The Moderating Role of Corporate Social Responsibility Disclosure in the Relationship Between Government Ownership and Firm Competitiveness: Evidence from Malaysia

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ABSTRACT

Ownership structure is widely recognised as a critical determinant of firm competitiveness, with government ownership playing a particularly prominent role in emerging markets. Given the intricate interdependence between business and government, government firms exhibit unique governance features that may influence strategic outcomes. This study examines the relationship between government ownership and firm competitiveness and further explores the moderating role of corporate social responsibility (CSR) disclosure in this relationship. Using a sample of 254 publicly listed Malaysian firms over the period 2020–2022, the empirical findings reveal that government ownership has a significant positive effect on firm competitiveness. However, contrary to the study's hypothesis, CSR disclosure was found to weaken this relationship. This study contributes to the literature by integrating agency theory and legitimacy theory to offer a more comprehensive understanding of the interplay between government ownership, CSR practices and firm competitiveness. From a policy perspective, the results underscore the importance of strengthening CSR disclosure frameworks to enhance competitiveness across the corporate sector. For practitioners and managers, the findings provide valuable insights into how CSR initiatives may be strategically leveraged to strengthen stakeholder trust, reinforce organisational legitimacy and enhance firm competitiveness.

Keywords: Firm Competitiveness, Government Ownership, CSR Disclosure, Malaysia

INTRODUCTION

Changes in the economic and business environment have increasingly urged firms to strengthen their competitiveness. Business environment complexity, more demanding customers, rapidly evolving market conditions, globalization and intensified competition require firms to respond with greater speed, flexibility and adaptability. Consequently, firm competitiveness has become more critical than ever for organisational survival and long-term success (Agazu & Kero, 2024). These mounting pressures have further intensified the need for firms to adopt effective strategies aimed at enhancing competitiveness (Akben-Selcuk, 2016).

Ownership structure has emerged as a crucial indicator of firm competitiveness, as owners play an important role in establishing the firm's goals and direction. One of the prominent ownership structures exist namely the government ownership. Prior empirical evidence indicates that government ownership exhibits a mixed relationship with firm competitiveness. Corporate social responsibility (CSR) has emerged as a critical strategic mechanism that may shape the government ownership and firm competitiveness relationship. Extensive research suggests that CSR practices enhance firm competitiveness by improving corporate reputation, strengthening stakeholder trust, increasing customer satisfaction and loyalty and reducing operational risks and costs (Oduro et al., 2024).

In the context of government-owned firms, CSR engagement is often driven by broader social, political and developmental mandates. High-quality CSR practices can help mitigate inefficiencies commonly associated with government ownership by aligning firm objectives with stakeholder expectations, enhancing transparency and strengthening organisational legitimacy. As such, CSR may serve as an effective moderating mechanism that amplifies the positive effects or alleviates the negative effects of government ownership on firm competitiveness.

This study contributes to the literature by examining the moderating role of CSR in the relationship between government ownership and firm competitiveness within an emerging market context. By integrating ownership structure and CSR perspectives, the study provides a more comprehensive understanding of how government-owned firms can leverage CSR strategically to enhance firm competitiveness.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The literature review of this study is organised into two principal sections. The first section provides an in-depth discussion of the relationship between government ownership and firm competitiveness. The second section focuses on the moderating role of corporate social responsibility (CSR) disclosure between government ownership and firm competitiveness.

Government Ownership and Firm Competitiveness

Government-owned firms pursue objectives beyond profit maximization, including national welfare and public accountability, while still aiming to enhance firm value. As ultimate owners, governments influence corporate decisions through appointed boards and senior management, thereby strengthening oversight and governance. Effective governance mechanisms, strong monitoring, and regulatory support can improve firm performance and competitiveness, particularly in regulated or monopolistic markets. Additionally, government backing enhances credibility, facilitates access to external financing, and encourages greater investment in research and development (R&D). In Malaysian Government-Linked Companies (GLCs), these roles contribute significantly to economic growth and the promotion of responsible corporate practices.

