FINANCIAL MANAGEMENT PRACTICES AMONG SMALL NON-MANUFACTURING COMPANIES

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ABSTRACT

Small and Medium Enterprises (SMEs) have been very important in many countries including Malaysia because of its role for the country's economic growth. This paper explores the level of awareness towards the importance of financial management from the preparation of accounting reports and its information usage in the business. The research focuses on small non-manufacturing companies because very few studies have been conducted in this area. Besides, the findings will help to reveal some of the key points that can contribute to the decision making and growth especially in the context of small companies.

The research is conducted on a case study manner which is to concentrate more and consider a situation that is similar to the previous research done. The situation considered is among small non-manufacturing companies which can provide useful tool to study the financial management in the companies and the usage of accounting information. Sources of data are gathered from primary and also from secondary data. The primary data is collected and gathered through an interview technique. The findings from the primary data are then is used with secondary data which is taken from previous researcher.

This study found that the level of awareness on the importance of financial management is still very poor in small firms. It is found that lack of accounting knowledge has been the factor that causes them unable to use the accounting information wisely. Moreover, the companies still do not have the effort to find alternatives to improve themselves to increase the level of their knowledge. This problem of lack of accounting knowledge and
the perception that they had on the financial matters at the end may affect the accuracy of the information and the credibility in decision making.

In addition, in this paper the level of awareness on the importance of using information technology (IT) in managing companies' financial also has been identified. The results show the difference in accounting preparation whether manually or computerized and its impact on the accounting information produced. The findings also show that companies that manage their financial using IT are still at minimal stages and prefer to use simple programmes such as Microsoft Excel and Word.

Thus it can be concluded that most companies did not have proper and systematic financial records and the used of IT to assist in managing financial are not fully utilized.

Keywords: financial management, information technology, accounting information, accounting system
ABSTRAK


Penyelidikan ini dijalankan dalam bentuk kajian kes iaitu lebih mendalam dan mengambil kira situasi yang sama dengan kajian-kajian yang dijalankan sebelum ini. Situasi di dalam syarikat kecil yang bukan pembuatan diambil kira sebagai membantu dalam mengkaji pengurusan kewangan dan penggunaan maklumat kewangan. Sumber-sumber data dikumpul daripada sumber prima dan sekunder. Sumber prima diperolehi daripada teknik temaduga. Hasil dapatan daripada teknik ini kemudiannya digunakan dengan sumber sekunder yang diambil daripada hasil kajian pengkaji-pengkaji sebelumnya.

Kajian ini mendapat tahap kesedaran terhadap kepentingan pengurusan kewangan adalah masih rendah di kalangan syarikat-syarikat kecil. Kajian menunjukkan faktor kurangnya pengetahuan dalam perakaunan menjadi penyebab kepada pengurus-pengurus tidak boleh
menggunakan maklumat perakaunan dengan bijak. Malah, didapati kebanyakan syarikat masih tidak memiliki kesungguhan untuk mencari alternatif untuk memperbaiki dan menambah tahap pengetahuan mereka. Masalah ini boleh memberi kesan kepada ketepatan dalam maklumat yang dihasilkan dan kredibiliti dalam membuat keputusan.

Selain itu, dalam kajian ini, tahap kesedaran terhadap kepentingan penggunaan teknologi maklumat dalam menguruskan kewangan syarikat juga telah dikenal pasti. Hasil kajian menunjukkan perbezaan dalam penyediaan rekod perakaunan dengan menggunakan sistem atau secara manual dan kesannya terhadap penghasilan maklumat perakaunan. Kajian juga menunjukkan syarikat-syarikat yang menguruskan kewangan mereka menggunakan teknologi maklumat masih di tahap yang rendah dan didapati lebih cenderung menggunakan program-program yang mudah seperti 'Microsoft Excel' dan 'Microsoft Word'.

Oleh itu, dapat disimpulkan di sini bahawa kebanyakan syarikat masih tidak memiliki rekod kewangan yang baik dan bersistematik dan penggunaan teknologi maklumat untuk membantu dalam pengurusan kewangan juga tidak digunakan dengan sepenuhnya.

Kata kunci: pengurusan kewangan, teknologi maklumat, maklumat perakaunan, sistem perakaunan
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DEDICATION

To my family members and my special friends
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certification of thesis work</td>
<td></td>
</tr>
<tr>
<td>Permission to use</td>
<td>i</td>
</tr>
<tr>
<td>Abstract (in English)</td>
<td>ii-iii</td>
</tr>
<tr>
<td>Abstrak (dalam Bahasa Melayu)</td>
<td>iv-vi</td>
</tr>
<tr>
<td>Acknowledgement</td>
<td>vii-viii</td>
</tr>
<tr>
<td>Dedication</td>
<td>ix</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>x-xiii</td>
</tr>
<tr>
<td>List of tables</td>
<td>xiv</td>
</tr>
<tr>
<td>List of figures</td>
<td>xv</td>
</tr>
<tr>
<td>List of abbreviations</td>
<td>xvi</td>
</tr>
</tbody>
</table>

## CHAPTER 1  INTRODUCTION

1.1 Overview..........................................................................................................................1

1.2 Background of the study.................................................................................................1

1.3 Problem statement and motivation..................................................................................3

1.4 Research questions...........................................................................................................7

1.4.1 Main research questions..............................................................................................7

1.4.2 Specific research question ..........................................................................................7
1.5 Research Objectives ........................................................................... 8
  1.5.1 Main research Objective .............................................................. 8
  1.5.2 Specific objective ........................................................................ 8
1.6 Significance of study ......................................................................... 8
1.7 Scope, limitation and assumption ........................................................ 9
1.8 Organization of the study ................................................................... 10

