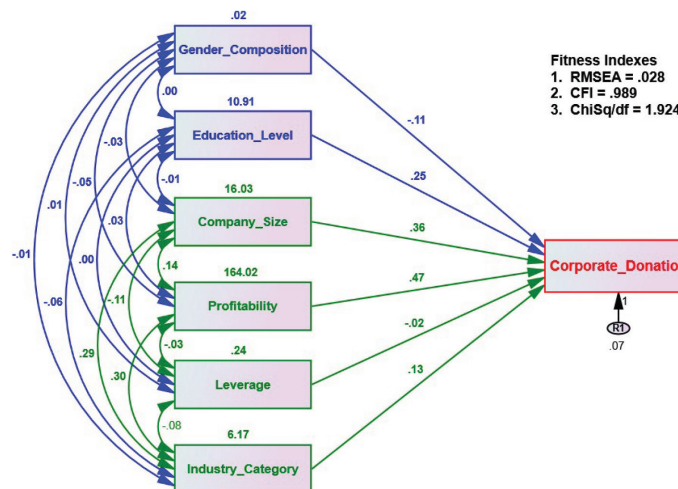


Figure 3: The Sem Findings Show Regression Values Between Constructs



The correlation values between the two independent constructs in the model shown by the double-headed arrow are as follows:

The correlation between “Gender Composition” (GC) and “Education Level” (EL) is -0.02, “Gender Composition” (GC) and “Company Size” (CS) is -0.06, “Gender Composition” (GC) and “Profitability” (PF) is -0.03, “Gender Composition” (GC) and “Leverage” (LE) is 0.11 and “Gender Composition” (GC) and “Industry Category” (IC) is -0.03.

The correlation between “Education Level” (EL) and “Company Size” (CS) is -0.03, “Education Level” (EL) and “Profitability” (PF) is 0.04, “Education Level” (EL) and “Leverage” (LE) is 0.00 and “Education Level” (EL) with “Industry Category” (IC) is -0.42.

The correlation between “Company Size” (CS) and “Profitability” (PF) is 0.02, between “Company Size” (CS) and “Leverage” (LE) is -0.07, and “Company Size” (CS) and “Industry Category” (IC) is 0.03.

The correlation between “Profitability” (PF) with “Leverage” (LE) is 0.00 and between “Profitability” (PF) with “Industry Category” (IC) is 0.04.

The correlation between “Leverage” (LE) with “Industry Category” (IC) is -0.06. This finding shows that this SEM model is valid and has no multicollinearity problems.

Figure 3 shows the acquisition of regression values between constructs in the model to build the regression equation and make hypothesis testing later.

Figure 3 provides an essential summary of the SEM findings. The regression equation for “Corporate Donation” (CD) is as follows:

$$CD = (-0.11GC) + 0.25EL + 0.36CS + 0.47PF + (-0.02LE) + 0.13IC \quad (R^2 = 0.43 = 43\%)$$

Next, the researchers tested each of the hypotheses proposed in this study. Table 2 shows the approximate value of the direct effect of each independent construct on the dependent construct in the model, as shown in Figure 3.

#### 4.6. Impact of Board and Firm Characteristics on Corporate Donation

Table 3 shows the impact of board and firm characteristics on corporate donation. The table shows that gender composition has a significant direct effect on corporate donation with the estimated regression value ( $\beta$ ) of -0.115 at a significant level of 0.567 (Estimate = -0.115, C.R. = -0.572,  $p < 0.001$ ). Hence, gender composition insignificantly influences the

**Table 2:** Regression Coefficient Between Construct and Probability Value ( $P$ )

Constructs	Estimate	S.E.	C.R.	P	Label
Corporate Donation ← Gender Composition	-0.115	0.200	-0.572	0.567	Not Significant
Corporate Donation ← Education Level	0.249	0.084	2.971	0.003	Significant
Corporate Donation ← Company Size	0.355	0.039	9.089	***	Significant
Corporate Donation ← Profitability	0.472	0.047	10.039	***	Significant
Corporate Donation ← Leverage	-0.022	0.051	-0.438	0.662	Not Significant
Corporate Donation ← Industry Category	0.131	0.058	2.253	0.024	Significant

\*\*\*Significant value at the meaning level,  $p < 0.001$ . Estimate: Estimated Regression Weights; Beta ( $\beta$ ): Regression Weights; S.E.: Standard Error; C.R.: Critical Ratio; P: Probability Value.

**Table 3:** Regression Coefficient, Probability Value ( $P$ ) For The Board and Firm Characteristics, and Corporate Donation Construct

Constructs	Estimate	S.E.	C.R.	p	Result
Corporate Donation ← Gender Composition	-0.115	0.200	-0.572	0.567	Not Significant
Corporate Donation ← Education Level	0.249	0.084	2.971	0.003	Significant
Corporate Donation ← Company Size	0.355	0.039	9.089	***	Significant
Corporate Donation ← Profitability	0.472	0.047	10.039	***	Significant
Corporate Donation ← Leverage	-0.022	0.051	-0.438	0.662	Not Significant
Corporate Donation ← Industry Category	0.131	0.058	2.253	0.024	Significant

\*\*\*Significant value at the meaning level,  $p < 0.001$ . Estimate: Estimated Regression value budget; Beta ( $\beta$ ): regression weights. S.E.: Standard Error; C.R.: Critical Ratio.

corporate donation construct. Thus, the H1 hypothesis is not supported by the observed data. Table 6 also shows that educational level has a significant direct effect on corporate donation, with the estimated regression value ( $\beta$ ) of 0.249 at a significant level of 0.003 (Estimate = 0.249, C.R. = 2.971,  $p < 0.001$ ). Hence, the educational level constructs positively and significantly influence the corporate donation construct. When the educational level increases by 1 unit, the corporate donation increases by 0.249 units. Thus, the H2 hypothesis is supported by the observed data.

