SOCIAL AND ENVIRONMENTAL ACCOUNTING IN MALAYSIA: PRACTITIONERS’ VIEWS

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ABSTRACT

Purpose: During the past decade in Malaysia, there has been a rise in the number of companies engaging in a rudimentary form of social and environmental reporting, and this has coincided with high-profile media coverage of environmental disasters in the country. The purpose of this article is to explore the perceptions of accounting practitioners in Malaysia to social and environmental accounting (SEA).

Methodology/approach: The study utilises a mixed-method approach and involves 245 survey questionnaire respondents, 7 in-depth interviews and the qualitative data from 123 of the survey respondents.

Findings: The level of knowledge and awareness of accounting practitioners in Malaysia of SEA is low. They are sceptical about quantification and valuation issues, but are able to see that reform, which would have to be driven by legislation, and could improve business performance regarding social justice and environmental quality.

Research limitations/implications: This study enables the development of SEA and reporting framework as a vehicle for further discussions on business communication and the participants’ perceptions relating to
social and environmental accountability in Malaysia. It postulates the strong likelihood that SEA will take root in Malaysia given the strong undercurrents of accounting and business malpractices and the clarion call by many for the reinstatement of the ethical dimension of the profession.

Originality/value of the article: While most research on SEA and reporting in the context of Malaysia focuses on the disclosure aspects, this article explores the perceptions of accounting practitioners and establishes their insights on the issue of social and environmental accountability and reporting.

INTRODUCTION

During the past decade in Malaysia, there has been a rise in the number of companies engaging in a rudimentary form of social and environmental reporting (Environmental Resources Management Malaysia, 2002; ACCA, 2004). Over the same period, academic research has been conducted in the state of such reporting in Malaysia (Muhammad, Alwi, & Muhamad, 2001; Jaffar, 2002; Thompson & Zakaria, 2004). This has coincided with high-profile coverage in the media of environmental disasters both in Malaysia itself and more broadly in South East Asia.

Reports on illegal logging, hill cutting, river pollution, marine pollution, air pollution, improper treatment and disposal of toxic waste, deterioration of water quality, declining coral reefs, coastal erosion, over-fishing and biodiversity loss have become commonplace. Some lakes and rivers are drying up due to the problems of siltation. For example, the largest freshwater lake, Loagan Bunut in East Malaysia, is drying up fast due to sedimentation from logging and land clearing activities (Balasegaram, 2005). The problems of siltation and water pollution are also affecting the Cameron Highlands. The opening up of more land for agriculture will affect the microclimate, resulting in warmer weather (Begum & Teoh, 2005). Mismanagement of river resources has led to increasing frequencies and magnitudes of environmental hazards such as floods, raped slope failures, river bank erosion and slumping, accelerated soil erosion and problems associated with sedimentation (Khairulmaini, 2003).

Corporate culpability in environmental issues is not uncommon. It was reported recently that part of a 41-hectare area of permanent forest reserve in one of the states in West Malaysia is in danger of being stripped bare by illegal felling of trees. In addition, the 800-hectare Bukit Cahaya Seri Alam
Agriculture Park is turning into an ‘island’ as surrounding areas are being developed for housing (Sim, 2005; Loong, 2005). In East Malaysia, several wealthy land and property development companies were found to engage in activities that resulted in wildfires and haze, a recurrent problem plaguing the region (Then, 2005). The rapid increase in the number of motor vehicles, urbanisation and industrial growth have all contributed to the deterioration in the quality of air and water. Clearly, growth has its own attendant social and environmental problems. To address these problems, several measures are clearly warranted. First among these would be the conscious embrace of social and environmental responsibility by corporations. Complementing this would be the adequate reporting of such social and environmental activities in their annual reports. In this respect, Malaysia is still lagging. Its own social and environmental accounting (SEA) development is to some extent dependent on similar developments in other parts of the world. Although relatively small, there has been an increase in corporate social disclosure (CSD) (ACCA, 2002, 2003, 2004) and a commendable increase in participation of companies in corporate social responsibility activities (see, for instance, Thevaraj, 2002; Baskin, 2005; Prathaban & Abdul Rahim, 2005). Nevertheless, the ongoing reports on the proliferation of social and environmental problems by the media and the implication of companies with these problems indicate that a long-term solution is necessary.

A study of practitioners’ views of SEA in Malaysia therefore appears timely. In addition to the social and environmental issues in Malaysia identified above, the literature review shows that such studies have been more common in western industrialised economies than in emerging economies. The aim of this article is to explore the perceptions of accounting practitioners in Malaysia concerning SEA, with the following specific objectives:

- To ascertain the extent of Malaysian accounting practitioners’ knowledge and awareness of SEA and CSD.
- To examine the opinions of Malaysian accounting practitioners on the relevance of SEA issues to the accounting profession.

