

FINANCIAL MANAGEMENT PRACTICES FOR SMEs:
AN IN-DEPTH STUDY AMONG SMEs IN KEDAH

HARIZAL BIN OSMAN

UNIVERSITI UTARA MALAYSIA
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FINANCIAL MANAGEMENT PRACTICES FOR SMEs: AN IN-DEPTH STUDY AMONG SMEs IN KEDAH

A thesis submitted to the Graduate School in partial fulfillment of the requirements for the degree Master of Science (Finance), Faculty of Finance and Banking, Universiti Utara Malaysia

By

Harizal bin Osman

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Fakulti Kewangan dan Perbankan
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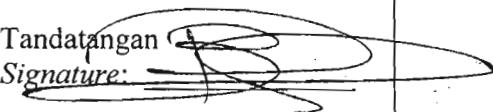
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ABSTRACT (BAHASA MALAYSIA)

Sumbangan Industri Kecil dan Sederhana (IKS) terhadap keluaran dalam negara kasar (KDNK), pekerjaan, dan industrialisasi telah banyak didokumentasikan. Walau pun peranan mereka dalam ekonomi adalah besar, banyak IKS yang dibelenggu masalah pengurusan (Hashim & Wafa, 2002). Ini termasuklah pengurusan sumber manusia, pengurusan pemasaran, pengurusan operasi, pengurusan kewangan, dan pengurusan strategik. Memandangkan pengurusan kewangan adalah satu aspek penting dalam menjamin kesejahteraan dan kesinambungan perniagaan, adalah penting topik ini dikaji dengan lebih mendalam. Sehubungan itu, tujuan utama tesis ini adalah untuk mengkaji komponen dan teknik pengurusan kewangan yang diamalkan oleh IKS di Malaysia.

Kajian ini melibatkan dua analisis. Dalam analisis pertama enam komponen pengurusan kewangan dikenal pasti, iaitu perancangan dan kawalan kewangan, perakaunan kewangan, analisis kewangan, perakaunan pengurusan, belanjawan modal, dan pengurusan modal kerja. Seterusnya dalam analisis kedua, pelbagai teknik pengurusan kewangan dikenal pasti di bawah setiap komponen yang dinyatakan sebelum ini.

Data bagi kajian ini diperoleh dengan melaksanakan temu duga bersemuka menggunakan soal selidik berstruktur dengan responden daripada IKS yang dipilih. Sampel kajian terdiri daripada 30 perniagaan IKS yang beroperasi di daerah Kota Setar dan Kubang Pasu, Kedah Darul Aman.

Dapatan kajian menunjukkan terdapat tiga komponen utama bagi pengurusan kewangan yang diamalkan oleh IKS yang disoal selidik iaitu perancangan dan kawalan kewangan, perakaunan kewangan, dan pengurusan modal kerja. Sementara tiga lagi komponen boleh dianggap sebagai komponen tambahan iaitu analisis kewangan, perakaunan pengurusan, dan belanjawan modal. Ini adalah berdasarkan peratusan IKS yang rendah mengamalkan komponen-komponen tersebut.

ABSTRACT (ENGLISH)

The important contribution of small and medium-scaled enterprises in Malaysia's GDP, employment, and industrialization has been well documented. Although their role in the economy is substantial, many SMEs are plagued by management problems (Hashim & Wafa, 2002). These management problems include human resource management, marketing management, operations management, financial management, and strategic management. Given that financial management is one of the key aspects of the well being and survival of a business, it is important that this topic is explored in depth. Thus, the main purpose of the present study was to investigate the financial management components and techniques practiced by the SMEs in Malaysia.

The study comprised two analyses. In the first analysis six financial management components were identified, namely, financial planning and control, financial accounting, financial analysis, management accounting, capital budgeting, and working capital management. Subsequently, in the second analysis, various financial management techniques were identified under each component stated earlier.

Data for the study were obtained via face-to-face interviews using structured questionnaires with respondents from selected SMEs. The study sample comprised 30 SMEs operating in the Kota Setar and Kubang Pasu district of Kedah Darul Aman.

The findings of the study show three core components of financial management practiced by the SMEs in the survey. They are financial planning and control, financial accounting, and working capital management. Three other components, which are financial analysis, management accounting, and capital budgeting, can be regarded as supplementary components practiced by the SMEs under study, due to the small percentage of the SMEs using these components in the management of their businesses.

DEDICATION

To my wife Zalila and children, Farzana, Aiman, Azalea, Fahad Amir

and

in loving memory of my son

Muhammad Fahim Asyraf

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First of all, I am very much grateful to our Lord, Allah Subhaanahu wa Ta'ala for giving me the strength to undertake and complete this study.

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LIST OF ABBREVIATIONS

- APEC Asia Pacific Economic Cooperation
- BNM Bank Negara Malaysia
- CCRIS Central Credit Reference Information System
- CCDSI Coordinating Council for Development of Small-scale Industries
- CGCMB Credit Guarantee Corporation Malaysia Berhad
- KEDA Kedah Development Authority
- MITI Ministry of International Trade and Industry
- SMEs Small and Medium Enterprises
- SMIDEC Small and Medium-sized Industry Development Corporation

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter is intended to provide a brief guide to the flow of this dissertation and its contents. The organization of the rest of this chapter is as follows: Section 1.1 presents the background of the study, Section 1.2 explains the problem statement, Section 1.3 provides the justification of the study, Section 1.4 states the objective of the study, Section 1.5 documents the methodology, Section 1.6 discusses the limitation of the study, Section 1.7 states outline of the study and finally Section 1.8 presents the concluding remarks for the whole chapter.

1.2 Background of the study

Small and Medium-scaled Enterprises (SMEs) in Malaysia have been identified as an important contributor to the economy (Hashim, 2005). Their contributions can be assessed in terms of their numbers, economic output, employment opportunities provided, and assisting large companies (Hashim, 2005).

According to the Census of Establishments and Enterprises 2005, there are a total of 523,132 establishments in the manufacturing, agriculture and services sectors in Malaysia. They make up a total of 39,219 (7.3%) enterprises in the manufacturing sector, 451,515 (86.9%) in services, and 32,397 (5.8%) in the agricultural sector. More

importantly, SMEs make up a significant proportion of these establishments. The current status of the SMEs in Malaysia can be seen in Table 1.1 below.

Table 1.1: Current status of SMEs in Malaysia

	Establishments	SMEs	% of SMEs	% of structure
Total manufacturing	39,219	37,866	96.6	7.3
Services	119,980	118,662	98.9	23.0
Retail / Wholesale	312,245	311,234	99.7	60.2
Finance	19,291	19,108	99.1	3.7
Total services	451,516	449,004	99.4	86.9
Agriculture	32,397	29,985	92.6	5.8
Overall total	523,132	516,855	98.8	100

Source: Census of Establishments and Enterprises, 2005 (preliminary data), Department of Statistics

Table 1.1 indicates that overall SMEs account for 98.8% or 516,855 of all enterprises enumerated. In the services sector, SMEs make up 99.4% or 449,004 of all service enterprises whereas in manufacturing they account for 96.6% or 37,865 establishments. SMEs account for 92.6% or 29,985 out of the 32,397 enterprises engaged in agriculture related activities.

In the year 2000, SMEs contributed about 22.2 percent of the total economic output and accounted for 17.9 percent of the total employment opportunities in the manufacturing sector (Hashim and Wafa, 2002). Last but not least, large firms need SMEs as suppliers, providers of customer service, and retailers of big business products. For instance, more and more small firms in Malaysia are acting as specialist suppliers to

large firms as evidenced by the Vendor Development Program established by the Government (Hashim and Wafa, 2002).

A study conducted by Bank Negara Malaysia in 2003 on the SMEs identified prudent financial management as one of the key success factors for SMEs (BERNAMA, 2006). Unfortunately, many SMEs in Malaysia tend to neglect the importance of financial management in their businesses (BERNAMA, 2006). A study by Fong (1990) found that most SMEs in Malaysia were managed by the owners themselves. Therefore, the quality of management depends on the education, experience, and training of the entrepreneurs themselves. However, since many of them did not have a formal education in business management, they usually operated their business as traditional family-type businesses. Fong (1990) concluded that for the sector to remain dynamic, SMEs must employ professional managers for the continued growth of the firm. A professional financial manager will be able to manage the firm's financial affair so as to maximize the value of the firm for its owners.

1.3 Problem statement

There exists a vast literature on financial management practices of firms. Among these are financial management of small and medium-sized firms (for example Cooley, 1979; Filbeck, 2000; Khoury, 1999; Thomas and Evanson, 1987). Studies done in the U.K. and the U.S. have shown that weak financial management – particularly poor working capital management and inadequate long-term financing – is a primary cause of failure among small business (Atrill, 2001). Moreover, the findings of the studies by Broom

and Lengenecker (1975), Haswell and Holmes (1989), Bates and Nucci (1989), and Watson and Everett (1996) have shown that business failures were more prevalent among small businesses than larger firms.

In Malaysia, studies on financial management practices of SMEs are very scarce. Among the studies which explore the weaknesses in management areas of SMEs is by Hashim (2000) and Hashim and Wafa (2002). In the study, 100 SMEs in the manufacturing sector in Malaysia were surveyed. The findings identified 193 weaknesses in the areas of management within the SMEs as shown in Table 1.2.

Table 1.2: Weaknesses of areas of management in SMEs

No	Management functional areas	Frequency	Percent
1.	Human resource management	69	35.8
2.	Marketing	43	22.3
3.	Operations / Production	37	19.2
4.	Finance	31	16.1
5.	Strategic management	11	5.6
6.	General management	2	1.0
Total		193	100.0

Source: Hashim and Wafa (2002)

Table 1.2 shows that out of the total of 193 weaknesses, 16.1 percent are in the area of finance, which is in fourth position after human resource management (35.8 percent), marketing (22.3 percent), and operations/production (19.2 percent). Specific areas of weaknesses within financial management are shown in Table 1.3.

Table 1.3: Weaknesses in financial management

Finance	Frequency	Percent
Lack of working capital	29	93.6
Difficult to get credit for raw materials	1	3.2
Lack of support from financial institutions	1	3.2
Total	31	100.0

Source: Hashim and Wafa (2002)

Table 1.3 shows that lack of working capital is found to be the most common weakness in the area of financial management where it accounted for 93.6 percent of the total weaknesses in the area of financial management. However, the study did not elaborate more on the areas of weaknesses in financial management beyond working capital.

A subsequent critical review of the literature on financial management practices of SMEs in Malaysia reveals that more in-depth examination of financial management weaknesses is needed since financial management involves more components than working capital alone. A survey of the literature shows six components of financial management, namely, financial planning and control, financial accounting, financial analysis, financial accounting, capital budgeting, and working capital management. Therefore, this study aims to examine each of these components in detail to determine the components being practiced by the SMEs in Malaysia.

1.4 Justifications of the study

This study was conducted to identify financial management techniques used by the SMEs. This study was also carried out on the bases of growth of SMEs in Malaysia,

government-supported funds, and gaps in the literature. These justifications are explained next.

The growth of the SMEs in Malaysia. Historically, the foundation for growth of small and medium-scaled enterprises in Malaysia was in the traditional sector – agriculture related and cottage industry activities (Hashim and Wafa, 2002). But now SMEs exist in almost all sectors of the Malaysian economy. However, more recently, due to political and economic changes, SME business activities have expanded rapidly and become an important component in the manufacturing sector (Hashim, 2005). This is demonstrated by the output of the SMEs, worth RM4.3 billion or 20 percent of the Gross Domestic Product (GDP) in 1990. Their output is further projected to be worth RM120 billion or 50 percent of the GDP by the year 2020 (Hashim and Wafa, 2002).

Government supported funds. The SME importance is reflected in the fact that there are more than 18 ministries and more than 60 government agencies involved in assisting the development of the SME sector in Malaysia (Hashim, 2000). These assistances can be grouped into financial assistance, project development, advisory services, and technical assistance (Fong, 1990).

As for financial assistance, there are various financial packages for SMEs that can be tapped for projects and working capital financing. Among them are a revolving fund managed by SMIDEC and Bank Industri Malaysia, the Modernisation and Automation Scheme for SMEs implemented by the Malaysian Industrial Development Finance

Berhad, the Soft Loan Scheme for Quality Enhancement of SMEs implemented by Bank Pembangunan Malaysia Berhad, and a stimulus package announced in 2003 allocated to Bank Pertanian Malaysia and Bank Simpanan Nasional to carry out their micro-credit schemes. Furthermore, SME Special Unit at Bank Negara Malaysia was launched on May 20th 2003 to assist SMEs on information about the various sources of financing, facilitate loan-application process, and provide advisory services other financial requirements.

Under the Malaysia Development Plan (Five Year Plan), the government had allocated RM133.8 million and RM500 million in the Sixth Malaysia Plan and the Seventh Malaysia Plan, respectively for SME financing. In addition, the Small and Medium Industries Development Corporation (SMIDEC) was allocated RM221.4 million for SME development programmes under the Eighth Malaysia Plan (2001 – 2005).

As can be seen, much government resources are channeled into programs for SMEs to further develop the sector. Therefore, it is of vital concern that these resources are managed efficiently and effectively for these resources to achieve its policy objective. Consequently, it is important that a study is done on the financial management techniques practiced by the SMEs to facilitate our understanding of the implications of the results for policy makers.

Gaps in the literature. A search of the literature on SMEs in Malaysia reveals a gap in the area of financial management practice among SMEs in Malaysia. One of the most

comprehensive studies of SMEs was done by Fong (1990). The focus of his study was to examine the profile, the existence of economic linkages between large and small firms, and the economic role of the SMIs to revitalize the economy. In general, the emphasis of the studies on SMEs in Malaysia have concentrated on observing and reporting the characteristics or profiles of the SMEs (Chee, 1986; Ling, 1990; Lisa, 1990), on the problems and constraints faced by the SMEs (Hashim, 1999; Chee, 1986), on the SME assistance programmes provided by the government (Chee, 1986; Hashim, 2000), and on the SME managerial practices (Hashim, 2005).

However, to the best of our knowledge, there has not been any study specifically on the topic of financial management of the SMEs. Therefore, this study, which intends to investigate the usage of financial management techniques among the SMEs in Malaysia, will enrich the empirical literature of financial management practices of SMEs.

1.5 Objective of the study

This study is conducted because of the importance of financial management in the operations of business firms. Therefore, the main objective of the study is to investigate the financial management techniques being employed by the SMEs in Malaysia. The specific objectives are to determine the financial management components; to examine the financial management techniques for each component; and lastly to identify the financial management techniques used by the SMEs in Malaysia.

1.6 Methodology

To answer the research objectives, this study used a structured questionnaire to obtain data and information about financial management tools being used by the SMEs. The questionnaires were administered using face to face interviews. The targeted sample is the SMEs operating in the state of Kedah Darul Aman. In the present study, SMEs are defined based on the criteria provided by the Secretariat to National SME Development Council, Bank Negara Malaysia. According to the criteria, SMEs can be defined according to total number of full time employees (between 5 and 150 employees) or total sales turnover (between RM250,000 and RM25 million).

Based on these selection criteria, 30 SMEs were selected. The researcher conducted a face to face interview with the financial manager or the owner of each firm. The method of personal interview was chosen rather than using mail survey since the researcher was concerned that the response rate to mailed questionnaire might be poor. The researcher was also under a tight schedule and had to collect the data within the shortest time possible.

