

Institutional Isomorphism on Environmental Reporting Practices in Malaysian Local Governments

Che Ku Hisam Che Ku Kassim*, Noor Emilina Mohd Nasir, Suraya Ahmad,
Wan Mohd Nazif Wan Mohd Nori, and Nur Nariza Mod Arifin
Universiti Teknologi MARA, Terengganu, Malaysia

ABSTRACT

The extent of environmental disclosures (EDs) supplied by local governments (LGs) is gradually on the rise despite a lack of mandatory reporting regulations. Studies have predominantly relied on the socio-political theories to examine the underlying motives behind the disclosure. Little has been researched on the environmental reporting (ER) practices of the LGs from the lens of the Institutional Theory. Therefore, the main objective of the paper was to examine the institutional isomorphism that may have influenced ER practices in Malaysian LGs. A triangulation of methods consisting of a descriptive content analysis and a self-administered questionnaire survey were employed to measure the extent of EDs and to elicit the influential institutional isomorphism on the LGs' reporting practices respectively. The multiple regressions indicated that normative isomorphism in the form of continuous professional development poses a significant pressure for LGs to engage in ER practices. The results suggest that a change in public policy to mandate the EDs is inevitable to further enhance the quantity and quality of EDs reported by the Malaysian LGs.

Keywords: Environmental Reporting, Local Governments, Institutional Theory, Web Reporting, Environmental Disclosures

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* Corresponding Author: Che Ku Hisam Che Ku Kassim, Faculty of Accountancy, Universiti Teknologi MARA, Terengganu, 23000, Dungun, Terengganu, Malaysia; Email: cheku521@uitm.edu.my; Tel: +6098403964

INTRODUCTION

Fuelled by an heightened environmental awareness, organisations are continually being pressured by a multitude of constituents to be more transparent in the reporting of environmental and other sustainability issues. The private sector has succumbed to these pressures and responded by appropriately communicating the environmental efforts initiated by their respective organisations through an array of reporting media, particularly the annual reports (Lodhia, 2018). The advent of information dissemination technology has propelled organisations to leapfrog their counterparts to supply relevant environmental information through other interactive mediums such as websites (Che Ku Kassim et al., 2019) and social media (Guillamón et al., 2016). Research is evident that the public sector has also been responding to the information demands of the stakeholders despite a lack of statutory reporting regulations (Che Ku Kassim et al., 2019). However, research exploring the commitment of the public sector in providing environmental information is very much limited and appears to be at an infancy (Fusco and Ricci, 2019). A deficiency of empirical evidence contributes to a lack of understanding on the extent of ER practices being implemented in the public sector. Moreover, to generalise the findings of ER practices in the private sector to the public sector poses an inherent danger as the dynamic nature of these two segments differ in a number of ways. Therefore, more research on ER practices in the public sector is required to establish a conclusive generalisation that can best describe the nature and extent of the practices.

Recent statistics indicate that the Malaysian public sector contributed almost 55.49% and 52.49% of the total net funds raised in the capital market for 2019 and 2020 respectively (Ministry of Finance Malaysia, 2020). This suggests that its operational impacts on the environment, society and global economy is of significance (Che Ku Kassim et al., 2019). Being one of the predominant public sector units, LGs are often regarded as the steward of the environment and serve as an important management of system and control in ensuring an environmentally sustainable nation (Che Ku Kassim et al., 2020). This suggests that LGs are expected to play a pivotal role in any engagement in sustainability commitments and hence, have the responsibility of preparing and publicly reporting all activities that appear supportive to the promotion of sustainability. The direct relationship

between LGs and their constituents often place LGs in a suitable position to spearhead any initiative that promotes the attainment of sustainable development (Joseph and Taplin, 2011; Qian et al., 2011). LGs in Malaysia reside at the third level of the Malaysian Government hierarchy and are expected to perform a prominent role in communicating environmental and sustainability information (Joseph et al., 2014, Che Ku Kassim et al., 2019).

The engagement with the Local Agenda 21 (LA 21) further establishes the staggering responsibility of the Malaysian LGs towards ensuring that the sustainability goals are attained (Joseph and Taplin, 2011). The holistic approach was included under the 8th Malaysian Plan in 2000 with the intention to reinforce the roles of the public sector through numerous action plans including the development of environmental management systems (Joseph et al., 2019). The participation in the LA 21 is expected to bring some changes in the reporting practices of the LGs in meeting the demands for information from the local constituents. In addition, the implementation of LA21 requires the LGs to be more proactive in achieving sustainable development for the betterment of the local residents and also the institution. The role of LGs is further intensified through the initiation of the 17 Sustainable Development Goals (SDGs) in 2015 by the United Nations (Srinivas, 2018). SDG 11, specifically, is aimed at establishing sustainable cities and communities by reducing adverse environmental impacts, particularly on air quality and municipal waste (Meschede, 2019). Consequently, this warrants for more transparent institutional reporting through the imposition of periodical sustainability reports by the entities of public interest (Niemann and Hoppe, 2018).

The ER practices of LGs in developed countries appear to vary according to the needs and demands of such information. In Western Europe for example, the social and ER practices in Italy are generally guided by various regulators and interested stakeholders, whilst in Spain, the Law 27/2006 is available to assist organisations on ER practices (Brusca et al., 2016). In addition, both countries are also found to have introduced austerity policies focusing on improving transparency in public information circulation including those pertaining to environmental aspects. However, due to the discretionary nature of the reporting guidelines and laws, the extent of EDs in both countries remains low. The ER practices in the Australasian regions are also found to be varied. In Australia, a few of its

local councils are obliged to prepare an environmental report as stipulated under Section 428A of the Local Government Act 1993, while in some others local councils, ER remains as a voluntary engagement (Kaur and Lodhia, 2018). Meanwhile, in New Zealand, the government had introduced the Environmental Reporting Bill in 2014, which forged a reformation of national environmental reporting system and Resource Management Act 1991 to, among others, lessen the impact of inconsistency in reporting of information (Othman et al., 2017).