The remainder of this article is organised as follows: a review of the literature is presented in the next section; this is followed by a description of the research methods used for the study; the following two sections analyse first the quantitative data and then the qualitative data gathered; finally, some conclusions are drawn from the findings.
LITERATURE REVIEW

SEA requires a much broader concept of accounting than is traditionally the case (Mathews, 1993; Gray, Owen, & Adams, 1996). It needs to embrace the idea of explicitly identifying social costs and benefits in the companies’ decision-making process (Mobley, 1970; Churchman, 1971; Linowes, 1972). Seidler (1975) and Bloom and Heymann (1986) report that the idea of social and environmental responsibility in accounting is partly due to an increased tendency to question the established order of society as well as a growing concern with the deterioration of the environment. While there has been a proliferation of accounting literature relating to SEA in recent years (Mathews, 1997; Owen, 2004; Parker, 2005) and an increasing interest in CSD practices of companies, the consideration of practitioners’ perceptions has been somewhat peripheral (Owen, Humphrey, & Lewis, 1994; Gibson, 1997). The picture painted by the literature of the perceptions and views of accounting practitioners towards SEA and reporting activities appears inadequate.

A number of studies have been conducted to understand the roles, behaviour and attitudes of accountants and managers towards the social and environmental responsibility of organisations, in particular, corporate bodies. Holmes (1976) conducted a questionnaire and a series of interviews with the officers of large corporations to seek their perceptions of CSR. The findings indicated that there was a significant change in executive opinions on social responsibility and the outcomes of social involvement over a five-year period. Ostlund (1977) analysed the feedback of 260 senior managers and 326 operating managers of Fortune 500 corporations in the United States and found that there was a close agreement in attitudes of both levels of management, thereby refuting claims that operating managers were relatively more resistant in executing CSR policies. Bebbington, Gray, Thomson, and Walters (1994) explored accountants’ response to the environmental agenda. They found that, while accountants were well aware of their firms’ responses to the environmental agenda, their own levels of involvement were relatively small, suggesting that there was a gap between their awareness of environmental issues and their ability to participate. It appeared that accountants were not keen to initiate action although they did provide the requested environmental information to the management. Deegan, Geddes, and Staunton (1996) showed that Australian accountants did not strongly support the view that environmental issues be incorporated within companies’ financial statements. The majority of the respondents could not imagine how such practices could be incorporated, in particular, how environmental
Disclosure could be quantified. Perhaps, in part, this was due to the traditional nature of the training that the accountants received, which exclusively focused on economic issues at the expense of social and environmental issues. Wilmshurst and Frost (2001) carried out a postal survey of chief executive officers (CEOs) and chief financial officers (CFOs) from the top 500 listed Australian companies to explore the role of accountants in environmental management systems (EMS). They discovered that, while senior executives agreed the importance of environmental issues and recognised the need for a business response, accountants indicated their limited participation in EMS. A study by Adams (2002) indicated that a company’s country of origin, size and corporate culture were likely to influence CSD. Equally important was the study’s finding that a business entity’s perception of the appropriateness of accountants as the legitimate individuals to carry out the data-gathering task had an impact on how accountants themselves responded to CSD. Adams stressed that business entities need to trust accountants to fulfill this new role for accountants to embrace it.

In a relatively recent study located in Malaysia, Rashid and Ibrahim (2002) explored the extent of corporate involvement in socially responsible activities, as evidenced from the corporate disclosures and the attitudes of survey respondents towards social responsibility. They found that 69% of the 198 respondents believed that business involvement in improving the quality of life of the community would also improve business profitability. Sixty-five percent agreed that socially responsible activities provided a favourable public image and almost all agreed that their companies were involved in socially responsible activities. Kuasirikun (2005) evaluated attitudes to SEA among Thai accounting professionals, finding that there was an overall positive attitude towards SEA amongst accountants and auditors in Thailand, albeit with some concern on the practicality of such accounting. A study of the perceptions of accounting practitioners in Malaysia is therefore timely and offers an opportunity to contribute to the paucity of research in this area.

**RESEARCH METHODS**

The research design adopts a mixed-method approach using questionnaire surveys and in-depth interviews. The qualitative data includes survey respondents who provided detailed responses to open-ended questions. The mixture of approaches enables the consideration of a broader, and often complementary, view of the research problem or issue (Babbie, 2002;
Collis and Hussey, 2003) and enables some triangulation to take place. Besides, to gain an insight into the issues of social and environmental responsibility, interviews are an appropriate method of data gathering (O’Dwyer, 2000).