The researcher included six financial management components in the survey questionnaire. These components were chosen based on theories and on previous empirical works. The survey questionnaire adopted in the study consists of three sections. Section A involves questions to establish the basic profile of the respondents' organizational structure, section B contains questions used to identify the financial

management tools used by the SMEs, while section C involves questions regarding the individuals being interviewed.

1.7 Scope and limitations of the study

The scope of this study covers the SMEs population. The target was to obtain data and information from these SMEs. The researcher had only five months to complete the whole study. Because of the time, manpower, and financial constraint, the researcher had to be selective in the number of firms to interview, the areas where the firms are located, and the length of the questionnaire. Due to these constraints, the researcher had to choose SMEs located in the Kubang Pasu and Kota Setar districts only. Insufficient funds prevented the researcher from going to SMEs in other districts in Kedah. Therefore, the findings obtained may not be truly representative of the whole SMEs population and have to be interpreted with caution.

1.8 Outline of the study

This study has adopted a five-chapter approach. Chapter 1 describes the background of the study, the problem statement, its justification, objective of the study, methodology, limitation, and finally the outline of the thesis. Chapter 2 reviews the existing literature on the financial management techniques being employed by the SMEs. Based on the literature review, a theoretical framework and research issues were developed. Chapter 3 explains the methodology used to achieve the objectives of the study. This chapter elaborates on the method of survey questionnaire approach in data collection. Chapter 4 describes the data analysis and reports the findings from the data analysis. Finally,

Chapter 5 evaluates the research findings from Chapter 4. In this chapter, a summary of each finding is reported and the conclusion drawn. The implications and recommendations for future studies are also discussed in this chapter.

1.9 Conclusion

This chapter has presented a synopsis of the study and set out the background of the study. Next, the problem statement was discussed, followed by an explanation on the justification of the present study. Then, the methodology was outlined and justified. Finally, the scope and limitations of the study were disclosed.

CHAPTER TWO

THEORETICAL FRAMEWORK AND LITERATURE REVIEW

2.1 Introduction

This chapter is divided into seven sections. Section 2.2 gives the definition of financial management. Section 2.3 discusses the components of financial management. Section 2.4 describes the definition of SMEs used in Malaysia and in other countries. Section 2.5 discusses the financial management tools applied by the SMEs in Malaysia and other countries. Section 2.6 designs the conceptual framework. Section 2.7 determines the research issues. Finally, section 2.8 concludes the whole chapter.

2.2 Definition of financial management

All firms operate to achieve a goal or objective. Many authors have argued that the goal of any firm is a financial one, namely, the maximization of the owner's wealth (example Brigham, 2005; Chandra, 1997; Lee et al, 1997). Therefore, even though a firm may have more than one goal, the maximization of the owner's wealth is the most important goal for most corporations (Lee et al, 1997).

In achieving the goal of the firm, financial managers must acquire and use funds efficiently and effectively with the goal to maximize the value of the firm to its owners. Careless financial decisions will result in the firm achieving lower than the target, or even increasing the risk of business failures. As such, prudent financial management plays a very important role in the well-being of a firm.

To summarize, financial management is concerned with maintenance and creation of economic value or wealth (Keown et al, 2002). It is part of the total management of a business which focuses on the efficient and effective use of the firm's financial resources. It deals with financial decisions such as when to introduce a new product, when to invest in new assets, and whether to acquire funds by bank loans or by issuing stocks or bonds, or determining how much cash to maintain.

2.3 Components of financial management

The previous section has discussed the definition of financial management. In this section the details of the components of financial management will be illustrated. A review of the literature has identified six components of financial management: financial planning and control, financial accounting, financial analysis, management accounting, capital budgeting, and working capital management. (Kumar, 2007; Muhammad El-Ebaishi et al, 2003; McNamara, 1997; Byun et al, 2003; Gilbert and Reichert, 1995; ZeZhong et al, 2006; Osteryoung et al, 1992; Moore and Reichert, 1983). These six components of financial management identified from the literature are shown in Table 2.1.

Table 2.1: The components of financial management

No.	Components of financial management	A	B	C	D	E	F	G	H	Total	Selected for this Study
1.	Financial planning and control	✓	✓	✓	✓		✓			5	✓
2.	Financial accounting	✓		✓						2	✓
3.	Financial analysis	✓		✓				✓	✓	4	✓
4.	Management accounting	✓	✓				✓			3	✓
5.	Capital budgeting	✓			✓	✓	✓		✓	5	✓
6.	Working capital management				✓	✓			✓	3	✓
Total		5	2	3	3	2	3	1	3		6

Key to Table:

A= Kumar (2007)

B= Muhammad El-Ebaishi et.al (2003)

C= McNamara (1997)

D =Byun et al (2003)

E = Gilbert and Reichert (1995)

F = ZeZhong et al (2006)

G =Osteryoung et al (1992)

H = Moore and Reichert (1983)

Source: developed for this study

The first component of financial management is financial planning and control (row 1 in Table 2.1). Financial planning involves setting financial objectives and formulating action plans for reaching the objectives (Williams, 2001). Planning involves translating goals and objectives into specific activities and resources required to achieve the goals and objectives. Companies develop both long term and short term plans. Short term plans, in the form of budgeting process, are prepared in more detail. Long term plans are one of the mechanisms used by managers as a basis for control and performance evaluation (Drury, 2000).

On the other hand, control is the process of ensuring that the actual outcomes confirm with the planned outcomes. The control process involves setting of targets or standard (often derived from the budgeting process) against actual results (Drury, 2000). Five

out of eight authors (row 1 in Table 2.1) list financial planning and control as a component of financial management. Thus this component will be included in the present study.

The second component is financial accounting (row 2 in Table 2.1). Warren et al (1999) indicate that financial accounting involves recording and reporting of economic data and activities for a business. Only two out of eight authors (row 2 in Table 2.1) include this component in the literature. However, for this study the component will be included to test the usefulness of this component.

The third component is financial analysis (row 3 in Table 2.1). Financial analysis involves assessing financial performance and conditions of the firm. Financial analysis can be carried out using financial statements. There are three methods of analyzing financial statements: vertical analysis, horizontal analysis, and ratio analysis (Adelman and Marks, 2004). To compare two firms in the same industry, it is easier to use ratio analysis. There are several categories of ratio, for example, liquidity, profitability, activity, and leverage ratios. Each is used to measure the health of a firm in specific areas. The financial ratios need to be compared with relevant criteria, standards, or benchmarks to become more meaningful indicators of the firm's financial health and performance (Williams, 2001). Four out of eight authors (row 3 in Table 2.1) list financial analysis as a component of financial management; therefore this study will also include this component.

The fourth component is management accounting (row 4 in Table 2.1). Management accounting relates to the provision of appropriate information for decision making, planning, control and performance evaluation. Management accounting and cost accounting are extremely vague with some writers referring to the decision making aspects in terms cost accounting and management accounting. The two terms are often used synonymously (Drury, 2000). Management accounting is concerned specifically with how cost information and other financial and non financial information should be used for planning, controlling and decision making (Hansen and Mowen, 1995). For management accounting, three out of eight authors (row 4 in Table 2.1) list this component; therefore these will be included in the study.

The fifth component is capital budgeting (row 5 in Table 2.1). Capital budgeting refers to the process of identifying which investment projects a firm should undertake. The process begins with an idea and ends with implementation and monitoring (Smart et al, 2004). For capital budgeting, five authors (row 5 in Table 2.1) list this component; therefore the study will include this component.

The last component is working capital management (row 6 in Table 2.1). It is related to short term financing problems. Short term financing decisions relate to management of current assets such as cash, account receivables, account payables and inventory (Keown et al, 2002). The management of working capital is important to the financial health of all business, regardless of size. This is because the amounts invested in working capital are often high in proportion of total assets employed so it is critical that

these amounts are used in an efficient and effective way (Atrill, 2001). Three authors (row 6 in Table 2.1) include working capital management as a component; this is also included in the study.

In conclusion, the main six components of financial management will be discussed in this study. Each of these six components of financial management techniques contains specific tools and techniques of their own. These techniques are described further below.

Financial planning and control techniques. This component involves preparation of forecasts and budgets. Budgeting plays a crucial role in planning and control. Budget can be divided into operating budgets and financial budgets (Hansen and Mowen, 1995). The financial planning and control technique is shown in Table 2.2.

Table 2.2: Financial planning and control techniques

No.	Financial planning and control technique	A	B	C	D	E	F	Total	Selected for this study
1.	Financial budgets		√	√	√	√	√	5	√
2.	Operating budgets	√		√	√	√	√	5	√
	Total	1	1	2	2	2	2		2

Key to Table:

A = ZeZhong et al (2006)

B = Gloy and L. LaDue (2003)

C = McNamara (1997)

D = Byun et al (2003)

E = Mohammad El-Ebaishi et al (2003)

F = Maliah Sulaiman et al (2004)

Source: developed for this study

The first technique of financial planning and control is financial budgets (row 1 in Table 2.2). Financial budgets are concerned with the inflows and outflows of cash and with financial position. The financial budget consists of cash budget, budgeted balanced sheet, budgeted statement of cash flow, and budgeted capital expenditure (Hansen and Mowen, 1995). Five authors (row 1 in Table 2.2) include financial budgets as a technique; therefore this study will also include this technique to investigate it further.

The second technique of financial planning and control is operating budgets (row 2 in Table 2.2). Operating budgets are concerned with income-generating activities of the firm: sales, production, and finished goods inventories. The operating budget consists of the sales budget, production budget, overhead budget, direct material budget, and direct labour budget. The ultimate outcome of the operating budget is a budgeted income statement (Hansen and Mowen, 1995). Five out of six authors (row 2 in Table 2.2) use operating budgets as a technique; therefore this study will also include this technique.

In conclusion, two techniques of financial planning and control will be included in this study, which are financial budget and operating budget.

Financial accounting technique. This technique involves recording and interpreting in monetary terms transactions and events of a financial nature (Kumar, 2007). The financial accounting technique is shown in Table 2.3.

Table 2.3: Financial accounting techniques

No.	Financial accounting technique	A	B	Total	Selected for this Study
1.	Balance sheet	√	√	2	√
2.	Income statement	√	√	2	√
3.	Cash flow statement	√	√	2	√
Total		3	3		3

Key to Table:

A = Kumar (2007)

B = McNamara (1997)

Source: developed for this study

The first technique of financial accounting is balance sheet (row 1 in Table 2.3). It is a list of assets, liabilities and owner's equity as of a specific date, usually at the close of the last day of a month or a year (Warren et al, 1999). Two of the authors (row 1 in Table 2.3) include this technique; therefore this study will include this technique as well.

The second technique of financial accounting is income statement (row 2 in Table 2.3). It is a summary of the revenue and expenses for a specific period of time, such as a month or a year (Warren et al, 1999). Two of the authors (row 2 in Table 2.3) included this technique; therefore this study will include this technique.

The last technique of financial accounting is cash flow statement (row 3 in Table 2.3), which is a summary of the cash receipts and cash payments for a specific period of time, such as a month or a year (Warren et al, 1999). Two of the authors (row 3 in Table 2.3) include this technique; therefore this study will include also this technique.

In conclusion, three techniques of financial accounting will be discussed in this study. They are balance sheet, income statement, and cash flow statement.

Financial analysis technique. This technique involves analyzing the performance of a business. It is useful both as a way to anticipate future conditions and a starting point for planning actions that will influence the future course of events (Kumar, 2007). The financial analysis technique is shown in Table 2.4.

Table 2.4: Financial analysis techniques

No.	Financial analysis technique	A	B	C	D	E	Total	Selected for this Study
1.	Current ratio	✓	✓	✓	✓	✓	5	✓
2.	Quick ratio	✓	✓		✓	✓	4	✓
3.	Operating profit margin	✓	✓	✓	✓	✓	5	✓
4.	Return on asset (ROA)	✓	✓	✓	✓	✓	5	✓
5.	Return on equity (ROE)	✓	✓		✓	✓	4	✓
6.	Debt ratio		✓	✓	✓	✓	4	✓
Total		5	6	4	6	6		6

Key to Table:

A = Osteryoung et al (1992)
 B = Moore and Reichert (1983)
 C = Walker and Petty (1978)
 D = Singh and Schmidgall (2002)
 E = Gombola and Ketz (1983)

Source: developed for this study

The first technique of financial analysis is the current ratio (row 1 in Table 2.4). It indicates a firm's liquidity, as measured by its liquid assets (current assets) relative to its liquid debt (short term or current liabilities) (Keown et al, 2002). Five authors (row 1 in Table 2.4) include current ratio; therefore this technique will also be included in the study.

The second technique of financial analysis is the quick ratio (row 2 in Table 2.4). It indicates a firm's liquidity, as measured by its liquid assets, excluding inventories, relative to its current liabilities (Keown et al, 2002). Four authors (row 2 in Table 2.4) include quick ratio; therefore this technique will be included in the study.

The third technique of financial analysis is operating profit margin (row 3 in Table 2.4). It indicates management's effectiveness in managing the firm's income statement, as measured by operating profits relative to sales (Keown et al, 2002). Five authors (row 3 in Table 2.4) include this item; therefore this technique will be included in the study.

The fourth technique of financial analysis is return on assets (ROA) (row 4 in Table 2.4). It determines the amount of net income produced on a firm's assets by relating net income to total assets (Keown et al, 2002). Five authors (row 4 in Table 2.4) include return on assets (ROA); therefore this technique will be included in the study.

The fifth technique of financial analysis is return on equity (ROE) (row 5 in Table 2.4). It indicates the accounting rate of return on the stockholders' investment, as measured by net income relative to common equity (Keown et al, 2002). For return on equity (ROE), four out of five authors (row 5 in Tables 2.4) include this technique; therefore it will be used in the study.

The last technique of financial analysis is debt ratio (row 6 in Table 2.4). It indicates how much debt is used to finance a firm's assets (Keown et al, 2002). Four authors (row 6 in Table 2.4) list debt ratio; therefore the present study will include this technique.

In conclusion, six techniques of financial analysis will be discussed in this study. They are current ratio, quick ratio, operating profit margin, return on asset, return on equity, and debt ratio.

Management accounting technique. Management accounting technique uses both actual financial accounting data and estimated data to aid management in running day to day operations and in planning future operations (Warren et al, 1999). The management accounting technique is shown in Table 2.5.

Table 2.5: Management accounting techniques

No.	Management accounting technique	A	B	C	D	E	Total	Selected for this Study
1.	Standard costing	✓		✓	✓		3	✓
2.	Just in time (JIT)		✓	✓		✓	3	✓
3.	Activity based costing (ABC)	✓	✓	✓	✓	✓	5	✓
4.	Balanced scorecard (BSC)		✓		✓	✓	3	✓
	Total	2	3	3	3	3		4

Key to Table:

A = ZeZhong et al (2006)

B = Normah Omar et al (2004)

C = Mohammad El-Ebaishi et al (2003)

D = Maliah Sulaiman et al (2004)

E = Waweru et al (2004)

Source: developed for this study

The first technique of management accounting is standard costing (row 1 in Table 2.5). Cost is predetermined and is generally established well before production begins and provides management with targets (planning) that form the basis for comparison with actual results (control) (Horngren et al, 2002). Three authors (row 1 in Table 2.5) list standard costing; therefore this study will include these techniques.

The second technique of management accounting is just in time (JIT) (row 2 in Table 2.5). It refers to a system in which materials arrive exactly as they are needed. Demand drives the procurement or production of any needed materials and immediate delivery eliminates waiting times and the need for inventory (Horngren et al, 2002). Three authors (row 2 in Table 2.5) list just in time (JIT); therefore this study will include these techniques.

