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Board Diversity as a Determinant of Corporate Social Responsibility (CSR) in Malaysian Banks

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Abstract

The impact of board diversity on corporate social responsibility (CSR) remains unclear, raising questions about how diverse leadership influences ethical and sustainable business practices. Under stakeholder theory, board diversity influences CSR by potentially enhancing responsiveness to the interests of a broader range of stakeholders. This study is purposely to examine the relationship between board diversity and Corporate Social Responsibility (CSR) in Malaysian bank. Final sample of 34 Malaysian banks were collected. All non-financial and financial data were collected from the annual report. Board diversity in this study consist age, gender, educational level, independence and size. Board educational level and board size show a positive relationship with CSR disclosure, but this significance is observed only in Non-Islamic Banks. In contrast, Islamic Banks show no significant relationship, suggesting that higher education and larger board size enhance CSR practices primarily in Non-Islamic contexts due to greater diversity, experience, and implementation capacity. This study helps investors and managers understand how board diversity positively influences CSR disclosure, especially in Non-Islamic banks, aiding better investment and management decisions. It also supports academics by offering insights into CSR practices in Malaysia and highlights how CSR can enhance company image, attract investors, and improve overall performance.

Keyword: Sustainability, Corporate Social Responsibility, Diversity, Directors, and Bank Industry

Introduction

One of the important parts of corporate strategy that need to be treated is Corporate Social Responsibility (CSR) policies. CSR also called corporate conscience, corporate sustainability, sustainability business, corporate citizenship or responsible business. CSR is a business approach that will contribute to sustainable development and ensure all stakeholder get benefits by delivering economic, social and environmental aspect. To have the capacity to have an effective practical long-term business, organizations ought to have the capacity to

apply every one of the three viewpoints balanced. On the off chance that an organization would concentrate on just the financial part they could be viewed eager. If just focus on the environmental aspect, then the risk would be that they forget the well-being of the staff. And if just focus on social responsibility, they could be effortlessly neglecting to underscore on the most proficient method to sell their items. So, these three factors must be balanced in order to reach long-term sustainable business where they can earn the cash, ensure the working spot is comfy enough, tolerant and liberal while taking the environmental factor into account (Kujala & Korhonen, 2017). Many large companies had implemented disclosure of CSR as the corporate strategy (Lopez & Romero, 2012). This corporate strategy will make non-financial information can be integrated.

Due to a huge impact on society, CSR has become a necessity in the financial service industry or more precisely, banking industry (Scholtens, 2008). CSR became well-established because CSR solved several economic crises in few countries in the last few years. The banking sector has made significant transformation by end up one of the fundamental proactive speculators in CSR exercises around the world (Marin et al., 2009, Truscott et al., 2009) and the reputation of financial institutions rely on their socially responsible programs (Poolthong & Mandhachitara, 2009). CSR activities also are being considered as strategic decision to enhance to banking industry image (McDonald & Lai, 2011) and customer related outcomes.

The board of directors plays a crucial role in shaping a company's corporate social responsibility (CSR) strategies and policies, as it holds the ultimate decision-making authority and oversees the allocation of resources needed for implementation (Fernandez-Feijoo et al., 2012). The success of CSR initiatives therefore depends heavily on the board's ability to provide effective guidance, set strategic priorities, and monitor outcomes. Within this governance framework, board diversity becomes a key determinant of decision quality, as a board composed of members with varied ages, genders, educational backgrounds, independence, and professional experiences can contribute a broader range of perspectives, reduce groupthink, and enhance the board's capacity to address complex social and environmental issues. Such diversity not only improves deliberations and strategic oversight but also strengthens the board's understanding of stakeholder expectations, ultimately leading to more innovative, balanced, and socially responsible CSR outcomes.

Literature Review

Board Diversity

According to Kruger (2010), board diversity played a major part in the dynamics of the board. Board diversity tends to enhance the quality of decision-related to interpretations, alternatives, and consequences in broader perspectives (Miliken & Martins, 1996). Board diversity also improves the value in the board discussion and leads to competence in processes (Carter et al, 2013). According to Fairfax (2011), board diversity also can enhance the quality of decision making and supervision function by providing higher quality analysis. According to Ruigrok et al. (2007), diversity in the corporate boardroom, need to be explored for the improvement of efficiency of board management.

Dimension or attribute of diversity can be classified in relations-oriented and task-related (Jackson et al., 2003). Gender, age, and nationality differences are in relations-oriented dimensions while tenure and educational functional background are related to

diversity in task-related dimension. According Williams and O'Reilly (1998) and Miliken and Martins (1996) define that task-related diversity have a positive association with psychological perspective and consequences of signaling (for example, better picture, inventive and development), while relations-oriented leads to a negative communication and effective consequences (for example, poor basic leadership, misjudging and clashes). According to Cambell and Minguez-Vera (2008), by using demographic aspects such as age, gender, nationality, educational background, industry experience, ethnicity, and organizational membership can identify the board diversity in board composition.

