GREEN MARKETING PRACTICES AMONG SMES IN MELAKA
AND THEIR IMPACT ON PERFORMANCE

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DECLARATION

"I admit that this report is the result of my own, except certain explanations and passages where every of it is cited with sources clearly."

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ABSTRACT

In this new era, climate change issues lead to consumers to become more concerned about how to protect environment and create a safe living environment. Hence, most of the firms have begun to apply green marketing in their business in order to fulfil consumer's demand and protect the natural environment. This study focus on the impact of green marketing practices toward SMEs performance. This study used quantitative method and collected 124 survey questionnaires from SMEs in Malaysia as data collection. Data analysis were undertaken by using Smart PLS version 3.2.8. There are four hypothesis were tested in this research. The findings show that green product and green promotion will influence on firm performance while green pricing and green place will not influence on firm performance.

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LIST OF ABBREVIATIONS AND SYMBOLS

SMEs	Small and Medium Enterprise
GHG	Greenhouse Gases
GGP	Government Green Procurement
SCP	Sustainable Consumption and Production
GDP	Gross Domestic Product
CSR	Corporate Social Responsibility
SMIDEC	Small and Medium Industries Development Corporation
MITI	Ministry of International Trade and Industry
SMEs CORP. MALAYSIA	Medium Enterprise Corporation Malaysia
AMA	American Marketing Association
IV	Independent Variable
PLS	Partial Least Squares
PLS-SEM	Partial Least Squares Structural Equation Modelling
AVE	Average Variance Extracted

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CHAPTER 1

INTRODUCTION

1.0   Background of Study

In the globalization era, the Earth's climate is changing due to the increasing of greenhouse gases (GHG) and human activities. Climate change will cause sea level rise, property damage and also population displacement. It also will reduce natural resources, affect food and water availability, human health and yet burden to economies and societies (Climate Change, 2016). According to the report from Intergovernmental Panel on Climate Change (IPCC, 2018), it highlight the critical risks of catastrophic climate change impacts on the world. Hence, the urgency of action to ensure global warming need to limited to 1.5°C above pre-industrial levels. Continued uncontrolled GHG emissions will bring serious effect of climate change into the future.

Nowadays, consumers have become more concerned about how to protect environment and create a safe living environment due to the climate change issues. The purpose of green marketing is to advocate environmentally friendly products and ensure people can stay at a safe environment (P. Asha and R. Rathiha, 2017). American Marketing Association defines green marketing is the marketing of products that are presumed to be environmentally friendly. Organizations need to integrate several green marketing activities such as modify products, alter the production processes,

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products packaging, advertising strategies and also strengthen awareness on commitment marketing amongst industries (Yazdanifard, 2011).

The definition of green marketing is refers to holistic marketing concept which consist of the production, marketing consumption and produce disposal of products that is less harmful to the environment with increasing awareness about the impact of global warming, pollution and non-biodegradable materials. The environmental issue is increasing conscious from both marketers and consumers to the need of switch into green products and services. Even though the cost of apply green marketing will be expensive in short run but it will earn profit and get competitive advantage than those who are not delivering ecological products and services (Dr. Anoop Kumar Singh and Shreyanshu Singh, 2015).

Nowadays marketers are experienced with consumers who are more conscious to green products and services when making a purchase as green marketing is a current business strategy. Hence, marketers utilize the opportunity by using "eco-friendly" as an element of their value proposition with the increasing number of consumers who are willing to pay higher prices for green products and services (Wong FuiYeng & Rashad Yazdanifard, 2015). SMEs are considered as one of the significant sectors for economic growth in Malaysia. Malaysia Government has introduced few programs to help and support local SMEs and elevate Malaysia to be a high income county with developed status by the year 2020 (Mohd Hafizuddin Musa & Marini Nurbanum Mohamad, 2018).

Furthermore, government has demonstrate commitment towards turning economy Malaysia to be "green" due to the awareness and sustainable consumption among the society. Also, government has implement the national agendas through the employed of Government Green Procurement (GGP) in order to minimize the impact on the environment, stimulate national economy development and foster sustainable (Kahlenborn, 2013). Yet in current stages, GGP is focusing in the Eleventh Malaysia Plan (2016-2020) with the context of Sustainable Consumption and Production (SCP) is an important part in the concept green growth. SCP is more concern with how green consumption and production patterns are.

In addition to the contribution of multinational company, SMEs play a vital role in national economy development. They also are considered as the backbone of Malaysia economy. In 2020, government assume that SMEs in Malaysia will on the track to contribute 41% to the country's Gross Domestic Product (GDP) (Musa, H., & Chinniah, M., 2016). According to the SME Corporation Annual Report 2017, SMEs account for the largest proportion of Malaysia businesses which contributed 98.5% out of total business establishments in 907,065 SMEs.

