

CHAPTER

4

SUSTAINABILITY MANAGEMENT ACCOUNTING PRACTICES IN THE MALAYSIAN ELECTRICAL INDUSTRY

Nursyazwani Mohd Fuzi

4.1 INTRODUCTION

The electrical industry is a key driver of Malaysia's industrial development and contributes significantly to GDP growth. The Malaysian electrical industry is concerned about environmental issues, such as waste of energy, materials, and environmental-related costs to achieve sustainable development. One of the practices to consider is sustainability management accounting (SMA) practices. SMA has been implemented in organisations to overcome the limitations of conventional management accounting in providing information related to environmental management (Gunawardena & Dissanayake, 2021).

SMA is becoming an important tool for companies to manage resources and minimise negative impacts on the environment. By adopting SMA, companies can increase the efficiency of resource utilisation and reduce production waste, thereby saving production costs and increasing profitability. SMA can help organisations identify environmental risks and opportunities and measure the environmental impact of their activities. Pramono et al. (2023) found that the use of

SMA practices helps organizations reduce environmental impacts by identifying areas for improvement and setting targets to reduce resource use. Moreover, SMA practices extend beyond just cost-saving measures; they are integral to an organisation's overall sustainability strategy. By providing detailed insights into the environmental costs associated with production processes, SMA enables companies to make informed decisions that not only reduce their ecological footprint but also enhance their reputation as environmentally responsible entities. This is particularly important in the Malaysian electrical industry, where stakeholders, including consumers and regulatory bodies, are increasingly demanding greater transparency and accountability regarding environmental performance.

The adoption of SMA also plays a crucial role in helping companies comply with both national and international environmental regulations. In Malaysia, sustainability reporting is becoming a standard requirement, especially with initiatives such as the Malaysian Code on Corporate Governance (MCCG) and the introduction of mandatory sustainability disclosures by Bursa Malaysia. SMA practices can facilitate compliance with these regulations by providing the necessary environmental data and metrics, ensuring that companies meet legal obligations while also identifying areas for further sustainability improvements. Furthermore, the integration of SMA within the electrical industry has the potential to foster innovation. As companies analyse their resource use and environmental impact more thoroughly, they are better positioned to adopt new technologies and practices that promote energy efficiency and reduce waste. This innovation can lead to the development of more sustainable products and services, which not only benefit the environment but also provide a competitive edge in the marketplace. For instance, companies that can demonstrate a commitment to sustainability through SMA are likely to attract environmentally conscious customers and investors.

The implementation of sustainability management accounting practices in the Malaysian electrical industry offers a comprehensive approach to achieving both financial and environmental goals. By

embedding sustainability into their accounting processes, companies can manage their resources more efficiently, reduce operational costs, and mitigate negative environmental impacts. Ultimately, SMA is a key driver of sustainable development in the electrical industry, ensuring that Malaysia's industrial growth is aligned with global environmental sustainability standards.

4.2 SUSTAINABILITY MANAGEMENT ACCOUNTING

Sustainability management accounting (SMA) refers to environmental management in the company's operations, long-term planning, and quality management (Le et al., 2019). In other words, the SMA describes the systematic use of business management on environmental issues. Thus, the SMA is one of the techniques and tools that can help organisations manage environmental issues. SMA is one of the environmental management tools that has been implemented in the field of accounting (Jama et al., 2019). Chathurangani and Madhusanka (2019) defines the SMA as an instrument that helps organisations improve environmental management and environmental information for stakeholders.

SMA assists the company in achieving potential environmental benefits (San et al., 2018). SMA involves both monetary and physical environmental management accounting practices to facilitate the decision-making process. Monetary EMA (MEMA) and physical EMA (PEMA) are constructs in the SMA. MEMA refers to financial environmental information on environmental costs and income. According to Ong et al. (2020), the MEMA is an extension of traditional management accounting methods as it analyses costs and income. Hence, MEMA is the costs associated with the environment through financial flows.

PEMA is a physical environmental information and related to energy, waste, materials, and water. It is a physical unit derived from environmental impacts, such as the amount of energy consumed such as kilowatts. PEMA is used to set goals and monitor the environment