Stakeholder Theory

According to Kamatra and Kartikaningdyah (2015), stakeholder theory consists of rules and exercises connecting to the stakeholders, ethics, lawful prerequisites agreement, and the obligation of corporate and environmental community honours to have the justifiable environment. Freeman (1984) describe stakeholders as any groups or individuals who can influence or are influenced by the accomplishment of a company's purpose. Stakeholder groups include, but not limited to, shareholders, creditors, employees, consumers, and local communities. This means stakeholders such as owner-lenders, staffs, and the administration had power to explicit rights on a company.

In this theory, the benefits of different stakeholders were considered by a company that practices CSR activities actively. For the company's policy, CSR was required to fulfil the necessity of stakeholder. The confidence level of stakeholder towards the company can be raised when the company takes CSR as an important aspect in company policy.

A diverse board is better equipped to respond to the needs of a wide range of stakeholders, including employees, customers, and the broader community, thereby enhancing CSR performance. By incorporating diverse viewpoints and experiences, boards can more effectively identify and address the social and environmental concerns that impact their stakeholders, ultimately contributing to improved CSR outcomes (Post, Rahman, & Rubow, 2011). This nuanced understanding of the interplay between board diversity and CSR is rooted in the stakeholder theory's emphasis on the complex interdependencies between firms and their stakeholders, suggesting that a more diverse board is not only a moral imperative but also a strategic necessity for companies seeking to maintain their social license to operate.

Agency Theory

According to Jenson and Meckling (1976), agency theory significantly involved with the relationship between manager and stockholders. Managers are responsible to do the decision making that related to maximizing the shareholder wealth. An agency is portrayed as one in which at least one people (the rule (s) connects with someone else (agent) to play out some administration for their sake which includes appointing some basic leadership specialist to the specialist. In this study, the managers are referring as the board directors. Board directors are responsible for maximizing the shareholder wealth by implementing CSR strategies in the company policy. Jensen et al. (1998) describe that problem of agency is that agents are not absolute. When managers make a decision that does not bring profit to the shareholder, there the agency problem occurs. Shareholder interest doesn't splendidly coordinate with the goals

of the rule and accordingly, if the authority is not enough then there will be a divergence from the objectives of interest to the titleholder of the assets.

As indicated by Jensen and Mecking (1976), there are two methodologies about looking to advance the administrative conduct so as to support objective consistency among investor and managers. The first way is for an investor to monitor the activity of the company's executives. There are a few different ways to watch the execution of the executives for instance utilization of autonomous reviewers to review the budget reports. Alternate routes are by framing corporate administrative contract in which the objective consistency ought to be referenced, and it's connected with motivating forces, disciplines, and requirements.

Board Age

Board age played a major part in determining the composition of the boards, particularly policies and strategies to establish the diversity interest of corporate stakeholders. According to Herman and Datta (2005), the board's generation gap mostly influences the breadth of experience, decision-making, and difference of strategy. Old board commissioner tends to show more valuable experience and more practice, as a form of growth of skill-based competencies.

The older group of age will, in general, give the better involvement and better inclusion and better methodologies relating to the financial assets, while the board with middle age aggregate has better coordination identified with obligation inside company and society (Houle, 1990). While the more youthful period of board gathering, have a great deal of vitality in leads the organization triumphs and future arranging. The differences of age group are expected to be able to represent a wider long-term perspective of the diverse interest of corporate stakeholders despite just only gave orientation and perspectives of short-term performance. The majority of the older age of directors will be able to encourage the implementation of policies and strategies for CSR.

Board Gender

The role of gender board can enhance the productivity of a corporate board through the utilizing of a capital asset and better job of the establishment, better reasonable business and reflect the existence of stakeholders (Tejersen et al., 2009). Higher of female participation on board is seen to be favorable for several reasons, such as females are more sensitive to charitable and community matters. They also tend to have wider educational and work experience background and communicate in a more participatory manner which often encourages a wider perspective and inclusion of stakeholder needs (Srinidhi et al., 2011).

As indicated by Kruger (2010) and Bernardi and Threadgill (2010), the higher arrangement of ladies in the corporate board keeps an eye on benevolence frame of mind that prompts better social conduct. Companies that have something like three ladies least in board individuals give CSR reserves over 28% contrasted with organizations without female board individuals (Mullen, 2011). This is on the grounds that gender diversity can enhance the nature of the basic leadership process and give more regard for moral issues and environmental issues (Bernardi & Threadgill, 2010).

Board Independence

The presence of outside executives and autonomous directorate may influence the corporate wilful revelation (Rao et al., 2012; Lim et al., 2007; Haniffa & Cooke, 2002). This is on the grounds that outside executives have significant influence in the build-up and administer the corporate strategy on intentional exposure (Ajinkya et al., 2005). Outside executives are viewed as the check and equalization component since they are guaranteeing that organizations will act to the greatest advantage of proprietors and partners.

As indicated by Rutherford and Buchholtz (2007) the higher extent of outside chiefs on board part is connected with enhanced nature of data and procurement of data proactively. A higher composition of the outside director has a positive association with willful exposure (chiefly identified with social and natural issues) in the corporate yearly report and freeloads up give increasingly intentional divulgence about dynamic and vital data (Lim et al., 2007). Expanding the number of independent boards will make the observing and guaranteeing turn out to be progressively viable and proficiency in completing social exercises that are predictable with corporate stakeholder interest.

