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Willingness to Pay for Environmental Goods in East Malaysia

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Abstract

This research has been conducted to investigate consumers' willingness to pay for environmental goods in East Malaysia, and specifically in Sabah and Sarawak. The data were collected from 250 respondents. The respondents' environmental awareness has been linked to their perceived behavioural control and willingness to pay for environmental goods. The key findings of this study indicate that attitude, and perceived behavioural have positive influence on the willingness to pay for environmental goods. It is anticipated that the findings of this research should lead to the introduction of widespread awareness programmes that highlight the benefits and the implications of green product towards environment. To encourage the consumption of environmental goods its recommended to introduce environmental education at an early age. In addition, social media also stands out as the best platform to reach the heaviest green consumers.

Keywords: Attitude, Environmental Goods, Normative Belief, Perceived Behavioural Control, Social Influence, Willingness to Pay.

Introduction

Environmental protection and eco-friendly products, also called 'green products' are currently part of a hot topic discussion worldwide. The dangerous effects on nature and environment of human habits and activities have caused an increasing concern and alert around environment-related issues, and thus, protecting the environment has become a major concern between societies and the researchers' community. In the past decade, Malaysia has been one of the world's fastest-growing countries in terms of carbon emission, and it is currently facing an increment in energy consumption. Malaysia is not alone and shares the same issue with other countries, such for example, Singapore. In the specific, following the National Environment

Agency (NEA), Singapore is currently facing a problem maintaining the relationship between economic demands and its natural resources.

There is a lack of data in the literature referring to Malaysian customers' willingness to pay for green products. Rafi et al. (2003) found that knowledgeable consumers on the East Coast of Peninsular Malaysia have little to no green product knowledge. Additionally, Berger (1992) asserted that people has a concern on the environment, but most of them will not pursue buying green products or use related services. Thus, the objective of this study is to examine the factors that influence consumer' willingness to pay for environmental goods. The outcomes can be used in design an effective programmes and policy aiming to raise the customers' awareness of environmental goods while enhancing their sensibility to environment-related issues.

Green consumers are typically aware of many issues related to the environment and are keen to recognize environmental care responsibilities. Various of research has been conducted on the green products consumption but mostly in developed countries (Hansia et al., 2008). Additionally, according to Galarraga et al. (2011), the inclination of consumers to pay a surplus price for a green product depends on its environmental credentials. More specifically, customers agree that environmental goods are more expensive than non-environmentally ones. However, due to environmental consciousness and health reasons specific consumers are willing to pay more for environmental good, prioritizing the environment over their finances.

Literature Review

Theoretical Background

Theory of Planned Behavior (TPB)

One of the relevant theories that can explain an individual's behavioral intentions is the Theory of Planned Behavior (TPB). This theory has been extensively used in past research to investigate environmental goods consumption behaviors (Chen et al, 2016 & Wu et al, 2014). TPB recommends that the level of behavioral intention that has been seen in an individual is the best predictor of her/his behavior. In relation, Cooper et al. (2004) found that attitudes and beliefs can describe an individual's willingness to pay (WTP) as indicator to behavioral intention. Hence, subjective norms and the ability to make a purchase need to be considered in profiling an individual's WTP.

Theory of Reasoned Action (TRA)

Theory of Reasoned Action is a theory used to estimate consumer behavior on purchase intention. TRA was introduced by Ajzen and Fishbein (1975). It defines that an intention to engage in a certain behavior is considered the best predictor of whether an individual will engage in that specific behavior. Furthermore, behavioral intention reflected the individual behavior based on their attitude, perceptions, and social pressure.

Theory of Rational Choice (TRC)

The rational choice theory focuses on consideration of costs and benefits in decision making. Rationality is widely used as an assumption of the behavior of individuals. Gary Becker a Nobel Prize in Economic Sciences in 1992 was an early proponent of applying rational actor models more widely. Some theorists affirmed that the same principle could be used to understand human interactions. They argue that time, information, approval, and prestige can be estimated.