

# *Towards Sustainable Entrepreneurship: A Study Of Financial Governance And Ecopreneurship In Malaysian MSMEs*

Kusuma Dewi<sup>1</sup>, Dewi Sarifah Tullah<sup>2</sup>, Fazlida Mohd. Razali<sup>3</sup>, Sudradjat<sup>4</sup>, David H. M. Hasibuan<sup>5</sup>, Ratih Puspitasari<sup>6</sup>, Firdaus Amyar<sup>7</sup>, Bambang Pamungkas<sup>8</sup>, Ivonne Wiguna Agustinus<sup>9</sup>, Sulistiono<sup>10</sup>, Danti Astrini<sup>11</sup>, Rizal Riyadi<sup>12</sup>, Amanda Marsha Andinna<sup>13</sup>, Multihardi<sup>14</sup>, Jan Febrian<sup>15</sup>, Primadona Yuliahendri<sup>16</sup>, Dyah Kusumaningtyas<sup>17</sup>, Sri Mulyani<sup>18</sup>, Sandrina Attalia Gani<sup>19</sup>, Fitria Pandan Sari<sup>20</sup>

<sup>1,2,4,9,15</sup> Accounting Study Program, Institut Bisnis dan Informatika Kesatuan

<sup>3</sup> Universiti Teknologi MARA

<sup>5,6,7,8,16,17,18,19,20</sup> Master of Accounting Program, Institut Bisnis dan Informatika Kesatuan

<sup>10,11,14</sup> Bio Enterpreneurship Study Program, Institut Bisnis dan Informatika Kesatuan

<sup>12,13</sup> Management Study Program, Institut Bisnis dan Informatika Kesatuan

Corresponding Author: Dewi Sarifah Tullah. E-mail: dewisarfah@ibik.ac.id



**Abstract**—Micro, Small and Medium Enterprises (MSMEs) play a vital role in driving Malaysia's economic growth. However, sustainability challenges such as weak financial governance and limited adoption of environmentally friendly practices continue to hinder their development. This study aims to analyze the contribution of financial governance and ecopreneurship to supporting the sustainability of Malaysian SMEs. A questionnaire was distributed to 43 MSMEs in Malaysia to assess their perceptions and practices. The findings show that most businesses have implemented sound financial governance, especially in daily financial recording and the separation of personal and business finances. Nevertheless, areas such as financial risk management and decision-making based on financial reports remain underdeveloped. Meanwhile, all indicators related to ecopreneurship were rated as neutral, indicating a lack of environmental awareness and integration in business strategies. This study recommends enhancing the capacity of MSMEs through training and policy support to strengthen both internal governance and external environmental practices, aiming to build resilient and sustainable businesses.

**Keywords**— MSMEs; financial governance; ecopreneurship; sustainability; Malaysia

## I. Introduction

Micro, Small, and Medium Enterprises (MSMEs) have significantly contributed to the economic and industrial development in Malaysia (1). In 2023, MSMEs accounted for 96.9% (1,101,725 enterprises) of the total number of business establishments in Malaysia. This represents an increase of over 190,000 enterprises compared to 907,065 MSMEs in 2015, reflecting an average annual growth rate of 2.5% during the period (2). Over the past decades, MSMEs have provided employment opportunities to more than 60% of new graduates in Malaysia (3). MSMEs play a vital role in driving economic activity across various sectors (4). In terms of distribution by major economic sectors, the services sector dominates with 83.9% or 924,170 enterprises. The construction sector remains the second largest contributor, representing 9.3% (102,657 enterprises). Meanwhile, around 5.4% of MSMEs (59,316 enterprises) operate in the manufacturing sector, followed by 1.2% (13,099 enterprises) in the agriculture sector, and 0.2% (2,483 enterprises) in the mining and quarrying sector (2).