The questionnaires are mainly divided into two sections. The first deals with awareness, understanding and views on the functioning of accounting regarding elements that are promoted by SEA, such as qualitative and non-financial disclosure. Information on the level of awareness and understanding is crucial to appreciate their views on the role of accounting in relation to SEA. The second is the respondents’ profiles, including gender, religion, race, qualification, affiliations and years of working experience. Questions pertaining to the respondents’ views on and perceptions of SEA were measured by applying ordinal scales, while those in the profile section were mostly nominal (Oppenheim, 1992). Seven-point and five-point Likert scale were used in measuring the awareness level of respondents on the general knowledge and understanding of SEA and CSD as well as the relevance of SEA issues. Seven-point scales were used in an attempt to increase the dispersion of scores to provide more discrimination.

A random sample of 1,000 members was drawn from the 21,589 strong registered chartered accountant (CA) members of the Malaysian Institute of Accountants (MIA) (Koh, 2006). In addition, some 200 accounting practitioners in Malaysia who were not members of the MIA were included and they were selected through convenience sampling. The questionnaires were mailed with a self-stamped return envelope.

The purpose of the interviews was to gather information to substantiate the questionnaire survey, allowing triangulation to occur. The interviewees comprised a mix of representatives from the MIA whose details were obtained from the websites of professional bodies or from the contact addresses provided in the returned survey questionnaires. The interview respondents consisted of seven accounting practitioners. The number of people to interview for a qualitative research depends on the questions being asked, the data being gathered, the analysis in progress and the resources to support the study Merriam (1998). A large sample by itself is not regarded as of value since it is not governed by any statistical generalisation and statistical sampling error (Kelle & Laurie, 1995). The interview questions were semi-structured and unstructured and the interviews lasted from approximately 30 minutes to 90 minutes each, with an average of 60 minutes. The interviews were transcribed verbatim and analysed using NViVO.

The internal consistency of the survey instrument was measured by using Cronbach’s coefficient alpha. The results (Table 1) demonstrate that all
indices obtained were considered high and reliable (above .70) (Bryman & Cramer, 2001).

From the 1,200 questionnaires mailed to practitioners, 245 were returned, a response rate of 20.4%.

In analysing the response/non-response bias issue, Kruskal–Wallis’ one-way analysis of variance test is often used, even though some studies tend to correlate the respondents’ strength of opinion and preference as a check for the source of non-response bias (Bryman & Cramer, 2001). For this study, the Kruskal–Wallis test was conducted on early and late responses (Wallace & Mellor, 1988; Wallace & Cooke, 1990). The outcomes of the two-tailed test (Table 2) demonstrate that none of the three groups of variables tested produced statistically significant results $[p < 0.05]$ between the early and late return indicating that response bias did not take any firm direction.

### RESULTS OF QUALITATIVE DATA ANALYSIS

#### Profile of Survey Respondents

Of the total (Table 3), male respondents account for 61.2% and female respondents 38.8%. These percentages are reflective of the overall
Table 3. Profile of Survey Respondents.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency (n = 245)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>150</td>
<td>61.2</td>
</tr>
<tr>
<td>Female</td>
<td>95</td>
<td>38.8</td>
</tr>
<tr>
<td><strong>Religion and nationality</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Islam</td>
<td>148</td>
<td>60.7</td>
</tr>
<tr>
<td>Christianity</td>
<td>47</td>
<td>19.3</td>
</tr>
<tr>
<td>Buddhism</td>
<td>24</td>
<td>9.8</td>
</tr>
<tr>
<td>Hinduism</td>
<td>22</td>
<td>9.0</td>
</tr>
<tr>
<td>None</td>
<td>3</td>
<td>1.2</td>
</tr>
<tr>
<td>Other religion</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Malaysian</td>
<td>244</td>
<td></td>
</tr>
<tr>
<td><strong>Years of working experience</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 5 years</td>
<td>66</td>
<td>27.1</td>
</tr>
<tr>
<td>5–10 years</td>
<td>100</td>
<td>41.0</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>78</td>
<td>31.9</td>
</tr>
<tr>
<td><strong>Type of organisation/affiliation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit</td>
<td>39</td>
<td>15.9</td>
</tr>
<tr>
<td>Private</td>
<td>114</td>
<td>46.7</td>
</tr>
<tr>
<td>Banking</td>
<td>31</td>
<td>12.7</td>
</tr>
<tr>
<td>Public sector</td>
<td>42</td>
<td>17.2</td>
</tr>
<tr>
<td>Other types</td>
<td>18</td>
<td>7.5</td>
</tr>
<tr>
<td><strong>Qualification</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diploma in Accounting</td>
<td>57</td>
<td>23.3</td>
</tr>
<tr>
<td>Bachelor in Accounting</td>
<td>163</td>
<td>66.5</td>
</tr>
<tr>
<td>Masters in Accounting</td>
<td>7</td>
<td>2.9</td>
</tr>
<tr>
<td>MBA Accounting</td>
<td>9</td>
<td>3.7</td>
</tr>
<tr>
<td>PhD</td>
<td>1</td>
<td>0.004</td>
</tr>
<tr>
<td>Professional Accounting</td>
<td>66</td>
<td>26.9</td>
</tr>
<tr>
<td><strong>Professional memberships</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACCA</td>
<td>17</td>
<td>6.9</td>
</tr>
<tr>
<td>CPA/Associates</td>
<td>3</td>
<td>1.2</td>
</tr>
<tr>
<td>MICPA</td>
<td>0</td>
<td>5.3</td>
</tr>
<tr>
<td>Others</td>
<td>13</td>
<td>5.3</td>
</tr>
</tbody>
</table>