From the perspective of agency theory, government ownership can strengthen monitoring and reduce conflicts between management and shareholders. As a major shareholder, the government has the capacity to oversee managerial decisions more effectively, which may reduce agency costs and improve firm performance. Prior studies have consistently shown that government ownership significantly influences firm competitiveness, highlighting the government’s role as a strategic overseer that can promote organizational efficiency and performance.

Government ownership may enhance firm competitiveness through stronger monitoring mechanisms, regulatory enforcement and the exercise of coercive power (Al-Janadi et al., 2016), facilitate greater investment in research and development (R&D) (Wu, 2017) and improved governance practices (Rashidin et al., 2020; Ang & Ding, 2006). On the other hand, several studies document a negative association between government ownership and firm competitiveness such as inefficient resource allocation (Yang et al., 2020), overemphasis on social and political objectives at the expense of economic efficiency (Sulong & Mat Nor, 2008), and bureaucratic inefficiencies in managerial decision-making (Tian & Estrin, 2008).

Overall, the impact of government ownership on firm competitiveness remains mixed. Given the economic significance of government-owned firms in Malaysia, further research is necessary to better understand how governance quality and institutional context shape the relationship between government ownership and firm competitiveness. Therefore, this study hypothesised that:

H_1 - There is a positive relationship between government ownership and firm competitiveness

The Moderating Role of Corporate Social Responsibility (CSR) Disclosure

Government plays an important role in shaping the strategies of government-owned firms, particularly in emerging economies where state intervention is common. These firms are expected to achieve both commercial performance and public value by aligning business operations with national socio-economic goals. While such dual objectives may create challenges, government ownership can also enhance firm competitiveness through access to financial resources, regulatory support and institutional legitimacy.

Corporate Social Responsibility (CSR) disclosure enhances transparency, builds stakeholder trust, and improves corporate reputation. Based on legitimacy theory, it helps firms demonstrate accountability and gain support from key stakeholders. By reducing information asymmetry and signalling commitment to ethical and social responsibilities, CSR disclosure creates competitive advantages such as stronger reputation, better access to capital, and improved market positioning. For government-owned firms, it reinforces legitimacy and public confidence, thereby strengthening the positive relationship between government ownership and firm competitiveness while supporting long-term sustainability.

Corporate Social Responsibility (CSR) disclosure can serve as a governance tool that aligns the interests of the government, managers and stakeholders. CSR disclosure not only reflects a firm’s commitment to ethical and sustainable practices but also enhances transparency and stakeholder engagement. According to legitimacy theory, firms that are transparent in their CSR initiatives are more likely to gain trust from investors, customers and regulators, which can translate into competitive advantages such as improved reputation, market access and stakeholder loyalty (Muttakin et. al, 2015).

In addition, CSR disclosure helps address stakeholder concerns regarding political influence, inefficiency and mismanagement. It demonstrates that the firm is committed to responsible business conduct, which can strengthen its legitimacy and competitiveness. Studies have demonstrated that CSR disclosure also have impact on firm competitiveness (Sekhon & Kathuria, 2019). From alignment theory perspective, CSR disclosure acts as a mechanism that aligns firm actions with the broader social goals of the government. By articulating their contributions to environmental protection, social equity and economic development, government-owned firms reinforce the public value they are expected to deliver. Therefore, the second hypothesis is as follows:

H_2 - CSR disclosure strengthens the relationship between government ownership and firm competitiveness

METHODOLOGY

This study investigates the relationship between government ownership and firm competitiveness with particular attention to the moderating roles of CSR disclosure. The primary analytical tool employed in this research is content analysis. Content analysis is a method for systematically analysing textual content (Neumann, 2003). This technique involves examining words, meanings, pictures, symbols, ideas, themes or any other messages that can be communicated.

Secondary data was collected from multiple sources, including annual reports of public listed companies, Thomson DataStream, Brand Finance website and company websites. The annual reports were sourced from the Bursa Malaysia website, which serves as a comprehensive repository of public company publications. Annual reports are a key source of information on corporate operations, including social initiatives (Campbell, 2000). The independent variable of this study is government ownership. Data regarding government ownership were extracted from the annual report from the list of shareholdings section.