This further highlights the importance of maintaining and strengthening the sustainability of MSMEs, as they are one of the key contributors to economic development (5). The significance of sustainability is also internationally recognized, prompting global standard-setting organizations such as the International Organization for Standardization (ISO) and the Global Reporting Initiative (GRI) to publish guidelines related to social responsibility and sustainability reporting. By ensuring the sustainability of MSMEs, inclusive economic growth can be promoted, offering individuals opportunities to actively contribute to national development. However, MSMEs face a range of challenges in sustaining their operations. These include a short-term business orientation, limited market reach, a lack of sustainable innovation strategies, inconsistency in business practices, and weak financial planning and management. Furthermore, access to financing remains limited for many MSME operators (6).

The sustainability challenges faced by MSMEs can be addressed through various means, both from internal and external perspectives. Internally, MSME actors are expected to engage in strategic planning, implementation, and monitoring to ensure the continuity of their businesses (4). Externally, sustainability refers to the condition in which MSME operators utilize resources efficiently and sufficiently without compromising the needs of either the current or future generations (7). Both internal and external approaches share a common goal: the fulfillment of international sustainability standards, enabling MSMEs to compete globally. Strategic actions are essential to ensure that MSMEs can continue to grow and adapt amidst the dynamic challenges of both global and local environments.

One internal strategy that can be employed to ensure business sustainability is the establishment of sound financial governance. Financial governance is a crucial aspect in sustaining a business, as it enables MSMEs to monitor and understand their financial performance and business development (8). Through effective financial management, MSME operators are better equipped to make informed decisions, identify potential issues, and calculate profits and losses (9). However, many MSMEs have yet to implement the necessary practices for establishing proper financial governance. For instance, a significant number of MSMEs still do not separate the owner's personal assets from business assets. MSMEs that rely heavily on personal capital tend to adopt short-term mindsets and may become complacent when achieving short-term success. Another common issue is the lack of separation between management and supervisory functions. In many MSMEs, both roles are often assumed by the same individual, leading to potential conflicts of interest between management and oversight responsibilities.

In addition to formulating internal strategies, MSMEs must also consider external aspects. As MSMEs continue to grow, their environmental impact tends to increase as well (10). Therefore, MSME operators are encouraged to place greater emphasis on environmental management within their business activities to achieve long-term sustainability. This shift is driven by the growing global awareness of the importance of preserving the natural environment (11). In Malaysia, the government has introduced green financing as part of its support for MSMEs in implementing sustainable practices (12). Both the Malaysian government and financial institutions have launched various initiatives to help MSMEs access green financing, including:

- Bank Negara Malaysia (BNM) has allocated RM900 million to support digitalization, automation, and the adoption of environmentally friendly technologies by MSMEs.
- The Green Investment Tax Allowance (GITA) provides tax incentives for green-related investments.
- The PKS Lestari Program by SME Corp. Malaysia assists MSMEs in adopting ESG (Environmental, Social, and Governance) principles through training, access to green markets, and funding support.

With the availability of green financing support from the government, MSMEs are expected to invest in green technologies such as energy efficiency and waste management. These investments can help MSMEs reduce long-term operational costs, implement pollution control and water management practices, adopt solar panels, and incorporate sustainability considerations in land use and the protection of the surrounding natural environment.

## II. Research Method

Institut Bisnis dan Informatika Kesatuan has organized literacy studies, sit-in programs, community service involving 29 accounting master program students and 7 accounting undergraduate program students with ARI UiTM, Malaysia. This activity was conducted over a three-day period, from June 26 to June 28, 2024, in Malaysia, involving guest lectures, sit-in programs, and community service activities, followed by the distribution of questionnaires in Malaysia. The primary target of this activity was MSME operators, with a total of 43 respondents from Malaysia. The method employed to support the development of MSMEs involved the distribution of questionnaires to Malaysian MSME actors. This questionnaire distribution technique aimed to identify and analyze the improvement of Malaysian MSMEs through financial governance and ecopreneurship in support of sustainability.