Government has involved in various programs to motivate local SMEs to produce green products and services in order to survive in the competitive market such as MyHIJAU programme. The collaboration between MyHIJAU industry and SMEs are to promote local businesses that produce eco-friendly products. It also includes encouragement, guidance sessions, government incentives and financial advisory (Kahlenborn, 2013). Besides, government agencies including Ministry of Energy, the Malaysian Green Technology Corporation (MGTC) and Water (KeTTHA), GreenTech Malaysia and SME Corporation are responsible for development and sustainability of firms (Mohd Hafizuddin Musa & Marini Nurbanum Mohamad, 2018). Hence, SMEs also begun to involve themselves in green marketing due to the government regulations.

There are significant relationship between business environments and demands of customers to gain a competitive advantage. Many businesses will implement green marketing in order for seek business opportunity, corporate social responsibility, pressure from government regulation and cost reduction (Moravcikova, D., Krizanova, A., Kliestikova, J., & Rypakova, M., 2017). Therefore, green marketing practice is a tool now used by company to increase their value proposition as green marketing able to preserve environment while satisfying consumer who is presently conscious about environmental issues.

1.2   Problem Statement

As society becomes more concern about the natural environment, businesses have try to adopt themselves in an attempt to address society new issues. For those companies who apply green marketing are gaining competitive advantage and ensuring sustainable consumption of their products in the market. Companies implement green marketing practices to improve their business performance and competitiveness. The benefits gained from green marketing will accrue to companies in the form of creating innovative new products, building a positive image to the business and developing capabilities such as cost reduction and operational efficiency (Dowell and Hart, 2011). Consumer satisfaction increasing when consumer able to get green products at reasonable prices in term of increasing economic welfare of the society.

Next, many companies are beginning be conscious of they are one of the part of community and they have moral obligation in environmentally responsible. Companies believe that they can achieve environmental goals as well as profit related goals. They produce green products for greener the world and delivering their corporate social responsibility (CSR) (Chaudhary, Bhuvnender & Tripathi, Saurabh & Monga, Nikhil., 2011). Green marketing practices are based on the CSR of the triple-bottom-line principle which include people, profit and planet, that is characterizes of green marketing as the marketing of products with environmentally friendly and sustainable development (Witjes, S.; Vermeulen, W.J.V.; Cramer, J.M., 2017). This is a way of win-win approach to company for fulfil in between business goals and implement CSR at the same time.

This research is focus on the impact of green marketing practice on the performance of SMEs. Prior research showed that the significant on Malaysian SMEs as main contributor for economic growth and SMEs could improve competitiveness to reduce the gap between Malaysia and other countries in term of contribution toward economy (Mohd Hafizuddin Musa & Marini Nurbanum Mohamad, 2018). SMEs need to adopt green marketing practices which resulted in the awareness of consumers on environment issues. Also, green marketing is important applicable for SMEs and

should not just focus on large companies (Dr. Anoop Kumar Singh and Shreyanshu Singh, 2015).

Government are forcing companies to become more responsible in adoption of green marketing by introduce environmental regulations. The governmental regulations are used to control the production of hazardous wastes products by companies. Therefore, many companies have begun implement green marketing in Malaysia due to the government pressure. One of the government programme from Malaysian Green Technology Corporation, MyHIJAU SME and Entrepreneur Development Programme is purpose for encourage the growth of local SMEs to adopt green practices and produce eco-friendly products and services.

In spite of the growing importance of green marketing practices, Malaysia are still lack of research in examine the effect of green marketing practices on the performance of SMEs. The development of green marketing is very important to SMEs because of coercive pressure from community toward the marketers on address the environmental issues in their marketing practices. Thus, the aim of this research is to investigate the impact of green marketing practices on SMEs performance and also aim to identify type of green marketing practices implemented by SMEs.

1.3   Research Questions

   i   What is the relationship between green product and their impact on SMEs business performance?

   ii   What is the relationship between green pricing and their impact on SMEs business performance?

   iii   What is the relationship between green place and their impact on SMEs business performance?

   iv   What is the relationship between green promotion and their impact on SMEs business performance?

1.4 Research Objectives

i   To investigate relationship between green product and their impact on SMEs business performance.

ii   To define the relationship between green pricing and their impact on SMEs business performance.

iii   To analyse the relationship between green place and their impact on SMEs business performance.

iv   To determine the relationship between green promotion and their impact on SMEs business performance.

1.5 Significant of Study

This study need to identify green marketing practices among SMEs and their impact on performance. The role of green marketing is significant to the SMEs performance toward the recognition of impact of green marketing to them. This research also can as a guidance to SMEs who willing to apply green marketing on their business. However, there is still very little research done related to green practices in Malaysia. Through the completion of the research, SMEs can be beneficial to the knowledge of the types of green marketing practices implemented by firm and advantages gained from practice of green marketing an impact of green marketing strategies on firm performance.

1.6 Scope of Study

The research is only focus on small and medium enterprise (SMEs) that has adopted green marketing in their businesses in Malaysia. The targeted research respondents include all the SMEs from different industry in Malaysia. Also, these group respondents will provide primary data for this research.

