

Development of Environmental Accounting and Reporting Practices of Listed Companies in Malaysia

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Abstract

There are several optimization methods nowadays that have been studied by the researchers in order to ensure the companies in Malaysia are moving towards The Malaysia Development Plan and Vision 2020. The vision is targeting for the nation to become an environmental sustainable developed country. To ensure these aspects are met, Malaysian's corporates must reflect more understanding of environmental and sustainable in their accounting and reporting. Thus, this study is to determine the depth environmental sustainability consideration within a company's practices, decisions and subsequently reporting which demands different and wider scope in managerial accounting and reporting. Based on previous studies, environmental accounting or an Ecomanagement was proposed to support the management to incorporate environmental issues while decisions are made. This study will study the available published reports from selected top 30 largest public listed businesses in Malaysia to survey their sustainability disclosure and reporting that related to the environmental management and reporting. The selected variables to measure the environmental and sustainability reporting were in Management Philosophy, Corporate Culture, Processes, Networking, Quality Standards, Business Collaborations, Know-How, Work Related Knowledge, Entrepreneurial Spirit, Innovative, and Employee Involvement in the Community. In addition, this study found that many businesses in Malaysia have started to disclose the environmental and sustainability issues in their accounting and reporting.

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1. Overview

Reporting is needed to keep the stakeholders and concerned parties updated with the information regarding companies performance via periodic disclosures. The estimation budget in accounting for the costs of environmental does greatly impact the area of finance management. The companies nowadays prevailing more about their environmental activities and practices to

influence the perception of the public and to have better reputation and social acceptance [1]. Nowadays, financial results are not the only basis for the corporate performance, but also the environmental and sustainability aspects.

The environmental measurement focuses around effects on common frameworks, such as land, water, air and biological systems. Other than that, legitimacy which

comprises social systems and rules can also ensure companies responsibility and accountability in providing environmental activities reporting [2]. Environmental sustainability is a methods or sets of measures pretainging resources and wastes for the present generation to meet their welfare and needs without comporomising the future generation to meet their own needs and welfare [3]. It has been found from previous study that there is strong relationship between financial status of the companies and environmental reporting disclosure [4].

The key objective of this study is the determination of the environmental reporting and accounting issues in corporates in Malaysia. Main selected companies' disclosure was studied for specific key variables and their environmental disclosure of reporting. The study adds to the existing works and research by providing a thorough understanding of the top 30 largest public listed in Bursa Malaysia. The main source of information in this study is from the respective companies' sustainability reports.

2. Research Methodology

Since there is no specific standards have been developed in environmental accounting, previous studies propose different methodology and frameworks for it in the sustainability reporting. This study come out with the Scoring method, which is used in the data collection to identify the extent of the presence of the green environmental activities. The idea is to measure the involvement of the companies in Malaysia towards green economy. Besides, this study also analyzed some findings generated by previous literatures. The population that is used for this study are selected from the main market in

Bursa Malaysia which is secondary source of data that comprises of sustainability reports in 2017 of the top 30 largest public listed companies. The secondary data is known as the collected information by another party other than the researcher of the current study. By using grades based on scoring, it will help to show the quality of reasonable assurance for environment [5]. All sections of the sustainability report were carefully examined to note the presence of any environmental disclosures. Figure 1 shows the flowchart in this study.

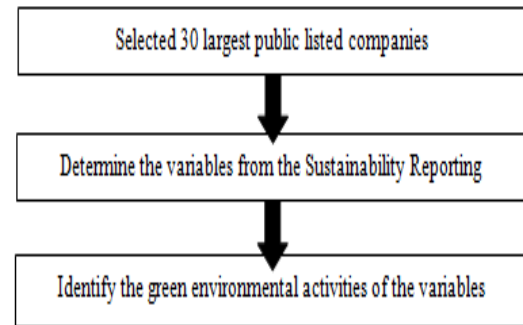


Figure 1: Flowchart

Design of Experiment Setup

Environmental reporting is disclosed in different parts in the sustainability statement such as in the financial section and company's message. For this study, the variables chosen are also known as area of accounting. The measurement of variables as per shown in Table 1.