The pressures to prepare and provide EDs can come in many forms and directions. Responding to these pressures has become a central focus so as to ensure that organisational legitimacy is protected and adequately maintained. LGs are continually confronting a number of internal and external pressures in relation to environmental accounting and reporting practices (Qian et al., 2011). These pressures orientate the LGs in the direction that is parallel to the expectations and demands of the societal norms in which the LGs are operating. Therefore, to be in tandem with the expectations of the societal norms, LGs may need to engage in organisational change to fulfil their required and expected responsibility. The main aim of this study was to examine the institutional pressures that influence ER practices in LGs in Malaysia. The Institutional Theory was adopted to explain the influential isomorphism that leads LGs to engage in organisational change and succumb to the pressure of reporting EDs within a number of reporting channels. The potential insights from the study may provide evidence that can explain and provide indications on the nature and extent of pressures that an LG is confronting in ER practices within the perspective of a developing country.

The remaining paper is structured in the following order. The next section presents a discussion on institutional isomorphism on the ER practices. This is then followed with a discussion on the research methodology employed before the results and discussion are presented. The conclusion ends the paper.

LITERATURE REVIEW

The changing landscape of society has heightened the expectations of the general public on the roles of public sector organisations (PSOs). The role

of the PSO has been extended since its responsibility in acting as a public property provider is no more considered as the only mainstream demanded by modern society. The public places much interest on their values, for instance, their incumbent responsibility to the citizens, efficiency and effectiveness of managing public goods, fairness of financial performance that links to public property, and also their impact on project development on the eco-system and many more (Hofmann et al., 2019). The intensified emphasis placed on the impact of organisational operations on the natural environment, to a large extent, has necessitated some changes being implemented in the organisational functions to include the reporting of environmental-related information (Che Ku Kassim et al., 2019). The disclosure practices fulfil corporate accountability on the part of the organisations and offer further transparency on matters that reflect a society, in addition to promoting the governance and ethical conduct of the PSOs including the LGs as a whole. ER is essentially not about adding more types of information for public reporting and creating a reporting burden but mainly it is about making connections with the public and remaining transparent about organisational operations. The main aim is to provide environmental performance information that may have, either directly or indirectly, impacted on the decisions of constituents.

Institutional Isomorphism on ER Practices

A plethora of research within the ambit of ER practices have borrowed the Legitimacy Theory to understand the underlying motives of organisations to produce and report environmental-related information in a number of reporting channels. The concept of legitimacy, according to Suchman (1995), should not be confined to merely referring to the high level of managerial control over the legitimisation process. The institutional theorists have given credence to legitimacy which is also insinuated by a set of constitutive beliefs that shape the manner in which an organisation is established, managed, understood and evaluated (Suchman, 1995). Changes in the organisations appear to be shaped and driven by collective institutional pressures that put a high density of influence to alter organisational principles and practical operational processes. These changes, although not limited to, but may include changes in the formal structure, organisational culture, goals, programmes, or organisational mission (DiMaggio and Powell, 1983). The focal consequence of organisational change can be captured through the

homogeneity of the organisational environment. The Institutional Theory has three branches, specifically the old institutional economics (OIE), the new institutional economics (NIE), and the new institutional sociology (NIS). The latter is the focus of the paper because of its explanatory ability in examining the internal and external forces influencing the ER practices of Malaysian LGs.

In NIS, the process of homogenisation is termed isomorphism that refers to the constraining process that makes organisations adopt similar institutional practices (DiMaggio and Powell, 1983). According to DiMaggio and Powell (1991), in general, there are two forms of isomorphism, namely competitive and institutional isomorphism. Under competitive isomorphism, due to intense competition for economic affluence and other resources, organisations are under pressure to adopt similar practices of their counterparts that promote efficiency and, subsequently the organisations become homogenous. On the contrary, institutional isomorphism, which is the focus of this study, posits that organisational change is not mainly driven by competition, but by other types of forces that demand the organisations to change without necessarily transforming them to be more efficient. Complying to institutional isomorphism is crucial and it serves as a means of attaining legitimacy. According to DiMaggio and Powell (1983), institutional isomorphic change has three thin-distinctive-line mechanisms classified as coercive, mimetic and normative isomorphism.

Coercive Isomorphism

In its general form, coercive isomorphism is a mechanism that inflames institutional change through formal and informal forces from other dependent organisations, political interferences and expectations of society (DiMaggio and Powell, 1983; Joseph et al., 2019). This includes pressures from legal requirements, relevant standards, and government initiatives, among others. In the Malaysian context, the primary formal guideline for all environmental activities is the Environment Quality Act which was enacted in 1974 and has undergone a series of amendments with the aim of ensuring that legal enforcement on environmental issues are sustainable and remain relevant and in accordance with the country's vision and mission. Wang et al. (2018) are in consensus that the legislative and regulatory pressure are the most influential drivers for public sector disclosure, especially in

ER practices. These drivers act as a coercive threat for an organisation to adopt a certain standard of disclosure in order to ensure that they fulfil the regulatory context of ER and portray themselves as legally legitimate (Lodhia et al., 2012). In Malaysia, LGs are under the exclusive control of the state government (Osman et al., 2014). This in turn suggests that the respective state governments hold the right to formulate and implement policies that are suitable for the LGs under their jurisdiction.

In addition, the implementation of LA 21 programmes in Malaysia that emphasises on environmental protection and sustainability, has increased the motivations of the LGs to disclose relevant information to the stakeholders to depict their commitment and stand towards government initiatives (Midin et al., 2017) and at the same time fulfilling the LA 21 programmes funding prerequisite (Joseph, 2010). This indicates that the LGs are given explicit instructions in order to obtain the economic benefits as well as government support (Wang et al., 2018). Political pressure is also one of the coercive drivers for EDs. Political competition and political rivalry are factors that urge the management of LGs to place some emphasis on providing more comprehensive and transparent forms of disclosure (Bakar and Saleh, 2015; Mir et al., 2015). In New Zealand for instance, the environmental information provided represents the extent to which the politicians fulfil their manifesto prior to the election, hence, reporting unfavourable news is feared to tarnish their political reputation, credibility and public trust especially if they intend to be re-elected in the forthcoming election (Mir et al., 2015). Besides, by providing more detailed and transparent disclosure, their opponents have little chance to manipulate the issues in gaining voters' support (García-Sánchez et al., 2013).