Board Size

Board size is the total number of the board of commissioner who worked on corporate boards. Hermalin and Weisback (2003) define that the numbers of the board (larger board) are less effective and less efficiency compare to the smaller boards. Problems started to occur when the board is too large that might make some of the boards become free riders (Uwuigbe et al., 2011).

Smaller boards will manage corporate board more effectively and play a role in controlling rather than a larger board (Chaganti et al., 1985). Despite that, there are several disadvantages of a smaller board. The smaller board are less likely to provide more expert advice and opinion in boardroom discussion boards than in larger board numbers.

Halme and Huse (1997) describe that a larger number of board members are expected to give more experienced boards that richer in term of values and diverse in boards. Dalton and Dalton (2005), also define that larger board tend to associate with the improvement of board diversity by experience, skills, gender, and nationality. So, a larger board member will be able to represent a broad diversity skill, experience and knowledge to make decisions that reflect diversity among the corporate stakeholders.

Board Educational Level

Hambrick and Mason (1984) define that educational level is referred to as an indicator of executive's knowledge, cognitive orientation and skill base. Educational level reveals the degree of people's information analysis (Dollinger, 1984).

Managers with a higher degree, develop a more elaborate perception in the implementation of CSR in both institution and society Quazi (2003) also stated that more qualified managers are more tendency to show more liberal attitudes. This can lead them to contribute their organization towards greater social conscience. For more information, Sobezak et al. (2006) educational level is not the only one of the important factors.

Educational orientation also determines organization perceptions and personal attitudes toward CSR concepts and tools.

Conceptual Framework

Figure 1 was a diagrammatic representation of Board Diversity Matter on Corporate Social Responsibility (CSR) disclosure. In this study, board diversity aspect in term of board age, gender, educational level, size and independence was classified as independence variable. For CSR, it was classified as dependent variable. Firm size, leverage and profit were used as control variable to support independent variable. Main objective of this study is to investigate how board diversity aspect will affect the dependent variable which is CSR disclosure.

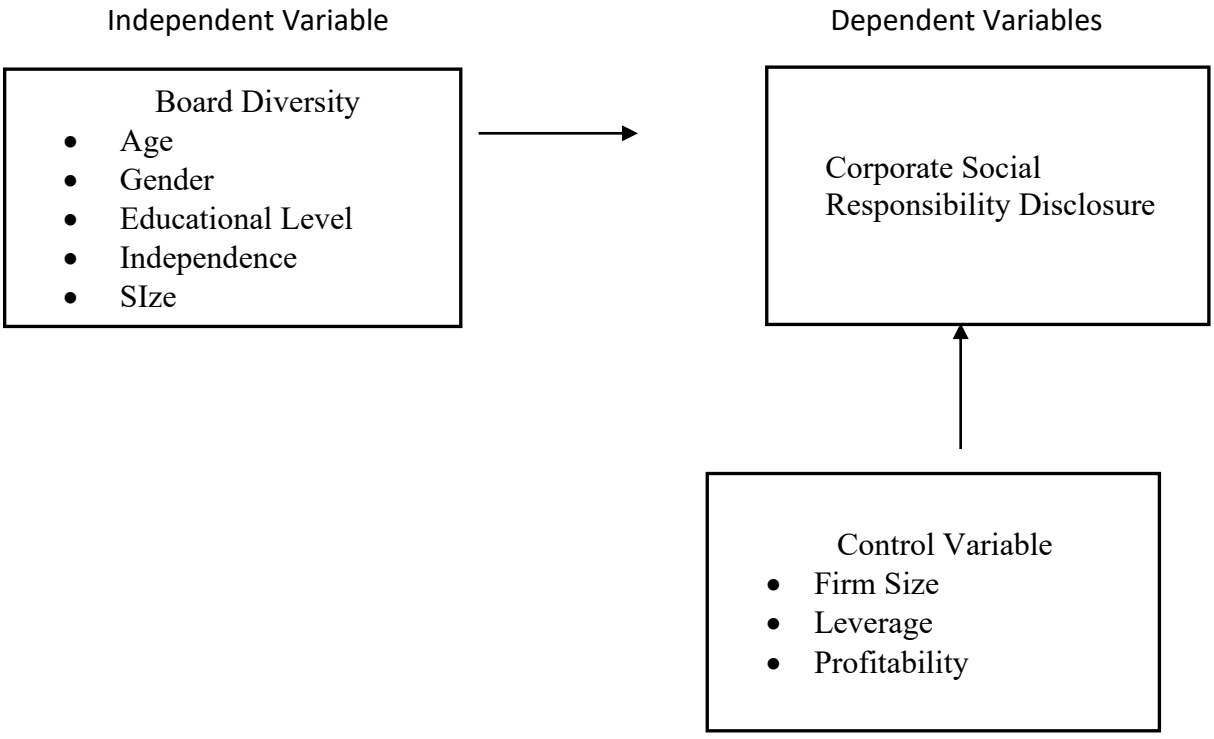

Figure 1: Relationship between board diversity and CSR disclosure, firm size, firm age, firm leverage, and firm liquidity.