The third technique of management accounting is activity based costing (ABC) (row 3 in Table 2.5). It is a technique to replace the traditional way of allocating overheads by relating them to various activities used in making each product instead of allocating them on a time and number of units produced basis. Activity based costing (ABC) is a method of allocating costs to products and services. It is generally used as a tool for planning and control. This is a necessary tool for doing value chain analysis (Horngren et al, 2002). Five authors (row 3 in Table 2.5) include activity based costing; therefore this study will use this technique.

The last technique of management accounting is balanced scorecard (BSC) (row 4 in Table 2.5). It is a concept for measuring a company's activities in terms of its vision and strategies, introduced by Kaplan and Norton in 1992. It gives managers a comprehensive view of the performance of a business. It is a strategic management system that forces managers to focus on the important performance metrics that drive success. It balances a financial perspective with customer, internal process, and learning and growth perspectives. Three authors (row 4 in Table 2.5) list balanced scorecard; therefore this study will include this technique.

In conclusion, four techniques of management accounting will be discussed in this study, which are standard costing, just in time, activity based costing, and balanced scorecard.

Capital budgeting technique. Capital budgeting technique is the whole process of analyzing projects and deciding which ones to include in the capital budget (Brigham et al, 1994). Capital budgeting technique is shown in Table 2.6.

Table 2.6: Capital budgeting techniques

No.	Capital budgeting technique	A	B	C	D	E	F	Total	Selected for this Study
1.	Accounting rate of return (AROR)	✓	✓	✓	✓	✓	✓	6	✓
2.	Payback period	✓	✓	✓	✓	✓	✓	6	✓
3.	Net present value	✓	✓	✓	✓	✓	✓	6	✓
4.	Profitability index				✓	✓		2	✓
5.	Internal rate of return (IRR)	✓	✓	✓	✓	✓	✓	6	✓
	Total	4	4	4	5	5	4		5

Key to Table:

A = ZeZhong et al (2006)

B = Schall et al (1978)

C = Gilbert and Reichert (1995)

D = Gitman and Forrester (1977)

E = Kester et al (1999)

F = Moore and Reichert (1983)

Source: developed for this study

The first technique of capital budgeting is accounting rate of return (AROR) (row 1 in Table 2.6). It provides a quick estimate of a project's worth over its useful life. Accounting rate of return is derived by finding profits before taxes and interest. It is an accounting method used for purposes of comparison (Smart et al, 2004). Six authors (row 1 in Table 2.6) include these techniques; therefore this study will include this technique.

The second technique of capital budgeting is payback period (PP) (row 2 in Table 2.6). The payback period is the amount of time it takes for a given project's cumulative net cash inflows to recoup the initial investment (Smart et al, 2004). Six authors (row 1 in Table 2.6) include payback period, therefore this study will also include this technique.

The third technique of capital budgeting is net present value (NPV) (row 3 in Table 2.6). It is defined as the present value of the future net cash flows after tax less the project's initial outlay (Keown et al, 2002). Six authors (row 3 in Table 2.6) include net present value; therefore this study will also include this technique.

The fourth technique of capital budgeting is profitability index (PI) (row 4 in Table 2.6). It is the ratio of the present value of the future free cash flows to the initial outlay. Although the net present value investment criterion gives a measure of the absolute dollar desirability of a project, the profitability index provides a relative measure of an investment proposal's desirability (Keown et al, 2002). Two authors (row 4 in Table 2.6) use profitability index in their studies; therefore this study will include this technique.

The fifth technique of capital budgeting is internal rate of return (row 5 in Table 2.6). It is often used in capital budgeting. It is the interest rate that makes net present value of all cash flow equal zero. Essentially, this is the return that a company would earn if they expanded or invested in themselves, rather than investing that money externally (Smart et al, 2004). Six authors (row 5 in Table 2.6) include internal rate of return (IRR); therefore this study will also include this technique.

In conclusion, five techniques of capital budgeting will be discussed in this study. They are accounting rate of return, payback period, net present value, profitability index, and internal rate of return.

Working capital management technique. Working capital management technique consists of short term decisions, generally relating to the next one year period. Table 2.7 below shows the components of working capital management.

Table 2.7: Working capital management techniques

No.	Working capital management technique	A	B	C	D	Total	Selected for this Study
1.	Cash management	✓	✓	✓	✓	4	✓
2.	Account receivable management	✓		✓		2	✓
3.	Inventory management	✓		✓	✓	3	✓
4.	Account payable management	✓				1	✓
	Total	4	1	3	2		4

Key to Table:

A = Gitman and Maxwell (1985)

B = Byun et. al (2003)

C = Gilbert and Reichert (1995)

D = Moore and Reichert (1983)

Source: developed for this study

The first technique of working capital management is cash management (row 1 in Table 2.7). It consists of the design of collection and disbursement systems for cash and the temporary investment of cash while it resides with the firm (Scherr, 1989). Four authors (row 1 in Table 2.7) include cash management; therefore this technique will be used in the present study.

The second technique of working capital management is accounts receivable management (row 2 in Table 2.7). It is also known as credit management. Credit management is primarily concerned with two questions: what term of sale should the firm use and to whom should the firm grant credit (Scherr, 1989). Two out of four

authors (row 2 in Table 2.7) include accounts receivable management; therefore this technique will be used in the present study.

The third technique of working capital management is inventory management (row 3 in Table 2.7). The objective of managing inventory is to turn over inventory as quickly as possible without losing sales from stock-outs (Gitman, 2006). It is also to minimize the total costs of carrying and financing goods while providing full support to the marketing efforts (Hampton et al, 1989). Three out of four authors (row 3 in Table 2.7) include inventory management; therefore this technique will be used in this study.

The last technique of working capital management is accounts payable management (row 4 in Table 2.7). It is about the time between the firm's purchases of raw materials and payment to supplier. The purchaser in effect agrees to pay the supplier the amount required in accordance with credit terms normally stated on the suppliers' invoices (Gitman, 2006). One out of four authors (row 4 in Table 2.7) includes accounts payable management; therefore this technique will be used in this study.

In conclusion, from the discussion above, four techniques of working capital management will be discussed in this study. They are cash management, accounts receivable management, inventory management, and accounts payable management.

To conclude this section, there are six main components of financial management. These six components can be further broken down into twenty four techniques which will be discussed in this study.

2.4 Small and medium-scaled enterprises

The previous discussion on the components of financial management has shown there six components of financial management. Each component contains several techniques. Since we are interested in knowing the financial management techniques practiced by the SMEs, naturally we begin with a discussion on the components of financial management practiced by the SMEs. At the outset, it is important for us to define what constitutes an SME and to compare the definition of SMEs adopted in Malaysia with those in other countries.

Definition of SMEs in other countries

The definitions of SMEs are provided by various countries and the International Bank for Reconstruction and Development (World Bank). Some examples of SME definitions by the Asia Pacific Economic Cooperation countries are shown in Table 2.8. As the table illustrates, there is significant variations in the definitions. The number of employees is the most common measure, though many definitions also use a monetary measure (such as capitalization, or sales). Even with the number of employees there is considerable diversity; in most economies an SME is defined as having less than 100 employees (and even fewer in specific industries such as services or retail), but in some larger economies this ceiling is raised to 300 or even 500 employees.

Table 2.8: SME definitions in selected Asia Pacific Economic Cooperation (APEC) member countries

	A		B		C	
	Employees		Total assets (RM000,000)		Total annual sales (RM000,000)	
	Small	Medium	Small	Medium	Small	Medium
Australia	< 20	20 - 200				
Brunei	6 - 50	51 - 100				
Canada	50 - 100	51 - 500				
Chile	5 - 49	50 - 199			< 2.671	< 5.160
Indonesia	5 - 19	20 - 99	< 0.688	< 3.440	< 0.344	< 17.200
Korea	10 - 50	11 - 300				
Mexico	31 - 100	101 - 500				
Philippines	< 99	100 - 199				
Russian	10 - 99	100 - 500				
Singapore		< 200		< 34.017		
Thailand	< 50	50 - 200	< 2.305	< 11.524		
USA		< 500				< 17.200
Vietnam	< 30	31 - 200				
Average used in this study	< 50	<250	< 3.00	< 15.00	< 3.00	< 20.00

Sources: *Profile of SMEs and SME issues in APEC 1990 – 2000*
[\(\[www.apec.org/apec/publications/all_publications/small_medium_enterprise.html\]\(http://www.apec.org/apec/publications/all_publications/small_medium_enterprise.html\)\)](http://www.apec.org/apec/publications/all_publications/small_medium_enterprise.html)

Source: developed for this study

Therefore, what constitutes an SME seems to depend on the definition adopted. It is clear that different countries use different standards and different criteria to measure the size of firms. Therefore, it can be concluded that there has been no universally accepted definition of what a SME is (Hashim, 2005). However, we must realize that the distinction between micro, small, medium, or large is somewhat arbitrary. Therefore the real issue when we try to make comparisons across countries is that we are comparing equals with equals (APEC, 2000). Making comparisons thus requires comparable size classes. Unfortunately the size classes used differ across economies. Therefore, we must be cautious when comparing SMEs across countries.

Definition of SMEs in Malaysia

The definitions of SMEs by various government agencies and organizations in Malaysia show considerable differences as well. However, in general, SMEs in Malaysia are defined based on fixed quantitative criteria such as number of employees, amount of capital, amount of assets and sales turnover (Hashim and Abdullah, 2000).

An enterprise or a company has been classified as a SME according to different criteria and different standards by different organizations at one time or another. Even the same organization has changed its definition of an SME over the years. For example, earlier on, the Ministry of International Trade and Industry has defined an SME as an enterprise with assets or shareholders' funds of between RM500,000 to RM2.5 million or employ full time employees of between 5 to 100 persons. However, in 1998, recognizing the inadequacy of its previous definitions, the Ministry of International Trade and Industry redefined SMEs in the manufacturing sector to include companies with larger operating capacity. Under the new definition, an enterprise is classified as small if it employs less than 50 full time employees and has annual turnover of less than RM10 million. A medium-sized enterprise is a company which employs between 51 and 150 employees, with annual turnover of between RM10 million and RM25 million.

Other relevant bodies which has provided for the definition of SME through the years include the Coordinating Council for Development of Small-Scaled Industries (CCDSI), the Bank Negara Malaysia, and the Credit Guarantee Corporation Malaysia Berhad (CGCMB). In addition, other organizations have their own perceptions and definition

of what a SME is. For instance, the Ministry of Finance classifies SMEs in the manufacturing sector as those companies with a paid-up capital of not more than RM50 million (Hashim and Wafa, 2002). The former Bank Bumiputra revealed its perceptions of SMEs as firms with shareholders' funds of not exceeding RM10 million when it was offering loans to SMEs in the manufacturing sector in September 1998 (Hashim and Wafa, 2002).

Table 2.9 below illustrates the definitions of SMEs provided by various government agencies in Malaysia. As discussed above, there is considerable diversity in the standards used to define an SME.

In 2004, the National SME Development Council (SMIDEC) redefined SMEs into three broad categories based on types of industries. The newly revised definition of SMEs offered by the Council are summarized in Table 2.10. This definition is similar to the previous definition of SMEs from various agencies.

Table 2.9 Definitions of SMEs in Malaysia

Criteria	APEC definition	CCDSI	BNM	MITI	SMIDEC (Prior To June 9, 2005)	Definition of SME for this study
No. of employee (full time)	< 50 (Small) < 250 (Medium)			<50 (Small), 51 – 150 (Medium)	<50 (small), 51 – 75 (Medium)	<50(Small) <150(Med)
Annual sales turnover	RM< 3 m (Small) RM< 20 m (Medium)			<RM10 million (Small), RM10m – RM2.5m (Medium)		RM<10m (Small) RM<25m (Medium)
Fixed asset	RM< 3 m (Small) RM<15m (Medium)	<RM250,000 (Enterprises)				
Shareholders' fund		<RM250,000 (Enterprises)		<RM500,000 (Small), Between RM500,000 and RM2.5 million (Medium)		
Paid-up capital					<RM500,000 (Small) RM501,000 – RM2.5m (Medium)	

Key to Table:

APEC = Asia Pacific Economic Cooperation

CCDSI = Coordinating Council for Development of Small-Scaled Industries¹

BNM = Bank Negara Malaysia²

MITI = Ministry of International Trade and Industry

SMIDEC = Small and Medium-sized Industry Development Corporation

Source: developed for this study

¹ Acted on behalf of the Division of Small Enterprise in the Ministry of International Trade and Industry.

² Noted in Bank Negara Malaysia lending guidelines (and under the Industrial Coordination Act 1975 (Amendment 1986) and the Promotion of Investment Act 1986)

Table 2.10: New definitions of SMEs offered by the National SME Council (2004)

Industry	Micro	Small	Medium
Manufacturing, manufacturing-related services, and agro-based industries	Sales turnover of less than RM250,000 or 5 full time employees	Sales turnover of between RM250,000 and less than RM10 million or 5 to 50 full time employees	Sales turnover of between RM10 to RM25 million or 51 to 150 full time employees
Services, primary agriculture, and information and communication technology	Sales turnover of less than RM200,000 or less than 5 full time employees	Sales turnover of between RM200,000 and RM1 million or 5 to 19 full time employees	Sales turnover of between RM1 million to RM5 million or 20 to 50 fulltime employees

Source: Small and Medium Industries Development Corporation (SMIDEC), 2005

Source: developed for this study

Thus, the recent definition of the SMEs will be used in this study, as shown in Table 2.11.

Table 2.11: Definition of SMEs adopted in this study

Industry	Small		Medium	
	Employee	Sales	Employee	Sales
Manufacturing, manufacturing-related services, and agro-based industries	5 < Emp. < 50	RM250,000 < Sales < RM10 million	51 < Emp. < 150	RM10 < Sales < RM25 million
Services, primary agriculture, and information and communication technology	5 < Emp. < 19	RM200,000 < Sales < RM1 million	20 < Emp. < 50	RM1 million < Sales < RM5 million

Source: developed for this study

2.5 Financial management techniques practiced by SMEs

After discussing the SMEs definition, the study will discuss the component of financial management techniques used in the SMEs. Managing the day to day financial activities of a firm is a big challenge to any financial manager. In addition, he/she faces additional obstacles during changes in the economy. Because small businesses rely more heavily on short-term funding, this makes them more sensitive to macro-economic

changes (Poutziouris et al, 1998). The growing volatility of interest rates, the increasingly aggressive domestic and foreign competition, and inflation often presents the uninformed manager with financial management difficulties. These challenges mean that firms must place greater emphasis on financial control and effective forecasting techniques. Thus, the use of financial management techniques should not be viewed as a goal in itself, but as a vehicle for making sound financial decisions which will contribute to the financial health of a firm.

Prudent financial management is essential for business success. Prudent financial management brings numerous benefits to SMEs, such as better cash flow, easier access to finance, improved profitability, and reduced risks of failure. Available evidence suggests that the state of knowledge about financial management, and the exercise of financial controls and techniques, remains inadequate in small business (McMahon et al, 1991).

Table 2.12 below summarizes several empirical studies on financial management practices of SMEs all over the world. Studies on financial management of large firms are also included for comparison purposes.