Fig. 1. Literacy Studies



Fig. 2. Sit-in Program



Fig. 3. Community Service Program



Fig. 4. Distribution of Questionnaires

### III. Result and discussion

#### A. Respondent Profile

The questionnaire was distributed by faculty members and students of IBI Kesatuan to MSME operators, with the objective of assessing their level of understanding and awareness regarding the importance of financial governance and ecopreneurship in supporting business sustainability. The results from the collected questionnaires revealed the following data:

TABLE 1. Frequency Distribution of Respondents Based on Characteristics

Characteristics	Frequency	Percentage
<b>Gender</b>		
Male	41	62%
Female	25	38%
<b>Age</b>		
15-25 years	9	14%
26-35 years	24	36%
36-45 years	20	30%
46-55 years	5	8%
Others	8	12%
<b>Business Type</b>		
Food and beverage products	49	74%
Textile and fabric products	8	12%
Toys and accessories products	1	2%
Souvenir	1	2%
Handicraft products	1	2%
Others	6	9%
<b>Job Qualification</b>		
Employee	1	2%
General Manager	15	23%
Worker	4	6%
Owner	18	27%
Officer	8	12%
Production Manager	2	3%
Sales	1	2%
Staff	4	6%
Supervisor	1	2%
Others	11	18%
<b>Number of Employees</b>		
1-10 people	27	41%
11-20 people	16	24%
21-30 people	6	9%
>30 people	3	5%
Others	14	21%