CHAPTER 2 LITERATURE REVIEW

2.1 Introduction ....................................................................................... 11
2.2 Profile of Malaysia’s SMEs ............................................................... 11
2.3 Characteristics of owner or managers in SMEs ............................... 20
2.4 Accounting information .................................................................. 24
2.5 SMEs and Information Technology (IT) ........................................... 28
2.6 Challenges and impact on SMEs ...................................................... 32
2.7 Summary .......................................................................................... 37

CHAPTER 3 METHODOLOGY

3.1 Introduction ....................................................................................... 39
3.2 Research Design ............................................................................... 39
   3.2.1 Type of study ............................................................................. 39
   3.2.2 Sources of data ......................................................................... 39
3.2.3 Unit of analysis.................................................................40
3.2.4 Sample and sampling technique.......................................40
3.3 Data collection, method and procedures.................................41
3.4 Summary..................................................................................42

CHAPTER 4 RESULTS AND FINDINGS

4.1 Introduction..............................................................................43
4.2 Background of companies........................................................43
4.3 Analysis and results from the firms analyzed............................47
  4.3.1 Basic record keeping..........................................................48
    4.3.1.1 Preparation of record keeping....................................48
    4.3.1.2 Frequency of accounting records preparation..............49
    4.3.1.3 Person in charge for record keeping preparation...........52
    4.3.1.4 The accounting knowledge and its information usage .....55
  4.3.2 Expert advice.......................................................................60
    4.3.2.1 Accounting firm.........................................................60
    4.3.2.2 Other agencies............................................................65
  4.3.3 Use of computerized system...............................................72
    4.3.3.1 Computer usage..........................................................72
    4.3.3.2 Decision for computerized accounting system................77
  4.3.4 Future planning for effective financial management................80
4.4 Summary..................................................................................83
CHAPTER 5 CONCLUSION

5.1 Introduction ...........................................................................................................85
5.2 Conclusion ...........................................................................................................85
5.3 Limitations and future research opportunities ..................................................88

References ..................................................................................................................90
Appendix ....................................................................................................................100

xii
<table>
<thead>
<tr>
<th>List of Table</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 2.1: SMEs Definition Based on Number of full-time employees</td>
<td>13</td>
</tr>
<tr>
<td>Table 2.2: SMEs Definition Based on Annual Sales Turnover</td>
<td>14</td>
</tr>
<tr>
<td>Table 2.3: Advantages and disadvantages of a family firm in the eye of the</td>
<td>18</td>
</tr>
<tr>
<td>entrepreneur</td>
<td></td>
</tr>
<tr>
<td>Table 2.4: Major activities for managers’ role</td>
<td>22</td>
</tr>
<tr>
<td>Table 2.5: Output and value added of SMEs by sector</td>
<td>30</td>
</tr>
<tr>
<td>Table 4.1: Participating organizations</td>
<td>44</td>
</tr>
<tr>
<td>Table 4.2: Results on quality, frequency and level of awareness to the</td>
<td>51</td>
</tr>
<tr>
<td>accounting records preparation</td>
<td></td>
</tr>
<tr>
<td>Table 4.3: Results of the accounting knowledge and its information usage</td>
<td>59</td>
</tr>
</tbody>
</table>
## LIST OF FIGURES

<table>
<thead>
<tr>
<th>List of Figure</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 2.1: Relationship between managers' mentality and performance during all stages of firms' growth</td>
<td>21</td>
</tr>
<tr>
<td>Figure 2.2: Relationship between owners' or managers' mentality and enterprise performance</td>
<td>23</td>
</tr>
<tr>
<td>Figure 2.3: Percentage of SMEs in Agriculture, Manufacturing and the services sectors</td>
<td>29</td>
</tr>
<tr>
<td>Figure 2.4: Percentage distribution of output of SMEs by sector</td>
<td>30</td>
</tr>
</tbody>
</table>
# LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIS</td>
<td>Accounting Information System</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
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<tr>
<td>IMP2</td>
<td>Second Industrial Master Plan</td>
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<tr>
<td>IMP3</td>
<td>Third Industrial Master Plan</td>
</tr>
<tr>
<td>MSC</td>
<td>Multimedia Super Corridor</td>
</tr>
<tr>
<td>MITI</td>
<td>Ministry of International Trade and Industry</td>
</tr>
<tr>
<td>MME</td>
<td>Middle Market Enterprises</td>
</tr>
<tr>
<td>MNC</td>
<td>Multinational companies</td>
</tr>
<tr>
<td>NITC</td>
<td>National IT Council</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>SMIDEC</td>
<td>Small and Medium Industries Development Corporation</td>
</tr>
<tr>
<td>SMIDP</td>
<td>Small and Medium Industrial Development Plan</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
</tbody>
</table>
CHAPTER 1

INTRODUCTION

1.1 Overview

Chapter 1 comprises seven sections which cover background of the study, problem statement and motivation, research questions, research objectives, significance of the study, scope, limitation and assumption and report structure.

1.2 Background of the Study

Financial management is crucial for the continuity of small and medium enterprises (SMEs). The growing importance of this issue raises interesting questions whether companies are improving their abilities to have effective financial management and implementing changes that will enable them to analyze results, to interpret, to forecast future performance and improve their business decisions (Barker, 2003). The competition in SMEs seems to call for an investigation towards the effectiveness of financial management.

Furthermore, business planning and strategies are depending on effective financial management. Therefore, this study on financial management covers the issue of accounting information usage and the use of other information for business decision. Shahwan and Al-Ain (2008) argued that users of financial report should be able to make
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REFERENCES