*One respondent did not reveal their religion, nationality, years of working experience and affiliation.
*Some respondents may have more than one qualification.
*A total of 138 (56.3%) of them are MIA chartered accountants.
Malaysian professional practice markets, where males dominate. The majority of the respondents are represented by Muslims (60.7%), followed by Christians (19.3%), Buddhists (9.8%), Hindus (9.0%) and people with no religion (1.2%). Malaysia has a multi-racial population, which consists of approximately 50% Malays who are Muslims, 24% Chinese who are mostly Buddhists and 7% Indians who are mostly Hindus (The World Factbook, 2006). The rest of the population comprises mainly of people from the other ethnic groups such as the Dayaks and Kadazans. They originate from the two East Malaysian states of Sabah and Sarawak.

Most respondents have 5–10 years of working experience. Assuming that this group consists of the relatively younger generation, SEA seems to attract the interest of this group of practitioners. It can be seen that the accounting practitioners come from a diverse range of business and public sectors. The relatively larger number of practitioner respondents from the private sector (46.7%) as compared to other sectors, such as the public sector (17.2%), shows that more CAs are affiliated with the private sector and that SEA is becoming increasingly popular in this sector as compared to the others. Most of the practitioners (66.5%) obtained a Bachelor degree in accounting (BAcc).

Knowledge and Awareness of SEA/CSD

One of the key objectives of the survey is to ascertain the extent of the respondents’ knowledge and awareness of SEA/CSD. To achieve this, a two-part question was devised. The first part contains six terminologies that were constructed to assess the basic knowledge of the practitioners on SEA/CSD, whereas the second part comprises four statements describing the development of SEA/CSD. The respondents were required to indicate their level of knowledge and awareness based on 1 (very low) to 7 (very high) on all 10 items.

Table 4 provides a closer look at the level of knowledge and awareness of the respondents at the individual item level. The results are divided into three levels: low, medium and high. Of the 10 items, triple bottom line and sustainability accounting are the two that obtain the highest percentages from the practitioners (43.8% and 35.0%, respectively) as areas where the respondents have very little knowledge. The results also show that a large number of practitioners have low levels of knowledge in non-conventional accounting (21.9%), social responsibility accounting (23.8%), environmental reporting (20.6%), the existence of Companies Act requirement for
environmental reporting in certain European countries (32.1%) and the growing interest of Malaysian companies in environmental reporting (25.4%).

For the first two statements, the respondents were asked to indicate their views on whether accounting should play a role in tackling social and environmental problems and whether accounting could influence company’s behaviour in confronting social and environmental issues. For the three statements on the elements of SEA, the first concerns the idea that conventional accounting should be changed from a transaction-oriented system to a system of measuring social welfare. The other two statements pertain to the reporting of qualitative measures and non-financial information in the company’s reports. Since SEA is relatively new in Malaysia, these statements are meant to elicit the respondents’ views based on their general idea of SEA. For their inputs, the respondents were required to indicate their views from 1 (strongly disagree) to 7 (strongly agree).
agree) to the statements. In Table 5, the percentages are divided into three levels: agree (scale of 5, 6 and 7), neutral (scale of 4) and disagree (scale of 1, 2 and 3).