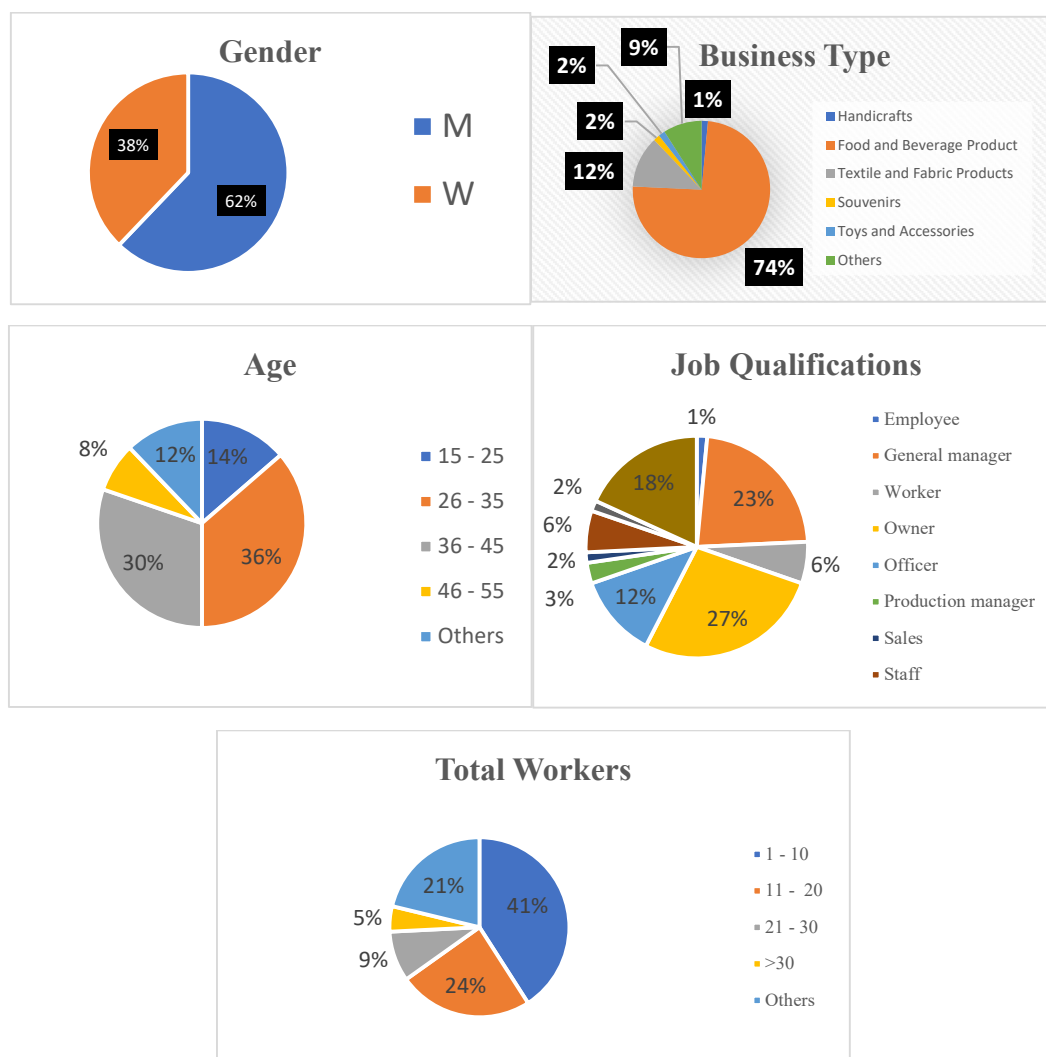


Fig. 5. Questionnaire Data Analysis

Based on the collected data, the majority of business operators are male (62%), while females account for only 38%. This indicates that male participation in the business sector in Malaysia is more dominant compared to females. In terms of business type, the food and beverage sector is the most prevalent, representing 74%, followed by the textile and fabric sector at 12%. Other sectors, such as handicrafts, souvenirs, and toys and accessories, each account for only 2%, while other categories make up 9% of the total businesses.

Regarding age distribution, most business operators fall within the 26–35 age group (36%), followed by the 36–45 age group (30%). The 15–25 age group represents 14%, indicating the presence of young entrepreneurs, although not in a dominant number. Meanwhile, operators aged 46–55 constitute only 8%.

Looking at job qualifications, business owners dominate with 27%, followed by general managers at 23%. This suggests that the majority of the data reflects the perspectives of entrepreneurs or decision-makers within the businesses. Additionally, respondents include employees holding various positions such as officer (12%), worker (6%), staff (6%), production managers (3%), and 18% fall under other categories due to respondents not specifying their job qualifications.

In terms of workforce size, most businesses are small-scale, with 41% employing 1–10 people and 24% employing 11–20 workers. Meanwhile, only 9% of businesses have 21–30 employees, 5% have more than 30 employees, and a category labeled “others” at 21% indicates variations in workforce size that have yet to be classified.

### B. Respondent Perceptions

This study evaluates two main aspects, namely financial governance and ecopreneurship, which serve as the primary indicators in the assessment. The evaluation process was conducted through a series of questions designed to measure respondents’ perceptions of these two aspects. To obtain measurable results, a five-point Likert scale was used, consisting of the following categories: (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, and (5) Strongly Agree. To ensure more accurate and systematic analysis, interval scoring calculations were applied as a reference for data interpretation.

TABLE 2. Respondent Answer Category Index

No	Interval Score	Description
1	1.00 – 1.80	Very Low
2	1.81 – 2.61	Low
3	2.62 – 3.42	Neutral
4	3.43 – 4.23	High
5	4.24 – 5.00	Very High

TABLE 3. Respondents’ Response Index on the Financial Governance Variable

No	Question	Average Score	Description
<b>Financial Governance</b>			
1	The business entity has prepared a financial plan.	3.61	High
2	The business entity has recorded daily financial transactions.	4.35	Very High
3	The business entity has prepared and implemented a budget as a reference for operational activities.	3.56	High
4	The business entity has separated personal finances from business finances.	4.06	High
5	The business entity uses an accounting system to record financial transactions.	3.68	High
6	The business entity has periodic financial reports (monthly/quarterly/annual).	3.73	High
7	Financial reports are prepared according to standards compliant with the Malaysian Private Entities Reporting Standard (MPERS).	3.21	Neutral
8	Complete and systematic financial reports are available.	3.19	Neutral
9	Available financial reports are analyzed as a basis for decision-making.	3.38	Neutral
10	The business entity has good control over cash flow.	3.48	High
11	The business entity has an emergency fund reserve.	2.98	Neutral
12	The business entity has a financial risk management strategy.	2.97	Neutral