Research Methodology

Research Design

The research was designed to show whether there was a relationship between the board diversity and CSR disclosure in the banking industry in Malaysia. Five years data were obtained for the variables in this study, which was from the year 2015 to the year 2017. 34 company from the banking industry that listed in public listed firm were analyzed in this paper. This research also wants to test the other variables such as board size, board age, board gender, board independence, board educational level, firm size, and leverage. This research was a quantitative study. The method for data collection is by doing observations in Data Stream and undergoes analysis in the annual report.

Sample Descriptive and Data Collection

The sample has been chosen from bank listed in Bursa Malaysia's Main Board and the Bank Negara Malaysia official website. The samples that have been selected are the banks involved

in conventional and non-conventional banking. The period of the sample taken is within three years started in the year or 2015 until the year 2017.

The studies propose to examine banks annual report for a period of three years. From table 3.1 below, the initial sample of this study were 40 banks including conventional and non-conventional banking. However, some of the banks have not been listed in Bursa Malaysia and Bank Negara Malaysia website. Thus, only 34 had the complete information needed for this study. Therefore, 21 companies have been eliminated from the initial sample. The sample is considered to be representing the population if it contains observations of at least 30 companies from the population (Keller & Warrack, 2005).

The CSR data in this study are collected from the annual reports of listed banks in Bursa Malaysia and Bank Negara Malaysia. Control variables such as firm size and leverage are gained form the DataStream while the other five independent variables (board gender, board age, board education level, board size, and board independence) are collected from the annual reports.

Table 1
Summary of the sample

Category	Conventional and Non-conventional Banking
Initial sample	40
Minus: Banks that have no insufficient data	6
The sample that has available data	34

Regression Model

The multiple regression analysis was used to measure the relationship between board diversity and the independent and control variables. The model attempts to capture the factors that are important in influencing the diversification of the board. This model is crucial for testing economic theories and for evaluating policy effects when the study relies on non-experimenter data because the multiple regression models can take in many explanatory variables that can be correlated.

Functional form:

CSRD = f(gender, education background, age, board size, board independence, control variables)

Thus, the function can be estimated under the following model:

$CSRD_{i,t}$ = $CSRi,t = \beta 0i_{,t} + \beta 1\ BDGENDER_{i,t} + \beta 2BDEDULEVEL_{i,t} + \beta 3BDAGE_{i,t} + \beta 4BDSIZE_{i,t} + \beta 5BDIND_{i,t} + \beta 6\ FSIZE_{i,t} + \beta 7\ LEV_{i,t} + \beta 8\ ROA_{i,t} + \varepsilon_{i,t}$

Where:

CSRD	=	Corporate Social Responsibility Disclosure
β	=	Coefficient
BDGEN	=	Board Diversify in term of Gender
BDEDU	=	Board Diversify in in term Education Level
BDAGE	=	Board Diversify in Age
BDSIZE	=	Board Size
BDIND	=	Board Independence
FSIZE	=	Firm Size
LEV	=	Leverage
ROA	=	Return On Asset
ε	=	Error term
i	=	Companies
t	=	Time

Measurement of Dependent Variables

The dependent variable in this study is CSR. CSR index is used in order to measure the level of CSR disclosure for each banks sector in Malaysia. To measure the disclosure level of CSR in the annual reports, a content analysis approach was adopted. Bowman (1978) had come out with the idea of content analysis was an inquiry procedure which relies on explicit counting and coding of particular lines of prose, word usage, and disclosure. The disclosure was measured based on the number of words on CSR's themes appeared in the annual reports. In this study, 4 main themes of CSR to be examined were Environment, Community, Workplace, and Marketplace. The words "Environment", "Community", "Workplace" and "Marketplace" which appeared in the annual reports were scanned and counted by using a computer.

Measurement of Independent Variables

Each of the independent variable in this research is measured by using a measurement based on the framework by the prior study. According to Bear et al, (2010), that value of director diversity is that the variation in background and business experience where it will enhance board understanding of the company's external support effective in decision making.

Board Gender

Board gender is focusing on the percentage of women on the board. The value of woman will come out by measuring in term of percentage in each of the banks.

$$\text{Board Gender} = \frac{Total\ number\ of\ female\ director}{Board\ Size} \times 100$$

Board Age

The board age is measuring by calculate with the sum of all stage of age to the board size. This will measure the average number for board director age.

$$\text{Board Age} = \frac{Total\ number\ of\ age\ for\ each\ directors}{Board\ Size}$$

Board Educational Level

The educational level is calculated by measuring the percentage of directors with each of the highest degree levels. The measurement is conducted as follows:

$$\text{Board Educational Level} = \frac{Educational\ Level\ (master\ and\ above)}{Board\ Size}$$

Board Size

Board size is important to measure corporate social responsibilities. This has been said by Ibrahim and Samad (2011) where large boards are more powerful and effective than small boards. McNulty et al. (2013) findings show an effect of board size on financial uncertainty, with large boards being less effective than small boards especially in control sufficient cash, and near cash resources.