It appears that the only statement the practitioners seem to find no difficulty in agreeing is the one that says accounting reports should include qualitative measures. In this case, less than 5% of them disagree. Although overall, the median and mode scores as given in Table 5 indicate that the practitioners mostly agree with the functions and elements of SEA, more than 10% of them are either unsure or disagree. The element of SEA that provokes significant disagreement (12.9%) and uncertainty (19.1%) relates to the measurement of social welfare. It appears that the practitioners only slightly agree with the statement that accounting be changed from a transaction-oriented system to a system of measuring social welfare, possibly because of the impracticality of the proposition. Since only five statements were constructed in the questionnaire to portray the idea of SEA, it is rather difficult to assess the perceptions of the respondents on SEA. However, the results provide some indication that the concepts and functions of SEA are acceptable to the practitioners in Malaysia. The results also suggest that steps have to be taken to allay the scepticism of the practitioners on the practicality of SEA.

**Table 5.** Views of Respondents on Functions and Elements of SEA (Percentages).

<table>
<thead>
<tr>
<th>Aspects of Social and Environmental Responsibility in Accounting Education</th>
<th>Practitioners (n = 245)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functions of SEA</td>
<td>Agree</td>
</tr>
<tr>
<td>(a) Accounting’s role in tackling social environmental problems</td>
<td>85.6</td>
</tr>
<tr>
<td>(b) Accounting ability to influence companies’ behaviour in confronting social and environmental responsibility issues</td>
<td>89.0</td>
</tr>
<tr>
<td>Elements of SEA</td>
<td></td>
</tr>
<tr>
<td>(c) Changing of idea behind conventional accounting from transaction-oriented system to a system of measuring social welfare</td>
<td>68.0</td>
</tr>
<tr>
<td>(d) Inclusion of qualitative measures (e.g. employee health and safety reports) in accounting reports</td>
<td>93.1</td>
</tr>
<tr>
<td>(e) Inclusion of non-financial information in accounting reports</td>
<td>88.9</td>
</tr>
</tbody>
</table>

*Note: Figures in bold indicate relatively higher percentage of respondents’ disagreeing or neutral towards SEA.*
Relevance of SEA Issues

A list of SEA issues adopted from previous studies on SEA education in the United Kingdom (Owen et al., 1994; Gray, Collison, French, McPhail, & Stevenson, 2001; Stevenson, 2002) was used in the questionnaire. These issues were used to explore the opinions of individual accounting practitioners on the relevance of each of those issues to accounting profession. A five-point Likert scale from highly irrelevant (scale of 1) to highly relevant (scale of 5) was used to measure their opinions. For analysis purposes, these 15 topics were divided into seven categories:

1. Reporting (theoretical comparative international social reporting, environmental accounting for external reporting, financial social reporting and non-financial social reporting),
2. Conceptual framework (framework for SEA, social accountability, the political economy of accounting and critical accounting),
3. Human resource accounting (employee reporting, human resource accounting, accounting information and collective bargaining),
4. Management accounting (environmental accounting for management),
5. Audit (social audit),
6. Investment (social ethical investment) and
7. Sustainability accounting (sustainability development).

The results presented in Table 6 indicate that more than 20% of the practitioners tend to consider 11 out of 15 issues as neutral and irrelevant. The issues include international social reporting (24.0%), financial social reporting (20.1%), non-financial social reporting (37.9%), political economy accounting (39.7%), critical accounting (29.2%), employee reporting (20.4%), accounting information and collective bargaining (29.6%), social audit (30.4%), investment (28.9%) and sustainability development (29.3%). Overall, more than 80% of the practitioners tend to indicate the following issues as relevant: environmental external reporting, framework of SEA, social accountability, financial social reporting and environmental accounting for management. These findings are comparable with those of Gray et al. (2001), which show that environmental accounting tops the list of concerns, followed by social accountability, theory of social accounting and social reporting. However, although Gray et al. also demonstrate that many of the ‘older issues’ of social accounting – notably collective bargaining and human asset accounting have remained relatively unpopular – a relatively
large percentage of the Malaysian accounting practitioners (70.4%–79.6%) are found to consider the issues as relevant. Perhaps, it is due to their dissatisfaction with the human resource practices of the Malaysian companies that make them regard the issues as valid. On a more positive note, this dissatisfaction can also mean that more companies may be willing to consider henceforth the concepts of CSR, which includes the care for human resource matters.

One other aspect of this study is to look at the practicing of SEA on areas/issues (Table 7). Of the 233 practitioners who responded, the majority (151 or 64.8%) have not put SEA into practice. This lack of enthusiasm to consider SEA practices may be attributable to the embryonic state of SEA.
and its reporting practices, and the perception that SEA is not practical
despite its positive elements.