The analysis of the table shows that most business entities have implemented financial governance well, particularly in recording daily transactions (4.35), separating personal and business finances (4.06), and preparing periodic financial reports (3.73), which fall into the High to Very High categories. However, aspects such as compliance of reports with the Malaysian Private Entities Reporting Standard (MPERS) (3.21), completeness of reports (3.19), and report analysis for decision-making (3.38) remain in the Neutral category, indicating a need for improvement. Furthermore, financial risk management strategies and emergency fund reserves are not yet optimal, with scores below 3.00. Overall, although financial recording and reporting have been implemented allowing Malaysian SMEs to understand their financial position, further efforts are needed to enhance standards, analysis, and risk mitigation to strengthen the financial governance of these businesses.

TABLE 4. Respondents' Index Scores on the Ecopreneurship Variable

No	Question	Average Score	Description
<b>ECOPRENEURSHIP</b>			
<b>Ecopreneurship Posture</b>			
1	When facing uncertainty, we usually take a proactive stance to capture environmentally friendly opportunities	2.92	Neutral
2	Generally, our company places strong emphasis on research and development, technological leadership, and innovation	3.14	Neutral
3	Our business tends to prefer being a leader, so we always introduce environmentally friendly products, services, or technologies first	2.74	Neutral
4	When facing competitors, we usually initiate environmentally friendly actions that are later followed by our competitors	2.73	Neutral
<b>Ecopreneurship</b>			
1	Ecopreneurship helps the business solve environmental problems.	3.17	Neutral
2	Ecopreneurship leads the company towards sustainable operations/production.	3.18	Neutral
3	Integrating ecopreneurship can help the company achieve sustainable development.	3.17	Neutral
<b>Consumer Behavior</b>			
1	Our consumers are interested in the environmentally friendly practices undertaken by the company.	3.06	Neutral
2	There is an increasing awareness among consumers about environmental sustainability.	3.14	Neutral
3	Positive consumer responses to green marketing leads to sustainable company development.	3.09	Neutral
<b>Community-based Performance</b>			
1	Our company's products that apply green technology have an impact on improving community health and safety.	2.88	Neutral
2	The application of green technology in our company can enhance social reputation and credibility.	2.86	Neutral
3	Our environmentally friendly products reduce consumer complaints and increase customer satisfaction.	2.85	Neutral
<b>Green Competitiveness</b>			
1	Our company is better at environmental management compared to our main competitors.	3.23	Neutral
2	The quality of our company's environmentally friendly products or services is better than our main competitors.	2.94	Neutral
3	The environmental costs of our production, products, or services are lower compared to our main competitors.	3.15	Neutral

Based on the interview results regarding ecopreneurship, all measured indicators remain in the Neutral category, indicating that the implementation of environmentally friendly principles in business has not been fully optimized. In the Ecopreneurship Posture aspect, proactive attitudes in capturing green opportunities and initiatives for research and development have yet to become a primary focus of the companies. Similarly, in the Ecopreneurship aspect, the understanding that ecopreneurship supports sustainable business scored an average of 3.17–3.18, reflecting awareness but lacking concrete action.

In the Consumer Behavior aspect, although there is consumer awareness of environmentally friendly practices, the positive response to sustainability-based marketing is still insufficient to drive significant change. Community-Based Performance also shows low results, indicating that the impact of green technology on health, reputation, and customer satisfaction is still limited.

Finally, the Green Competitiveness aspect received relatively higher scores compared to the others, particularly regarding environmental management and lower environmental costs of products/services compared to competitors. However, the difference in the quality of green products compared to competitors remains insignificant.