Table 2.12: Financial planning and control technique used by SMEs

No.	Financial planning and control technique	A	B	Total	Selected for this study
1.	Financial budgets	✓	✓	2	✓
2.	Operating budgets	✓	✓	2	✓
	Total	2	2		2

Key to Table:

A = Components of Financial Management from Literature

B = McMahon, and Scott Holmes (1991)

Source: developed for this study

There are two techniques of financial planning and controls which have been discussed before in Table 2.2. Five authors include financial budget and operating budgets as techniques used. When compared with the study on SMEs in Table 2.12 only one author used this technique.

Table 2.13: Financial accounting techniques used by SMEs

No.	Financial accounting technique	A	B	C	D	Total	Selected for this Study
1.	Balance sheet	✓	✓	✓	✓	4	✓
2.	Income statement	✓	✓	✓	✓	4	✓
3.	Cash flow statement	✓		✓	✓	3	✓
	Total	3	2	3	3		3

Key to Table:

A = Components of Financial Management from Literature

B = McMahon and Holmes (1991)

C = Mc Mahon (2001)

D = DeThomas and Fredenberger (1985)

Source: developed for this study

Previously, three technique of financial accounting had been discussed before in Table 2.3 where two authors include balance sheet, income statement and cash flow statement as a technique. As for SMEs, Table 2.13 shows three authors used this technique.

Table 2.14: Financial analysis techniques used by SMEs

No.	Financial analysis technique	A	B	C	D	Total	Selected for this Study
1.	Current ratio	✓	✓	✓	✓	4	✓
2.	Quick ratio	✓	✓		✓	3	✓
3.	Operating profit margin	✓	✓		✓	3	✓
4.	Return on asset (ROA)	✓	✓	✓	✓	4	✓
5.	Return on equity (ROE)	✓	✓	✓	✓	4	✓
6.	Debt ratio	✓	✓	✓	✓	4	✓
	Total	6	6	4	6		6

Key to Table:

A = Components of Financial Management from Literature

B = Koyuncugil (2006)

C = Thomas and Evanson (1987)

D = Locke and Scrimgeour (2003)

Source: developed for this study

There are six technique of financial analysis which had been discussed earlier in Table 2.4. From the Table, it can be seen that five authors include six ratios. For SMEs, Table 2.14 shows that only three authors include this technique.

Table 2.15: Management accounting techniques used by SMEs

No.	Management accounting technique	A	B	Total	Selected for this Study
1.	Standard costing	✓	✓	2	✓
2.	Just in time (JIT)	✓		1	✓
3.	Activity based costing (ABC)	✓	✓	2	✓
4.	Balanced scorecard (BSC)	✓		1	✓
	Total	4	2		4

Key to Table:

A = Components of Financial Management from literature

B = Ghosh and Yoke (1997)

Source: developed for this study

There are four techniques of management accounting had been discussed earlier shown in Table 2.5. Five authors include standard costing, just in time, activity based costing and balanced scorecard as a technique. For SMEs, in Table 2.15 only one author includes this technique.

Table 2.16: Capital budgeting techniques used by SMEs

No.	Capital budgeting technique	A	B	C	D	Total	Selected for this Study
1.	Accounting rate of return (AROR)	✓		✓	✓	3	✓
2.	Payback period	✓	✓	✓	✓	4	✓
3.	Net present value	✓	✓	✓	✓	4	✓
4.	Profitability index	✓	✓		✓	3	✓
5.	Internal rate of return (IRR)	✓	✓	✓	✓	4	✓
Total		5	4	4	5		5

Key to Table:

A = Components of Financial Management from literature

B = Lazaridis (2004)

C = Filbeck and Lee (2000)

D = Ryan and Ryan (2002)

Source: developed for this study

There are five techniques of capital budgeting had been discussed earlier shown in Table 2.6. Six authors include this technique before. For SMEs, in Table 2.16 only three authors include this technique.

Table 2.17: Working capital management techniques used by SMEs

No.	Working capital management technique	A	B	C	D	Total	Selected for this Study
1.	Cash management	✓	✓	✓	✓	4	✓
2.	Account receivable management	✓	✓	✓	✓	4	✓
3.	Inventory management	✓	✓	✓		3	✓
4.	Account payable management	✓		✓		2	✓
	Total	4	3	4	2		4

Key to Table:

A = Components of Financial Management from literature

B = Cooley and Pullen (1979)

C = Khoury et al (1999)

D = McMahon and Holmes (1991)

Source: developed for this study

There are four techniques of working capital management which had been discussed earlier shown in Table 2.7. Four authors include this technique before. For SMEs, in Table 2.17 only three authors include this technique.

In conclusion, a comparison of the financial management techniques practiced by the SMEs to those practiced by other types of firms reveals no dissimilarity. The literature review also shows that few studies have been done on the area of financial management techniques practiced by the SMEs. Therefore, this study will fill in those gaps that exist in the area of financial management of SMEs.

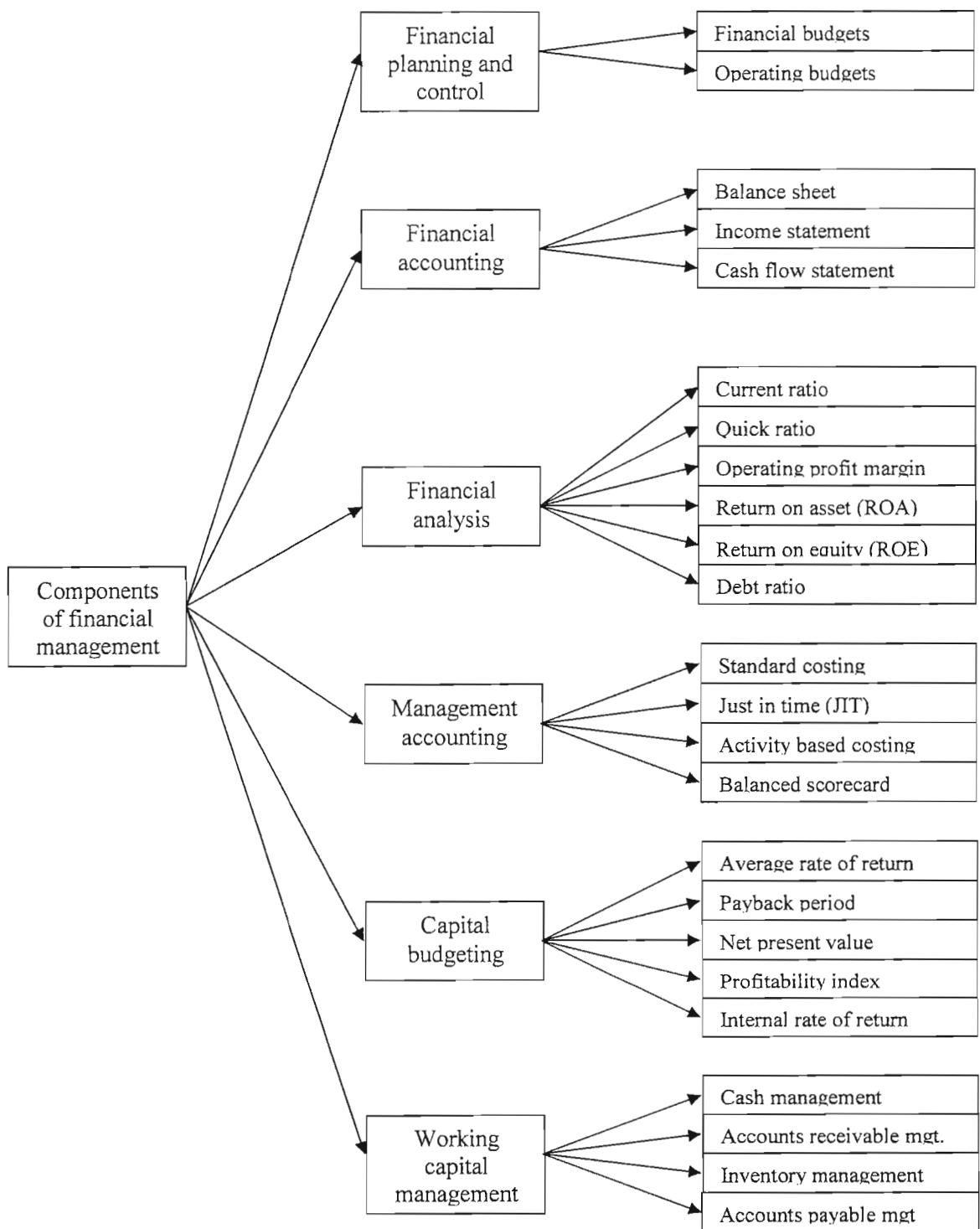
2.6 Conceptual framework

In the previous sections, we have discussed financial management components, followed by financial management tools of each component. Then we have presented the definitions of SMEs from the Malaysian and other countries' perspectives.

Afterwards, we have discussed the financial management techniques practiced by the SMEs.

From the previous discussions, we found that all six financial management components are important in the financial management techniques practiced by the SMEs. The six management components are financial planning and control, financial accounting, financial analysis, management accounting, capital budgeting, and working capital management. From that summary, a conceptual framework has been built (refer Figure 2.1). This theoretical framework will be used as a platform to investigate further the importance of financial management components used by the SMEs.

Figure 2.1: Six financial management components and techniques



Source: developed for this study

2.7 Research issues

The theoretical framework developed from the literature integrates the financial management components practiced by the SMEs and can be used to identify the research issues.

The first research issue is “What are the main components of financial management practiced by the SMEs?” This study will identify whether SMEs in Malaysia also use the components of financial management as cited by previous studies in their business operations. The second research issue is “What are the techniques of financial planning and control practiced by the SMEs?” This study will identify whether the SMEs in Malaysia also use the financial planning and control techniques as cited by previous studies in their business operations.

The third research issue is “What are the techniques of financial accounting practiced by the SMEs?” This study will identify whether the SMEs in Malaysia also use the financial accounting techniques as cited by previous studies in their business operations.

The fourth research issue is “What are the techniques of financial analysis practiced by the SMEs?” This study will identify whether the SMEs in Malaysia also use the financial analysis techniques as cited by previous studies in their business operations.

The fifth research issue is “What are the techniques of management accounting practiced by the SMEs?” This study will identify whether the SMEs in Malaysia also used the management accounting techniques as cited by previous studies in their

business operations. The sixth research issue is “What are the techniques of capital budgeting practiced by the SMEs?” This study will identify whether the SMEs in Malaysia also used the capital budgeting techniques as cited by previous studies in their business operations. The last research issue is “What are the techniques of working capital management practiced by the SMEs?” This study will identify whether the SMEs in Malaysia also used the capital structure techniques as cited by previous studies in their business operations.

2.8 Conclusion

This chapter has discussed the definition of financial management and its components and techniques. Then the definitions of SMEs from the Malaysian and other countries’ perspectives are presented. Afterwards, the financial management techniques practiced by the SMEs are discussed. Finally, based on the literature review, the conceptual framework and the research questions for this study were developed.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In chapter two, we have discussed the theoretical framework for identifying the techniques of financial management practiced by the SMEs in Malaysia. In this chapter, we will discuss in detail the research methodology used to conduct the study. This chapter is organized as follows: Section 3.2 gives the justification for the methodology chosen, section 3.3 describes the sampling procedure and data collection, and section 3.4 concludes the whole chapter.

3.2 Justification of the methodology

This study was carried out to investigate the kinds of financial management techniques being used by the SMEs in Malaysia. Consequently, the researcher has to gather primary data. To gather data on the financial management techniques being used by the SMEs, the researcher used structured interviews. The interview protocol was developed to be used in this study. The technique for data collection was through a questionnaire developed by the researcher. Lastly, the questionnaire was administered by the researcher via a face-to-face interview with respondents.

3.2.1 Definition of structured interview

As mentioned in the previous section, the researcher conducted the interview to gather data. Structured interview is also known as standardized interview (Mutchnick, 1995).

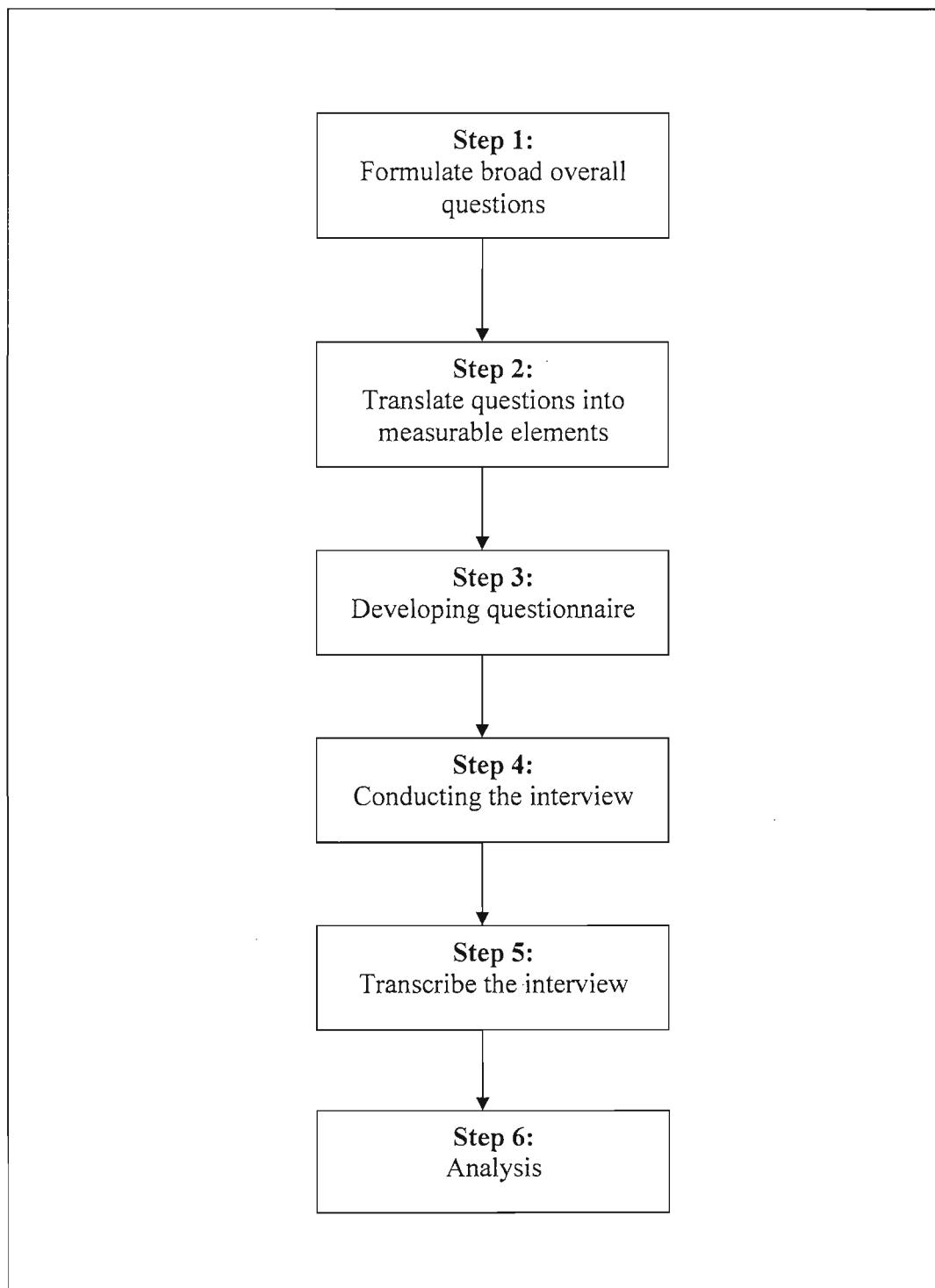
Structured interview is defined as having a fixed set of questions and involves asking candidates precisely the same questions with no deviation (Whetzel et al., 2003). In other words, the researcher follows exactly the structure of the questions laid out in the questionnaire during the interview.

