ENVIRONMENTAL INITIATIVES OF SMEs IN MALAYSIA: 
AN INVESTIGATION OF REPORTING PRACTICE AND MOTIVATIONS

NIK ZAM NIK WAN

Thesis submitted in fulfillment of the requirements for the degree of Doctor of Philosophy

Faculty of Accountancy

December 2016
I declare that the work in this thesis was carried out in accordance with the regulation of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This topic has not been submitted to any other academic institution or non-academic institution for any other degree or qualification.

I hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA regulating the conduct of my study and research.

Name of Student : Nik Zam Nik Wan  
Student’s ID No  : 2008 26 7488  
Programme : Doctor of Philosophy (AC990)  
Faculty : Accountancy  
Thesis Title : Environmental Initiatives of SMEs in Malaysia: An Investigation of Reporting Practice and Motivations

Signature of Candidate : ..............................................................

Date : December 2016
ABSTRACT

SMEs are considered as the backbone of most economic growth worldwide including Malaysia but their existence and importance as individual are frequently underestimated. SME’s individual environmental impacts seem to appear at a minimum level but environmental cases reported otherwise. Even though they should be equally accountable, little is known about SMEs’ initiatives in preserving the environment. Inspired by the above, this study decided to explore Malaysian SMEs’ involvement in environmental initiatives including environmental reporting. The motivations for environmental initiatives of SMEs in Malaysia are investigated to provide opportunities to encourage and to educate more SMEs to implement the environmental initiatives and communicate their environmental information. This study used qualitative research methodology employing grounded theory approach. The data collection process included semi-structure interviews, content analysis of documents and observations and focused only on SMEs that are registered as members of FMM. Through interviews, observations and content analysis this study revealed that the SMEs did implement some environmental initiatives. Despite being said to be smaller in nature findings of this study indicated that Malaysian SMEs also demonstrated their responsibility towards the environment. These SMEs not only complied with the related environmental rules and regulations but they also committed their limited financial resources to implement several environmental initiatives. Among the non-mandatory initiatives implemented are environmental management system, waste management, energy conservation, tree planting and creating environmental awareness. It was identified that the SMEs did have environmental reporting as part of their environmental initiatives. They communicated to their stakeholders the companies’ environmental policies and objectives, their environmental friendly practices and the environmental initiatives implemented. However, it was also identified that the information was provided more on ad hoc basis rather than systematically and periodically and mostly did not convey the complete information of actual environmental initiatives implemented. Thoroughly, this study discovered the key motivating factors for environmental initiatives amongst SMEs by reviewing the ‘who’ could motivate from the lenses of the Stakeholder theory which give rise to a ‘stakeholder-driven factor’. Meanwhile, the Institutional theory is utilised to justify as to ‘how’ the SMEs are influenced to engage in environmental initiatives and it give rise to ‘institutional-drive’. It was identified that regulators, customers, the environment through the nature of the business and owners-managers are the factors that could motivate the SMEs to implement the environmental initiatives. Without doubt, the findings of this study support the Stakeholder theory. The theory is further enhanced by providing thorough and in-depth explanation of the relation between the SMEs and its stakeholders. This has given rise to the discovery that not all the SMEs’ customers will become the motivating factors for them. There are only some categories of customers that can act as motivating factors meanwhile others cannot. SMEs’ Implementation of Environmental Initiatives Index is developed from the findings and can be utilised to identify the possibility for an individual SME to engage in environmental initiatives. Since this study has revealed that SMEs did implement environmental initiatives and practice environmental reporting, they should be motivated to present the information to the public. Environmental reporting could act as evaluation tools to assess the SMEs equally accountability towards the environment.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONFIRMATION BY PANEL OF EXAMINERS</td>
<td>ii</td>
</tr>
<tr>
<td>AUTHOR’S DECLARATION</td>
<td>iii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iv</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>v</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>vi</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xii</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xiv</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>xvi</td>
</tr>
</tbody>
</table>

## CHAPTER ONE: INTRODUCTION

1.1 Preamble                                                              | 1
1.2 Background To The Study                                              | 2
1.3 Problem Statement                                                    | 4
1.4 Research Objectives and Research Questions                           | 9
1.5 Significance Of The Study                                            | 10
   1.5.1 To The Body Of Knowledge                                         | 10
   1.5.2 To The Authorities/ Environmental Regulators                    | 10
   1.5.3 To The SMEs                                                     | 11
   1.5.4 To The Public At Large                                          | 11
   1.5.5 To The Environment                                              | 11
1.6 Scope of The Study                                                   | 11
1.7 Definitions of Terms                                                 | 12
   1.7.1 Environmental Reporting                                         | 12
   1.7.2 Small And Medium-Sized Enterprises (SMEs)                       | 13
1.8 Organisation Of The Thesis                                           | 14
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

2.2 SMEs And The Environment

2.3 SMEs And The Need For Sustainable Development

2.4 Environmental Initiatives

2.5 Environmental Reporting
   2.5.1 What Is Environmental Reporting?
   2.5.2 Medium Of Reporting
   2.5.3 Local and Global Reporting Requirements
      2.5.3.1 Mandatory Regulatory Requirements
      2.5.3.2 Voluntary Reporting Requirements
   2.5.4 Content Of Environmental Reporting
   2.5.5 Content Of Web-Based Environmental Reporting

2.6 Justification of Theories
   2.6.1 Stakeholder Theory
      2.6.1.1 Customers
      2.6.1.2 Suppliers
      2.6.1.3 Government as Regulators
      2.6.1.4 Owner-Manager
      2.6.1.5 Employees
   2.6.2 Institutional Theory
      2.6.2.1 Coercive Isomorphism
      2.6.2.2 Mimetic Isomorphism
      2.6.2.3 Normative Isomorphism
   2.6.3 Relevancy of Stakeholder Theory and Institutional Theory

2.7 Chapter Summary

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

3.2 Methodological Selection

3.3 Qualitative Research

3.4 Grounded Theory Approach
   3.4.1 Theoretical Sampling
   3.4.2 Preliminary Survey: Purposive Sampling