1.7 Limitation of Study

There are several limitations has been defined in the process of researching. This research is just focused on the SMEs in Malaysia where collection of data will occur insufficient and it depend on prejudiced belief among Malaysian. Thus, the research still need more evidence-based to support in future study. The limitation also would be the lack of cost and duration of time to conduct this research.

1.8 Summary

In this chapter, the first section described the background of green marketing practices among SMEs in Malaysia and their impact on performance. The statement of problem was dealt with the measurement of green marketing practices and impact on SMEs performance that has not been fully explored. There are four objectives in this research and fully described the significance of study, scope of study and limitation of study.

CHAPTER 2

LITERATURE REVIEW

2.0   Introduction

This chapter will act as the basis for the development of the research. It will be literature on various issues in the green marketing practices among SMEs and their impact on performance to illustrating about overview SMEs, SMEs business performance, theory of green marketing, reason to adopt green marketing, green marketing strategy and independent variables included green product, green pricing, green place and green promotion.

In addition, this chapter will explain the development of this hypothesis with each independent variable. The research will illustrate theoretical framework which will shows the relationship between the variables. The final section will summarize all of this chapter.

2.1   Overview of Small and Medium Enterprise (SMEs) in Malaysia

SMEs act as significant character in national economy development and they also are viewed as the backbone for economy Malaysia (Musa, H., & Chinniah, M., 2016). Moreover, SME Masterplan (2012-2020) stated that SMEs in Malaysia will expected grow GDP from 36.6% in 2016 to 41% in 2020 as well as contributing 65%

of employment rate. According to Economic Census 2016, Malaysia SMEs now contributed 98.5% out of total business establishments in 907,065 SMEs.

In 1996, Small and Medium Industries Development Corporation (SMIDEC) was established from the Ministry of International Trade and Industry (MITI) to develop SMEs to be competitive in the marketplace. In 2009, SMIDEC was renamed as Medium Enterprise Corporation Malaysia (SMEs Corp. Malaysia). SMEs Corp. Malaysia defined Malaysia SMEs with two main criteria which are sales turnover and number of full-time employees. There are five key sectors including services, manufacturing, agriculture, construction and mining and quarrying. SMEs are defined as sales turnover not more than RM 50 million or full-time employees not more than 200 workers for manufacturing sector. While for services and other sectors, sales turnover not more than RM 20 million or full-time employees not more than 75 workers (SME Corp. Malaysia, 2019).

2.2   SMEs Business Performance

Firm performance is crucial concern to a company in order to meet stakeholder expectation toward company and performance need to be evaluated to measure a company achievement (Smith, T. M. & Reece, J. S., 1999). One of the competitive edge for a company is their effectiveness business performance. There a lot of similar interpretation about business performance and yet the benchmark of measuring performance differ. Determine the most appropriate performance indicators has become more significant because most of the company will decide company accomplishment by performance measurement.

Generally, there are two types of firm performance indicator which are objective measure and subjective measure. Objective measure concentrate on financial indicators while subjective measure concentrate on general performance. Example of objective measure indicators are in term of financial ratios such as return on investment, return on asset and earnings per share (Singh, S., Darwish, T. K., & Potocnik, K, 2016). However, SMEs are often sensitive to reveal their actual financial statement publicity.

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(Zulkiffli, 2014). Therefore, it is hard to gather information and data from objective measure.

In this research, the researcher will more focus to measure SMEs performance with subjective measure. As mentioned above, the overall business performance such as firm growth, product and service quality and profitability need to be evaluated. The reason of use subjective measure instead of objective measure are the firm who cannot provide accurate objective measure and the financial indicators by firms vary (Santos, Juliana & Brito, Luiz, 2012). In addition, overall business performance can classify as financial performance and non-financial performance with many differ performance aspects.

For this research, the researcher has choose three main indicators to measure SMEs performance on green marketing practices which are firm growth, product quality and customer satisfaction. Excellent financial performance will attract new investor and fulfil stakeholder. Santos et al., (2012) stated that firm growth will prove the ability of the firm to increase their sizes with bring economy of scale and profitability level with ability to generate revenue. Product quality has been one of the main reason of affecting consumer decision buying. Firm that concern on continuous improve their product quality will meet customer expectations (Prakash, A., Jha, S. K., Prasad, K. D., & Singh, A. K., 2017). Customer satisfaction will increase the decision of purchasing toward company who manage to match their needs and consequently company generate sales from customer (Santos, Juliana & Brito, Luiz, 2012).

2.3   Theory of Green Marketing

The term of green marketing came into conscious in the late 1980s and early 1990s. It began when consumers recognized the product as harmful to the earth. Thus, introduce the green product is a way to protect and minimize degrading to the environment (Shruti Garg and Vandana Sharma, 2017). The evolution of green marketing has three phases. First phase was "Ecological" green marketing and all marketing activities were concerned to solve environment issues during this period. Second phase was "Environmental" green marketing and innovative new products

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