This study used face-to-face structured interviews as the method for data collecting for three reasons. First, a face-to-face structured interview is preferred to mail survey or telephone interview because the researcher wanted to establish rapport with the respondents so that they will answer questions regarding their financial management more easily. During the interview, the researcher can ask the respondents to elaborate on their answers to find richer information on the SMEs. Second, a structured format is easier to translate and coded to be analyzed. Third, due to time constraint, the researcher could not afford to wait for responses from a mail survey, if this were used. Fourth, as McBurney (1998) notes, face-to-face interview has the highest response rate compared to other data collection methods, such as mail survey and others. Therefore, a face-to-face structured interview is chosen as the best and most efficient method for collecting data.

3.2.2 Designing a structured interview

In general, there are six steps involved in designing a structured interview, as shown in Figure 3.1.

Figure 3.1: Steps in conducting a structured interview



Source: developed for this study

Step 1: Formulate the broad overall questions

The researcher wanted to find answers to such questions as “Why is the study being undertaken?” and “What does the study aim to learn or determine?” Therefore the broad overall question of the interview was, “What kinds of financial management techniques are being practiced by the SMEs in Malaysia?”

Step 2: Translate the questions into measurable elements

To complete this task, the researcher had to look back at the specific research objectives, and measure the financial management techniques used by asking questions about each financial management components that are being practiced by the SMEs. According to Patten (2001), specific objectives will prevent the researcher from getting off track while developing the questionnaire.

For this study, the broad overall questions were translated into six main questions:

- What are the *financial accounting* techniques being used by the SMEs?
- What are the *financial planning and control* techniques used by the SMEs?
- What are the *financial analysis* techniques being used by the SMEs?
- What are the *management accounting* techniques used by the SMEs?
- What are the *capital budgeting* techniques being practiced by the SMEs?
- What are the *working capital management* techniques being used by the SMEs?

Step 3: Developing the questionnaire

To determine the contents of the questionnaire, several steps were followed:

a. Identify the sections of the questionnaire

First, the researcher outlined the most important objectives of the study. Second, the researcher listed under each objective the types of information directly relevant and necessary in meeting the objectives. Lastly, the researcher rearranged and organized the list into separate sections of the questionnaire.

b. Formulate the questions

After identifying the sections of the questionnaire, the researcher formulated individual questions to gather the specific pieces of information needed. To compose appropriate questions, the researcher followed closely to the established objectives. This is done to avoid including unnecessary questions which will make the questionnaire longer (Patten, 2001). The researcher used a mix of open and closed-ended questions in the questionnaire. However, most of the questions were closed-ended (multiple-choice form) since close-ended questions are easier to code and analyze, which are an important consideration, due to the time and manpower constraints faced by the researcher.

Step 4: Administering the questionnaire

The study used face-to-face interviews to administer the questionnaire. As noted earlier, face-to-face interview has the highest response rate compared to other data collection methods, such as mail survey and others (McBurney, 1998). Therefore, the researcher employed the face-to-face interview in administering the questionnaire. This was done

to ensure that the researcher obtained all the 30 responses needed for the study in the shortest time possible.

Step 5: Transcribing the interview

After all the questionnaires were filled up, the data from the questionnaire were coded and typed directly into Microsoft Excel master sheet.

Step 6: Analysis

After all data from the questionnaires had been transferred into Microsoft Excel, the frequencies and percentages of the respondents for each main component and twenty four techniques of financial management were calculated.

3.2.3 The sampling process

The population of the study was defined as the small and medium sized enterprises or SMEs in Malaysia. From this population, the researcher took a sample of SMEs or a smaller collection of SMEs selected from the population. To decide on a sample, the researcher first consulted the list in the SMIDEC website and printed the SMEs located in the Kubang Pasu and Kota Setar districts. However, when the researcher tried to contact the companies through telephone, some of them could not be contacted. There were only six companies from the SMIDEC list which were successfully interviewed. Therefore, to get a bigger sample, the researcher went to the Kedah Development Authority (KEDA) headquarter at the Pekan Rabu building in Alor Setar. With their assistance, the researcher managed to get other listings of SMEs. The researcher also

went to find SMEs addresses from the KEDA office in Napoh, Jitra. Further information from a respondent led the researcher to an industrial estate in Mergong Barrage managed by the SME Bank. Overall, the areas where the SMEs interviewed are located are as follows:

1. KEDA SMEs Industrial Estate in Napoh, Jitra.
2. MARA Business and Industrial Premises in Mergong, Alor Setar.
3. MARA Business Arcade, Jitra
4. SMEs Industrial Estate, Sungai Korok, Jitra.
5. Mergong Barrage Industrial Estate, in Mergong, Alor Setar (assistance provided by SME Bank).

The selected SMEs were then contacted by telephone to obtain permission to interview and to set up an interview date. The purpose of the research was also described and explained to them over the telephone. Later, face-to-face interviews were conducted in early May 2007. Most of the interviewee was the owner or the general manager of the SMEs themselves. So they are in command of all the financial information of their firms. Most of the interviews lasted about 20 minutes. The questionnaires were then analyzed later in the same month.

3.3 Conclusion

This chapter has discussed in detail the methods which were used in data collection. To summarize, the researcher used a structured interview as the main method for gathering primary data for the study. The data collection technique was through a questionnaire

developed by the researcher. The questionnaires were then administered through a face-to-face interview by the researcher to the SMEs selected earlier.

CHAPTER FOUR

DATA ANALYSIS

4.1 Introduction

Chapter 3 has described how the data for the study was gathered. This chapter will report and discuss the study's findings based on the data gathered. The results obtained from the analysis have answered seven research issues highlighted in chapter two. The rest of the chapter is organized as follows: Section 4.2 discusses the data analysis and section 4.3 gives a concluding remark for the whole chapter.

4.2 Analyses of the research findings

As mentioned in the methodology chapter, structured questions were developed for the questionnaire-based interview. The questions were developed so that assessment could be made of the framework of the financial management techniques practiced by the SMEs in Malaysia. The study intends to find the answers to the seven research issues developed in chapter 2 which are:

1. “What are the main components of *financial management* practiced by the SMEs?”
2. “What are the techniques of *financial planning and control* practiced by the SMEs?”
3. “What are the techniques of *financial accounting* practiced by the SMEs?”
4. “What are the techniques of *financial analysis* practiced by the SMEs?”
5. “What are the techniques of *management accounting* practiced by the SMEs?”
6. “What are the techniques of *capital budgeting* practiced by the SMEs?”

7. "What are the techniques of *working capital management* practiced by the SMEs?"

To address these research issues, the data gathered from the structured interview were analyzed. Answers from each respondent were tabulated using Word Excel to find the frequencies and percentages. These frequencies and percentages were then presented in table form.

4.3. Demographic characteristics of the respondents

The demographic background of the respondents is illustrated in Table 4.1. The table presents the characteristics of each individual SME. From the table, in terms of the SMEs' registration status, 46.7 percent were registered as corporations; another 40 percent were sole proprietorship while only 13.3 percent were registered as a partnership. Most of these enterprises or 90 percent of these enterprises were privately-owned while another 10 percent were subsidiaries. All of the respondents were companies owned by bumiputeras.

Most of the companies were involved in manufacturing (43.4 percent). The rest were involved in services (30 percent), food and beverages (23.3 percent), or electrical products (3.3 percent). Meanwhile, 80 percent of the companies produced multiple products while only 20 percent produced a single product.

Table 4.1: Demographic characteristics of the respondents (n = 30)

	Frequency	Percent
Registration status		
Sole proprietorship	12	40.0
Partnership	4	13.3
Corporation	14	46.7
Type of ownership		
Own ownership	27	90.0
Subsidiary	3	10.0
Business status		
Bumiputera	30	100.0
Type of business		
Electrical product	1	3.3
Food and beverage	7	23.3
Services	9	30.0
Manufacturing	13	43.4
No. of products		
One	6	20.0
Many	24	80.0
No. of employees		
Between 5 – 50	26	86.6
Between 51 – 150	2	6.7
More than 150	2	6.7
Volume of sales		
Below 250,000	12	40.0
Between 250,000 – 10 million	17	56.7
Between 10 million – 25 million	1	3.3
Firm ages		
Between 1 – 5 year	9	30.0
Between 6 – 10 year	10	33.3
Between 11 – 15 year	7	23.3
More than 15 year	4	13.4

Source: developed for this study

In terms of the number of employees, most of these companies had between 5 and 50 employees (86.6 percent). Only a small number of companies (6.7 percent) had between 51 and 150 employees while another 6.7 percent had more than 150 employees. Most of the companies (56.7) recorded annual sales of between RM250,000 and RM10 million. Another 40 percent recorded annual sales below RM250,000 while another 3.3 percent had between RM10 million and RM25 million sales annually. In terms of years of operations, 30 percent of the companies had been in operations between 1 and 5 years, 33.3 percent were between 6 and 10 years, 23.3 percent were between 11 and 15 years, and 13.4 percent were more than 15 years.

In conclusion, most SMEs interviewed are registered as corporation, have some kind of ownership, and all bumiputra-owned. Most are involved in manufacturing, producing multiple products, employing between 5 – 50 employees. Their volume of sales are mostly between RM250,000 to 10 million. Most of them are in operation between 6 and 10 years.

4.4. Research Findings

In this section, discussion on answers to the seven research questions will be presented.

The first research question is “What are the main components of *financial management* practiced by the SMEs?” Six questions were asked to respondents to identify the main component of financial management practiced by the SMEs in Malaysia. These questions were built to answer research issue 1 developed in chapter 2. Table 4.2

presents the findings of the component of financial management practiced by the SMEs in Malaysia.

Table 4.2: Financial management components (n = 30)

No	Component	Frequency	Percent
1.	Financial planning and control		
	Yes	20	66.7
	No	10	33.3
2.	Financial accounting		
	Yes	30	100.0
3.	Financial analysis		
	Yes	11	36.7
	No	19	63.3
4.	Management accounting		
	Yes	15	50.0
	No	15	50.0
5.	Capital budgeting		
	Yes	2	6.7
	No	28	93.3
6.	Working capital management		
	Yes	30	100.0

Source: developed for this study

The first component is *financial planning and control* (row 1 in Table 4.2). Based on the table, more than half of the respondents (66.7 percent) used this component, which implies that this component is important in the financial management of the SMEs surveyed. Therefore, this finding confirms that financial planning and control is an important component and hence answers the first research question.

The second component is *financial accounting* (row 2 in table 4.2). All of the respondents (100 percent) answered “Yes” to this question. The responses showed that this component is very important in the financial management of the SMEs in Malaysia. Thus, this finding confirms financial accounting as an important component of financial management and also answered research issue 1.

The third component is *financial analysis* (row 3 in table 4.2). From table 4.2, it can be seen that only 11 respondents (36.7 percent) used this component while another 19 respondents (63.3 percent) did not carry out any financial analysis of their firms' performance. Therefore, it can be seen that financial analysis is not an important component practiced by the SMEs in Malaysia. This also answers research issue 1.

The fourth component is *management accounting* (row 4 in table 4.2). Half of the respondents (50 percent) surveyed answered “Yes” while the other half answered No. Therefore, from the data, it appears that this component of financial management is not an important component of financial management practiced by the SMEs in Malaysia. This finding also answers research issue 1.

The fifth component is *capital budgeting* (row 5 in table 4.2). Only 2 respondents (6.7 percent) used this component and 28 of the respondents (93.3 percent) did not practice capital budgeting at all. Therefore, the finding shows that capital budgeting is not an important component of financial management practiced by the SMEs in Malaysia. This finding answers research issue 1.

The last component is *working capital management* (row 6 in table 4.2). All of the firms (100 percent) answered that they used working capital management. Therefore, the result of the survey shows that this component is an important component of financial management practiced by the SMEs in Malaysia. This finding answers research issue 1.

In conclusion from the findings, it can be concluded that *financial planning and control*, *financial accounting*, and *working capital management* are the three financial management components usually practiced by the SMEs in Malaysia. This is because the data shows that a high percentage of the SMEs interviewed used these components in their operations. Meanwhile, the findings show that *financial analysis*, *management accounting*, and *capital budgeting* are practiced by a small number of SMEs in Malaysia. Perhaps the SMEs do not use these components because they do not have the necessary knowledge and expertise or they do not think it is important for their company.

The second research question is “What are the techniques of *financial planning and control* practiced by the SMEs?” From Table 4.3, it can be seen that those who are practicing financial planning and control said that they prepared both *financial budgets* and *operating budgets*.

Table 4.3: Financial planning and control techniques (n =30)

No.	Techniques	Frequency	Percent
1.	Techniques used		
	Financial budgets	20	66.7
	Operating budgets	20	66.7
2.	Techniques of financial budgets		
	Cash budget	15	50.0
	Trial balance budget	8	26.7
	Cash flow budget	13	43.3
	Capital expenditure budget	4	13.3
3.	Techniques of operating budgets		
	Sales budget	15	50.0
	Production budget	14	46.7
	Direct material budget	9	30.0
	Direct labor budget	7	23.3
	Overhead budget	10	33.3

Source: developed for this study

With respect to techniques of financial budgets, half of the respondents prepare cash budget (50 percent), while the remaining SMEs under study either use trial balance budget (26.7 percent), cash flow budget (43.3 percent), or capital expenditure budget (13.3 percent).

With regard to techniques of operating budgets, half of the surveyed firms prepare sales budget (50 percent), while the rest either prepare production budget (46.7 percent), direct material budget (30 percent), direct labor budget (23.3 percent) or overhead budget (33.3 percent),

As a conclusion, this finding confirms that financial planning and control techniques are being applied by the SMEs and hence the second research issue is answered. The

findings also show that cash budget, cash flow budget, sales budget, production budget, and overhead budget are the techniques being most practiced by the SMEs. Other tools such as trial balance budget, capital expenditure budget, direct material budget, and direct labour budget were used by a smaller number of SMEs in Malaysia.

The third research issue is “What are the techniques of *financial accounting* practiced by the SMEs?” Table 4.4 shows that for the financial accounting techniques, all of the SMEs (100 percent) practiced the three techniques which are profit and loss account, balance sheets, and cash flow statement.

Table 4.4: Financial accounting techniques (n =30)

No.	Technique	Frequency	Percent
1.	Financial accounting techniques:		
	Profit and loss account	30	100.00
	Balance sheets	30	100.00
	Cash flow statement	30	100.00

Source: developed for this study

From the findings, it can be concluded that all three techniques of financial accounting are being practiced by the all of the SMEs in the survey. Hence, the third the research issues was answered.

The fourth research issue is “What are the techniques of *financial analysis* practiced by the SMEs?” From table 4.5, it is apparent that when asked whether they carried out any financial ratio analysis, 33.3 percent of the firms said that they carried out operating profit margin and debt ratio analysis, 30 percent carried out current ratio and quick ratio

analysis, 26.7 percent of the SMEs carried out return on assets (ROA) analysis, and 20 percent carried out return on equity (ROE) analysis.

