

# Determinants of Environmental, Social, and Governance (ESG) Practices Among Malaysian Small and Medium Enterprises (SMEs)

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## ABSTRACT

Given the greater recognition of the role played by small and medium enterprises (SMEs) within the Malaysian economy, this research provides insights into environmental, social, and governance (ESG) practices. In particular, this study examines the determinants of sustainability practices among SMEs in Malaysia. The questionnaire was distributed to 200 SME owners in the northern region of Malaysia. The findings of the study reveal that internal factors, such as awareness, knowledge, and organizational culture, positively and significantly contribute to sustainability integration practices among SMEs in their business activities. In addition, the competitor's variable is the only external factor that significantly influences SMEs to implement sustainability practices in their business. This study concludes that SMEs should prioritize sustainability to enhance their reputation and meet consumer expectations. Given the weak impact of government regulations and financial benefits in motivating SMEs to adopt sustainability practices, this study recommends that policymakers enhance the sustainability initiatives as this approach can help SMEs in Malaysia develop sustainable business practices that contribute to economic, environmental, and social well-being.

**Keywords:** ESG, Sustainability, Small and medium enterprises (SMEs), Malaysia.

**JEL Classification:** L10, L26, M14, M21

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