Board Size = Total numbers of directors

Board Independence

This study also used the proportion of independent directors to test the effects of board independence is measured by using content analysis which is a method for systematically relating written, verbal or visual communication. It provides a numerical description. Usually outside director is a non-executive director

$$\text{Board independence} = \frac{Outside\ directors}{Board\ Size} \text{ x } 100$$

Measurement of Control Variables

Firm Size

Firm size is determined by how much of an asset that particular company has. Large organizations commence more activities compared to the smaller organizations and have the effect on the society. The formula for determining company size is as follow:

Size = $\log_{10}$ (total assets)

Leverage

Leverage can be determined by dividing the total liabilities of the total asset. The formula is illustrating as below:

$$\text{Leverage} = \frac{Total\ Liabilities}{Total\ asset}$$

Profitability

Profit can be calculated by using return on asset (ROA) formula. ROA can determine the ability of the company to gain profit from its assets. ROA could show the effectiveness of a company

using their assets to generate profits. A high ROA indicated the company could have larger earnings from the assets and the company's assets were used efficiently to generate profits. The measurement of ROA:

$$\text{ROA}=\frac{\text{Net Income}}{\text{Total Assets}}$$

Result and Discussion

Descriptive Statistic

Table 2

Descriptive statistics of variables of Non-Islamic Banks

Variables	N	Minimum	Maximum	Mean	Std. Deviation
CSRD	55	2.00	319.00	73.1636	79.29709
BDGEN	55	.00	4.00	1.0909	1.09329
BDAGE	55	53.00	72.33	61.9202	3.97455
BDEDU	55	.00	7.00	2.6636	1.68889
BDSIZE	55	4.00	14.00	7.5091	2.39500
BDIND	55	2.00	9.00	4.4182	1.66323
FIRMSIZE	55	845125.00	765301766.0	144078797.7	191670613.0
LEV	55	.51	.94	.8691	.08104
ROA	55	.00	.03	.0097	.00542
ROE	55	.00	.35	.0913	.05711
Valid N (listwise)	55				

Table 3

Descriptive statistics of variables of Islamic Banks

Variables	N	Minimum	Maximum	Mean	Std. Deviation
CSRD	45	1.00	151.00	38.6667	42.54142
BDGEN	45	.00	3.00	.9333	.80904
BDAGE	45	50.50	71.50	60.9353	4.17220
BDEDU	45	1	8.00	3.1667	1.30558
BDSIZE	45	4.00	10.00	6.6667	1.73205
BDIND	45	2.00	7.00	4.2000	1.40777
FIRMSIZE	45	7315392.00	202495053.0	44409111.38	45037933.28
LEV	45	.84	.95	.9200	.02507
ROA	45	.00	.01	.0067	.00305
ROE	45	.01	.19	.0892	.04064
Valid N (listwise)	45				

The samples in this study consisted of 34 company from banking industry listed in Bursa Malaysia's Main Board and the Bank Negara Malaysia official website. There are 19 and 15 from Non-Islamic Banks and Islamic Banks. The period of the sample taken is within three years started in the year or 2015 until the year 2017. Descriptive statistics of data employed in the analysis were presented in Table 2 and Table 3. Table 2 showed descriptive statistics for Non-Islamic banks while Table 3 showed for Islamic banks. Both Table showed the number of observations, minimum value, maximum values, mean, and standard deviation for all the variables.

CSR disclosure in the study was measured by using content analysis of word counts. The number of words appeared in annual reports such as “environment”, “community”, “marketplace”, and “workplace” were counted. CSR had a mean of 73.1636 words for Non-Islamic Banks while for Islamic banks is 38.6667. The range of the words for Non-Islamic Banks and Islamic Banks is 2 to 319 words and 1 to 151 words. For the standard deviation, Non-Islamic Banks is 79.29709 while Islamic Banks is 42.54142. BDGEN represent for board gender and for Non-Islamic Banks, it range was from 0 to 4 people. Value for mean and standard deviation is 1.0909 and 109329. Whole value is a slight lower for the board gender of Islamic Banks, which is range from 0 to 3 people, mean value is 0.9333 and standard deviation is 0.80904. BDAGE is the board age of directors in the company. For Non-Islamic Banks, range of board age is from 53 to 72.33 years old while the value for mean and standard deviation is 61.9202 and 3.97455. For Islamic Banks, range of board age is from 50.50 to 71.50 years old while the value for mean and standard deviation is 60.9353 and 4.17220. Then for BDEDU, it is representing board educational level of director. For Non-Islamic Banks, mean and standard deviation value is 2.6636(range from 0 to 7) and 1.68889. Value mean and standard deviation for Islamic banks is 3.1167(range from 1 to 8) and 1.30558. BDSIZE represent the board size of company. For Non-Islamic Banks, Mean value is 7.5091 people (range from 4 to 14 people) while standard deviation value is 2.39500. For Islamic Banks, Mean value is 6.6667 people (range from 4 to 10 people) while standard deviation value is 1.73205. After that, BDIND is for Board Independence. It means is outside director. For Non-Islamic Banks, range for board independence is from 2 to 9 people. Mean value for board independence is 4.4182 while for standard deviation is 1.66323. For Islamic Banks, range for board independence is from 2 to 7 people. Mean value for board independence is 4.2000 while for standard deviation is 1.40777.