Table 4.5: Financial analysis techniques (n =30)

No.	Technique	Frequency	Percent
1.	Financial analysis techniques:		
	Current ratio	9	30.0
	Quick ratio	9	30.0
	Operating profit margin	10	33.3
	Return on assets (ROA)	8	26.7
	Return on equity (ROE)	6	20.0
	Debt ratio	10	33.3

Source: developed for this study

From the findings, it can be seen that only a small percentage of the firms carry out the financial ratios listed as important tools of financial analysis. This finding shows that this technique was not practiced by a high number of SMEs in the survey.

The fifth research issue is “What are the techniques of *management accounting* practiced by the SMEs?” Table 4.6 shows that with regards to the management accounting methods used, 26.7 percent practiced just in time costing, 20 percent of the firms practiced activity based costing (ABC), while another 6.7 percent practiced standard costing. None of the firms surveyed practiced balanced scorecard (BSC).

Table 4.6: Management accounting techniques (n = 30)

No.	Techniques	Frequency	Percent
1.	Cost management techniques:		
	Standard costing	2	6.7
	Just in time (JIT)	8	26.7
	Activity based costing (ABC)	6	20.0
	Balanced scorecard (BSC)	0	0.0

Source: developed for this study

From the findings, it can be seen that a small percentage of the firms practiced management accounting techniques.

The sixth research issue is “What are the techniques of *capital budgeting* practiced by the SMEs?” Table 4.7 shows that both firms which practiced capital budgeting used the net present value method only. No responses were recorded for other methods such as average rate of return, payback period, profitability index, and internal rate of return.

Table 4.7: Capital budgeting techniques (n= 30)

No.	Techniques	Frequency	Percent
1.	Capital budgeting techniques:		
	Average rate of return	0	0.0
	Payback period	0	0.0
	Net present value	2	6.7
	Profitability index	0	0.0
	Internal rate of return	0	0.0

Source: developed for this study

From the table, it can be seen that only a small percentage of the firms practiced capital budgeting in their operations.

The last research issue is “What are the techniques of *working capital management* practiced by the SMEs?” From table 4.8, it can be seen that 100 percent of the firms practiced cash management, 96.7 percent practiced inventory management, 93.3 percent practiced accounts payable management, and 73.3 percent practiced accounts receivable management.

With regards to the *cash management method*, all firms (100 percent) practiced investment cash surplus and controlling cash. For the *investment cash surplus*, only two methods were practiced by the firms, i.e. investing the surplus cash in current account (16.7 percent) and investing the cash back as capital (83.3 percent). As for the method of *controlling cash*, most firms deposited the cash on the same day it was collected (86.7 percent), used lock box system (13.3 percent), paid supplier early and obtained discount (13.3 percent), while 40 percent paid at the end of the period (terms).

For *accounts receivable management*, the criteria used by all the firms to give credit to customers were the five C’s of credit (100 percent). Credit scoring assessment was not used by any of the firms (0 percent). As for *inventory management (techniques replenishing inventory)*, 48.3 of the firms chose “Others” (specifically stock card) as their techniques of replenishing inventory. The second highly used technique is just in time (JIT) with 36.7 percent of the firm choosing this option. The third mostly used technique is reorder point (13.3 percent) while 6.7 used first in first out (FIFO). Just 3.3 percent of the firms used economic order quantity (EOQ).

The last question for this section was *accounts payable management*. The question was whether the firms take advantage of cash discount from suppliers. Almost half of the firms (46.7 percent) did not take advantage of cash discount while another 40 percent always took discounts. Meanwhile another 13.3 percent rarely took discounts.

From the findings, it can be concluded that all four techniques of working capital management being practiced by a large percentages of the SMEs in the survey. Thus, the last research issue was answered.

Table 4.8: Working capital management techniques (n =30)

		Frequency	Percent
1.	Working capital management techniques:		
	Cash management	30	100.0
	Accounts receivable management	22	73.3
	Inventory management	29	96.7
	Accounts payable management	28	93.3
2.	Cash management techniques :		
	Investment cash surplus	30	100.0
	Controlling cash	30	100.0
3.	Investment cash surplus:		
	Current account	5	16.7
	Treasury bills	0	0.0
	Ordinary shares	0	0.0
	Certificates of deposits	0	0.0
	Other (Capital)	25	83.3
4.	Controlling cash :		
	Cash deposit on the same day	26	86.7
	Used lock box system	4	13.3
	Pay early and get discount	4	13.3
	Pay at the end of period (terms)	12	40.0
5.	Accounts receivable management : (Techniques to give credit)		
	The five C's of credit	22	73.3
	Credit scoring	0	0.0
6.	Inventory management : (Techniques replenishing inventory)		
	Economic order quantity (EOQ)	1	3.3
	Reorder point	4	13.3
	Just in time (JIT)	11	36.7
	First in first out (FIFO)	2	6.6
	Others (stock card)	14	48.3
7.	Account payable management : (Cash discount from suppliers)		
	Always (pay cash)	12	40.0
	Rarely	4	13.3
	No (credit term)	14	46.7

Source: developed for this study

4.5. Characteristics analysis

The last section of the questionnaire is regarding the characteristics of the individual responding to the structured interview. The results are presented in table 4.9.

Tables 4.9: Characteristics of the respondents (n =30)

No.	Characteristics	Frequency	Percent
1. Position :			
General manager (owner)	16	53.3	
Deputy manager	1	3.3	
Account executive	5	16.7	
Account assistant	2	6.7	
Financial officer	2	6.7	
Others	4	13.3	
2. Level of education :			
Degree	9	30.0	
Diploma / STPM	11	36.7	
School certification	10	33.3	
3. Financial staff :			
1	17	56.7	
2	9	30.0	
More than 2	4	13.3	
4. Accounting record :			
Manual	13	43.3	
Computer	23	76.7	
5. Financial report prepared :			
Own (company staff)	14	46.7	
External (audit firm)	20	66.7	

Source: developed for this study

Question 1 asked about the position of the respondents in the firm. Most of the respondents were general managers (or owners themselves) (53.3 percent). Other respondents were accounts executives (16.7 percent), accounts assistant (6.7 percent),

financial officer (6.7 percent), and deputy manager (3.3 percent). For the “Others” option, these include clerks.

Question 2 is about the level of the education of the respondents. Degree holders made up 30 percent of the respondent, 36.7 percent were STPM or diploma holders, and another 33.3 percent had received secondary school education.

Question 3 is regarding the number of staff in the finance section. More than half of the firms or 56.7 percent had only one person in charge of finance. Further enquiries revealed that this person was the general manager or the owner himself. Another 30 percent of the firms had 2 people working in the finance section. Only 13.3 percent of the firms had more than 2 people in the finance section.

As for the accounting record (Question 4), most firms (76.7 percent) used a computer package while 46 percent of the firms record it manually.

Question 5 asked whether the financial reports are prepared internally or externally. More than sixty percent, (66.7 percent) of the firms contracted this job out to external firms. For 46.7 percent of the firms, the reports were prepared by company employees.

In conclusion, most of the respondents are the owner or the general manager of the company. The respondents are about equally divided into degree holder, diploma holder, and school certification holder. Most of the companies had only one finance

person. Most use computerized method for recording their accounts transactions. Most of them had their financial report prepared by external audit firms.

4.6 Conclusion

To summarize, this chapter has reported the study's findings. From the analysis done, we conclude the following. First, all six financial management components found in the literature - financial planning and control, financial accounting, working capital management, management accounting, financial analysis, and capital budgeting - were practiced by the SMEs in Malaysia. However, only three components were practiced by a large percentage of the SMEs. These components are financial planning and control, financial accounting, and working capital management. This conclusion is based on the high number of responses for these components. The other three components are being practiced by a small number of the SMEs in the survey. These components are financial analysis, management accounting, and capital budgeting. The next chapter will conclude this research by comparing the findings of this chapter with the literature.

CHAPTER FIVE

DISCUSSION AND CONCLUSION

5.1 Introduction

This study was designed to address the research question: *What are the financial management techniques practiced by the SMEs in Malaysia?* To investigate this research problem, this study was divided into five stages and the results from each stage are then presented in five chapters in this thesis. Chapter 1 presents the problem statement, objectives, and limitations. Chapter 2 synthesizes previous studies on SMEs to examine the current progress in the area and to reveal gaps in the literature so that the researcher can highlight the contribution of the present study. Chapter 3 documents the methodology used to gather data for the study. Chapter 4 presents the findings from the data analysis. Finally, chapter 5 provides the conclusion, implication, and recommendation for further work on this topic.

5.2 Conclusion about the research issues

This section summarizes the main concepts raised in the literature review for each of the research issues and compares these to the findings of this research. The purpose of the comparison is to highlight the contributions of this study in identifying the main financial management components and the financial management techniques practiced by SMEs in Malaysia. In this section, the discussion on the six financial management

components and their sub-components will be carried out to answer the seven research issues in this study.

5.2.1 Research issue 1: What are the main components of financial management techniques practiced by the SMEs in Malaysia?

Research issue 1 intends to find out the main components of financial management currently used by SMEs in Malaysia.

Conclusion 1: financial planning and control. The first conclusion is about financial planning and control as a technique used by the SMEs in financial management. The literature has identified financial planning and control as a tool of financial management of the SMEs (Byun et al, 2003; Kumar, 2007; McNamara, 1997; Muhammad El-Ebaishi et al, 2003; ZeZhong et al, 2006). This technique is important because studies have shown that planning processes that are well developed, properly implemented, and controlled will contribute to a firm's success (see Robinson, 1982; Bracker et al, 1988).

The finding of this study is parallel with other previous studies which found that financial planning and control is a tool of financial management of the SMEs. In the present survey, 66.7 percent of the respondents reported that they are currently using financial planning and control. The result answers research issue 1 and supports other previous studies. Therefore, this component can be regarded as a core component of financial management for SMEs.

Conclusion 2: financial accounting. The second conclusion is concerned with financial accounting as a technique used by the SMEs in financial management. The literature has identified financial accounting as a technique in financial management of the SMEs (Kumar, 2007; McNamara, 1997). Financial accounting is important because it collects, measures, and communicates financial information about an organization (Welsch et al, 1984).

This study found that 100 percent of the respondents practiced financial accounting. Therefore, this finding answers research issue 1 and provide support for previous studies. So this component can be regarded as a core component of financial management for SMEs.

Conclusion 3: financial analysis. The third conclusion is about financial analysis as a technique used by the SMEs in financial management. The literature has identified financial analysis as a technique of financial management of the SMEs (Kumar, 2007; McNamara, 1997; Moore and Reichert, 1983; Osteryoung et al, 1992). This technique is important because information from business accounting records act as signals that decisions are needed and provide information which can be used in actually making the decision (Thomas and Evanson, 1987).

The results from the present study show that 63.3 percent of the respondents did not practice financial analysis. Only 36.7 percent carried out financial analysis in their

firms. Therefore, this component cannot be regarded as a core component but only as a supplementary component.

Conclusion 4: management accounting. The fourth conclusion is about management accounting as a technique used by the SMEs in financial management. The literature has identified management accounting as a technique of financial management of the SMEs (Kumar, 2007; Muhammad El-Ebaishi et al, 2003; ZeZhong et al, 2006). This technique is important because management accounting has two simultaneous objectives, first, transmission of information to help reach wise economic decisions, and second, to motivate users toward organizational goals (Horngren, 1995).

The finding of this study shows that 50 percent of the respondents practiced management accounting while the rest did not. Therefore, this component can be regarded as a supplementary component in the financial management of the SMEs.

Conclusion 5: capital budgeting. The fifth conclusion is about capital budgeting as a technique used by the SMEs in financial management. The literature had identified capital budgeting as a technique of financial management of the SMEs (Byun et al, 2003; Gilbert and Reichert, 1995; Kumar, 2007; Moore and Reichert, 1983; ZeZhong et al, 2006).

The results of the survey show that 93.3 percent of the respondents did not practice capital budgeting. Therefore, this finding indicates that this component is a supplementary component in the financial management of the SMEs.

Conclusion 6: working capital management. The sixth conclusion is about working capital management as a technique used by the SMEs in financial management. The literature has identified working capital management as a technique of financial management of the SMEs (Byun et al, 2003; Gilbert and Reichert, 1995; Moore and Reichert, 1983).

The finding of the survey indicates that this component is practiced by all of the respondents. Therefore, it shows that this component is a core component in the financial management of the SMEs.

Summary of the conclusion for research issue 1

To summarize, three components of financial management were found to be the components practiced by most of the SMEs surveyed. These factors are financial planning and control, financial accounting, and working capital management. Therefore, they are regarded as core component of financial management of the SMEs. The other three factors, financial analysis, management accounting, capital budgeting, are practiced by only a small percentage of the SMEs. Therefore, they are regarded as supplementary component of financial management of the SMEs.

5.2.2 Research issue 2: What are the financial planning and control techniques practiced by the SMEs?

Two conclusions can be made from the findings about research issue 2.

Conclusion 1: Financial budgets. The literature has identified financial budgets as a technique of financial planning and control (Byun et al, 2003; Gloy and LaDue, 2003; Maliah Sulaiman et al, 2004; McNamara, 1997; Muhammad El-Ebaishi et al, 2003).

The results from the survey show that 66.7 percent of the firms state that they prepare financial budgets. Therefore, this finding answers research issue 2 and provides support to the previous studies.

Conclusion 2: Operating budgets. The literature has identified operating budgets as a technique of financial planning and control (Byun et al, 2003; Maliah Sulaiman et al, 2004; McNamara, 1997; Muhammad El-Ebaishi et al, 2003; ZeZhong et al, 2006).

The finding shows that 66.7 percent of the respondents used operating budgets. Therefore, the finding of this study is parallel with previous studies which found that operating budget is one of the techniques of financial planning and control. Therefore, this conclusion answers research issue 2 and provides support for previous studies on financial planning and control of SMEs.

Summary of the conclusion for research issue 2

Financial budgets and operating budgets are two financial planning and control techniques practiced by the SMEs surveyed.

5.2.3 Research issue 3: What are the financial accounting techniques practiced by the SMEs?

Three conclusions can be made from the findings of the study.

Conclusion 1: balance sheets. The first conclusion for research issue 3 is concerned with the balance sheets as a financial accounting technique. The literature shows that balance sheet is a financial accounting technique (Kumar, 2007; McNamara, 1997).

The finding from the study shows that all firms surveyed (100 percent) use balance sheets as a financial accounting technique. This result answers research issue 3 and provides support for previous studies.

Conclusion 2: income statement. The second conclusion for research issue 3 is concerned with the income statement as a financial accounting technique. This technique has been listed by previous studies (Kumar, 2007; McNamara, 1997).

The finding of the study shows that all firms surveyed in this study (100 percent) prepare this statement. This result answers research issue 3 and lends support for previous studies.

Conclusion 3: cash flow statement. The third conclusion for research issue 3 is concerned with the cash flow statement as a financial accounting technique. This technique has been listed by previous studies (Kumar, 2007; McNamara, 1997).

The finding of the study shows that all firms surveyed in this study (100 percent) prepare this statement. This result answers research issue 3 and provides support for previous studies.

Summary of the conclusion for research issue 3

Balance sheets, income statement, and cash flow statement are the three techniques of financial accounting practiced by the SMEs surveyed.

5.2.4 Research issue 4: What are the financial analysis techniques practiced by the SMEs?

Six conclusions can be made from the findings.

Conclusion 1: current ratio. The first conclusion for research issue 4 is concerned with the current ratio as a technique in financial analysis for the SMEs. This technique

has been identified in the literature as one of the techniques for financial analysis (Gombola and Ketz, 1983; Moore and Reichert, 1983; Osteryoung et al, 1992; Singh and Schmidgall, 2002; Walker and Petty, 1978).

