

Factors Influencing Environmental Management Accounting Practices in Malaysian Manufacturing Industry: Exploratory Findings

ABSTRACT

Environmental issues have been a critical concern as a result of rapid development and urbanization. It has attracted much attention around the world. Both the corporate world and the environment are equally crucial as corporations are the backbone of a nation's economic state while environment needs to be protected to ensure sustainability of beings. Accounting in general and management accounting in particular is no exception. Management Accounting has responded to the development through providing information that enable organisation to keep track on their performance towards the environment. Specifically, Environmental Management Accounting (EMA) has emerged as a practice that assists organisation to identify and analyse the financial (PEMA) and non-financial environmental (MEMA) related information. By having this information, organisation is able to balance both their performance without compromising on the element of environment. However, little is known about the progress of EMA practice among organisation and their motives of adoption. Thus, the objective of this paper is to explore the factors which influence the practice of EMA within the Malaysian context of manufacturing industry. Data was collected through a semi-structured interview from two (2) companies and three (3) local environmental authorities. The findings show that the practice of EMA is driven by customer demand to ensure that some form of environmental management is operationalised. In addition, compliance to the Malaysian environmental regulation is seen as important as corporates would rather manage corporate impact to the surrounding environment than being fined. The preliminary findings also suggest that while environmental management practice has not been made mandatory by their respective headquarters, it suggests that influence from their respective headquarters do present. Through the exploratory findings, this research has provided some insights to explain the slow progress of EMA practice in Malaysia and factors that can be introduced to promote EMA practice among organisations.