Next is Firm Size represented FSIZE was calculated by total assets before natural logarithms and range from RM 845125 to RM 765301766. While mean value and standard deviation value is RM 144078797.7 and RM 191670613 for Non-Islamic Banks. For Islamic Banks, range value for firm size is RM 7315392 to RM 202495053 and its mean is RM 44409111.38. The value for standard deviation is RM 45037933.28. ROA was measure by ratio of net income to total assets. For Non-Islamic Banks, the value of mean is 0.0097 which is 0.97% and ranging from 0.00 to 0.03. The value for standard deviation is 0.00542. For Islamic Banks, the value of mean is 0.0067 which is 0.67% and ranging from 0.00 to 0.01. The value for standard deviation is 0.00305. For ROE, it was measure by ratio of net income to total equity. For Non-Islamic Banks, the mean of ROE for was 0.0913 or 9.13%. The range of minimum and maximum was between 0.00 and 0.35 with standard deviation of 0.5711. For Islamic Banks, the mean of ROE for was 0.0892 or 8.92%. The range of minimum and maximum was between 0.1 and 0.19 with standard deviation of 0.4064. For LEV, leverage was measure by total liability divided to total asset. For Non-Islamic Banks, the mean of ROE was 0.8691. The range of minimum and maximum was between 0.51 and 0.94 with standard deviation of 0.8104. For Islamic Banks, the mean of ROE for was 0.9200. The range of minimum and maximum was between 0.84 and 0.95 with standard deviation of 0.2507.

Pearson Correlation

In table 4, the result presented that board gender, educational level, size, independent, ROA, leverage and firm size had positive correlation toward Non-Islamic Banks in term of CSR disclosure. Pearson correlation coefficient of board gender was 0.588, it could be concluded

that there was positive significant correlation between board gender and CSRD at 1% level of significant. This meant that CSRD increase when the board gender increased. For board educational level, Pearson correlation coefficient was 0.567 which concluded that there was positive significant correlation between board educational level and CSRD at 1% level of significant. This meant that CSRD increase when the board educational level increased. For board size, Pearson correlation coefficient was 0.611, it could be concluded that there was positive significant correlation between board size and CSRD at 1% level of significant. This meant that CSRD increase when the board size increased. For board independent, Pearson correlation coefficient was 0.622 and it could be concluded that there was positive significant correlation between board independent and CSRD at level 1% level of significant. This meant that CSRD increase when the board independence increased. After that, for ROA, Pearson correlation coefficient was 0.910 and it can be concluded that there was positive significant correlation between ROA and CSRD at 1% level of significant. This meant that CSRD increased when the ROA increased. For leverage, Pearson correlation coefficient was 0.363. It can be concluded that there was positive significant correlation between leverage and CSRD at level 1% level of significant. This meant that CSRD increased when leverage increased. For firm size, Pearson correlation coefficient was 0.911 and it can be concluded that there was positive significant correlation between firm size and CSRD at 1% level of significant. This meant that CSRD increased when firm size increased. The result also showed that board age was not correlated with CSRD since the p-value is larger than 0.10.

In table 5, the result presented that board educational level, size, independent, ROA, and leverage had positive correlation toward Islamic Banks in terms of CSR disclosure. Pearson correlation coefficient for board educational level was 0.252. It could be concluded that there was positive significant correlation between board educational level and CSRD at 5% level of significant level. This meant that CSRD increased when board educational level increased. For board size, Pearson correlation coefficient was 0.550 and it can be concluded that there was positive significant correlation between board size and CSRD at 1% level of significant. This meant that CSRD increased when board size increased. For board independence, Pearson correlation coefficient was 0.381 and it can be concluded that there was positive significant correlation between board independence and CSRD at 1% level of significant. This meant that CSRD increased when board independence increased. For ROA, Pearson correlation coefficient was 0.263 and it can be concluded that there was positive correlation between ROA and CSRD at 1% level of significant. This meant that CSRD increased when board size increased. For leverage, Pearson correlation coefficient was -0.395 and it can be concluded that there was negative significant correlation between leverage and CSRD at 5% level of significant. This meant that CSRD decreased when leverage increased. The result also showed that board age, gender and firm size was not correlated with CSRD since the p-value is larger than 0.10.