The findings of the survey indicate that only 30 percent of the firms apply this technique. This result answers research issue 4; however, this technique is regarded as a supplementary technique and not a core technique.

Conclusion 2: quick ratio. The second conclusion for research issue 4 is regarding the quick ratio as a technique in financial analysis for the SMEs. The quick ratio has been identified in the literature as one of the technique of financial analysis (Gombola and Ketz, 1983; Moore and Reichert, 1983; Osteryoung et al, 1992; Singh and Schmidgall, 2002).

The results of the survey show that only 30 percent of the firms apply the quick ratio in their analysis. This finding answers research issue 4; however, this technique is regarded as a supplementary technique and not a core technique.

Conclusion 3: operating profit margin. The third conclusion for research issue 4 is regarding the operating profit margin as a technique in financial analysis for the SMEs. The operating profit margin has been identified as one of the technique of financial analysis in the literature (Gombola and Ketz, 1983; Moore and Reichert, 1983; Osteryoung et al, 1992; Singh and Schmidgall, 2002; Walker and Petty, 1978).

The findings of the survey show that 33.3 percent of the firms apply the operating profit margin in their analysis. This result answers research issue 4; however, this technique is regarded as a supplementary technique and not a core technique.

Conclusion 4: return on assets (ROA). The fourth conclusion for research issue 4 is concerned with the return on assets as a technique in financial analysis for the SMEs. The return on assets has been identified as one of the technique of financial analysis in previous studies (Gombola and Ketz, 1983; Moore and Reichert, 1983; Osteryoung et al, 1992; Singh and Schmidgall, 2002; Walker and Petty, 1978).

The findings of the survey show that 26.7 percent of the firms use the return on assets in their analysis. This result answers research issue 4, however, this technique is regarded as a supplementary technique and not core technique.

Conclusion 5: return on equity (ROE). The fifth conclusion for research issue 4 is about the return on equity as a technique in financial analysis for the SMEs. The return on equity has been identified as one of the technique of financial analysis in previous studies (Gombola and Ketz, 1983; Moore and Reichert, 1983; Osteryoung et al, 1992; Singh and Schmidgall, 2002).

The results of the survey show that 20 percent of the firms use the return on equity in their analysis. This finding answers research issue 4; however, this technique is regarded as a supplementary technique and not core technique.

Conclusion 6: debt ratio. The last conclusion for research issue 4 is regarding the debt ratio as a technique in financial analysis for the SMEs. The debt ratio has been found to be one of the techniques of financial analysis in past studies (Gombola and Ketz, 1983; Moore and Reichert, 1983; Singh and Schmidgall, 2002; Walker and Petty, 1978).

The findings of the study show that 33.3 percent of the firms apply the debt ratio in their analysis. This result answers research issue 4; however, this technique is regarded as a supplementary technique and not core technique.

Summary of the conclusion for research issue 4

The results from this study shows that a small percentage of the firms surveyed use the financial analysis techniques. Therefore, these techniques are considered as supplementary techniques and not core techniques.

5.2.5 Research issue 5: What are the management accounting techniques practiced by the SMEs?

Four conclusions can be made from the results.

Conclusion 1: standard costing. The first conclusion for research issue 5 is regarding standard costing as a technique in management accounting for the SMEs. The literature shows that this technique is used by the SMEs (Maliah Sulaiman et al, 2004; Muhammad El-Ebaishi et al, 2003; ZeZhong et al, 2006).

The survey results indicate that only 6.7 percent of the firms apply management accounting techniques. This finding answers research issue 5. However, it is considered as a supplementary technique.

Conclusion 2: just in time (JIT). The second conclusion for research issue 5 is regarding the just in time costing as a technique in management accounting for the SMEs. The JIT costing has been identified as one of the technique of management accounting in previous researches (Maliah Sulaiman et al, 2004; Muhammad El-Ebaishi et al, 2003; Normah Omar et al, 2004; Waweru et al, 2004; ZeZhong et al, 2006).

The findings of the survey show that 26.7 percent of the firms apply the just in time costing. This finding confirms research issue 5 but this technique is considered as supplementary and not core technique.

Conclusion 3: activity based costing (ABC). The third conclusion for research issue 5 is concerned with the ABC costing as a technique in management accounting for the SMEs. The ABC costing has been identified as one of the technique of management accounting in previous studies (Muhammad El-Ebaishi et al, 2003; Normah Omar et al, 2004; Waweru et al, 2004).

The findings of the study indicate that 20.0 percent of the firms apply the activity based costing. Therefore, it answers research issue 5 but this technique can be considered as a supplementary and not core technique.

Conclusion 4: balanced scorecard (BSC). The fourth conclusion for research issue 5 is regarding the balanced scorecard costing as a technique in management accounting for the SMEs. The activity based costing has been identified as one of the technique of management accounting in previous studies (Normah Omar et al, 2004; Waweru et al, 2004).

The findings of the survey show that none (0 percent) of the firms apply the balanced scorecard costing in their analysis. Therefore, this technique is *eliminated* as a technique applied by the SMEs.

Summary of the conclusion for research issue 5

The findings of the study reveal that standard costing, just in time costing, and activity based costing are supplementary technique in management accounting for SMEs. Balanced scorecard costing is eliminated since none of the firms apply this technique at all.

5.2.6 Research issue 6: What are the capital budgeting techniques practiced by the SMEs?

Five conclusions can be made from the findings.

Conclusion 1: average rate of return (AROR). The first conclusion for research issue 6 is concerned with the average rate of return as a technique in capital budgeting for the

SMEs. The average rate of return has been identified as one of the technique of capital budgeting in the literature (Gilbert and Reichert, 1995; Gitman and Forrester, 1997; Kester et al, 1999; Moore and Reichert, 1983; Schall et al, 1978; ZeZhong et al, 2006). The findings of the study show that none (0 percent) of the firms apply the average rate of return as a capital budgeting technique. Therefore, this technique is *eliminated* for research issue 6.

Conclusion 2: payback period (PP). The second conclusion for research issue 6 is about the payback period as a technique in capital budgeting for the SMEs. The payback period has been identified as one of the technique of capital budgeting in the literature (Gilbert and Reichert, 1995; Gitman and Forrester, 1997; Kester et al, 1999; Moore and Reichert, 1983; Schall et al, 1978; ZeZhong et al, 2006).

However, the findings of the study show that none (0 percent) of the firms apply the payback period in their analysis. Therefore this technique is *eliminated* for research issue 6.

Conclusion 3: net present value (NPV). The third conclusion for research issue 6 is concerned with the net present value as a technique in capital budgeting for the SMEs. The net present value has been identified as one of the technique of capital budgeting in past studies (Gilbert and Reichert, 1995; Gitman and Forrester, 1997; Kester et al, 1999; Moore and Reichert, 1983; Schall et al, 1978; ZeZhong et al, 2006).

Evidence from the present study shows that only two firms (6.7 percent) of the firms apply the net present value in their analysis of capital budgeting. It is also the only method used by the two firms. Therefore, this finding answers research issue 6.

Conclusion 4: profitability index (PI). The fourth conclusion for research issue 6 is regarding the profitability index as a technique in capital budgeting for the SMEs. The profitability index has been listed as one of the technique of capital budgeting in the literature (Gitman and Forrester, 1977; Kester et al, 1999).

The findings of the study indicate that none (0 percent) of the firms apply the profitability index in their analysis. Therefore, this technique is *eliminated* for research issue 6.

Conclusion 5: internal rate of return (IRR). The fifth conclusion for research issue 6 is concerned with the internal rate of return as a technique in capital budgeting for the SMEs. The internal rate of return has been identified as one of the technique of capital budgeting in the literature (Gilbert and Reichert, 1995; Gitman and Forrester, 1997; Kester et al, 1999; Moore and Reichert, 1983; Schall et al, 1978; ZeZhong et al, 2006).

The findings of the study show that none (0 percent) of the firms apply the internal rate of return in their analysis. Therefore this technique is *eliminated* for research issue 6.

Summary of the conclusion for research issue 6

The finding shows that the net present value is the only technique applied by the SMEs under survey. However, since only 6.7 percent of the firms use this tool, it is considered a supplementary technique. The average rate of return, payback period, profitability index, and internal rate of return are eliminated for research issue 6 since none of the firms applied them in capital budgeting.

5.2.7 Research issue 7: What are the working capital management techniques practiced by the SMEs?

Four conclusions can be made from the results.

Conclusion 1: cash management. The first conclusion for research issue 7 is concerned with cash management as a technique in working capital management of the SMEs. The literature has identified cash management as technique (Byun et al, 2003; Gilbert and Reichert, 1995; Gitman and Maxwell, 1985; Moore and Reichert, 1983).

The survey data show that all of the firms (100 percent) apply cash management techniques. This finding provides support of previous studies and confirms research issue 7.

Conclusion 2: accounts receivable management. The second conclusion for research issue 7 is concerned with the accounts receivable management as a technique in

working capital management for the SMEs. Accounts receivable management has been identified as one of the technique of working capital management in past studies (Gilbert and Reichert, 1995; Gitman and Maxwell, 1985).

The findings of the study show that 73.3 percent of the firms apply accounts receivable management. This result answers research issue 7 and provides support to previous studies.

Conclusion 3: inventory management. The third conclusion for research issue 7 is concerned with inventory management as a technique in working capital management for the SMEs. Controlling cash has been identified as one of the technique of working capital management in past studies (Gilbert and Reichert, 1995; Gitman and Maxwell, 1985; Moore and Reichert, 1983).

The findings of the study show that 96.7 percent of the firms apply inventory management. This finding answers research issue 7 and provides evidence in support of previous studies.

Conclusion 4: accounts payable management. The fourth conclusion for research issue 7 is concerned with accounts payable management as a technique in working capital management for the SMEs. Accounts receivable management has been identified as one of the technique of working capital management in the literature (Gitman and Maxwell, 1985).

The findings of the study show that 93.3 percent of the firms use accounts payable management in their working capital management technique. Therefore, this finding confirms research issue 7 and provides support of past studies.

Summary of the conclusion for research issue 7

The findings indicate that cash management technique, accounts receivable management, inventory management, and accounts payable management are important techniques used by the SMEs.

5.3 Conclusions about the research problems

The purpose of this section is to answer the research problem as stated in Chapter 1, Section 1.2 which are “What are the main components of financial management?” and “What are the financial management techniques practiced by the SMEs?” Based on the discussion in chapter 4, one new model can be designed. The components of financial management were categorized into two which are core components and supplementary components. From the six components listed, three were included in core components and others three were included in supplementary components, as shown in Figure 5.1.

Figure 5.1: Components of financial management used by SMEs

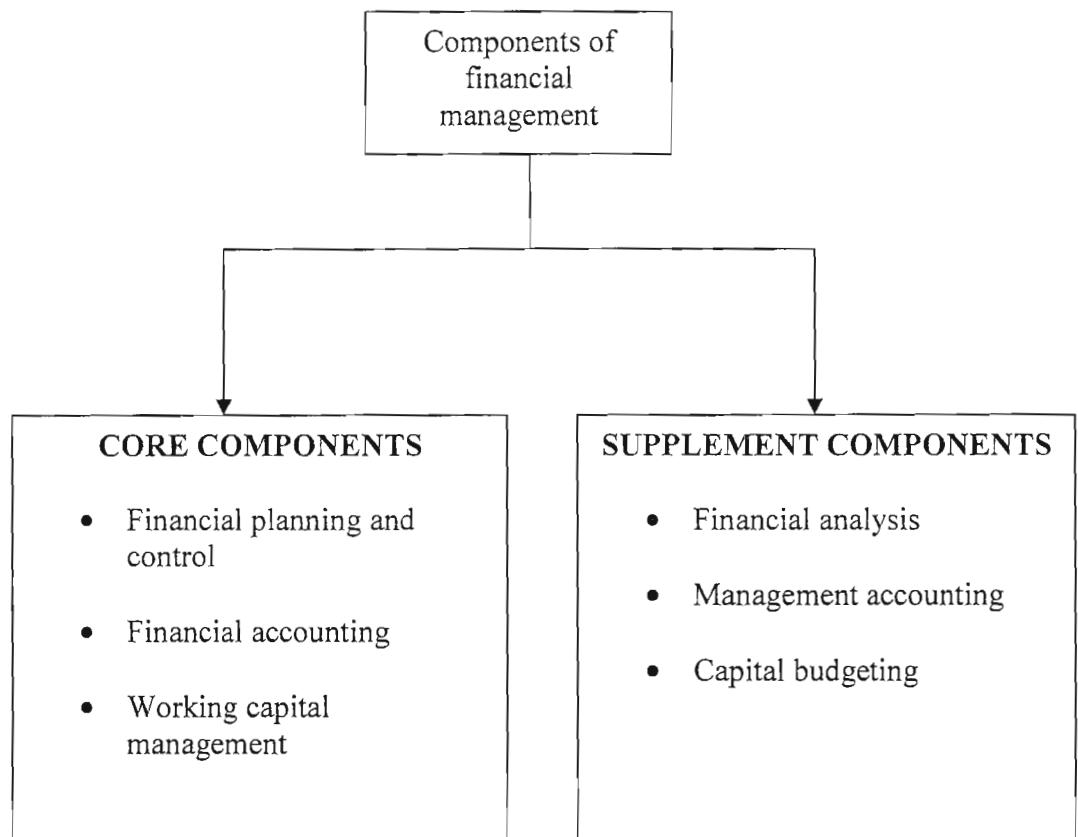
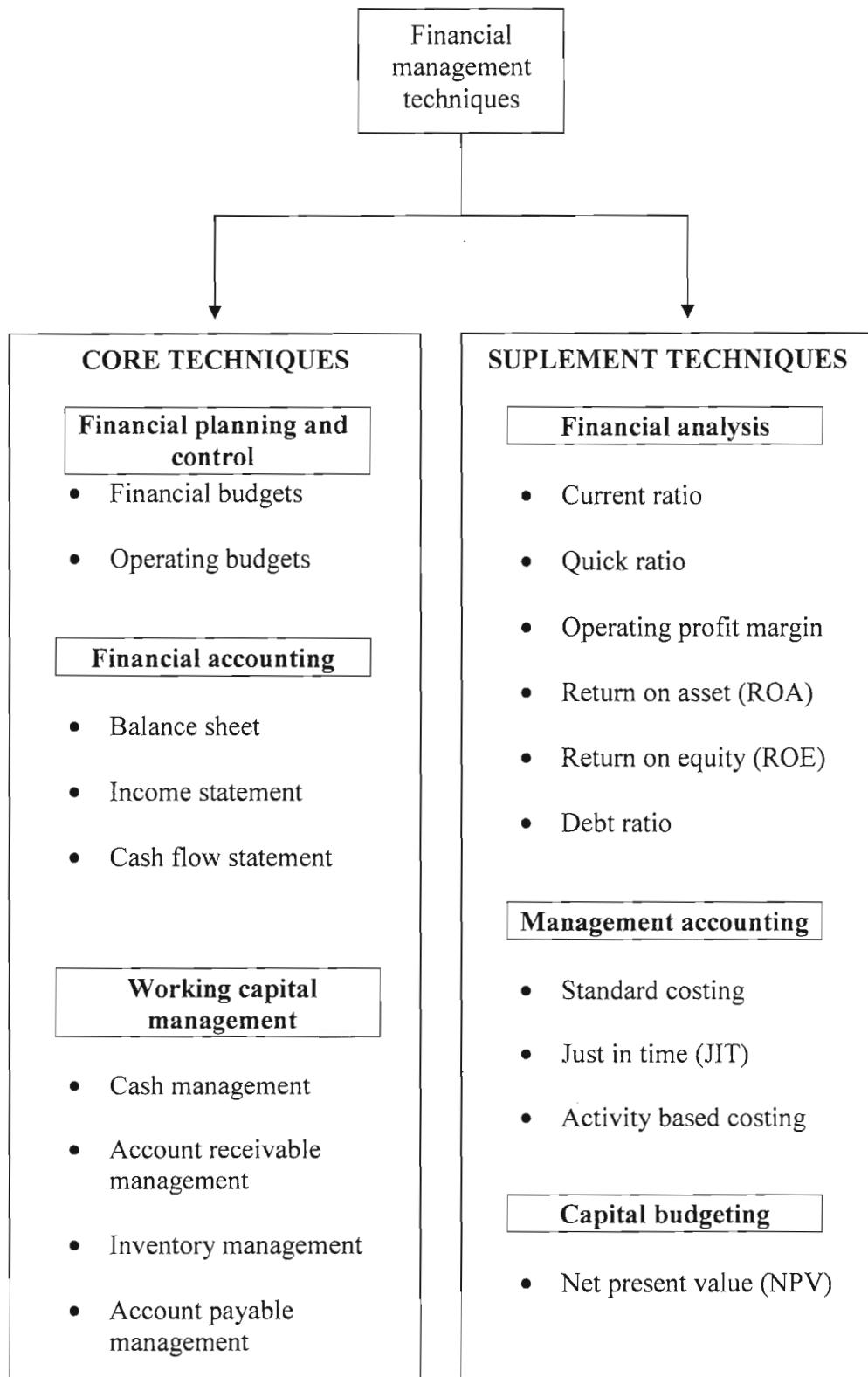


Figure 5.2 shows 19 techniques financial management used by SMEs. These techniques are categorized into two which are core techniques and supplementary techniques. From the 19 techniques listed, nine are included in core techniques and 10 are included in supplementary techniques.

