FACTORS INFLUENCING CLOUD ACCOUNTING SOFTWARE ADOPTION AMONG SMALL AND MEDIUM ENTERPRISES (SMES) IN THE NORTHERN STATES OF MALAYSIA

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FACTORS INFLUENCING CLOUD ACCOUNTING SOFTWARE ADOPTION AMONG SMALL AND MEDIUM ENTERPRISES (SMES) IN THE NORTHERN STATES OF MALAYSIA

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Abstract

In the current digital era, cloud accounting is one of the most useful tools that can be utilised by small and medium enterprises (SMEs). Many SMEs have failed to properly manage their accounting management due to the inadequate understanding and managerial skills that lead them to their dissolvement. In this study, the Technology-Organisation-Environment (TOE) framework was adopted but the researcher only applied the technology and environmental contexts. The study's objective is to examine the influence of technology factors and government support on the influence of cloud accounting software adoption. The quantitative research approach is employed, and the accountants and management of SMEs in the northern states of Malaysia were surveyed. A total of 121 responses have been obtained and analysed. Analyses of the survey data were conducted using SPSS and PLS-SEM. The findings revealed that SMEs in Malaysia's northern states are positively and significantly influenced by relative advantage and government support when they want to adopt cloud accounting software. Anyhow, data security and privacy concerns and compatibility were found to be insignificant on the influence of cloud accounting software adoption among SMEs in Malaysia's northern states. Through this research, some insights will be added to the accounting literature of Malaysian SMEs and serve as a guide for those who have yet to adopt cloud accounting software. As for practical contributions, this research will help cloud accounting providers create user-friendly interfaces and improve software designs and features to meet user expectations. Other than that, this research will show government and regulatory officials how vital incentives and training support groups are for SMEs.

Keywords: Cloud Accounting, Relative advantage, Data privacy and security concerns, Compatibility, Government support, Technology-Organisation-Environment, Small and Medium Enterprises (SMEs)

Abstrak

Dalam era digital semasa, perakaunan awan adalah salah satu alat paling berguna yang boleh digunakan oleh perusahaan kecil dan sederhana (PKS). Banyak perusahaan kecil dan sederhana telah gagal mengurus pengurusan perakaunan mereka dengan betul disebabkan oleh kurang pemahaman dan kemahiran pengurusan yang membawa mereka kepada pembubaran. Dalam kajian ini, rangka kerja Teknologi-Organisasi-Persekitaran (TOE) telah diterima pakai tetapi penyelidik hanya menggunakan konteks teknologi dan persekitaran. Objektif kajian adalah untuk menganalisis faktor teknologi dan sokongan kerajaan terhadap pengaruh yang mereka ada pada penggunaan perisian perakaunan awan. Pendekatan penyelidikan kuantitatif digunakan, akauntan dan pengurusan perusahaan kecil dan sederhana di negeri-negeri utara Malaysia telah dikaji. Sebanyak 121 respons telah diperolehi dan dianalisis. Analisis data tinjauan telah dijalankan dengan menggunakan SPSS dan PLS-SEM. Penemuan itu mendedahkan bahawa perusahaan kecil dan sederhana di negeri-negeri utara Malaysia secara positif dan ketara dipengaruhi oleh kelebihan relatif dan sokongan kerajaan apabila mereka mahu menggunakan perisian perakaunan awan. Bagaimanapun, kebimbangan keselamatan dan privasi data serta keserasian didapati tidak begitu penting terhadap pengaruh penggunaan perisian perakaunan awan dalam kalangan perusahaan kecil dan sederhana di negeri-negeri utara Malaysia. Melalui penyelidikan ini, beberapa pandangan akan ditambah ke dalam literatur perakaunan PKS Malaysia dan menjadi panduan bagi mereka yang masih belum menggunakan perisian perakaunan awan. Bagi sumbangan praktikal, penyelidikan ini akan membantu penyedia perakaunan awan mencipta antara muka mesra pengguna dan menambah baik reka bentuk dan ciri perisian untuk memenuhi jangkaan pengguna. Selain daripada itu, penyelidikan ini akan menunjukkan kepada pegawai kerajaan dan kawal selia betapa pentingnya insentif dan kumpulan sokongan latihan untuk PKS.