The fact that the accounting practitioners opt for environmental
accounting for management and external reporting shows that they are
much more familiar with these issues and possibly find them more relevant,
practical and crucial as compared to other aspects of SEA. Human asset
issues (which receive considerable attention in Malaysia, (Ninth Malaysia
Plan, 2006) may prompt the respondents to consider focusing their attention
into these areas. The results show that a relatively large percentage of the
practitioners do not appear to agree on the following roles: criticise nature
of society, apply accounting in non-financial areas, highlight the limitations
of neo-classical economy, fill a gap in accounting education and teach social
and political materials. In addition, a large percentage of the practitioners
think otherwise. Of the 15 accounting issues or topics, the accounting
practitioners particularly singled out the following as relevant: framework
of SEA education, social accountability, environmental accounting for
management and financial social reporting. From the study, it appears that only a small percentage of
the accounting practitioners has considered using SEA in practice.

<table>
<thead>
<tr>
<th>SEA Issues/Topics</th>
<th>Practitioner (n = 81)</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee reporting</td>
<td>30</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>Human asset accounting</td>
<td>27</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Environmental external reporting</td>
<td>26</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Environmental accounting for management</td>
<td>25</td>
<td>31</td>
<td></td>
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<tr>
<td>Social accountability</td>
<td>24</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Financial social reporting</td>
<td>20</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Framework of SEA</td>
<td>18</td>
<td>22</td>
<td></td>
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<tr>
<td>Social audit</td>
<td>13</td>
<td>16</td>
<td></td>
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<tr>
<td>Critical accounting</td>
<td>11</td>
<td>14</td>
<td></td>
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<tr>
<td>Non-financial social reporting</td>
<td>10</td>
<td>12</td>
<td></td>
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<tr>
<td>Sustainability development</td>
<td>10</td>
<td>12</td>
<td></td>
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<tr>
<td>Accounting information and collective bargaining</td>
<td>9</td>
<td>11</td>
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<tr>
<td>Political economy accounting</td>
<td>9</td>
<td>11</td>
<td></td>
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<tr>
<td>Social ethical investment</td>
<td>8</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Theoretical comparative international social reporting</td>
<td>5</td>
<td>6</td>
<td></td>
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</tbody>
</table>

Note: The figures in bold show relatively higher percentages of SEA issues/topics considered by
the practitioners.

Table 7. Frequency of SEA Issues Considered in Practice.
RESULTS OF QUALITATIVE DATA ANALYSIS

This section reports the findings from the interviews and the responses to open questions in the questionnaire. The profiles of the seven interviewees are given in Table 8.

All of the practitioner interviewees are members of MIA and four of them hold various professional qualifications and memberships in CIMA, ACCA/ICAEW, MICPA and CPA, Australia. The other three hold accounting degrees from Malaysian universities and one practitioner, who has a degree from a UK university, is a member of ICAEW and ACCA. Four practitioners hold important positions in the MIA ranging from president to managers of departments. Three other practitioners are each head of a finance and project services department (who is also a former cost accountant), an assistant manager and an account executive. The three of them are affiliates of two public listed companies in Malaysia.

Five themes were established from the interviews and questionnaire responses, and this section of the article considers each of the five in turn: awareness of and exposure to SEA; information value and measurement of SEA; participation of business, government and society; ethical issues and accounting orientation.

Awareness of and Exposure to SEA

The level of awareness of and exposure to SEA among the interviewees is low. For example, interviewee 4 who has manufacturing experience said, ‘I have not seen a manufacturing company that really thinks about [social and environmental aspects] and includes them in their product cost’. Similarly, on disclosure, interviewee 3 commented ‘I think accounting practitioners are

<table>
<thead>
<tr>
<th>Table 8. Background of Interviewees.</th>
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<tbody>
<tr>
<td>Interviewees</td>
</tr>
<tr>
<td>1</td>
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<td>3</td>
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aware of SEA but they do not take it into consideration in the annual report. They do not have the guidelines’.

Despite this, the interviewees are unanimous that it is important to create and enhance such awareness among practitioners. The surveyed respondents recognise the efforts of ACCA Malaysia and other organisations in promoting the implementation of SEA reporting and the dissemination of reporting knowledge in the business community. The organization by ACCA Malaysia of the Malaysia Environmental Reporting Awards is singled out for praise. However, due to the lack of enforcement, such recognition is seldom translated into real actions and ends in apathy. To address this, education on SEA is regarded as necessary and can be delivered by Institutes of Higher Learning or the professional accounting bodies. There is some awareness of international pressure for CSD. Interviewee 5 mentioned IFAC, ‘Recently IFAC came out with something on environment, which is on EMA’.

Interviewees are aware of accounting for human asset development, implying that there is some awareness on the part of companies to be more responsible to their employees. ‘At least now it seems that the shareholders are buying the idea that they should be willing to make extra investment in employees’ (interviewee 4).