Firm competitiveness which serves as a dependent variable in this study is divided into six indicators which are return on equity (ROE), return on asset (ROA), Tobin’s Q, innovation, award and brand. Data of ROA, ROE and Tobin’s Q were extracted from Thomson DataStream database, innovation and award data were extracted from annual reports and brand data were from Brand Finance website. The moderating variable is CSR disclosure which was extracted from the annual report (Katmon et. al, 2019) using content analysis technique.

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Sample and Data Collection

The population for this study comprises all firms listed on the Main Board of Bursa Malaysia for the years 2020 to 2022. The study focuses on this period to capture the most recent and relevant developments in the business environment. These years also encompass the COVID-19 pandemic**,** which significantly disrupted firm operations, financial performance and stakeholder expectations. Analysing this period allows the study to account for firms' resilience, strategic adaptations and governance responses under unprecedented external shocks, providing deeper insights into competitiveness dynamics.

There were 785 public firms listed in Bursa Malaysia as of 19 January 2023. Certain sectors were excluded from the analysis, including financial services, banking, insurance, trust, closed-end funds and securities. This is due to their distinct regulatory frameworks that may impact the nature of the data and the study's results (Hashim & Saleh, 2007). Following the sampling guidelines proposed by Krejcie and Morgan (1970), a sample size of 254 firms was determined to be appropriate for this study. Table 1 provides a comprehensive summary of the total population and the selected sample used for data collection in this research.

Table 1 Summary of Sample Selection

	Industry	2020	2021	2022	Total
1	Industrial Products and Services	77	77	77	231
2	Consumer Products and Services	58	58	58	174
3	Property	34	34	34	102
4	Construction	17	17	17	51
5	Technology	16	16	16	48
6	Plantation	14	14	14	42
7	Transportation and Logistics	11	11	11	33
8	Energy	11	11	11	33
9	Telecommunication and Media	6	6	6	18
10	Health and Care	6	6	6	18
11	Utilities	4	4	4	12
	Total	254	254	254	762

Empirical Models

Model 1 is the regression model to test the direct relationship between government ownership and firm competitiveness. The dependent variable is firm competitiveness and independent variables are government ownership and eight control variables. The equation is as follows:

$$FC_{it} = \beta_0 + \beta_1 GOWN + \beta_2 FSIZE + \beta_3 FAGE + \beta_4 LEV + \beta_5 GROWTH + \beta_6 BSIZE + \beta_7 BIND + \beta_8 RMCSIZE + \beta_9 BIG4 + \varepsilon_{it}$$

Model 2 is the second regression model to test the moderating effect of corporate social responsibility disclosure in the relationship between government ownership and firm competitiveness as shown in the regression model below.

$$FC_{it} = \beta_0 + \alpha GOWN + \alpha CSR\ DISCLOSURE + \alpha\ (GOWN \times CSR\ DISCLOSURE) + \sum Control + \varepsilon_i$$

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Where,

i	=	Refers to Firm
t	=	Refers to Year
β	=	Intercept
FC	=	Firm Competitiveness
FOWN	=	Family Ownership
FSIZE	=	Firm Size
FAGE	=	Firm Age
LEV	=	Leverage
GROWTH	=	Growth
BSIZE	=	Board Size
BIND	=	Board Independent Director
RMCSIZE	=	Risk Management Committee Size
BIG4	=	Big 4 Auditor
ε	=	Error Term

4.0 RESULTS

4.1 Regression Result of Government Ownership and Firm Competitiveness

Model 1 investigates the effect of ownership structure, specifically government ownership (GOWN) on firm competitiveness (FC). The regression analysis results for Model 1 are presented in Table **2**2.