Kata kunci : Perakaunan awan, Kelebihan relatif, Keselamatan data dan kebimbangan privasi, Keserasian, Sokongan kerajaan, Teknologi-Organisasi-Persekitaran, Perusahaan Kecil dan Sederhana (PKS)

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List of Abbreviations

SMEs	Small and medium enterprises
CA	Cloud accounting
IT	Information Technology
IS	Information System
IFAC	International Federation of Accountants
MSMEs	Micro, small and medium enterprises
AIS	Accounting Information Systems
TOE	Technology-Organisation-Environment
RA	Relative advantage
DSP	Data security and privacy concern
C	Compatibility
GS	Government support
ACCA	Association of Chartered Certified Accountants
MICPA	Malaysian Institute of Certified Public Accountants
ICAEW	Institute of Chartered Accountants In England And Wales
CPA	Certified Public Accountant
SPSS	Statistical Package for the Social Sciences
PLS-SEM	Partial Least Square Equation Modelling
VIF	Variance Inflated Factor
CR	Composite Reliability
AVE	Average variance extracted
HTMT	Heterotrait-monotrait ratio

CHAPTER ONE

INTRODUCTION

1.1 Introduction

In this chapter, it discusses the purpose of this research relating to cloud accounting and cloud computing scope. There are issues related to the lack of adoption related to cloud accounting adoption among small and medium enterprises (SMEs) that will be highlighted through the background of the study as well as problem statements. The definite purposes for the current research are indicated by the research objectives and research questions. To ease the comprehension of the readers of the current research, the scope of the research has been outlined. All the related key terms are clarified and defined to aid the readers' understanding.

1.2 Background of the Study

A rise in the number of small and medium enterprises (SMEs) is often the first indicator of economic health in a region. There is no denying the important role that SMEs play in bolstering a nation's economy. Having a proper accounting system is very crucial for these businesses to survive (Ramli et al., 2017). The importance of accounting cannot be denied as it can be said that it is the main pillar of a business. Accounting helps business owners to see if their businesses are doing well in term of financially or not. Even when the business wants to apply for any loan or register for any government funds, they will need to see the company's financial statements first before deciding to approve any loans or funds or not (Gidado & Babakura, 2019). That is why it is important to file all the documents, invoices, receipts, and any kind of bills

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Appendix A : Questionnaire

TOPIC : FACTORS INFLUENCING THE CLOUD ACCOUNTING ADOPTION AMONG SMALL AND MEDIUM ENTERPRISES (SMEs) IN THE NORTHERN STATES OF MALAYSIA

QUESTIONNAIRES

The purpose of this questionnaire is to conduct a study on the factors influencing the cloud accounting adoption among Small and Medium Enterprises (SMEs) in the Northern states of Malaysia.

Cloud accounting is a system where it allows multiple users at once to have access to the financial data from any location and on any devices with the existence of internet connection. It does not rely on a single desktop or laptop that needs to be linked to the company's local area network (LAN). All the accounting services like bookkeeping, generating invoices and reporting of financial statements are being done on the remote server which is referred as "cloud" owned by the cloud providers.

SECTION A
GENERAL INFORMATION
For this section, participants are required to answer the following background questions for the purpose of the analysis of the data.