Information Value and Measurement of SEA

Information value and the measurement issue of SEA are two other aspects of SEA that practitioners consider as contentious. The responses reveal some degree of scepticism on the practicality of SEA in providing appropriate measurements of social and environmental costs. For instance, while certain types of environmental costs lend themselves to some form of quantification and valuation (e.g. environmental waste), others, such as pollution, are not easily measured. Similarly, how does a company measure costs relating to the consumer? ‘As far as environmental matters are concerned such as waste, I think there is a way that we can calculate it. However, when it concerns [the] consumer, I do not know how to measure the cost. I cannot think of a way to put that into a structured calculation’ (interviewee 4). Overall, environmental as opposed to social matters are regarded as the easier element to measure and evaluate.

Practitioners feel that SEA would be able to provide meaningful information only to the extent that the reporting company can properly and adequately measure and quantify social and environmental costs. ‘If a
company provides only one paragraph [on environmental reporting] mentioning its commitment, there is no value to it’ (interviewee 5). Similarly, a survey respondent summarized his feelings as follows:

I would like to learn the environmental accounting concepts but I doubt whether accounting can specifically answer social cost, what and how do we measure the cost and the gain? By not cutting trees for example, we forgo the economic development. This is not the right strategy. How do we measure the cost of social problems? It is a noble intention but I do not think it is practical.

Interviewee 5 also reflected on the potential benefits to companies from their willingness to disclose SEA information. ‘I think if a company feels that there is some value to the information, they would accept it, with not only dollar and cents, their name, position, goodwill; if they see that it is valuable in that sense, they would pursue it. For example the Shell Company, they want people to see them as being environmental friendly, so they [publish] a special report. BAT have separate reports on CSR. They feel there is a value to the information that they give people’.

Apart from raising doubts on the companies’ willingness to consider reporting social and environmental costs, the practitioners call for a standardised approach in the quantification of social and environmental matters. Much of the social and environmental reporting practices of Malaysian companies are more influenced by the need to legitimise their activities in the eyes of their international business partners. By addressing the measurement issue and making measurement easier, the companies may be encouraged to go beyond the need to legitimise their activities and start embracing SEA as a legitimate obligation for the improvement of society and the environment. For example, a survey respondent noted, ‘The terms of social justice and environmental quality must be termed accurately so that they can be quantified in order to measure the true performance of a company’.

**Participation of Business, Government and Society**

Practitioners feel that the involvement of business, government and society is inevitable. Two inter-linked issues emerge: SEA standards and enforcement, and public interest and influence. The practitioners believe that by having standards, companies would be compelled to prepare reports on society and the environment.
If there were standards to quantify on how much you are geared and the cost of damages that occurred and these are reflected in your annual report… they [companies] might think of reducing the damages so that they will not spoil the company and the public (interviewee 7).

Practitioners also look to the government for enforcement in the form of legislation and regulations.

Legislative initiative has to be put in place so that the issue is taken up. Perhaps by passing the law and provisions requiring companies of certain size to consider maybe make it mandatory for these companies to report… [social and environmental issues] (interviewee 6).

SEA can only take a foothold in the business and the accounting disciplines when society becomes more conscious of its benefits and starts exerting pressure on businesses to comply. It is only with the exertion of such pressure that accountants will undertake to consider the implications for companies’ goodwill of certain business actions. The practitioners recognise that it may take some time before a society like Malaysia can mature and exercise that kind of influence.

The accounting profession should work with government as a stand for social and environmental responsibility in accounting education, as this will be in line with [the] vision [to] enhance corporate governance and transparency. At the same time, if the business environment in Malaysia does not support social and environmental responsibility, it will just become a ‘white elephant’. There is always a need for social and environmental responsibility education for Malaysian society to move to a higher ground. However, this requires collateral effort from various bodies- to create awareness, to instil the culture/mindset/quality, to support the adoption from practical aspects, to provide feedback for evaluation and improvement, etc. because this is a cultural change, not only affecting those in accounting profession, but those to report (i.e. organisations) (survey respondent).

Another survey respondent identified the need for the involvement of the government and the accounting bodies in initiating regulations on social and environmental reporting:

‘Social reporting aspect of accounting education has not been developed in Malaysia as the current legal frameworks only focus on the needs and requirement of financial reporting and adherence, though some parties are making some positive moves to highlight the needs. The accountants together with the governing bodies and government should decide whether we are ready for such responsibilities and consider the benefits that can be derived’. Many comments by practitioners highlight concerns with the accounting profession’s overt focus on financial matters that precludes them from considering social and environmental aspects. One survey respondent commented: ‘For the past decades, accounting professions have been very concerned on the traditional view of financial accountability to shareholders. In other words, performances are
measured on quantitative aspects rather than taking into account qualitative aspects. Only recently, they are moving towards those measures but not much emphasis has been made’ (survey respondent).