Table. 1 Selected variable to measure

No	Area of Accounting	Measurement
1	Management Philosophy [8]	Set of beliefs as used by the management to direct the decision making of the company.
2.	Corporate Culture [8]	Refers to the attitudes, beliefs and values that shared between the organization's members towards green environment.
3	Processes [8]	Disclosure the way to minimizes damage to the environment,
4	Networking [9]	Network with other countries involving green environmental.
5	Quality Standards [10]	Applied standard Sustainability Reporting Guidelines – Corporate Governance ISO 14001 International Standard Environmental Management System
6	Business Collaborations [11]	Joint venture with other company to minimize damage to the environment
7	Know-How [12]	Staff expert in environmental issues
8	Work Related Knowledge [12]	The implementation of green environment based on background studies.
9	Entrepreneurial Spirit, Innovative [13]	Employee engagement towards the green environmental issues.
10	Employee Involvement in the Community [14]	The involvement & participated from the employee towards green activities.

3. Results

The results in Table 2 show the total score for variables of the area of accounting from top 30 largest public listed companies in Malaysia. Scoring is used in the data collection to identify the presence of the green environmental activities. The method used for the scoring, "1" indicates that the company disclose the variables of the area of accounting, meanwhile score "0" indicates the vice versa. The results present the findings of the companies' activity disclosure in sustainability reporting.

Table 2 indicates that most of Malaysia's companies disclosed their environmental information which will enhance their corporate image. The results present the percentage of disclosure of green activities in environmental accounting practices amongst the companies. The environmental accounting represents the environmental commitment and company's future plans for environmental reporting of the company that disclosed to the stakeholders.

From the results obtained based on the 30 sample companies, it is found that 14 companies have fulfill the green environmental activities from 90% to 100%. It is a good sign since almost half of the sample show that the companies' ideas, missions, strategies, contribution and business activities are moving towards the green environmental implementation.

Next, four of the companies have meet the green environmental activities criteria from 60% to 80% which can definitely be improved from time to time. On the other hand, 12 companies meet less than 50% of the criteria that indicates that they are not practicing, highlighting, or providing the information of their green activities towards the environmental issues.

The corporate disclose of environmental accounting information via the sustainability reporting illustrate that Malaysian corporates are aware about the stakeholders and public demand for greanand sustainable practices. Companies are reporting many environmental information in various sections of their reports [15].

Table. 2 Companies

Company/Variable	Management Philosophy	Corporate Culture	Processes	Networking	Quality Standard	Business collaborations	Know-How	Work Related Knowledge	Entrepreneurial Spirit, Innovatives	Employee Involvement in The Community	Total score	Total Percentage
CGHB	1	1	1	1	1	1	1	1	1	1	10	100%
TENABE	1	1	1	1	1	1	1	1	1	1	10	100%
YCB	1	1	1	1	1	1	1	1	1	1	10	100%
AGB	1	1	1	1	1	1	1	1	1	1	10	100%
GMB	1	1	1	1	1	1	1	1	1	1	10	100%
ICB	1	1	1	1	1	1	1	1	1	1	10	100%
MXB	1	1	1	1	1	1	1	1	1	1	10	100%
SDB	1	1	1	1	1	1	1	1	1	1	10	100%
GB	1	1	1	1	1	1	1	1	1	1	10	100%
RCB	1	1	1	1	1	1	1	1	1	1	10	100%
MBB	1	1	1	1	1	0	1	1	1	1	9	90%
TMB	1	1	1	1	1	1	1	1	1	0	9	90%
PCGB	1	1	1	0	1	1	1	1	1	1	9	90%
PDB	1	1	1	0	1	1	1	1	1	1	9	90%
HLBB	1	1	1	1	1	0	1	0	1	1	8	80%
HLFGB	1	1	1	1	0	0	1	1	0	1	7	70%
IHB	0	0	0	1	1	0	1	1	1	1	6	60%
UHB	0	1	0	1	1	1	0	1	0	1	6	60%
DCB	1	0	1	1	1	1	0	0	0	0	5	50%
AHB	1	1	1	1	1	0	0	0	0	0	5	50%
WHB	0	1	1	1	1	0	0	0	0	0	4	40%
SKPB	0	1	1	0	1	0	0	0	0	0	3	30%
MCB	0	0	1	1	0	0	0	0	1	0	3	30%
KPHB	0	1	1	0	0	0	1	0	0	0	3	30%
BATB	0	1	1	0	0	0	1	0	0	0	3	30%
KLKB	0	1	1	0	0	0	0	0	0	0	2	20%
PGB	0	1	1	0	0	0	0	0	0	0	2	20%
PBB	0	0	1	0	0	0	0	0	0	0	1	10%
PEGB	0	0	1	0	0	0	0	0	0	0	1	10%
AMHB	0	1	0	0	0	0	0	0	0	0	1	10%
min	0	0	0	0	0	0	0	0	0	0	0	10%
max	1	1	1	1	1	1	1	1	1	1	10	100%
avg	0.6	0.83	0.9	0.66	0.7	0.5	0.63	0.56	0.56	0.56	6.53	0.653