1. **Industry**

☐ Construction	☐ Banking and finances	☐ Food	☐ Electronic
☐ Technology	☐ Telecommunications	☐ Automotive	☐ Manufacturing
☐ Medicine	☐ Others, please state if any:		

2. **Size of the company**
   ☐ 5 to 30 employees
   ☐ 30 to 75 employees
   ☐ 75 to 150 employees
   ☐ 150 to 250 employees
   ☐ More than 250 employees

3. **Years of established**
   ☐ 1 to 5 years
   ☐ 5 to 8 years
   ☐ 8 to 10 years
   ☐ More than 10 years

4. **Type of business entity**
   ☐ Sole proprietorship
   ☐ Partnership
   ☐ Private limited company (Sendirian Berhad)
   ☐ Company limited by guarantee (CLG)
   ☐ Unlimited company (Sendirian)

☐ Public limited company (Berhad)
☐ Foreign company
☐ Limited liability partnership (LLP)

Respondent Profile

5. Gender
☐ Male ☐ Female

6. Age
☐ Below 30 years old
☐ Between 31 and 40 years old
☐ Between 41 and 50 years old
☐ Over 50 years old

7. Education level
☐ SPM or lower ☐ Diploma/STPM ☐ Degree
☐ Master's Level ☐ Doctorate Level

8. Professional qualification
☐ None ☐ ACCA ☐ ICAEW ☐ CPA Australia
☐ MICPA ☐ Others, please state if any:

9. Position
☐ Senior Manager
☐ Manager
☐ Executive
☐ Assistant Executive
☐ Others, please state if any : ________________

10. Working experience
☐ Less than 1 year ☐ 5 to 10 years
☐ 1 to 5 years ☐ More than 10 years

11. Do you use accounting software?
☐ Yes ☐ No

12. Does the accounting software you use have the following features? (Please tick the appropriate boxes)
☐ The accounting software is safe, encrypted, and secure.
☐ Able to work and store data from any device with an internet connection anytime from anywhere.
☐ Helps to make the business operations become more efficient.
☐ Provides critical data storage in case of a natural disaster or network failure.
☐ Save time with automation.

☐ Can use directly through web-based or no installation required.
☐ Immediate access to technical support and customer service.
☐ Required password to enter the system.

13. The name of accounting software use (Please tick the appropriate boxes)

☐ Xero
☐ Microsoft Excel
☐ QuickBooks
☐ AutoCount
☐ MYOB
☐ Sage UBS
☐ Bukku
☐ SQL Account
☐ Million
☐ Biztory
☐ Others, if any : ________________________

SECTION B

These are the statements regarding the technological, organisational and environmental context that influence cloud accounting software adoption. Please state the level of agreement for each of the following statements according to the following scale.

1. Relative advantage

Statement	1 (Strongly disagree)	2 (Disagree)	3 (Neutral)	4 (Agree)	5 (Strongly agree)
1. Cloud accounting software adoption enhances employee's productivity.					
2. Cloud accounting software adoption allows employees to view financial data in real time.					

2. Data security and privacy concern

Statement	1 (Strongly disagree)	2 (Disagree)	3 (Neutral)	4 (Agree)	5 (Strongly agree)
1. Cloud accounting software adoption provides better security than other software.					
3. Only authorised personnels can access					

the data in the cloud accounting software.					
4. Cloud accounting software adoption can automatically back up the data.					

3. Compatibility

Statement	1 (Strongly disagree)	2 (Disagree)	3 (Neutral)	4 (Agree)	5 (Strongly agree)
1. Cloud accounting software is compatible with the existing system in the company.					
2. Cloud accounting software adoption can fulfil the company's needs.					
3. Cloud accounting software adoption is compatible with the company's corporate culture.					

4. Government support

Statement	1 (Strongly disagree)	2 (Disagree)	3 (Neutral)	4 (Agree)	5 (Strongly agree)
1. Government is showing full support to adopt cloud accounting software.					
2. Government provides enough resources to adopt cloud accounting software for the company.					
3. Government provides rules, guidance, and training for the adoption of cloud accounting software.					

5. Cloud accounting adoption

Statement	1 (Yes)	2 (No)
1. The company is currently evaluating whether to adopt cloud accounting software.		
2. The company is preparing the infrastructure to adopt the cloud accounting software.		
3. The company already adopted the cloud accounting software.		