

## **Small farmers and sustainability: Institutional barriers to investment and innovation in the Malaysian palm oil industry in Sabah**

### **Abstract**

The Malaysian palm oil industry is well known for the social, environmental and sustainability challenges associated with its rapid growth over the past ten years. Technologies exist to reduce the conflict between national development aims of economic uplift for the rural poor, on the one hand, and ecological conservation, on the other hand, by raising yields and incomes from areas already under cultivation. But the uptake of these technologies has been slow, particularly in the smallholder sector.

In this paper we explore the societal and institutional challenges that influence the investment and innovation decisions of micro and small enterprise (MSE) palm oil smallholders in Sabah, Malaysia. Based on interviews with 38 smallholders, we identify a number of factors that reduce the smallholders' propensity to invest in more sustainable practices. We discuss why more effective practices and innovations are not being adopted using the concepts of, firstly, institutional logics to explore the internal dynamics of smallholder production systems, including attitudes to sustainability and innovation; and, secondly, institutional context to explore the pressures the smallholders face, including problems of access to land, labour, capital, knowledge and technical resources. These factors include limited access to global market information, corruption and uncertainties of legal title, weak economic status and social exclusion. In discussing these factors we seek to contribute to wider theoretical debates about the factors that block innovation and investment in business improvements in marginal regions and in marginalised groups.