Figure 5.2: Financial management techniques used by SMEs



5.4 Implication of the findings

In the previous section, conclusions of the research issues and research problems were addressed. This section will consider the implications of the findings of this study for practice.

The findings indicate that the range of financial management tools used by the SMEs in the survey is still low. Many still use only predictable and often used components such as financial accounting and working capital management. Out of the six components of financial management, only three are being practiced by a high percentage of the SMEs in the survey. These are financial planning and control, financial accounting, and working capital management. Three other components, namely management accounting, capital budgeting, and financial analysis are being practiced by only a small percentage of the SMEs. However, because of the important impact of all six components of financial management on the well being and survival of their business, managers of SMEs should seriously consider making financial management an important priority in their overall management. The model designed for this research could be adopted by the SMEs for their financial management. All six of the financial management components should be given priority by the SMEs.

5.5 Further research

Since all six components are identified in the literature as core components of financial management, the fact that not all of them are being practiced by most SMEs prompts an important question: *How adequate is the financial management of the SMEs which fail*

to use all six of the financial management components? However, this requires further research on the effectiveness of the financial management techniques practiced or its impact on performance of the SMEs. Further studies in the area of financial management techniques in the SMEs in Malaysia need to be undertaken for better understanding of the financial management techniques which are suitable and indispensable for the efficient and effective management of SMEs. Further research should be conducted to analyze why some techniques are not practiced by SMEs at all and to identify the factors which influence the decision of SMEs to apply certain financial management techniques. These further researches are needed to maintain the present role of the SMEs as an important component of the Malaysian economy and also because presently the studies of SMEs in Malaysia are still insufficient to facilitate understanding of this important sector of the economy.

5.6 Conclusion

In this chapter, a discussion and comparison of the findings of the six research issues against the literature are presented to confirm the framework of the research, and to identify the contribution of this study towards the understanding of the research problem. Conclusions about the research problem were later presented to address the framework that was produced for this study. Implications of the findings for practice were offered, followed by suggestions for further research work in the area of financial management techniques practiced by the SMEs.

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APPENDIX 1

PERMISSION LETTER TO INTERVIEW

10 May 2007

Kepada sesiapa yang berkenaan

Tuan/Puan,

PERMOHONAN KEBENARAN UNTUK MENJALANKAN TEMUDUGA

Dengan segala hormatnya, perkara di atas adalah dirujuk

Adalah dimaklumkan bahawa Harizal Bin Osman, nombor matrik 86015 adalah pelajar yang sedang mengikuti program Sarjana Sains (Kewangan) di Fakulti Kewangan dan Perbankan, Universiti Utara Malaysia. Pelajar terbabit sedang menjalankan kajian mengenai “Financial management practices for SMEs: An in-depth study among SMEs in Kedah” bagi memenuhi keperluan penganugerahan ijazah Sarjana Sains (Kewangan).

Sehubungan dengan ini, pelajar terbabit telah memilih syarikat tuan/puan untuk menjalankan kajian yang diperlukan. Saya amat berbesar hati dan berterima kasih jika pihak tuan/puan dapat memberikan persetujuan untuk ditemuduga oleh pelajar di atas bagi mendapatkan input yang diperlukan.

Sekian, di atas persetujuan pihak Tuan/Puan saya dahului dengan ucapan terima kasih.

Yang benar,

(DR. MOHD AMY AZHAR BIN HAJI MOHD HARIF C.A (M)
Penyelia Pelajar
Fakulti Kewangan dan Perbankan
Universiti Utara Malaysia

APPENDIX 2

INTERVIEW QUESTIONNAIRE



Harizal Bin Osman

Sarjana Pengurusan Sains (Kewangan)

Universiti Utara Malaysia

Penyelia : Dr. Mohd. Amy Azhar Bin Mohd Harif, C.A (M)

“Financial management practices for SMEs: An in-depth study among SMEs in Kedah”

Tarikh : _____
Masa : _____
Syarikat : _____
Nama : _____
Jawatan : _____

Pendahuluan

Ribuan terimakasih diucapkan ke atas kesudian pihak tuan/puan meluangkan masa untuk memberi kerjasama kepada saya bagi menjayakan kajian mengenai “ Financial management practices for SMEs: An in-depth study among SMEs in Kedah ”

Kerahsiaan Maklumat

Saya berjanji bahawa segala maklumat yang telah diterima dari pihak tuan adalah sulit dan hanya untuk tujuan akademik sahaja.

BAHAGIAN A : MAKLUMAT PERNIAGAAN

Panduan:

Sila tandakan (✓) pada ruang yang berkenaan.

1. Apakah status pendaftaran perniagaan ?

- Pemilikan tunggal
- Perkongsian
- Syarikat

2. Apakah jenis pemilikan perniagaan?

- Sendiri
- Subsidiari
- Usahasama (Joint venture)
- Kerajaan

3. Apakah status perniagaan?

- Bumiputra
- Bukan bumiputra

4. Apakah jenis perniagaan yang dijalankan?

- Perkhidmatan berdasarkan pembuatan (Elektrikal)
- Pembuatan berdasarkan pertanian (Makanan)
- Perkhidmatan
- Pembuatan
- Teknologi (ICT)
- Pertanian

5. Berapa jenis produk yang dikeluarkan oleh perniagaan?

- Satu jenis
- Pelbagai jenis

6. Berapa ramai jumlah pekerja dalam perniagaan ini?

- Kurang dari 5 orang
- 5 – 50 orang
- 51-150 orang
- Lebih dari 150 orang

7. Berapakah jumlah jualan bersih perniagaan setiap tahun?

- Kurang dari 250,000
- 250,000 – 10 juta
- 10 juta –25 juta
- Lebih dari 25 juta

8. Berapakah usia perniagaan?

- 1 – 5 tahun
- 6 – 10 tahun
- 11 – 15 tahun
- Lebih 15 tahun

BAHAGIAN B : PENGGUNAAN TEKNIK PENGURUSAN KEWANGAN

Panduan:

Sila tandakan (✓) pada satu sahaja pilihan yang paling hampir mewakili tindakan anda mengikut situasi berikut:

1. PERANCANGAN DAN KAWALAN KEWANGAN

(Perancangan kewangan melibatkan penetapan objektif kewangan dan menentukan pelan tindakan untuk mencapai objektif tersebut. Ia melibatkan penyediaan belanjawan. Kawalan ialah proses menetapkan standard, menerima maklumbalas dari prestasi sebenar dan membuat tindakan pembetulan sekiranya prestasi sebenar terkurang atau terlebih dari prestasi yang dianggarkan)

Ya Tidak

1. Perniagaan membuat perancangan & kawalan kewangan?
(Sekiranya TIDAK, terus ke teknik ke 2- Perakaunan kewangan)

2. Kaedah perancangan dan kawalan kewangan yang digunakan?

Belanjawan kewangan (Financial budgets)
Belanjawan operasi (Operating budgets)
Lain-lain (Nyatakan) _____

3. Kaedah belanjawan kewangan yang digunakan?

Belanjawan tunai
Belanjawan imbang duga
Belanjawan penyata aliran tunai
Belanjawan perbelanjaan modal (Capital expenditure)
Lain-lain (Nyatakan) _____

4. Kaedah belanjawan operasi yang digunakan ?

Belanjawan jualan
Belanjawan pengeluaran
Belanjawan bahan langsung
Belanjawan buruh langsung
Belanjawan overhead
Lain-lain (Nyatakan) _____

2. PERAKAUNAN KEWANGAN

(Melibatkan perekodan dan pelaporan urusniaga serta aktiviti sesebuah perniagaan bagi suatu tempoh tertentu. Objektif utama ialah untuk menyediakan laporan bagi menunjukkan keuntungan atau kerugian dan kedudukan kewangan perniagaan bagi sesuatu tempoh)

Ya Tidak

1. Adakah perniagaan mengamalkan perakaunan kewangan?
(Sekiranya TIDAK, terus ke teknik ke 3- Analisis kewangan)

2. Apakah jenis penyata kewangan yang disediakan ?
 Penyata pendapatan
 Kunci kira kira (Lembaran imbangan)
 Penyata aliran tunai
 Lain-lain (Nyatakan) _____

3. ANALISIS KEWANGAN

(Melibatkan penilaian keadaan dan prestasi kewangan sesebuah perniagaan)

	Ya	Tidak
1. Adakah perniagaan membuat analisis nisbah kewangan? (Sekiranya TIDAK, terus ke soalan teknik ke 4-Perakaunan pengurusan)	<input type="checkbox"/>	<input type="checkbox"/>
2. Apakah jenis analisis nisbah kewangan yang digunakan? Nisbah semasa <input type="checkbox"/> <input type="checkbox"/> Nisbah cepat <input type="checkbox"/> <input type="checkbox"/> Pulangan ke atas aset <input type="checkbox"/> <input type="checkbox"/> Pulangan ke atas jualan (margin untung) <input type="checkbox"/> <input type="checkbox"/> Pulangan ke atas ekuiti pemilik <input type="checkbox"/> <input type="checkbox"/> Nisbah hutang <input type="checkbox"/> <input type="checkbox"/> Lain-lain (Nyatakan) _____		

4. PERAKAUNAN PENGURUSAN

(Berkaitan tentang bagaimana maklumat kos dan lain-lain maklumat kewangan dan bukan kewangan patut digunakan untuk perancangan, kawalan, dan pembuatan keputusan.)

	Ya	Tidak
1. Adakah perniagaan mengamalkan perakaunan pengurusan? (Sekiranya TIDAK, terus ke soalan teknik ke 5-Belanjawan modal)	<input type="checkbox"/>	<input type="checkbox"/>
2. Jenis perakaunan pengurusan kos yang digunakan? Pengkosan standard (Standard costing)-berdasarkan fungsi <input type="checkbox"/> <input type="checkbox"/> Just in time (JIT) – pengurusan kos strategik <input type="checkbox"/> <input type="checkbox"/> Activity based costing (ABC) - berdasarkan aktiviti <input type="checkbox"/> <input type="checkbox"/> Balanced scorecard (BSC) – pengurusan kos strategik <input type="checkbox"/> <input type="checkbox"/> Lain-lain (Nyatakan) _____		

5. BELANJAWAN MODAL

(Melibatkan perancangan dan pemilihan pelaburan modal berdasarkan kepada pulangan yang akan diperolehi dari pelaburan tersebut.)

	Ya	Tidak
1. Adakah perniagaan membuat belanjawan modal? (Sekiranya TIDAK, terus ke soalan teknik ke 6-Pengurusan modal kerja)	<input type="checkbox"/>	<input type="checkbox"/>

2. Apakah kaedah belanjawan modal yang digunakan?

Average rate of return (AROR)

Payback period (PP)

Net present value (NPV)

Profitability index (PI)

Internal rate return (IRR)

Lain – lain (Nyatakan) _____

6. PENGURUSAN MODAL KERJA

(Pengurusan modal kerja – merujuk kepada pengurusan dana yang dilaburkan dalam tunai, akaun belum terima, inventori, dan lain-lain harta semasa)

Ya Tidak

1. Adakah perniagaan mengamalkan pengurusan modal kerja?

2. Jenis pengurusan modal kerja yang diamalkan?

Pengurusan tunai

Pengurusan akaun belum terima

Pengurusan inventori

Pengurusan akaun belum bayar

Lain-lain (Nyatakan) _____

3. Jenis pengurusan tunai yang diamalkan?

Pelaburan lebihan tunai (investment cash surplus)

Kawalan tunai (controlling cash)

Lain-lain (Nyatakan) _____

4. Jenis pelaburan lebihan tunai (investment cash surplus)

Akaun simpanan

Bil perbendaharaan

Saham biasa

Certificates of deposit

Lain-lain (Nyatakan) _____

5. Jenis kawalan tunai yang diamalkan

Deposit tunai pada hari yang sama

Gunakan sistem kotak berkunci (Lock box system)

Bayar awal dan mengambil diskaun tunai

Membuat bayaran di akhir tempoh

Lain – lain (Nyatakan) _____

6. Apakah teknik yang digunakan untuk memberikan hutang (credit)?

The five C's of credit (Character, capacity, capital, collateral, conditions)

Credit scoring (Berdasarkan kriteria)

Lain-lain (Nyatakan) _____

7. Apakah teknik yang digunakan untuk menggantikan inventori?

Kuantiti pesanan ekonomik (EOQ)

Titik pesanan semula (Reorder point)

Just in time (JIT)

Lain-lain (Nyatakan) _____

8. Adakah menerima diskau tunai dari pembekal?

Selalu ambil diskau tunai (bayar tunai)

Kadang-kadang ambil diskau

Tidak ambil diskau (credit term)

Lain-lain (Nyatakan) _____

BAHAGIAN C : MAKLUMAT RESPONDEN

1. Jawatan : _____

2. Tahap pendidikan responden :

Ijazah

Diploma / STPM

Menengah

Rendah

3. Berapakah kakitangan di bahagian kewangan : _____ orang

4. Kaedah merekod perakaunan syarikat ?

Manual

Komputer

5. Penyediaan laporan kewangan syarikat ?

Sendiri / kakitangan syarikat

Pihak luaran (firma audit yang dilantik)

TERIMA KASIH DI ATAS MAKLUM BALAS ANDA.

APPENDIX 3

DATA ANALYSIS

Characteristics of the respondents

Financial staff: 1 56.70
2 30.00