

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

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

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By

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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 diperolehi 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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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

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