

Environmental Management Accounting Adoption through Institutional Theory Perspective: A Review of Literature

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Abstract- Environmental management Accounting is emerged tool with the management accounting. It is essential to adopt environmental management accounting practice to an organization as contemporary business environment is to be eco-friendly. Through this development in management accounting, it is vital to understand how this accounting technique adopts based on institutional influence. Many prior studies conduct in both developed and developing countries. Most of researches conclude that regulatory influence is highly affected to adopt EMA practice among country through rules and penalties.

I. INTRODUCTION

The increment of human population and scarcity of the resources led society to think twice when finding a solution for environmental issues as environment provides a vital contribution for each and every part of the society. Therefore environmental management accounting (EMA) has emerged as a separate management accounting tool due to the limitation of conventional accounting system. It contributes by providing adequate information about the way how to utilize environmental resources productively. It is critical of cleaner production application and directly beneficial of being key competitor in market through eco-friendly products. As a result of that organizational management pay much attention towards environmental strategies to improve environmental performance of the organization (Clemens and Bakstran, 2010). Due to the importance of sustainability accounting practice the adoption is essential to study. This study made a review providing understand about how institutional pressures influence for the adoption of environmental management accounting.

Environmental management accounting is defined as the generation and analysis of both financial and non-financial information in order to support internal environmental management process (Bartolomeo et al., 2000). Media (2006) stated that EMA offers potential benefits to industry and provide direction for the sustainable economic development (Xiaomei, 2004).

II. LITERATURE REVIEW

1. Coercive Isomorphism on EMA adoption:

Chathurangani and Madushanka (2019); Jamil et al. (2015); Chen (2015); Jalaludin et al. (2011); Hussain and Gunasekaran (2002); Hussain and Hoque (2002); Lapsley and Pallot (2000) and Covaleski and Dirsmith (1988) research articles applied coercive isomorphism as one of institutional pressures according to the institutional theory and used to investigate that coercive isomorphism influence for the EMA adoption level.

Chathurangani and Madushanka (2018); Chen et al. (2015); Jamil et al., (2011); Hussain and Guansekaran (2002) found that coercive isomorphism factors influenced for the adoption of EMA. Chen (2015) mentioned that in Chinese managers' are highly influenced for their perception on how and to which extent the company must react to the environmental issues by the government because China is the largest air polluted country in the world. According to Hussain and Gunasekaran (2002) stated coercive pressures reflect the enforcing and regulative aspects of certain institutions and the institutional features of environments are receiving increasing attention as important determinants of the structure and functioning of organization. Chathurangani and Madushanka (2018); Jamil et al. (2015) stated there was a significant positive influence on EMA adoption

by coercive isomorphism which described company customers, shareholders, labor union, head office, local communities, environmental groups, financial institutions, governmental environmental related standards, media pressures, protect corporate image by paying full attention to environmental issues before they become a public concern, environmental regulations and complying with environmental law are pressuring manufacturing companies to adopt environmental management accounting in Sri Lanka. Even though above mentioned articles provided that there was a significant impact on EMA adoption Jalaludin et al., (2011) found that there was no evidence to support from the questionnaire but through interview, it accepted.

2. Normative Pressures on EMA adoption:

Management's competence and management's strategic orientation were affected to the Finnish banks/ financial institutions (Hussain and Gunasekaran, 2002); Jalaudin et al., 2011). According to Siegel et al. (1997) revealed that, accountants agreed that their work was highly structured, dictated by their educational background and training that they received. Bennett et al. (2004) and Fogarty and Rogers (2005) stated as accountants, they are naturally responsive towards information provided from networking, especially with other fellow accountants and the association that they are registered with. According to Chathurangani and Madhusanka (2018) revealed that the accounting staff for training with regarding environmental practices and company's environmental practices have been influenced by membership in the accounting body in Sri Lanka. Although Jamit et al. (2015) conclude there was no significant influence EMA by normative pressures to small and medium manufacturing firms in Malaysia.

3. Mimetic Processes on EMA adoption:

According to Hussain and Hoque (2002) stated there was significantly lessens the tendency of copying best practice management accounting system from other organizations although, Jalaludin, Sulaiman and Ahmad (2011) and Jamil et al. (2015) concluded that there was an insignificant relationship between mimetic pressures and EMA practice in small and medium manufacturing firms in Malaysia. According to the Sri Lankan context, there is a positive but insignificant relationship between mimetic processes

and EMA adoption level among listed manufacturing companies (Chathurangani and Madhusanka, 2018).

III. CONCLUSION

This paper reviewed the empirical literature relating to the adoption of environmental management accounting through institutional pressures. Many researchers concluded that coercive isomorphism significantly influence for the adoption of EMA through Government laws and political influences and Normative pressures influence the adoption level of EMA practices through educational and professional network even though most of previous researchers conclude that mimetic processes do not influence for EMA adoption.

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