The local community can similarly play a significant role in determining the extent of ER practices in an LG. In certain countries, the local community has the voting power to elect the management of the LGs, and this in turn, permits an evaluation of their representatives' performance before re-electing them (Mir et al., 2015). In addition, the local community has the right to undertake legal actions towards the LGs should they fail to act diligently in the best interest of society. This increases the pressure for proper and adequate ER by the LGs in rendering their accountability towards the local community (Kaur and Lodhia, 2016; Midin et al., 2017). The local community may also be represented by non-governmental

organisations (NGOs) which act as the agents of the society in providing support, information and knowledge on environmental issues (Midin et al., 2017). Active and dominant NGOs with bigger and knowledgeable members may initiate a threat to the LGs to ensure that the interests of the public are properly managed and safeguarded (Midin et al., 2017). The foregoing discussion leads to the following hypothesis:

H_1 : There is a significant positive relationship between coercive isomorphism and the environmental reporting practices in Malaysian LGs.

Mimetic Isomorphism

Under the realm of the Institutional Theory, mimetic isomorphism arguably can impose a significant influence on LGs in ER practices. The extant literature that has discovered the absence of statutory reporting regulations in producing ER does not indicate a low level of EDs reported by the LGs although differences in the extent, quality, reporting format and medium of disclosure were observed (Niemann and Hoppe, 2018). It appears that the increased level of environmental awareness, to some extent, has motivated LGs to begin providing information pertaining to environmental matters (Joseph and Taplin, 2012a). However, without proper guidance that stems from regulatory public policy, LGs face serious challenges in identifying, recording and communicating the range of environmental information that warrants a disclosure. It is under this form of uncertainty that organisations tend to emulate the practices of others through the mimicry process (DiMaggio and Powel, 1983). Kaur and Lodhia (2016) consider such an initiative as a safe strategy since the organisations are seen doing similar practices. Mimetic isomorphism exists because organisations that are homogenous in terms of managerial structure tend to resemble other organisations in the same sector although the modelled organisations may be unaware of the imitating process (DiMaggio and Powel, 1983).

In relation to environmental and sustainability reporting, Kaur and Lodhia (2016) argued that the increasing number of PSOs engaging in the practices is due to, among others, the infusion of the private sector reporting innovations. LGs, in a similar vein, are also expected to have the tendency in adopting the referenced performances of other LGs, in response

to environmental uncertainty (see, for example, Joseph and Taplin, 2012b). LGs that have the same characterisations may, on the one hand, influence the level of information disclosure while on the other hand, drive other municipalities to emulate identical action (Ribeiro et al., 2016). Evidence by Joseph and Taplin (2012b), meanwhile, suggests that LGs are inclined to mimic organisations that produce a similar level of EDs rather than imitate the advanced councils that can afford more financial resources to supply a high quantity of information. Qian et al. (2011) and Arifin et al. (2015) also indicated the same findings in which the values and rules diffused in neighbouring LGs have a significant impact on the adoption of environmental accounting related practices.

An extensive review of literature, in addition, suggests that there is a resemblance in the patterns of EDs among the LGs. Goswami and Lodhia (2014), for example, found that South Australian Councils appear to publish a somewhat consistent patterns of EDs despite having divergences in their organisational structures. A study within the 19 Australian Commonwealth Departments also yielded similar patterns (Lodhia et al., 2012). This observation is consistent with the influence of mimetic isomorphism as Bebbington et al. (2009) discovered that organisations often have the tendency to respond exactly similar to what their peers are doing. Confirming to these homogenous practices serves as an appropriate response in the attempt to secure societal acceptance of the organisational norms and operations (DiMaggio and Powel, 1983). In this sense, LGs are seen as passive actors where organisational existence is greatly placed on the societal acceptance within the operational domain. Based on the above discussion, the following hypothesis was developed.

H_2 : There is a significant positive relationship between mimetic isomorphism and environmental reporting practices in Malaysian LGs.

Normative Isomorphism

The source of organisational change is also provided by normative isomorphism. According to DiMaggio and Powell (1983), the premise of this isomorphism is generally associated with the concept of professionalisation and professional networking. Gunarathne and Lee (2019), were of the opinion that normative isomorphism typically resulted from hiring of individuals

from the same industry, recruiting of staff from a narrow range of training institutions and common promotion practices and skill-level requirements for particular jobs. On the other hand, Wijethilake (2017) considered normative isomorphism as a reaction to exchange with the peer organisations and professional associations. Consequently, in the end, the practices tend to be homogenous as individuals within the profession are being provided with similar forms of training and education, and professionally socialising through common networks. Practical and operational rules of the profession are developed through formal education and professional networks and in addition, certain parameters are also set within the profession in order for the subscribers to remain legitimate in the profession. The aim of the professional governing authorities in developing innovative accounting practices or approaches is to overcome the shortcomings in the current or conventional accounting practices. The promoting of these innovative approaches leads organisations to respond to them and eventually contributes to the formation of homogenous organisational cultures and behaviours.

Studies have confirmed that normative isomorphism can be an influential contributor to the development and adoption of environmental accounting related practices. It was found that normative isomorphism had a significant influence on sustainability reporting (Wijethilake, 2017), is considered the most forceful factor that led to the adoption of Environmental Management Accounting (EMA) among manufacturing companies in Malaysia (Jalaludin et al., 2011), contributed to environmental management practices of the hospitality industry in Sri Lanka (Gunaratne and Lee, 2019), and was a predominant external driver in implementing the environment management system (Joseph et al., 2019). These organisational changes are particularly due to the hiring of professionals with similar educational background or universities, training or experiences, and they are required to follow similar rules and regulations set forth by the respective industry associations whereby the practice will eventually become homogenous (Wijethilake, 2017; Gunaratne and Lee, 2019). Professionals who develop a normative approach to the field, arguably, can be both within (for example, directors and managers) and outside the organisation (for example, consultants). Hence, based on the above discussion, it was hypothesised that:

H_3 : There is a significant positive relationship between normative isomorphism and environmental reporting practices in Malaysian LGs.