Table 2 Regression Result of the Government Ownership and Firm Competitiveness Relationship

VARIABLES (MODEL 1)	**FC**
Intercept	0.391***
	(4.509)
GOWN	**0.118****
	(2.552)
FSIZE	0.047***
	(8.551)
FAGE	-0.003
	(-0.244)

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LEV	0.017***
	(3.990)
GROWTH	-0.013
	(-0.194)
BSIZE	0.005
	(1.221)
BIND	0.052
	(0.949)
RMCSIZE	0.007
	(0.881)
BIG4	0.030**
	(1.983)
R2	0.2860
Adj.R2	0.2775
N	762
F-stat	33.474
Prob>F	0.0000

FC= Firm Competitiveness comprises of six dimensions, GOWN = government ownership is measured based on actual percentage of ownership, FSIZE = Firm size is measured by natural logarithm of total assets, FAGE = Firm age is taken from the date of incorporation, LEV = Firm leverage is debt ratio is calculated as total debts divided by total assets, GROWTH=Growth is measured as market value divided by Total Asset-Total liabilities, BSIZE = Number of Board Size, BIND = Number of independent directors/Number of total directors, RMCSIZE = The total number of directors in RMC, BIG4= dummy variable that takes value one if the firm is audited by big 4 audit firm, and zero otherwise.

*, ** and *** represents significance at $p<0.10$, <0.05 and <0.01, respectively. The t-statistics are reported in parentheses.

The coefficient for government ownership was 0.118 ($t = 2.552$, $p < 0.05$), indicating a statistically significant and positive relationship with firm competitiveness. This finding empirically supports for Hypothesis 1, which hypothesized that higher government ownership is associated with increased firm competitiveness. The R-squared value for Model 1 was 28.60, suggesting that 28.60% of the variability in firm competitiveness can be explained by the predictors included in the model.

Agency theory explains that government ownership can enhance firm competitiveness by reducing conflicts of interest between shareholders and managers through stronger monitoring and governance mechanisms. As an active principal, the government can align managerial decisions with organizational and societal objectives while minimizing agency costs and information asymmetry. Empirical studies indicate that government-owned firms often benefit from financial support, regulatory advantages, preferential access to resources and protection during economic downturns, all of which strengthen firm performance and competitive positioning. Overall, theoretical and empirical evidence suggests that government ownership plays a significant role in improving firm competitiveness, thereby supporting Hypothesis 1.

Regression Result of the Government Ownership and Firm Competitiveness Relationship and Corporate Social Responsibility (CSR) Disclosure as the Moderator

The results of the regression analysis for Model 2 are presented in Table 3. From the table, corporate social responsibility (CSR) disclosure was found to have a significant and positive effect on firm competitiveness with a coefficient of 0.012 ($t = 1.658$, $p < 0.05$). This result suggests that firms that engage more extensively in CSR reporting tend to perform better competitively, consistent with the principle of Legitimacy Theory. According to Suchman (1995) and further elaborated by Deegan (2021), firms pursue legitimacy through CSR practices and disclosure in order to align with prevailing societal norms and stakeholder expectations. Contemporary studies affirm that transparent CSR activities can enhance stakeholder trust, improve reputation, and attract resources—ultimately translating into competitive advantage (Li & Zajac, 2018).

However, the interaction between government ownership and CSR disclosure revealed a negative and statistically significant effect on firm competitiveness with coefficient -0.295 ($t = 2.240$, $p < 0.005$). Contrary to Hypothesis 2, which posited that CSR disclosure would strengthen the relationship between government ownership and firm competitiveness, the results indicate the opposite which CSR disclosure actually weakens this relationship.

Agency Theory suggests that government-owned firms often experience greater agency conflicts because multiple government officials with differing objectives influence decision-making. This can lead to CSR disclosure that lack strategic integration and may even produce negative competitive outcomes. Additionally, the negative moderating effect may indicate that CSR activities in government-owned firms are implemented primarily to fulfil political legitimacy and regulatory expectations rather than to generate strategic competitive value. Consequently, CSR disclosures may become symbolic rather than substantive, limiting their effectiveness in enhancing firm competitiveness. This finding also suggests the possible existence of greenwashing practices, where CSR reporting is utilised more as a reputational mechanism than as a genuine commitment to sustainability objectives.