Table 4
Pearson Correlation Coefficient Test in Non-Islamic Banks

	CSRD	BDAGE	BDGEN	BDEDU	BDSIZE	BDIND	ROA	LEV	FSIZE
CSRD	1								
BDAGE	-.111	1							
	.211								
BDGEN	.588***	-.133	1						
	.000	.166							
BDEDU	.567***	-.236**	.599***	1					
	.000	.041	.000						
BDSIZE	.611***	-.183	.710***	.746***	1				
	.000	.090	.000	.000					
BDIND	.622***	-.190	.661***	.648***	.787***	1			
	.000	.083	.000	.000	.000				
ROA	.910***	-.121	.567***	.488***	.542***	.579***	1		
	.000	.189	.000	.000	.000	.000			
LVRAGE	.363***	.120	.290**	.063	.379***	.411***	.311**	1	
	.003	.191	.016	.323	.002	.001	.010		
FSIZE	.911***	-.135	.540***	.467***	.526***	.578***	.995***	.326***	1
	.000	.163	.000	.000	.000	.000	.000	.008	

***. Correlation is significant at the 0.01 level (1-tailed), **. Correlation is significant at the 0.05 level (1-tailed).

Table 5
Pearson Correlation Coefficient Test in Non-Islamic Banks

Variable	CSRD	BDAGE	BDGEN	BDEDU	BDSIZE	BDIND	ROA	LEV	FSIZE
CSRD	1								
BDAGE	-.134	1							
	.191								
BDGEN	.235	-.316**	1						
	.060	.017							
BDEDU	.252**	.211	.405***	1					
	.047	.082	.003						
BDSIZE	.550***	-.171	.454***	.569***	1				
	.000	.131	.001	.000					
BDIND	.381***	-.431***	.411***	.370***	.634***	1			
	.005	.002	.003	.006	.000				

ROA	.263**	-.116	.492***	.511***	.404***	.454***	1		
	.040	.223	.000	.000	.003	.001			
LVRAGE	-.395***	.141	-.486***	-.492***	-.529***	-.343**	-.509***	1	
	.004	.177	.000	.000	.000	.011	.000		
FSIZE	-.005	-.100	.239	.232	.173	.329**	.779***	.057	1
	.486	.256	.057	.063	.128	.014	.000	.355	

. Correlation is significant at the 0.05 level (1-tailed), *. Correlation is significant at the 0.01 level (1-tailed).

Regression Analysis

As shown in Table 6, the influence of board diversity in term of board age, gender, educational level, size and independence with control variables, firm size, leverage and ROA had R-square's value of Non-Islamic Banks and Islamic Banks were 0.859 and 0.339 respectively. This showed that 85.9% of variance for Non-Islamic Banks and 33.9% of variance for Islamic Banks were accounted in this model. Table 6 also showed that the value of adjusted R-square for Non-Islamic Banks and Islamic Banks were 0.835 and 0.192 respectively. This showed that 83.5% of variance in Non-Islamic Banks and 19.2% of variance in Islamic Banks could be explained by the variance in board diversity and control variables after taking account the degree of freedom.

The result summarized in Table 4.3 shown that Board Gender, Non-Islamic Banks got -0.010 for coefficient value and 0.905 for p-value. While for Islamic Banks, coefficient value is -0.076 and p-value is 0.673. It is meant that Board Gender and CSR disclosure is negative not significant to each other for both Non-Islamic and Islamic Banks. Thus, hypothesis was not supported which was board gender has positive relationship with CSR disclosure. This result was not consistent with previous study made by Mullen (2011), and Bernardi and Threadgill (2010). Mullen observed that companies that have at least three ladies in the board give 28% CSR reserve in companies compared with companies without any female. This observation cannot be applied in this study.

Coefficient value and p-value for Board Age in Non-Islamic Banks is 0.012 and 0.835 respectively. Coefficient value and p-value for Islamic Banks is 0.052 and 0.785 respectively. Both banks showed that there was positive not significant relationship between Board Age and CSR disclosure. Thus, hypothesis was supported which was board age is has positive relationship with CSR disclosure. This result was consistent with previous study made by Herman and Datta (2005). Herman and Datta mention that older group of directors showed more valuable experience and more practice compared to young group of directors.

Table 6
Regression result

Variable	Non-Islamic	Islamic
Constant	0.000	0.000
	0.190	0.391
BDGEN	-0.10	-0.076
	0.905	0.673
BDAGE	0.012	0.052
	0.835	0.785
BDEDU	0.166*	-0.154
	0.100	0.464
BDSIZE	0.024	0.472*
	0.841	0.055
BDIND	0.005	0.107
	0.963	0.644
FSIZE	0.080	0.146
	0.628	0.716
LEV	0.052	-0.287
	0.617	0.366
ROA	0.745***	-0.113
	0.000	0.811
R^2	0.859	0.339
Adjusted R^2	0.835	0.192
F	35.124	2.304
Sig	0.000***	0.42

*** indicated significant at the 0.01 level, **, 0.05 level, * and 0.10 level

For Board Educational Level, Non-Islamic Banks have positive significant relationship with CSR disclosure since the coefficient value and p-value is 0.166 and 0.100. This meant that it positively affecting CSR disclosure at 10%. However, Islamic Banks results is contrary with Non-Islamic Banks because the coefficient value and p-value are -0.154 and 0.464. This showed that Board Education Level is negative not significantly relationship with CSR disclosure. Thus, hypothesis was only supported for Non-Islamic Banks which was board educational level has positive relationship with CSR disclosure. This result was consistent with previous study made by Quazi (2003) and Sobczak (2006). Quazi (2003) defined that director with higher educational level will develop more elaborate perception in the implementation of CSR in both company and society.