DiMaggio and Powell (1983), however, caution that normative isomorphism tends to overlap with the other two isomorphism (coercive and mimetic) and therefore, they are not always empirically distinct from each other. This is supported by Gunarathne and Lee (2019) who found that the combination of mimetic and normative pressure had the highest influence on the organisational change strategies predominantly on the service sector organisations. DiMaggio and Powell (1983) pointed out that it may not always be possible to distinguish between the three forms of isomorphic pressures, and in fact, two or more of these isomorphic pressures may be operating simultaneously making it almost impossible to identify which form of institutional pressure is more forceful than the other.

METHODOLOGY

The paper employed method triangulation (Modell, 2009) in its two-phase data collection process. The first phase involved a mail survey to all accountants in LGs in various geographical locations in Peninsular Malaysia. A mail survey was preferred primarily due to its cost effective approach in securing research data from largely dispersed locations (Cooper and Schindler, 2014). In the second phase, a descriptive content analysis was utilised to measure the extent of EDs made by the LGs on their organisational websites.

Population of the LGs in Peninsular Malaysia

Section 2 of the Local Governments Act 1976 (Act 171) defined LG as “city council, municipal council or district council, as the case maybe, and in relation to the Federal Territory means the commissioner of the city of Kuala Lumpur appointed under Section 3 of the Federal Capital Act 1960”. This study only focussed on LGs in Peninsular Malaysia due to differences in the regulatory Acts. LGs in Peninsular Malaysia are governed by the Local Governments Act 1976 (Act 171) whereas LGs in East Malaysia, which refer to the states of Sabah and Sarawak are administered by the Local Authorities Ordinance (1996) and the Local Government Ordinance (1961), respectively. There are a total of 103 LGs in Peninsular Malaysia which comprised of eight city councils, thirty-four municipal councils, fifty-seven district councils and the remaining four were modified local councils

(Che Ku Kassim et al., 2019). Modified local councils refer to government agencies accorded with a license to operate in a similar manner to a LG by the respective State Governments. As the number of LGs is relatively small, a census approach was used involving all elements within a relatively small number of the target population (Cooper and Schindler, 2014).

Questionnaire Instrument

To secure the data for analysis, a questionnaire was developed. The questionnaire consisted of two sections. Section A comprised of twelve demographic profile information while Section B had seven items to measure institutional factors influencing ER practices in Malaysian LGs. These factors were cautiously scrutinised based on prior studies of Jalaludin et al. (2011), Qian et al. (2011) and Che Ku Kassim et al. (2019). In Section B (Appendix A), the respondents were required to choose a score that best corresponded to their preference on a five-point scale where 1 = “strongly disagree”, 3 = “neutral” and 5 = “strongly agree”. Table 1 summarises the questionnaire items related to institutional isomorphism. An open-ended item was also available in the questionnaire to allow respondents to convey any related professional views that were excluded in the instrument.

Table 1: Questionnaire Items on the Institutional Isomorphism

Institutional Isomorphism	Questionnaire Item	References
Coercive	State government's disclosure requirements	Lodhia et al. (2012), Midin et al. (2017), Wang et al. (2018), Che Ku Kassim et al. (2019)
	Expectations of environmental NGOs	Kaur and Lodhia 2016), Midin et al. (2017), Che Ku Kassim et al. (2019)
	Information demands from local community	Qian et al. (2011), Kaur and Lodhia (2016), Midin et al. (2017)
Mimetic	Neighbouring LG' influence	Qian et al. (2011), Arifin et al. (2015), Kaur and Lodhia (2016), Ribeiro et al. (2016)
	Other LGs influence	Jalaludin et al. (2011), Che Ku Kassim et al. (2019), Joseph et al. (2019)
Normative	University's education	Jalaludin et al. (2011), Wijethilake (2017), Gunarathne and Lee (2019)
	Professional training workshops, seminars, conferences, and forums	Jalaludin et al. (2011)

Operationalisation of the Mail Survey

Prior to the actual survey, a pilot study was conducted on five accounting academics as surrogate respondents (see, Cooper and Schindler, 2014) to ensure that a highly reliable and valid research data was obtained. There were two reasons for using surrogate respondents. Firstly, when the questionnaire was ready for the pilot study, Malaysia was placed under the Movement Control Order (MCO) due to the COVID-19 pandemic. Hence, it was difficult to contact the targeted respondents individually since most of them were working from home. Secondly, the selected accounting academics had previously taught academic courses related to Public Sector Accounting and therefore were assumed to be familiar with the type and nature of accounting information that should be provided by LGs. The results of the pilot testing suggested that the questionnaire was comprehensible in terms of its language style, flow of questions and length. However, the majority of the surrogate respondents recommended a bilingual questionnaire so as to increase the understandability of the instrument in an attempt to gain more accurate responses. In response to the suggestion, the final questionnaire was made in both Bahasa Melayu (the national language of Malaysia) and English and was mailed to the accountants in LGs in Peninsular Malaysia. The accountants were selected due to a number of reasons. Accountants are expected to be involved with the measurements of environmental costs and liabilities arising from organisational operations that form an important input in internal managerial decisions.

Moreover, the disclosure of environmental-related information depends greatly on the involvement of accountants in financial and operational activities related to the environment, organisational strategies and decision-making processes (Ferreira et al., 2010). The names and postal addresses of the respondents were sought from the organisational websites of the respective LGs. Each mail contained a cover letter and a set of bilingual questionnaire. To encourage a prompt reply, a self-addressed and stamped envelope was provided in the mail. Due to a tight financial limitation, a follow up was only made once by sending a reminder letter four weeks after the lapse of the initial mailing procedure. The survey data were then numerically codified in a menu driven software for further assessments.