Table 3 presents the results area of accounting on disclosures by companies in sustainability reports. The highest total score is Processes with 90% (27 companies) have disclose the way to minimize damage to the environment. Corporate Culture scored 83% (25 companies) which disclose everything that refers to the beliefs, attitudes and values that shared between the members of an organization towards green environment. Management Philosophy with score 60% (18 companies) disclose green and environmental beliefs that help in making decisions. These three parts of accounting result is similar to what has been reported by Breno et al. study [8].

There are 20 companies (67%) have disclose their Networking with other countries involving green environmental practices for creation of economic value

through neutralizing market threats and exploiting opportunities [17]. This result is supported and consistent with Hagedoorn, J. and Schakenraad, J. [17]. Majority companies see the potential of collaborations realize economic value through addressing environmental problems.

Quality Standard result is supported and consistent with Heras-Saizarbitoria [18] with score 70% (21 companies). They have applied sustainability reporting guidelines according to corporate governance and applied ISO 14001 International Standard Environmental Management System. The achieved results in this study are consistent with previous results indicating a relationship between management commitment and environmental management system improvement [18].

Table 3: Analysis result

No	Area of Accounting	Presence of disclosure by Companies	Total Score
1	Management Philosophy	18	60%
2	Corporate Culture	25	83%
3	Processes	27	90%
4	Networking	20	67%
5	Quality Standard	21	70%
6	Business collaborations	15	50%
7	Know-How	19	63%
8	Work Related Knowledge	17	57%
9	Entrepreneurial Spirit, Innovative	17	57%
10	Employee Involvement in The Community	17	57%

Know-How which scored 63% (19 companies) have staff that expert in environmental issues. This result is supported and consistent with Xinpeng Xing et al. [12]. The company with high level of green organization identity is willing to form a strong initiative in environmental protection through seeking sustainability exploration innovation [12]. There are 17 companies disclose about Work Related Knowledge, the implementation of green environment based on background studies. However, it is not in line with the findings from Xinpeng Xing et al. [12].

Entrepreneurial Spirit, Innovative scored 57% (17 companies) disclose employee engagement towards the green environmental issues. In addition, the same score received by Employee Involvement in the Community disclose the involvement & participated from the employee towards green activities. However, this two area of accounting are not in line with the findings from Luciano et al. [14].

Lastly, the lowest score which is Business Collaborations with score 50% (15 companies) disclose joint venture with other company to minimize damage to the environment. The result is consistent with Adam Matteson [11].

4. Conclusion

This study reveals that although companies need to weigh the associated costs and profits because most of them are

profit-oriented; despite that, their reporting shows degree of environmental accounting and reporting. This study has provided insights into how environmental sustainability, social and economic reporting can enhance a corporate's financial performances. The outcomes of this study also shows that the corporations in Malaysia need more effective monitoring and law enforcement. It may act as a guideline that need to be fulfill by all the public listed companies in Bursa Malaysia. From this way, we can establish a proper environmental accounting standard in the Sustainability Reporting. On the other hand, it may help the stakeholders to make comparison between the companies and ease the decision making processes.

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