Then, for the Board Size, coefficient value and p-value for Non-Islamic Banks are 0.024 and 0.841. This showed that Board Size and CSR disclosure are positive not significant relationship. For Islamic Banks, Coefficient value and p-value for Board Size are 0.472 and 0.055. Results showed that board size for Islamic banks have positive significant relationship with CSR disclosure and significant affecting CSR disclosure at 10%. Thus, hypothesis was supported which was board size has positive relationship with CSR disclosure. This result was consistent with previous study made by Halme and Huse (1997) and Dalton and Dalton (2005). Larger number of board member are expected to give more experienced boards that richer in term of values and diverse in boards.

Board Independence is having positive not significant relationship between Board Independence and CSR disclosure for both Non-Islamic Banks and Islamic Banks. This is because coefficient value and p-value for Non-Islamic Banks is 0.005 and 0.963 while for Islamic Banks is 0.107 and 0.644. Thus, hypothesis was supported which was board independence has positive relationship with CSR disclosure. This result was consistent with previous study made by Lim et al (2007). High composition of independent director in boards will make the observing and guaranteeing turn out to be progressively viable and proficiency in completing social exercises.

Coefficient value of Firm Size in Non-Islamic Banks is 0.080 and p-value is 0.628. For Islamic Banks, Firm Size is coefficient value is 0.146 and p-value is 0.716. There was positive not significant relationship between Firm Size and CSR for both banks. Thus, hypothesis was supported which was firm size has positive relationship with CSR disclosure. This result was consistent with previous study made by Dubrin (2012). He stated that large companies with higher financial resources will be able to make some investment needed in CSR initiatives. It is proved that companies gain more profit will improve their resources, and with this, they could invest in CSR initiatives.

Then, for the leverage, coefficient value and p-value for Non-Islamic Banks are 0.052 and 0.617 while for Islamic Banks is -0.287 and 0.366. This meant that leverage has positive not significant relationship with CSR disclosure for Non-Islamic Banks while for Islamic Banks is negative not significant relationship. Thus, hypothesis was support for Islamic Banks which is leverage has negative relationship with CSR disclosure. This result was consistent with previous study made by Widyadmono (2014). He stated that company with high leverage may not practice any CSR activities. They will just be focusing on their obligation on their creditor and reduce the company's budget for social cause.

Last for ROA, coefficient value and p-value for Non-Islamic Banks are 0.745 and 0.000 while for Islamic Banks is -0.113 and 0.811. This meant that ROA has positive significant relationship with CSR disclosure at 1% significant for Non-Islamic Banks while for Islamic banks is negative not significant relationship. Thus, hypothesis was support for Non-Islamic Banks which is ROA has positive relationship with CSR disclosure. This result was consistent with previous study made by Ron (2011). He states that CSR can be promoted for their company in the marketplace which leads to higher result of profit, sales, improve employee loyalty and attract better personnel to the company.

Conclusion and Implication of the Study

The main objective of this study was to investigate the relationship between board diversity and CSR disclosure in term of board age, gender, educational level, independence and size. Result showed that there was positive significant relationship between board diversity with CSR disclosure in both conventional and Islamic banks.

Board educational level have positive relationship with CSR disclosure. However, this result only applied to Non-Islamic Banks. Islamic Banks been found out have negative relationship not significant with CSR disclosure. The reason for positive relationship could be the higher education level can implementation of CSR disclosure compare to lower education level.

Board size has positive relationship with CSR disclosure. However, board size only has positive significant relationship with CSR disclosure for Non-Islamic Banks. It meant that Non-Islamic Banks has higher impact on board size impacting CSR disclosure compared to Islamic Banks. It was found out that larger size of board can give improvement of board diversity and affecting CSR practise constantly by providing more experience, skills, gender and nationality.

Same with control variables which showed not all of them and CSR disclosure were significant. ROA as one of the control variables had a positive significant relationship with CSR disclosure in term of Non-Islamic Banks, but positive not significant with Islamic Banks. The reason for positive relationship could be CSR activities are focusing on sustainability issues that may lower costs and improve efficiency as well.

First, this study would contribute to the investors. This study can be a direction for investors when making investment decisions. The finding of the research showed that board diversity was positive significantly related to CSR disclosure which is measured in Non-Islamic banks and Islamic banks. This study can contribute a better understanding for investors on how CSR disclosure tends to create value and increase company profitability.

Other than that, this study intends to extend and assist academics with having better comprehend on the elements that decide the CSR and give significant data about issues in Malaysia. Next, this study can be utilized to assist supervisors with gaining discernment on the best way to improve Companies performance. Manager together with management team can understand that it is important to include CSR practices because the involvement of firm in CSR practices can demonstrate to the general public that the organization is thinking about the current social and environmental issues separated from maximizing profits as it were. By disclosing CSR, company efforts on image building and reputation maintenance can attract more investors that wish to play parts in companies and hence improve company's performance.

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