Measurement on the Extent of Environmental Disclosures

The present study employed EDs as proxies to represent ER practices which is consistent with the study carried out by Frost and Seamer (2002). In measuring the extent of EDs, descriptive content analysis was employed as it is a ubiquitously used technique in the extant literature (Lodhia et al., 2012; Joseph et al., 2014; Goswami and Lodhia, 2014; Mir et al., 2015; Othman et al., 2017). In this technique, textual materials are broken down and clustered into small pieces of relevant and manageable numerical data that can be objectively measured with some degree of accuracy (Krippendorff, 2013). To facilitate the measurement process, a disclosure instrument was designed based on seven environmental themes developed by Burritt and Welch (1997). Although a more comprehensive instrument is available in the literature, the development of disclosure instrument using the themes by Burritt and Welch (1997) has at least two justifiable reasons. Firstly, ER practices of the PSOs, particularly the LGs in Malaysia is still at its infancy (Che Ku Kassim et al., 2019; 2020). The absence of regulatory reporting requirements, to a great extent, limits the quantity, quality and types of disclosures produced (Joseph and Taplin, 2011; Che Ku Kassim et al., 2020). Secondly, the existing disclosure instruments are mainly developed based on the Global Reporting Initiative (GRI) Reporting Guidelines of which its practicality is limited within the domain of the environment of Malaysian PSOs (Joseph and Taplin, 2011). In terms of quantifying the extent of disclosures, the measurement of disclosure using the volume of sentences was used as opposed to other techniques, such as number of words and proportions of a page, which have been criticised for allowing the element of subjectivity that may potentially lead to high measurement errors (Mir et al., 2015).

In content analysis research, the choice of the reporting medium used is of significant importance (Krippendorff, 2013). This paper measured the extent of EDs made accessible within the organisational websites. The review of prior literature indicated that existing studies have overly examined the disclosures made within the ambit of annual reports (Frost and Seamer, 2002; Che Ku Kassim et al., 2016). Although the annual reports provide mandatory and voluntary information that is highly reliable, its volume of disclosure is often constraint with size and page limitations (Joseph and Taplin, 2011). Meanwhile, websites serve as an alternative communication channel with interactive features that can provide timely

information within the realms of sustainability at lower operational costs and with greater reach (Joseph and Taplin, 2011; Che Ku Kassim et al., 2016). The choice was further motivated by the initiative taken by the Malaysian Government in setting up the Malaysian Government Portals and Websites Assessment (MGPWA) to improve the information channel and deliver government services to constituents. It was speculated that the establishment of such initiatives may bring favourable impacts on the performance of PSOs, particularly the LGs in the ER practices.

Descriptive Content Analysis Procedure

Immediately after the completion of the mail survey, the content analysis procedure to measure the extent of EDs reported on the organisational websites of the LGs that responded commenced. A disclosure is broadly defined as a passage of text on an environmental issue published within the organisational websites of LGs in Malaysia. The websites were accessed under the electronic local authority portal. The websites were not printed as to avoid any web page being cut off or printing of immaterial information such as navigation elements and large font-sized documents (see, Che Ku Kassim et al., 2020). The content analysis procedure was conducted directly from the website. Four researchers were involved in the coding process and to ensure inter-coding reliability, repeated cross-checked was performed (Krippendorff, 2013). All disputes arising from the coding process were reviewed and discussed. Any related disclosure found was recorded using a disclosure sheet adopted from Che Ku Kassim et al. (2020). The data from the disclosure sheet was then transferred to a spreadsheet software to count the extent of EDs for further scientific analyses.

RESULTS AND DISCUSSION

Forty-three replies were returned after three months and one upon follow-up. Out of the replies received, one reply was discarded due to a high missing value of more than 10% (Hair et al., 2019). In the end, a total of forty-two usable replies were available for further analysis, yielding an approximately 40.8% response rate. According to Sekaran and Bougie (2016), the response from at least 30 respondents is appropriate for most questionnaire research.

Profile of the Respondents

Table 2 details the respondents' demographic profile. In terms of gender, twenty respondents (48%) were male and the remaining twenty-two (52%) were female counterparts. Most of the respondents were key individuals comprising twenty-seven (65%) accounting staff, eight respondents (19%) were in a managerial position while six others (14%) served as the head of department. Hence, it can be argued that the respondents were able to provide reliable inputs on environmental practices within their respective LGs. The majority of the respondents (88%) were within the age range of less than 51 years old and 84% had at least a bachelor's degree. These findings suggested that the respondents had an appropriate level of experience and knowledge, and were resourceful enough to provide a certain level of objectivity on any pertinent information related to the ER practices within their organisations. In terms of the number of years served within the LGs, the majority of the respondents (86%) had served less than 20 years with 90% of them have been in their current position for less than 20 years.

Table 2: Profile of Respondents

Description	Range	Frequency	%
Gender	Male	20	48
	Female	22	52
Position	Accounting staff	27	65
	Managerial position	8	19
	Head of department	6	14
Age	20-35 years old	14	33
	36-50 years old	23	55
	51-65 years old	5	12
Education	High school	1	2
	Diploma	5	12
	Bachelor	29	70
	Masters/PhD	6	14
Tenureship	1-5 years	10	24
	6-10 years	10	24
	11-20 years	16	38
	> 20 years	5	12
Number of years in the current position	1-5 years	14	33
	6-10 years	12	29
	11-20 years	12	29
	> 20 years	4	9

Profile of the Local Governments

Table 3 exhibits the profile of participating LGs in which eight of them (19%) were city councils, eleven (26%) were municipal councils and the highest being district councils representing a total of twenty-one (50%). Twenty-three LGs (55%) had been in the current status for more than 20 years, while sixteen LGs (38%) were in the current status for less than 20 years. In terms of organisational size, only a small number of LGs (19%) had more than 1,000 employees with the remaining thirty-four (81%) having 1,000 or less employees. Of the 42 participating LGs, only twelve LGs (29%) had set up an internal environmental committee within the organisations. As indicated by the literature, the presence of an environmental committee provides the support needed by the organisations to engage in environmental activities and subsequently increases the disclosures of environmental-related information (Frost and Seamer, 2002; Ribeiro and Aibar-Guzman, 2010). Moreover, only seven LGs had developed an Environmental Management System (EMS) in their respective organisations. An EMS assists an organisation to manage its environmental responsibilities in an effective manner to support sustainability. However, since the number of LGs establishing an in-house environmental support system was rather low, no further analysis was made.