#### IV. Conclusion

MSMEs contribute significantly to Malaysia's economy but still face challenges in implementing financial governance and ecopreneurship. The study results indicate that most MSMEs have adopted good financial governance practices, especially in financial record-keeping, although some strategic aspects such as risk management and report analysis still require improvement. On the other hand, awareness of ecopreneurship remains at a neutral level, suggesting that environmentally friendly practices have yet to become a main priority in the operations of Malaysian MSMEs. Therefore, strengthening the capacity of business actors through training and policy support is necessary to promote comprehensive sustainability principles, both from internal (governance) and external (environmental) aspects. In this regard, Malaysian MSMEs are expected to sustainably enhance their competitiveness amid global challenges.

#### References

- [1]. Musa H, Chinniah M. Malaysian SMEs development: future and challenges on going green. *Procedia-Social and Behavioral Sciences*. 2016;224:254–62.
- [2]. Department of Statistics. Department of Statistics, Malaysia (DOSM). 2024 [cited 2025 May 21]. Profile of MSMEs in 2015-2023. Available from: <https://smecorp.gov.my/index.php/en/policies/2020-02-11-08-01-24/profile-and-importance-to-the-economy>
- [3]. Universitas Muhammadiyah Yogyakarta. LLDikti V. 2023 [cited 2025 May 21]. Indonesia dan Malaysia Negara Dengan Jumlah UMKM Tinggi. Available from: <https://lldikti5.kemdikbud.go.id/home/detailpost/indonesia-dan-malaysia-negara-dengan-jumlah-umkm-tinggi>
- [4]. Sabrina KP. Analisis Penerapan Tata Kelola Pada Kelompok Usaha Mikro Kecil Dan Menengah (UMKM) Di Kecamatan Semarang Barat. *JAKA (Jurnal Akuntansi, Keuangan, dan Auditing)*. 2021;2(1).
- [5]. Azuza N. Universitas Padjadjaran. 2023 [cited 2025 May 21]. Menilik Pengembangan Pelaku UMKM di Malaysia. Available from: <https://www.unpad.ac.id/2023/05/menilik-pengembangan-pelaku-umkm-di-malaysia>
- [6]. Jayanti E, Karnowati NB. Digitalisasi Umkm Dan Literasi Keuangan Untuk Keberlanjutan Umkm Di Kabupaten Cilacap. *Kajian Bisnis Sekolah Tinggi Ilmu Ekonomi Widya Wiwaha*. 2023;31(1):51–64.
- [7]. Gutterman AS. Sustainability. Available at SSRN 4225972. 2022;
- [8]. Sari FM, Dewi S, Rokhman N. Workshop Penguatan Tata Kelola UMKM Untuk Meningkatkan Keberlanjutan Usaha Workshop On Strengthening MSME Governance To Improve Business Sustainability. *Bumi : Jurnal Hasil Kegiatan Sosialisasi Pengabdian kepada Masyarakat [Internet]*. 2023 Jul;1(3):1–11. Available from: <https://doi.org/10.59841/bumi.v1i3.47>
- [9]. Ediraras DT. Akuntansi dan kinerja ukm. *Jurnal Ilmiah Ekonomi Bisnis*. 2011;15(2).
- [10]. Mariani D. Pengaruh Penerapan Green Accounting, Kepemilikan Saham Publik, Publikasi Csr Terhadap Pengungkapan Csr Dengan Kinerja Keuangan Sebagai Variabel Intervening. *Jurnal Akuntansi Dan Keuangan*. 2017;6(2):141–60.
- [11]. Soesanto S. Akuntansi Lingkungan Menuju Ekonomi Hijau Perspektif Relasi Natural Sustainability Dengan Keberlanjutan Bisnis. *Account: Jurnal Akuntansi, Keuangan dan Perbankan*. 2022;9(1).
- [12]. Alliance Bank. The Path to Sustainable Impact - Sectoral Insights of Malaysian SMEs. Malaysia; 2025.