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IN MALAYSIAN SME



SOCIAL SUSTAINABILITY IN MALAYSIAN SME

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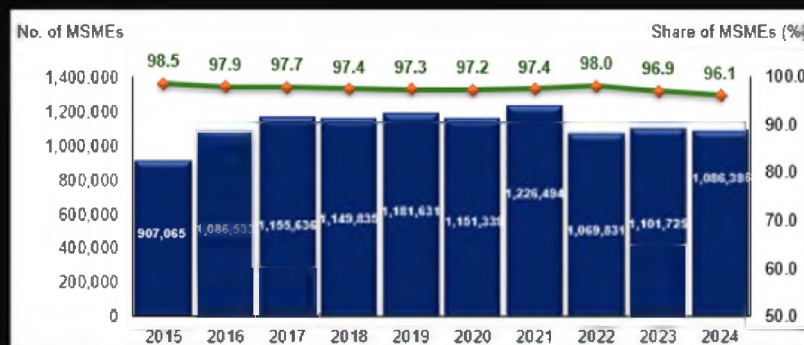


Sustainability is a multifaceted and dynamic concept that encompasses multiple dimensions and interpretations. According to Robertson M. (2017) sustainability refers to the ability of systems and processes to operate and continue over long periods of time without interruption or failure. The word has its roots in the Latin word "sustinere" (to hold). Other significant definitions include the words "support," "endure," and "sustain." However, in the recent past, specific definitions that hint towards the sustainability of humans on planet Earth have become popular. (Borgoanekar & Marhaba, 2021). The three dimensions of sustainability are.

- **Environmental:** Sustainability involves the responsible use of natural resources to ensure that the environment can continue to support life. This includes reducing raw material usage, minimizing energy consumption, and effectively managing waste. (Bajdor & Bhambri, 2024; Duncan, 2008)
- **Economic:** It also encompasses economic development that does not deplete resources or harm the environment, ensuring that future generations can meet their needs (Bajdor, & Bhambri, 2024, Langenwalter, 2007; Manea & Cozea, 2023).
- **Social:** Social sustainability focuses on equity, access to education, healthcare, and the elimination of poverty and hunger. It aims to maintain social well-being and community integrity over time. (Bajdor, P., & Bhambri, P. 2024, Dempsey, N., Bramley, G., Power, S., & Brown, C. 2011 & Cebrián, F., Sánchez, A., & García-León, J. 2018).

Contribution of SMEs

In Malaysia, SMEs have contributed a high percentage to the national GDP, employment, and innovation. According to the latest official data published by the Department of Statistics, Malaysia (DOSM), MSMEs accounted for 96.1% (1,086,386 firms) of all business establishments in Malaysia in 2024. This marks an increase of 180,000 firms compared to 907,065 in 2015, reflecting an average annual growth rate of 2.0% over the period. Small and Medium Enterprises (SMEs) are fundamental to the Malaysian economy, yet they often prioritize immediate financial survival over long-term strategic investments.



The concept of 'SME Sustainability' encompasses the integration of economic, environmental, and social practices within small and medium-sized enterprises (SMEs) to ensure long-term viability and positive impact on society and the environment. This definition is derived from various studies that highlight different aspects and approaches to achieving sustainability in SMEs.

Social Sustainability and SMEs

Sustainability is closely linked to the long-term survival and competitiveness of SMEs. Not like large corporations, SMEs often face resource constraints such as financial, technological and human resources that make sustainable practices a challenge and necessity. When SMEs adopt sustainability principles (environmental efficiency, ethical governance and social responsibility), they build stronger stakeholder trust, attract customers and increase resilience in the face of economic uncertainty.



Social sustainability, which focuses on people and communities, is not a luxury but a critical driver for the resilience, growth, and competitiveness of Malaysian SMEs. By shifting the idea of social responsibility from a cost to a strategic investment, SME businesses can unlock significant long-term value and secure their place in an increasingly global marketplace.

For SMEs, social sustainability can be effectively implemented by focusing on three core pillars. First, employee well-being involves internal practices such as fair wages, a safe working environment, and opportunities for professional growth, which increase loyalty and productivity. Second, community engagement is an external focus that involves hiring locally, sourcing from local suppliers, and participating in community initiatives to build a strong reputation and customer base. Finally, ethical governance ensures that a business operates with integrity and transparency, especially in its supply chain, which is essential for building trust and meeting the standards of larger corporate partners.

Despite the clear advantages, Malaysian SMEs face significant barriers to adopt social sustainability practices. The main barriers are resource constraints, lack of funds and time, as owner-managers are overburdened or over worked. Many SMEs also suffer from a lack of awareness or expertise on how to effectively implement these strategies. This is blended by a short-term business orientation driven by pressure to make immediate profits, which overshadows long-term planning. Finally, the lack of targeted government incentives and a supportive regulatory framework for SMEs makes adoption more challenging than for larger companies.

To overcome these barriers, a collaborative and multi-stakeholder approach is essential. SMEs should start with small, high-impact actions, such as improving workplace safety or launching local hiring programs and communicate these efforts to their stakeholders. Government agencies, such as SME Corp Malaysia, should provide targeted financial incentives, grants and practical training programs. Meanwhile, industry associations play a role in facilitating knowledge sharing and creating industry-specific benchmarks to guide SMEs on their sustainability journey.

Besides, a strong focus on social responsibility significantly improves talent attraction and retention, reducing costly employee turnover. It also strengthens brand reputation and customer loyalty, as modern consumers increasingly favor ethical and community-oriented businesses. Furthermore, by prioritizing local suppliers, SMEs can build more resilient and adaptable supply chains, making them less vulnerable to global disruptions. Finally, strong social credentials can increase access to new markets and finance, as investors and large corporations increasingly incorporate Environmental, Social and Governance (ESG) criteria into their decision-making.

In conclusion, social sustainability is strategically important, not an optional expense, for the long-term success of Malaysian SMEs. By investing in their employees, engaging with their communities, and operating ethically, they can build more resilient businesses that attract the best talent, loyal customers, and new opportunities. Fostering this shift requires a concerted effort from SMEs themselves, government bodies, and industry leaders to create an ecosystem where sustainable and profitable business practices go hand in hand, ultimately strengthening the overall Malaysian economy.

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