Table 3: Profile of Organisations

Description	Range	Frequency	%
Status	City Council	8	19
	Municipal Council	11	26
	District Council	21	50
	Modified Local Council	-	-
Number of years in the current status	< 1 year	1	2
	1-5 years	4	10
	years	6	14
	11-20 years	5	12
	> 20 years	23	55
Total employees	0-50	1	2
	51-150	11	26
	151-300	13	31
	301-1000	9	22
	> 1000	8	19
Establishment of environmental committee or department	Yes	12	29
	No	28	67
Establishment of Environmental Management System (EMS)	Yes	7	17
	No	30	71

Reliability and Normality Assessments

Cronbach's alpha coefficient is computed to measure the stability and consistency of the items measured under each research variable (Sekaran and Bougie, 2016). An alpha value of above 0.80 range is generally considered to be good, within 0.70 is considered to be at an acceptable level and a value of 0.60 or lower indicates poor reliability. As exhibited in Table 4 the alpha values for coercive and mimetic isomorphism were all above the 0.70 benchmark indicating an acceptable range of reliability. However, for normative isomorphism, the reliability measure was poor as denoted by an alpha value of less than 0.60. Nonetheless, since there were only two items in normative isomorphism, it was decided to maintain both measures.

Table 4: Cronbach's Alpha Results

Research Variable	No of items	Alpha Value
Coercive isomorphism	3	0.798
Mimetic isomorphism	2	0.747
Normative isomorphism	2	0.594

Normality is a precondition of regression analysis (Field, 2017). A distribution is considered normal if the value of skewness and kurtosis are lesser than 1.00 (de Vaus, 2002). This rule of thumb was adopted as the cut off value in determining the normality of data distribution. Table 5 summarises the normality test where it indicates that all variables were within the cut off values, suggesting a normally distributed data.

Table 5: Normality Test Results

Research Variable	Skewness	Kurtosis
Log ₁₀ environmental disclosure	-0.166	0.018
Coercive isomorphism	0.296	-0.498
Mimetic isomorphism	0.224	-0.771
Normative isomorphism	0.287	-0.120

Descriptive Statistics

Table 6 summarises the descriptive statistical results for all the isomorphisms. Among all, coercive isomorphism reported the highest mean score (3.72), followed by mimetic isomorphism (3.64) and normative

isomorphism (3.45). This indicated that the respondents were of the perception that the ER practices in their respective LGs were mostly influenced by coercive isomorphism. Consistent with prior research, coercive isomorphism appeared to be a predominant factor in determining the environmental strategies (Montecalvo et al., 2018; Gunarathne and Lee, 2019). As for mimetic isomorphism, the respondents seemed to agree that in the case of environmental uncertainty their LGs tended to imitate the ER practices of their peers and other LGs. According to Joseph et al. (2014), mimetic isomorphism arose particularly due to the intention to learn the practices of other LGs and in a more recent study, LGs preferred to imitate their peer's best practice in reporting EDs (Joseph et al., 2019). This, however, contradicts with that of Madi et al., (2017) who discovered that the ER was not widely practised by Malaysian LGs which led to a lack of mimetic isomorphism in promoting and reporting the EDs. Meanwhile, the findings of normative isomorphism also suggested that the respondents were of the perception that academic background and participation in the continuous professional development can impart a significant influence to motivate the commitment in engaging ER practices. In the absence of regulatory requirements, normative isomorphism can be the driving factor to the public sector to report EDs in an array of reporting channels (Goswami and Lodhia, 2012).

Table 6: Descriptive Statistics

Research Variable	Actual Range		Mean	Median	SD
	Min	Max			
Coercive	2.33	5.00	3.72	3.67	0.70
Mimetic	2.50	5.00	3.64	3.75	0.73
Normative	2.00	5.00	3.45	3.50	0.78

The Extent of Environmental Disclosures

Table 7 presents the total number of sentences of EDs reported on the websites of the participating LGs. A total of 681 sentences were identified from 42 Malaysian LGs' websites. The results visualise that "clean up" is the most reported environmental theme that accounted for almost 40% of the total disclosures and it was followed by "education and training" theme with a total of 39.2% disclosures. Consistent with Burritt and Welch (1997), these two themes were dominant as they were considered to be closely-linked to

the community and served as a part of the government's increasing effort to educate and heighten the level of environmental awareness among the general public. Hence, providing such information served as an indicative that the LGs are responding to the needs of the community and thereby, evading unnecessary criticisms to be levied on them. Meanwhile, the findings also suggested that the "energy programme" and "EIA/EIS" themes had not been given much focus by the LGs which led to minimal disclosure. Gaia and Jones (2017) and Mata et al. (2018) argued that LGs intend to report environmental information merely to protect organisational legitimacy rather than to promote greater accountability. Therefore, LGs appeared to emphasise more on reporting information that is closely related to the public than providing information on energy programmes that is merely for internal managerial needs. Moreover, adhering to the requirements of EIA/EIS is very much political in nature (Che Ku Kassim et al., 2020).

Table 7: Extent of Environmental Disclosures

Environmental Themes	No. of Sentences	%
Clean-Up	272	39.9
Education and Training	267	39.2
Environmental Policy	73	10.7
Recycling	36	5.3
Research	27	4.0
Energy Programme	5	0.7
Environmental Impact Assessments (EIA)/ Statements (EIS)	1	0.1
Total	681	100

Regression Results

Prior to the employment of regressions, correlations were conducted to assess the relationship between the EDs supplied on the LGs' websites against the status and size of LGs. It has been consistently evident that size imparts a significant influence on the extent of EDs (Frost and Seamer, 2002; Ribeiro and Aibar-Guzman, 2010). City councils, being the largest LG in terms of size, can be expected to produce a high level of EDs since they have adequate financial and human resources to implement environmental programmes and initiatives (Ribeiro et al., 2016; Che Ku Kassim et al., 2019). In addition, large LGs are more politically visible and can capture

intense scrutiny and pressures relating to environmental matters (Ribeiro and Aibar-Guzman, 2010). In selecting the appropriate proxy for organisational size within the public sector domain, care should be exercised. According to Frost and Seamer (2002), the nature of private and public sectors differs in a number of ways and certain proxies may be inappropriate for LGs. As an example, a proxy of entity size based on sales revenues may be deemed to be unsuitable for LGs as they are not established for the purpose of generating revenues. Consistent with Frost and Seamer (2002) and Marcuccio and Steccolini (2009), the number of employees was used as a proxy to measure size.