There is some criticism that SEA is impractical for non-listed companies, since the preparation of such reports would entail significant additional costs. However, there are also positive comments on the development of SEA and reporting in Malaysia amongst international companies. One survey respondent commented, ‘Environmental and social accounting is still new in Malaysia. However many private companies … are now trying to keep awareness … which strongly suggests healthy environmental alerts to the public’.

**Ethical Issues**

The evidence of the increase in business malpractices suggests that ethical behaviour has deteriorated in Malaysia. Consequently, the practitioners feel that there is an urgent need for the profession to look closely at the reliability issue of accounting practices and to consider implementing CSD.

In Malaysia, we have gone through a few accounting developments; we have the deposit taking problems, we had major scandals … As far as I am concerned, these [incidences] reflect our level of ethical and moral code compliance for many reasons. I think there is a lack of enforcement by the capital market regulators or even by the accounting regulators (interviewee 1).

I think the Bukit Cahaya [Cahaya Hill] case is a terrible act as it affects our eco-system and the environment. We need to develop [awareness of social and environmental issue] at all levels of management especially among the developers and big companies as well as the industrial companies and these incidences should demand for changes in the accounting profession (interviewee 3).

People have a negative perception towards accountants and auditors especially after the Enron case. To improve the integrity and accountability, public should be [have] more transparent information. This includes the SEA topics that will enhance the ethics of accounting profession (survey respondent).

**Accounting Orientation**

A number of remarks made by the practitioners in the questionnaire indicate their inclination towards the implementation of SEA. However, many of them are sceptical of the accountants’ ability to instigate change,
given the limited roles that they play in organisations. This is perceived to be due to the orientation of traditional accounting education.

Minimal role played by accountants to combat rampant abuse of state’s asset through corruption, swindling of state’s financial resources—although accountants should be at the forefront of safeguarding these state resource/combating fraud (survey respondent).

Traditional role of accountants as bean counters, rather than being actively involved in strategic operations, and serve to ‘justify’ financially decisions/actions already committed rather than before commitment being made (survey respondent).

Pressure exerted by shareholders and politicians affect accounting performances. Again, in the case of the shareholder’s influence, a case can be made of the accountant’s subservient stewardship function as being reflective of the orientation of accounting. A survey respondent commented, ‘We cannot proceed or widen the scope and implementation of accounting concepts due to limitation of power and influence’.

We have situations where a big corporation providing financial information had misled the public on its performance. The obligations of accountants/auditors to provide true and fair view, at times are being impaired due to internal and external pressure. With social and environmental responsibility put upon them, we need to make sure that the accountants/auditors are equipped with necessary knowledge to tackle the issues and the cost of providing such responsibility needs to be quantified so that the benefit outweighs the costs (survey respondent).

CONCLUSION

This article set out to explore the perceptions of accounting practitioners in Malaysia to SEA, with the following specific objectives:

- To ascertain the extent of Malaysian accounting practitioners’ knowledge and awareness of SEA and CSD.
- To examine the opinions of Malaysian accounting practitioners on the relevance of SEA issues to the accounting profession.

Given that SEA is a relatively new phenomenon in the emerging economy of Malaysia, it is not surprising that the level of knowledge and awareness of both the survey respondents and the interviewees is low. There is, however, some differentiation between different topics within SEA: aspects such as triple bottom line accounting and sustainability accounting appear new to the practitioners relative to other aspects such as non-conventional accounting, social responsibility accounting and environmental reporting.
One aspect in particular – human asset accounting – has a relatively high level of awareness and relevance, perhaps reflecting its topicality in Malaysia. Practitioners’ ignorance of the existence of a legislated requirement for an environmental report in some European countries may reflect their lack of exposure to the global development of accounting in relation to SEA and/or CSD.

It is perhaps inevitable that a lack of awareness of SEA issues leads the practitioners who were surveyed or interviewed to be sceptical about the practicality of SEA, particularly quantification and valuation issues. This is more of a concern for them in relation to reporting social aspects than environmental aspects where they can at least foresee how, for example, waste could be quantified and valued. However, practitioners are able to connect SEA with an improvement in businesses’ performance regarding social justice and environmental quality. The key to progress on SEA is believed to be, in Malaysia as has been the case in developed economies, legislation to compel large companies to report their social and environmental performance. Practitioners believe that this would drive the involvement of the accounting profession rather than the profession itself being the instigator of the necessary reform.

UNCITED REFERENCES

Ho (1990); Lewis (2001); Loether & McTavish (1993).

REFERENCES


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