The company size has a significant direct effect on corporate donation with the estimated regression value ( $\beta$ ) of 0.355 at a significant level of 0.000 (Estimate = 0.355, C.R. = 9.089,  $p < 0.001$ ). Thus, the company size constructs positively and significantly influence the corporate donation construct. Hence, the corporate donation will increase by 0.355 units when the company size increases by 1 unit. Thus, the H3 hypothesis is supported by the observed data.

Table 3 also shows that profitability has a significant direct effect on corporate donation with the estimated regression value ( $\beta$ ) being 0.472 at a significant level of 0.000 (Estimate = 0.472, C.R. = 10.039,  $p < 0.001$ ). Thus, the profitability construct has a positive and significant influence on the corporate donation construct. The corporate donation variable will increase by 0.472 units when profitability increases by 1 unit. Therefore, hypothesis H4 is supported by the observed data. Leverage has a significant direct effect on corporate donation, with the estimated regression value ( $\beta$ ) being  $-0.022$  at a significant level of 0.662 (Estimate =  $-0.022$ , CR =  $-0.438$ ,  $p < 0.001$ ). Hence, the leverage construct has a negative and insignificant influence on the corporate donation construct. Thus, hypothesis H5 is not supported by the observed data. Table 6 also shows that the industry category has a significant direct effect on corporate donation with the estimated regression value ( $\beta$ ) of 0.131 at a significant level of 0.024 (Estimate = 0.131, CR = 2.253,  $p < 0.001$ ). Therefore, the industry category constructs positively and significantly influence the corporate donation construct. Then the corporate donation construct will increase by 0.131 units when the industry category increases by 1 unit. Thus, the H6 hypothesis is supported by the observed data.

## 5. Discussion

The study explored the impact of board and firm characteristics on corporate donation practices among Shariah-compliant firms listed on Bursa Malaysia. Board characteristics consist of gender composition and education level. Based on board characteristics, gender composition has no impact and no relationship with corporate donation practices among Shariah-compliant firms. On the other hand, firm characteristics comprise firm size, profitability, leverage, and industry classification. Besides, firm characteristics have

a significant positive relationship with firm size, profitability, industry category, and corporate donation practices among Shariah-compliant companies. This study also found no significant differences between Shariah-compliant companies that make donations and companies that do not make donations. However, the number of donating companies was higher (220 companies) than non-donating firms (182 companies). This finding indicates that Shariah-compliant companies in Malaysia are generous and concerned about their excellent image in society. Firms should find a better connection with the stakeholders to sustain themselves in the market.

The study findings show that corporate donation is widely welcomed and adopted by Shariah-compliant firms. The concept is generally understood and easily practiced among other CSR activities that can be undertaken. Moreover, the firms' impact indirectly benefits branding, market positioning, employment attraction key points, and public support. More CSR activities can be undertaken if corporate donation is carried out accordingly, especially in the current global circumstances where social distancing is necessary. Thus, a corporate donation is crucial and should be embraced further.

Findings show that educational level influences corporate donation practices among Shariah-compliant firms in Malaysia. In contrast, gender composition does not influence corporate donation practices among Shariah-compliant firms in Malaysia. These findings show that based on a company's board characteristics, the education level position can provide Shariah-compliant firms in Malaysia with awareness in contributing and donating. When making donations or contributions, Shariah-compliant businesses in Malaysia are not influenced by the gender of a board member.

These study findings discovered that company size, profitability, and industry are factors that impact or influence practices among Shariah-compliant firms in Malaysia. In contrast, leverage influences corporate donation practices among Shariah-compliant firms in Malaysia. Thus, a company's firm factors, such as the company size, can encourage companies to contribute or donate. Similarly, the profitability and industry category also influence the capability to donate. Nevertheless, the study findings proved that the leverage factor is not a reason for companies to make contributions or donations to Shariah-compliant firms in Malaysia.

## 6. Conclusion

This study intends to fill the research gap concerning Shariah-compliant firms listed under Bursa Malaysia. The primary elements studied are the board's and firm's characteristics. We consider gender composition and education level as board characteristics variables and firm size, profitability, leverage, and industry category as firm

characteristics variables. Additionally, the study findings indicated that the size of a company influences corporate donation.

Large companies offer multiple products and are dispersed geographically. To sustain themselves in the market, companies need to have a better relationship with their stakeholders. Donations can be one of the tools for companies to maintain their relationships with various stakeholders. The implication of increasing corporate donation programs is that companies may have a good relationship with their stakeholders. Companies can gain the benefit of a good reputation in the community by making corporate donations. Reputation and performance are related to each other and provide advantages to all companies which support corporate donations.

This study has several limitations. First, the sample used in this study involved only public listed firms listed in Bursa Malaysia. The study focused on Shariah-compliant firms. Comparing non-Shariah-compliant companies and firms in other countries would be more interesting. Second, the study includes only a particular characteristic of the board and companies. This study did not examine other characteristics or factors that could influence corporate donation in Malaysia. Therefore, future research should examine different elements or other board characteristics.

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## Endnote

<sup>1</sup>Bursa Malaysia website.