The literature, although tends to be largely ignored, argues that the status of LGs can also be an influential determinant that drives the extent of EDs. Marcuccio and Steccolini (2009), for example, found that disparities existed between the different level of LGs. Provinces were found to provide a higher extent of non-financial disclosures compared to municipalities. Moreover, Williams et al. (2011) also suggested that urban LGs provided more sustainability reporting than rural LGs. To examine the effects of size and the status of LGs, if any, on the extent of EDs, Spearman's rho was conducted (Field, 2017). Table 8 presents the results. The results indicated a significant relationship between size and status of LGs and the extent of EDs. In terms of size, the coefficient was positive indicating that larger LGs tended to report high quantity of EDs and is consistent with prior literature (Frost and Seamer, 2002; Ribeiro and Aibar-Guzman, 2010). Nonetheless, the correlation coefficient of the status of LGs appeared to be negative, suggesting that high level LGs tended to report lower extent of EDs on the websites. It has to be noted that reporting of EDs is a voluntary engagement in the Malaysian public sector (Che Ku Kassim et al., 2019). Therefore, there are no statutory regulations that govern the extent and types of EDs or even the medium employed to report EDs. It is speculated that, in the absence of mandatory regulations, variations in the medium used to report EDs exist. Social media such as Facebook is gaining momentum to serve as an alternative communication channel to report governmental information to the public (Guillamón et al., 2016; Midin et al., 2017). The rapid increase in internet facilities and social media penetrations permit a better approach to disseminate timely information effectively at a minimum cost.

Table 8: Demographic Influence of ER Practices

Characteristic	Correlation Coefficient	Sig. (2-tailed)
Number of employees	0.384	0.012*
Status of LGs	-0.396	0.011*

* $p < 0.05$

Multiple regressions were used in examining the institutional isomorphism influencing the extent of EDs reported on the LGs' websites using the following model:

$$EDs = \beta_0 + \beta_1 COER_1 + \beta_2 MIME_2 + \beta_3 NORM_3$$

Where:

EDs	=	The extent of environmental disclosures
COER	=	Coercive isomorphism
MIME	=	Mimetic isomorphism
NORM	=	Normative isomorphism

In multiple regressions, the issue of multicollinearity should be assessed as it can affect the research results. Collinearity statistics can be measured by conducting variable inflation factor (VIF) index and tolerance statistics. Multicollinearity is not a problem if the VIF values are less than 10 (Cooper and Schindler, 2014) and tolerance statistics are more than 0.1 (Field, 2017). The multiple regressions results are presented in Table 9. As indicated by the tolerance statistics and VIF coefficient, multicollinearity was not an issue.

Table 9: Results of Multiple Regressions

Research Variable	t	Significance (p)	Tolerance Statistics	VIF
Coercive isomorphism	-1.926	0.062	0.492	2.033
Mimetic isomorphism	0.979	0.334	0.550	1.819
Normative isomorphism	1.498	0.142	0.850	1.177
EDs = $\beta_0 + \beta_1 COER_1 + \beta_2 MIME_2 + \beta_3 NORM_3$ R ² = 0.107, F-statistics = 1.525, $p < 0.05$				

Table 9 shows that none of the institutional isomorphism appeared to be a significant determinant influencing LGs to engage in ER practices. Although the literature has suggested a strong connection between the multi-dimensional isomorphism on ER practices, such indications were not evident in the case of Malaysian LGs. Consequently, all the hypotheses developed earlier failed to be supported. However, it has to be noted that the R^2 value was rather low, indicating that an array of other factors could have possibly influenced ER practices in Malaysian LGs. An additional analysis presented in Table 10 indicates that only normative isomorphism in the form of continuous professional development seemed to have some influence in the LGs' commitment to report EDs.

Table 10: Institutional Isomorphism on EDs

Research Variable	t	Significance (p)
Coercive isomorphism:		
State government	-0.162	0.872
NGOs	1.182	0.245
Local community	1.023	0.313
Mimetic isomorphism:		
Neighbouring LGs	1.246	0.221
Other LGs	0.072	0.943
Normative isomorphism:		
University education	-0.327	0.745
Continuous professional development	2.043	0.049*

* $p < 0.05$

Despite the introduction and the implementation of LA 21, the ER practices remained as a voluntary engagement in Malaysia (Che Ku Kassim et al., 2020). Although the federal government is of the view that LA 21 acts as a channel for environmental protection and sustainability initiatives (Midin et al., 2017), there is an absence of directive guidelines and explicit instructions from the federal government to compel ER practices (Madi et al., 2017). All environmental programmes and initiatives held by the LGs are headed by the state government, which in turn leads to various policies and unstandardised disclosure requirements (Joseph et al., 2014; 2019). Moreover, a lack of financial resources and skilled staff to identify, classify and report environmental matters in an array of reporting domains are among the plausible reasons for Malaysian LGs to not be involved in ER practices (Che Ku Kassim et al., 2019). Consequently, the disclosure

level remained low in both quantity and quality (see Che Ku Kassim et al., 2020). The pressures from the environmental NGOs and local community were also not evident.

According to Momin (2013), NGOs are often considered as secondary stakeholders and their influence is mainly indirect in the form of lobbying for stricter regulations and boycotting movements. In developing countries, a lack of monetary resources and infrastructure were often cited as the saddling constraints that limit the functions of an NGO (Gupta, 2012). In Malaysia, the NGOs relied heavily on the government for funding (Che Ku Kassim and Taib, 2016). Therefore, to continually receiving the financial assistance, most NGOs appear to remain on the sidelines on governmental policies that are not mutually agreeable (Che Ku Kassim and Taib, 2016). Pressures from the local community in Malaysia was perceived to be weak due to a lack of active participation from the local community in the public policy debates (Amran et al., 2013). This lack of active participation surfaced as a result of dissatisfactions and frustrations on LGs particularly due to intolerable delays, poor attitudes, weak enforcement and displaying arrogance in delivering services to the community (Mohd Talib et al., 2017).