The model explained 29.13% of the variance in firm competitiveness ($R^2 = 0.2913$), suggesting that while CSR and ownership structure are important factors, other unmeasured variables may also contribute to firm competitiveness. Nevertheless, the results underscore the conditional nature of CSR effectiveness. While CSR disclosure is generally associated with positive outcomes, its strategic value is highly contingent on ownership structure, managerial intent and stakeholder perception. Hence, hypothesis 2 is not supported. The details of regression results are shown in Table 3.

Table 3 Regression Result of the Government Ownership and Firm Competitiveness Relationship and Social Responsibility (CSR) Disclosure as the Moderator

VARIABLES/ (MODEL 2)	**FC**
Intercept	0.394*** (4.427)
GOWN	0.197*** (3.371)
CSRD	0.012* (1.658)

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GOWN*CSRD	**-0.295**** **(-2.240)**
FSIZE	0.047*** (8.364)
FAGE	-0.005 (-0.370)
LEVERAGE	0.016*** (3.923)
GROWTH	-0.001 (-0.010)
BSIZE	0.004 (1.133)
BIND	0.058 (1.065)
RMCSIZE	0.005 (0.683)
BIG4	0.027* (1.787)
R2	0.2913
Adj.R2	0.2809
N	762
F-stat	28.024
Prob>F	0.0000

FC= Firm Competitiveness comprises of six dimensions, GOWN = government ownership is measured based on actual percentage of ownership, CSR DISCLOSURE = Corporate Social Responsibility Disclosure is measured using disclosure index, FSIZE = Firm size is measured by natural logarithm of total assets, FAGE = Firm age is taken from the date of incorporation, LEV = Firm leverage is debt ratio is calculated as total debts divided by total assets, GROWTH=Growth is measured as market value divided by Total Asset-Total liabilities, BSIZE = Number of Board Size, BIND = Number of independent directors/Number of total directors, RMCSIZE = The total number of directors in RMC, BIG4= dummy variable that takes value one if the firm is audited by big 4 audit firm, and zero otherwise.

*, ** and *** represents significance at $p<0.10$, <0.05 and <0.01, respectively. The t-statistics are reported in parentheses.

CONCLUSION

This study investigates the impact of ownership structure specifically government ownership on firm competitiveness. The empirical findings indicated that government ownership has a significant and positive relationship with firm competitiveness, suggesting that government-owned firms may benefit from institutional support, access to resources and public trust which enhance their competitive positioning. However, the interaction between government ownership and CSR disclosure revealed a negatively significant effect on firm competitiveness which is contrary to hypothesis 2. Contrary to the proposed hypothesis, CSR disclosure was found to weaken the relationship between government ownership and firm competitiveness. These firms may engage in CSR activities not to maximize shareholder value but to comply with political mandates, appease regulators or satisfy broader legitimacy concerns. Consequently, CSR disclosure in government firms may lack strategic depth or alignment with long-term performance goals, resulting in or even negative competitive outcomes. In addition, this finding may signal the presence of greenwashing where CSR disclosure are used more as symbolic tools for external legitimacy rather than as genuine efforts to enhance societal value. This may explain why CSR, when combined with government ownership, fails to enhance firm competitiveness. Finally, this study contributes to the growing literature on ownership structure and CSR by demonstrating that the effectiveness of CSR disclosure is highly contingent upon organisational governance structures and managerial motivations.

LIMITATION AND FUTURE STUDIES

This study provides several directions for future research on ownership structure, firm competitiveness and CSR disclosure. Future studies are encouraged to expand beyond annual reports by incorporating alternative data sources such as corporate websites, interactive applications and internet-based reporting platforms to provide a more comprehensive understanding of CSR disclosure practices and their influence on stakeholder communication and firm competitiveness. In addition, qualitative approaches including case studies and in-depth interviews with managers, regulators and stakeholders could offer deeper insights into the motivations, strategies and challenges associated with CSR disclosure that quantitative methods may not fully capture. Comparative studies across countries and regions are also recommended to examine how cultural, institutional, regulatory and market-specific factors influence the relationship between CSR disclosure and firm competitiveness, thereby enriching the theoretical and empirical understanding of CSR practices in different contexts.

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