Mimetic isomorphism did not seem to influence ER practices in Malaysian LGs. A lack of mimicry pressures could be explained by looking at the nature of ER practices within the Malaysian scenario. As indicated in the survey of Che Ku Kassim et al. (2019), some of the LGs did not engage in ER as the concept was considered relatively new and less understood by them. As theorised earlier, mimetic isomorphism existed due to the organisation being in similar practice with their peers in the case of environmental uncertainty (Joseph et al., 2019), a lack of ER practices by the neighbouring LGs could possibly also explain the absence of LGs' involvement in producing environmental information. Surely this is attributed to the non-existence of relevant policies and directives to encourage LGs to embark on ER practices. Moreover, according to Farneti and Guthrie (2009), the predominant factor in the preparation of sustainability report by the LGs was leadership. They argued that any commitment to recognise the environmental matters within the reporting mechanism stems primarily from the key individuals within the organisations. Generally, sufficient exposure on the areas of environmental accounting and reporting can bring better awareness and consideration. Education seemed to play a pivotal role in

sensitising knowledge and exposure to both existing and future accountants that can bring positive outcome to their respective organisations. At the time when these individuals occupy top management seats, they can engage in organisational change by placing emphasis on providing relevant disclosure on environmental issues that signify and affirm the vigorous commitment of their organisations in pursuit of environmental sustainability.

Although the earlier two isomorphism did not impose significant pressures on Malaysian LGs with regard to the ER practices, normative isomorphism in the form of continuous professional development programmes was found to be a significant institutional predictor to explain on the LGs' ER practices. The results were very much consistent with prior literature (see, for example, Wijethilake, 2017; Gunarathne and Lee, 2019). In reference to Table 1, it can be observed that 65% of the respondents were accounting staff. The accounting practices in Malaysia are observed and regulated by the Malaysian Institute of Accountants (MIA). The MIA, among others, is responsible in equipping existing accountants with the latest development in the professional practices so as to ensure its members are highly skilled and competent through numerous periodical continuous professional development programmes in the form of seminars, workshops and professional talks. This infers that the approaches undertaken by the MIA has been fruitful in creating more awareness and instilling the commitment of not only the private sector but also the public sector in environmental and sustainability reporting. In addition, the results also suggest that more efforts should be taken to squeeze ER knowledge and skills into the curriculum of universities as a part of enhancing the quality of future accountants for employability purposes. In this regard, the MIA could adopt and adapt its success strategy with the industry to create another successful achievement on its profession-academics collaboration.

CONCLUSION

Overall, it is evident that LGs in Malaysia have made the effort to report EDs on the organisational websites although currently there are no mandatory reporting regulations. The disclosures made appear to be an indication to the surrounding public that the LGs have rendered their expected responsibility. In addition, the results provided minimal support for institutional pressures.

Only normative isomorphism in the form of professional exposure was found to be a significant institutional isomorphism influencing ER practices in Malaysian LGs. Nevertheless, this paper contributes to the existing knowledge by increasing the understanding on ER practices within the perspective of a developing country due to a paucity of the extant studies in the area. The existing studies have heavily examined the ER practices of the PSOs in the Anglo-Saxon, Western Europe and the Australasian regions. Hence, making a generalisation is impossible due to the differences in the legal systems, economic and social development. The use of alternative reporting media particularly websites is a testament that LGs are exploiting the potential benefits that are offered by the World Wide Web. The role of professional accounting body, for example the MIA, becomes more prominent in equipping the knowledge and skills in the relevant reporting area to chart the progress in ER practices within the LGs' perspective. Educating through continuous professional development programmes may benefit the accountants in the PSOs and this can create a volition for an active commitment and consideration in reporting EDs. To further strengthen ER practices, a change in policy is inevitable. Although coercive isomorphism is not evident, arguably, the state governments should engage in policy changes to make EDs mandatory so as to encourage LGs to begin placing some emphasis on providing EDs to the community at large.

The study, however, has several limitations. Firstly, the number of usable responses was relatively small. Although it is sufficient for running multiple regressions (Sekaran and Bougie, 2016), but having a large number of replies may have better reflected the current situation. Future studies may engage in semi-structured interviews to gain differential perspectives of the findings to counter the weaknesses of a mail survey and provide qualitative evidence that a survey may fail to discover. Secondly, in the paper, the EDs measured were cross-sectional that may fail to capture the accurate nature of ER practices by the participating LGs. Therefore, it is suggested that future research could obtain longitudinal data that may have an impact on the overall findings. In addition, instead of only focusing on the EDs made accessible within the organisational websites, future research could as well examine the EDs reported by the LGs within a broad spectrum of reporting media such as the social media. Due to the increase in internet penetration in Malaysia, social media has gained momentum to serve as an alternative medium that can be employed and exploited by the PSOs in disseminating

government information. The dynamic features of social media that allows for an interactive communication channel can further stimulate the reporting of essential information that is beneficial to the surrounding community as a way of discharging accountability.

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APPENDIX A: INSTITUTIONAL ISOMORPHISM

The statements below provide descriptions of pressures faced by your organisation with respect to environmental-related issues. Please indicate the extent to which you agree with the following statements by circling a number from 1 (strongly disagree) to 5 (strongly agree).

	Strongly Disagree			Strongly Agree		
Environmental reporting practices of my organisation are influenced by:						
Disclosure requirements of the state government.	1	2	3	4	5	
Expectations of the environmental NGOs.	1	2	3	4	5	
Information demands from the local community.	1	2	3	4	5	
In the case of environmental uncertainty, my organisation tends to:						
Imitate the reporting practices of the neighbouring local government that has made the environmental disclosure.	1	2	3	4	5	
Copy the approach taken by other local governments that have received recognition in reporting of environmental information.	1	2	3	4	5	
The decision to disclose environmental information of my organisation is influenced by:						
The environmental exposure that I have obtained during my education at the university.	1	2	3	4	5	
The professional training workshops, seminars, conferences, and forums that I have attended locally or internationally	1	2	3	4	5	